

IX. INTERNATIONAL AND DOMESTIC COOPERATION. PUBLIC RELATIONS

Cooperation with international financial and other institutions and national central banks is becoming increasingly more important to Eesti Pank's core performance. Meanwhile the enlargement of the European Union and arising opportunities and obligations regarding multilateral economic policy cooperation have created new challenges also for domestic cooperation within Estonia. However, our obligations as for having a say in global matters and applying international agreements are not limited to the EU. From the viewpoint of the activities of the central bank, the International Monetary Fund is an important cooperation partner. Moreover, the best way to exchange know-how in specific areas is often through bilateral cooperation between central banks.

REGULAR COOPERATION WITH THE EUROPEAN UNION BODIES

All in all, the representatives of Eesti Pank participate in about 60 committees and working groups set up by the European System of Central Banks, the Council of the European Union, and the European Commission. In 2003, Eesti Pank's executives and experts participated in **164 meetings of EU committees and working groups**, most of which were held after the Treaty of Accession was signed. Extensive work in committees and working groups is a necessary – and as experience has so far shown – an efficient way of taking into consideration expert and political opinions of all Member States.

European Central Bank

Of the European Union institutions Eesti Pank's most important cooperation partner is the European Central Bank. As of May 2003 the Governor of Eesti Pank has been participating in the work of the ECB General Council as an observer. The sessions of the Council are usually held four times a year. **Other Eesti Pank's staff members participate as observers in the work of 12 committees and their working groups preparing the meetings of the ECB Governing Council and the General Council.** The names of the committees describe their fields of activity: Accounting and Monetary Income Committee, Banking Supervisory Committee, Banknote Committee, External Communications Committee, Information Technology Committee, Internal Auditors Committee, International Relations Committee, Legal Committee, Market Operations Committee, Monetary Policy Committee, Payment and Settlement Systems Committee, and Statistics Committee. Besides, the ECB has the Budget Committee that the states outside the euro zone are not members of.

Participation of Eesti Pank in the Cooperation Bodies of the European System of Central Banks (as an observer since 16 April 2003)

- General Council
- Accounting and Monetary Income Committee; AMICO, incl. 2 working groups
- Banking Supervisory Committee; BSC, incl. 3 working groups
- Banknote Committee; BANCO, incl. 2 working groups
- External Communications Committee; ECCO, incl. 1 working group
- Information Technology Committee; ITC, incl. 3 working groups
- Internal Auditors Committee; IAC
- International Relations Committee; IRC, incl. 2 working groups
- Legal Committee; LEGCO, incl. 1 working group
- Market Operations Committee; MOC, incl. 2 working groups
- Monetary Policy Committee; MPC, incl. 3 working groups
- Payment and Settlement Systems Committee; PSSC, incl. 5 working groups
- Statistics Committee; STC, incl. 5 working groups

In 2003, the ECB held multiple seminars with the acceding countries to discuss the issues of compiling banking and balance of payments statistics, collateral management, payment systems, information technology, personnel management, and accounting.

Most NCBs of the acceding countries, including Eesti Pank, have embarked on drafting detailed action plans for joining the ESCB and the euro zone. During multilateral visits technical preparation as well as organisation of economic and monetary policy analysis have been discussed. In 2003, one of the most extensive cooperation projects was assessment of the securities settlement systems of Estonia and other acceding countries¹.

Council of the European Union

Twice a year the Governor of Eesti Pank, like governors of the other NCBs, participates in the informal meetings of the Economic and Financial Affairs Council (ECOFIN), which are held prior to the Annual and Spring Meetings of the International Monetary Fund. In 2003, Vahur Kraft, Governor of Eesti Pank, took part in the informal ECOFIN meeting held on 12–13 September, which discussed world economic developments, issues of monitoring financial stability, preparations for the IMF Annual Meeting, and gave an overview of drafting the EU Constitutional Treaty.

Eesti Pank considers it important that its experts participate in the committees and working groups of the Council of the European Union, whose principal task is to prepare the issues coming up in the Council sessions. The most important structure of the Council that representatives of Eesti Pank participate in is the Economic and Financial Committee (EFC) and its working groups. In 2003, representatives of Eesti Pank took part in two meetings of the Committee and two EFC High Level Meetings involving all the acceding and candidate countries (Bulgaria, Romania, Turkey). The latter meetings discussed the procedures of the exchange rate mechanism II, integration of the new Member States into the EU economic policy coordination, structural reform challenges, issues of macroeconomic and financial stability, and a statistics action plan. The regular meetings of the Committee the economic situation, preparations for the IMF Annual Meeting and the risk capital action plan dealt with. Besides, two Financial Stability Tables were carried out within the framework of the Committee.

¹ See Assessment of EU Acceding and Candidate Countries' Securities Settlement Systems, Chapter VII.

Participation of Eesti Pank in the Cooperation Bodies of the Council of the European Union (as an observer since 16 April 2003)

- Informal ECOFIN
- Economic and Financial Committee; EFC, incl. 3 working groups
- Working Party of Financial Councillors
- Working Party on Financial Services
- Statistics Working Group

European Commission

Representatives of Eesti Pank participate in the Commission committees and working groups that handle issues of statistics, economic forecasts, payment systems and banking as well as matters arising from the new directive on money laundering.

Problems relevant to Estonia were discussed with the European Commission also in the course of the last pre-accession peer review missions in 2003. In March a follow-up mission on financial sector and money laundering visited Estonia to assess implementation of the recommendations that had been made in 2001. The overall conclusion was that Estonia had performed successfully. In May experts from the justice and internal affairs mission met representatives of Eesti Pank to discuss issues of money laundering and counterfeit banknotes and coins. According to the overall conclusions of the report, cooperation between different agencies and the private sector in Estonia is good; particularly extensive efforts have been made in developing the legal framework.

Participation of Eesti Pank in the Cooperation Bodies of the European Commission

- Banking Advisory Committee (BAC), incl. 3 working groups
- Committee of European Banking Supervisors (CEBS)
- Expert Group on Financial Indicators (EGFI)
- Committee on Monetary, Financial and Balance of Payments Statistics (CMFB)
- Balance of Payments Working Group
- Mint Directors Working Group
- Payment Systems Government Expert Group (PSGEG)
- Fraud Prevention Expert Group (FPEG)
- Expert Group on Economic Forecasting (EGEF)
- Money Laundering Contact Committee (MLCC)
- Euro Counterfeiting Experts Group (ECEG)
- Ad hoc Meeting with Member States on the Hague Securities Convention

COOPERATION WITH THE INTERNATIONAL MONETARY FUND

Estonia's cooperation with the International Monetary Fund is related to the rights and obligations arising from its membership. The Governor of Eesti Pank as a member of the highest decision-making body of the IMF, the **Board of Governors**, and Secretary General of the Ministry of Finance as an alternate member attend the IMF Annual Meeting every year. The advisory body to the Board of Governors, the **International Monetary and Financial Committee**, comprising 24 representatives elected by the IMF member countries meets twice a year. In 2003, the main topics under discussion at the Board and the Committee meetings were acceleration of economic development in poor countries and reducing their debt burden, restructuring public debt in case of insolvency, enhancing the methods and effectiveness of IMF surveillance, reviewing some of IMF's credit lines, and solving economic problems in crisis countries.

During both the Annual Meetings and the meeting of the International Monetary and Financial Committee (in April and September) representatives of Eesti Pank and ministries also participate in the meetings of the Nordic-Baltic Constituency and multiple bilateral meetings with other central banks and international institutions.

Daily cooperation within the IMF is in fact conducted through the Nordic-Baltic Constituency, which represents Estonia. The Constituency includes eight countries (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway, and Sweden) that elect a representative to the Executive Board of the IMF. To participate in the daily work and decision-making process of the IMF, the Constituency coordinates the position of the eight countries on the issues handled in the Executive Board. Besides daily coordination of positions on the issues discussed in the Executive Board, the most important issues are discussed twice a year in the Monetary and Financial Committee of the Constituency and twice in the Alternates' Committee. Each constituent country is represented in the Committee by a government and a central bank representative, usually by the secretary general of the ministry responsible for the IMF issues and a deputy governor of the central bank.

In July and August 2003, **economic policy cooperation between Estonia and the IMF** was carried out within the framework of regular consultations applied to all member countries under Article IV of the IMF Articles of Agreement. Besides, a mission visited Estonia in April to assess the economic policy objectives and action plans of the new government.

Participation of Eesti Pank in the Work of the International Monetary Fund

- Board of Governors of the International Monetary Fund
- Monetary and Financial Committee of the Nordic-Baltic Constituency and the Alternates' Committee
- Nordic-Baltic Constituency coordinators' meeting

COOPERATION WITH OTHER INTERNATIONAL ORGANISATIONS

Since Eesti Pank is a shareholder in the Bank for International Settlements (BIS) with 200 shares carrying voting rights, the Governor of Eesti Pank participated in the Annual General Meeting of BIS on 30 June 2003 and in the regular meetings of central banks governors held six times a year on average. Representatives of the central bank also participate in the Annual Meeting of coordinators of technical cooperation from G10, CEEC, and CIS central banks, organised by BIS.

Participation of Eesti Pank in the Work of the Bank for International Settlements

- General Meeting of BIS member central banks
- Working meetings of central bank governors
- BIS Monetary Policy Working Party
- Meeting of Coordinators of Technical Cooperation from G10, CEEC, and CIS central banks, organised by BIS

With other international organisations, like the World Bank (WB), the European Bank for Reconstruction and Development (EBRD), the Organisation for Economic Cooperation and Development (OECD), NATO, etc., Eesti Pank communicates on the level of national working groups. At meetings with representatives of the above institutions, the task of the central bank is to brief on Estonia's economic and financial sector developments and introduce monetary policy principles. Over the last three years, after the publication of the EBRD annual Transition Report, Eesti Pank has invited EBRD representatives to the bank to introduce their evaluation of the development of Estonia and other transition countries.

COOPERATION WITH OTHER CENTRAL BANKS

The annual joint Seminar of the Baltic Central Banks was held in Estonia in 2003. This time the seminar focused on financial stability, development of the organisational management system and staff, and preparing the central banks for a closer cooperation with EU institutions, above all within the framework of the ESCB. Joint seminars of the three central banks were also held in the fields of cash management, statistics, accounting, and internal audit. Broader issues regarding cooperation between the central banks are dealt with at the biannual meeting of deputy governors of the Baltic central banks. Joint research projects have become a tradition. In 2002–2003, the topic of the project was the monetary policy transmission mechanism in the Baltic States.

In 2003, the traditional joint seminar of Eesti Pank and Suomen Pankki took place in Finland. The main topics included EU integration, Estonia joining the European exchange rate mechanism II and the euro zone, integration of Nordic and Baltic financial systems. Suomen Pankki has throughout the pre-accession period supported Eesti Pank with its know-how and experience. Also in 2003 several bilateral visits were carried out to discuss issues related to financial stability and economic analysis. The fact that the Estonian financial sector is closely tied to that of Sweden and Finland has brought about the need for a more extensive financial stability cooperation with the Nordic countries.

Outside the Nordic and Baltic countries Eesti Pank's cooperation partners in 2003 included the central banks of Austria, Greece, Luxembourg, the Netherlands, and the United Kingdom. The Governor of Eesti Pank met his colleagues in Luxembourg and Romania during the state visits of the President of the Republic of Estonia. On 12 and 13 May the Board of Eesti Pank visited Česka Narodni Banka. The topics under discussion were preparations for joining the EU and the common currency area, monetary policy alternatives and choices.

Eesti Pank has in turn been willing to share experience with Eastern European countries. In July 2003, a delegation from the central bank of Kazakhstan visited Tallinn with the aim of getting a closer view of the information technology systems of Eesti Pank and their operation principles. The guests were also interested in accounting practices and application of international accounting standards.

DOMESTIC COOPERATION IN FINANCIAL AND ECONOMIC POLICY ISSUES

Eesti Pank practises in close cooperation within the country in economic and financial services issues. Meanwhile the organisational framework of cooperation is different in different areas.

Coordination of the legal acts related to financial sector policy and financial services is handled by the **Financial Services Working Group** set up at the Ministry of Finance and comprising representatives of Eesti Pank, the Ministry of Finance, the Financial Supervision Authority, and the Ministry of Justice. The issues related to the European Union have shifted the focus from harmonising Estonian legislation to formulating Estonia's positions on EU legislation, but discussions also embrace broader issues related to Estonia's financial sector.

Economic policy issues are discussed at regular **meetings** in a less formal institutional framework. Top officials from Eesti Pank, the Ministry of Finance, the Ministry of Economic Affairs and Communications, Prime Minister's Bureau, and the Office of the President of the Republic participate in these meetings. Discussions involve the economic situation, economic policy documents, and significant individual issues that are of interest to the parties.

The **Social and Economic Council** is operating at the Ministry of Social Affairs and its task is to facilitate social dialogue, discuss labour market issues, coordinate short-term research, etc. Besides employers and

employees, the Council also comprises experts from government institutions and different independent research institutions. Eesti Pank, too, has been involved in the work of the Council as an expert.

In order to attain the objectives set by the European Council in Lisbon, the **Lisbon Working Group** was established in Estonia comprising representatives of the EU Secretariat, Prime Minister's Bureau, the Ministry of Economic Affairs and Communications, the Ministry of the Environment, the Ministry of Finance, the Ministry of Education and Research, the Ministry of Social Affairs, and Eesti Pank. The aim of the Working Group is to coordinate issues related to the Lisbon strategy² and contribute to Estonia's positions on issues discussed by the European Council.

Besides, in the matters related to the EU, close cooperation and coordination of views is carried out in the course of daily bilateral communication. For example, Eesti Pank takes part in preparing the meetings of the ECOFIN Council, the Economic and Financial Committee, and meetings of EU Permanent Representatives in the area of its expertise.

Eesti Pank has also been involved in preparing the most important economic policy documents in Estonia. Of the documents submitted to the European Union in 2003, Eesti Pank made a contribution to the report on economic reforms³ and to the so-called pre-accession economic programme.

Participation of Eesti Pank in Domestic Cooperation

- Council of Senior Civil Servants
- Foreign Assistance Working Group of the Council of Senior Civil Servants
- Lisbon Working Group
- Financial Services Working Group
- Money Laundering Prevention Working Group
- Intergovernmental Conference Working Group
- Organisation for Economic Cooperation and Development (OECD) Baltic Regional Programme Working Group

PUBLIC RELATIONS OF THE CENTRAL BANK AND SIGNIFICANT TARGET GROUPS

Public relations of Eesti Pank are based on the following objectives:

- to ensure public understanding of and sufficient support to the monetary policy pursued by the central bank;
- to maintain the reputation of Eesti Pank as that of a competent, independent, and reliable institution with a significant role in guiding the economic policy of the state and economic development, whose activities are transparent and can be controlled, and that is willing to communicate with all social groups;
- to ensure the best possible access to background information for economic agents to support economic decisions.

Of the requirements set to the activities of the central bank, **transparency** and **public credibility** are very significant. Eesti Pank has developed the principles of drawing up and communicating regular economic policy output and established a flexible and efficient communication system. The system has to ensure that different resident groups get timely and relevant information at a minimum cost of resources and that information users have as simple as possible access to further information and comments if necessary.

² See Economic and Financial Policy of the European Union, Chapter II.

³ The so-called Cardiff Report.

Public relations management is one of the factors that have helped to secure the central bank's high credibility. **In 2003, the credibility rating of Eesti Pank as an institution remained persistently close to 80%**⁴. Of Estonia's state institutions only the President of the Republic is consistently more trusted.

As is customary with central banks, besides the general public and the media, the target groups of Eesti Pank's public relations activities include a comparatively wide range of domestic and foreign financial specialists, domestic and international business circles, and different international institutions. In recent years the interest of foreign media channels for Eesti Pank has increased and along with Estonia's accession to the EU such contacts are expected to become more frequent. Over 50% of the users of Eesti Pank's website and subscribers to its publications come outside Estonia.

Considering the large number and diversity of the target groups, the central bank focuses extensively on studying its target groups. Different quantitative opinion polls and qualitative studies (focus group surveys, interviews, subscriber questionnaires) are organised. In communicating with different groups the central bank makes an effort to take into consideration the interests of the target groups, the ways information is obtained, and background knowledge. In 2003, among other things, economic policy views of different resident groups were studied and also a reader study of Eesti Pank's economic journal, *Kroon and Economy*, was carried out.

Regular Economic Policy Output of Eesti Pank

The most significant economic policy publication is **Eesti Pank's quarterly comments** in which the central bank summarises the developments in the Estonian and global economy during the past three months and assesses further developments. The quarterly comments are disclosed at the beginning of every third month at a public presentation with the central bank's top executives and specialists attending. The comments have had broadly favourable response both at home and abroad, and their key messages have initiated several national discussions on essential macroeconomic policy issues.

With a view to public awareness, comments to current economic policy indicators, such as changes in the consumer price index and GDP growth, are significant. The Annual Report of Eesti Pank published in the second quarter covers the entire performance of the central bank during the past calendar year⁵.

Handling Information Requests and Enquiries

In 2003, Eesti Pank received altogether 5,384 requests for information, of these 4,088 through a special telephone service and 1,296 via electronic channels. Requests for information came both from domestic and foreign private persons and organisations.

Interest has been the most extensive in two areas – **exchange rates of the currencies both quoted and not quoted by Eesti Pank** and **banking and macroeconomic statistics**. Of numerical indicators Eesti Pank's economic forecasts, consolidated loans, outstanding consumer and housing loans, direct investments by periods and fields of activity, economic growth and inflation statistics have been of most interest. Of other topics in 2003 the most interesting were the issues related to the introduction of the euro, the history and functions of Eesti Pank, printed matter and publications of the bank, and numismatic information.

For a better presentation of information the central bank opened a new website in 2003 at www.eestipank.info, which allows fast and convenient access to the economic statistics database, enables to learn about completed

⁴ Based on a study carried out by ES Turu-uuringute AS in October 2002–October 2003.

⁵ See Publications of Eesti Pank in Appendices.

and ongoing research projects, read Eesti Pank's publications, get information about currency exchange rates, legal acts on banking, and economic surveys. Also the virtual library available on the website, which includes unadapted texts of different economic studies, surveys, and analyses from the whole world, has found active use.

Media Relations and Public Appearances

In 2003, Eesti Pank issued a total of 62 press releases and comments. Compared to the central banks of the other accession countries, top executives of Eesti Pank gave relatively many public speeches and media interviews, all in all about 80 a year.

In 2003, 45 comments and opinion articles by the executives and specialists of Eesti Pank appeared in leading newspapers; five news conferences and several presentations were held. Besides, in 2003 Eesti Pank organised two international conferences and several seminars and lectures on economics.

Other Communication Events in 2003

At the end of September, German and French embassies in Tallinn in cooperation with Eesti Pank organised the Conference '**Euro currency: French-German experience and Estonian future**' as a follow-up to the successful European Union referendum. This was dedicated to the 40th anniversary of the cooperation agreement signed by Germany and France, the Elysée Treaty. Foreign missions of both countries together with local partners celebrated the anniversary of the Treaty with events in different countries. At the Conference held on 30 September in Tallinn presentations on the adoption of the European single currency were made by representatives of the European Central Bank, German Bundesbank, and Banque de France. Vahur Kraft, Governor of Eesti Pank, introduced Estonia's steps towards joining the Economic and Monetary Union while Deputy Governor Andres Sutt headed a discussion group on issues related to adopting the single currency.

On 18 June Eesti Pank organised an **open meeting 'What Awaits Us in the European Union?'** in Tammsaare Park in Tallinn (see photograph). The discussion led by Anvar Samost involved Jüri Engelbrecht, President of the Estonian Academy of Sciences; Ene Ergma, Riigikogu's Speaker; Vahur Kraft, Governor of Eesti Pank; Jaanus Rohumaa, theatre director; and Peeter Tohver, businessman. The participants discussed what life in Estonia would look like after joining the European Union.

In June, Eesti Pank in cooperation with the European Financial Forum held **an international scientific conference on financial stability** in the course of which about fifty research articles on banking were presented in three days.

In November the central bank of Austria and the Joint Vienna Institute⁶ organised an international East-West Conference, 'The Economic Potential of a Larger Europe: Keys to Success', in Vienna. Representatives from all ten European Union accession countries – primarily banking specialists and economic researchers – also participated. The Conference was unique in the sense that it also offered an exhibition arranged together with the central banks of the new Member States in order to introduce these countries, their economies and banking in particular, and publications of the central banks. Eesti Pank used a presentation material, which had been put together with the help of Enterprise Estonia.

The most important event marking domestic research cooperation was undoubtedly the **joint seminar on labour market studies** carried out in May 2003 together with the analysts of the University of Tartu, Tallinn Technical University, and PRAXIS, a center for policy studies.

⁶ Joint Vienna Institute is a joint educational institution set up by the International Monetary Fund, the Austrian Ministry of Finance and central bank, where representatives of many, mainly developing countries have either obtained primary knowledge of banking and economics or participated in further studies.



In early October the fourth **investment fair, Money Compass**, organised by the Estonian Conference Centre was held. Such a fair has been initiated by the Tallinn Stock Exchange and also Eesti Pank participated in the fair. Traditionally, the primary objective of the central bank was to give information about Estonia's economic and monetary system while not neglecting the aspects related to EU and EMU accession. A specialist from Eesti Pank participated in a talkshow tackling consumption, and a short seminar on the security elements of banknotes was held.

Activities of Eesti Pank Museum

Besides **permanent and temporary exhibitions dedicated to the Estonian currency and the history of Eesti Pank**, meetings, presentations, and news conferences are held in the Museum. Also commemorative coins are sold there and all those interested can buy the central bank's publications there. About 6,000 people visited the Museum in 2003. Active Museum visitors are Estonian schoolchildren.

To celebrate the 85th Anniversary of the Republic of Estonia the Eesti Pank Museum displayed the **first ever gold coin minted in Estonia**, the Kettler guilder, which most likely dates back to 1560. The coin, which is now held in a private collection, was ordered by the last Master of the Livonian Order, Gotthard Kettler, during the Livonian war in 1560 in Tallinn. In April the Museum hosted a cartoon exhibition, 'Money Makes you Laugh'.

The Sally Studio that offers art education to children and helps to occupy their spare time handed over about two hundred pieces of artwork by artists aged 3–18 from the exhibition, 'Presents to the Future', to Eesti Pank, which the central bank committed to safeguard. In fifty years, on 19 October 2053, Eesti Pank will hand the messages from the past over to the Art Museum that is to hold a new exhibition.