

# ORGANISATION AND COOPERATION

## INTERNATIONAL COOPERATION

International cooperation is an important part of the central bank activities. The developments taking place in Estonia, a small and open economy, are closely related to Estonia's external environment. The central bank's international communications play an important role in protecting and representing Estonia's economic policy interests and explaining the problems related to the country's economic development to the international public and foreign investors.

Well-coordinated and considered communications are of great importance for the bank. Efficient collaboration relies on the international communication framework of Eesti Pank. This includes regular economic policy reviews (in particular regarding EU Member States and Estonia's neighbouring countries); working meetings to prepare for the meetings of EU committees and working groups, as well as to be well informed of the recent developments; management of the external communication database, and participation in various international meetings and events.

Prior to sessions of high-level bodies, working meetings are held where experts from different departments together with Eesti Pank's representatives attending such sessions discuss rel-

evant information, specify the national positions and make proposals for comments.

Communication with various European institutions and participation in EU meetings constitute the largest share of Eesti Pank's external communication and reinforce cooperation with the central banks of Estonia's neighbouring countries. In 2008, Estonia continued accession negotiations with OECD, which involved also central bank experts.

Nordic and Baltic central banks have held a special place among the communication partners of Eesti Pank for over fifteen years. Similar to previous years, several seminars and meetings of the governors and vice governors of Baltic central banks were organised also in 2008. The traditional high-level joint seminar with Suomen Pankki (Bank of Finland) was held in Estonia this time and focused on economic developments and policies in Finland and Estonia. Other topics of discussion included Nordic and Baltic financial sector policies and cooperation on crisis management. Erkki Liikanen, Governor of Suomen Pankki, also gave a public lecture entitled "Euro's tenth anniversary: time to reflect" at the Tallinn University of Technology. The lecture was part of the memorial lecture series dedicated to the internationally renowned Estonian economist prof. Ragnar Nurkse.

**Table 1. Business trips of Eesti Pank in 2007-2008**

	2008			2007		
	Total	European Commission, ESCB	Other	Total	European Commission, ESCB	Other
Number of trips	735	327	408	794	345	449
Employees sent on business trip	148	80	117	163	87	138
Days spent on business trips	1,932	978	954	2,154	1,047	1,107
Expenses (EEK m)	7.8	4.3	3.5	8.4	4.2	4.2
Average expense (EEK thousand)	10.7	13.2	8.6	10.6	12.2	9.4
Average length (days)	2.6	3.0	2.3	2.7	3.0	2.5

**Table 2. Eesti Pank's participation in the work of international organisations and institutions**

<b>Cooperation bodies of the Council of the European Union</b>	Informal Council of Economics and Finance Ministers Economic and Financial Committee
<b>Cooperation bodies of the European Commission</b>	European Banking Committee Committee of European Banking Supervisors Committee on Monetary, Financial and Balance of Payments Statistics Balance of Payments Committee
<b>Cooperation bodies of the European System of Central Banks</b>	General Council of the European Central Bank Accounting and Monetary Income Committee Banking Supervision Committee Banknote Committee External Communications Committee Human Resources Conference Information Technology Committee Internal Auditors Committee International Relations Committee Legal Committee Market Operations Committee Monetary Policy Committee Payment and Settlement Systems Committee Statistics Committee
<b>Bank for International Settlements (BIS)</b>	Board of Governors of the BIS Meetings of BIS central bank governors BIS Monetary Policy Working Party Irving Fisher Committee on Central Bank Statistics Meetings of Coordinators of Technical Assistance, organised by the BIS Heads of Security Committee

### **Cooperation with European Union institutions**

Eesti Pank's representatives participate in around seventy committees and working groups set up by the European System of Central Banks (ESCB), the Council of the European Union or the Council of Ministers and the European Commission (see Table 2). In 2008, Eesti Pank executives and experts participated in about 230 meetings in various EU institutions. Collaboration in committees and working groups provides a good opportunity to the Member States for discussing their political and expert views, enabling each participant to substantiate and clarify their standpoints.

#### **European Central Bank (ECB)**

The European Central Bank (ECB), where euro area monetary policy decisions are made, is the most significant cooperation partner for Eesti Pank in the EU. Eesti Pank is a full member of the European System of Central Banks (ESCB).

Until Estonia has not yet adopted the euro, the main fields of cooperation are the economic policy of the EU, the monetary policy of the non-euro area countries, and preparations for the euro area enlargement, including drafting of the so-called Convergence Report – an account of meeting the euro area accession criteria. The Governor of Eesti Pank participates together with the governors of other EU national central banks (NCB) in the meetings of the ECB General Council, which are held four times a year. Day-to-day cooperation takes place in the thirteen committees of the ESCB and their substructures, where common analyses are composed, information exchanged and preparations for the work of the decision-making bodies – the Governing Council and the General Council of the ECB – are made together with representatives of NCBs. The committees cover all the fields of activity of the central bank. In 2008, representatives of Eesti Pank took part in over 200 working meetings.

***A selection of the most relevant topics covered in the ECB meetings in 2008***

**Assessment of the euro readiness of ten non-euro area countries: Convergence Reports.**

The ECB, having consulted with the national central banks of the ESCB, and the European Commission prepared regular Convergence Reports on the non-euro area EU Member States, including Estonia, Latvia, Lithuania, Sweden, Poland, Slovakia (a non-euro area country at the time of preparation of the reports)<sup>1</sup>, the Czech Republic, Hungary, Bulgaria and Romania. The reports analysed compliance of the countries' economies with the requirements for the introduction of the euro (the Maastricht criteria) along with their legal framework. Similar to the previous Convergence Report in December 2006, Estonia met all the criteria for the launch of the euro except the criterion of price stability. Based on the Convergence Reports, the EU Finance Ministers approved of Slovakia's accession to the euro area. With Slovakia joining the euro area, the number of euro area countries now totals 16. Slovakia is the second country to adopt the euro from among those who joined the European Union in 2004. The first one was Slovenia, who introduced the euro in 2007.

**Choosing an appropriate economic policy strategy in the period of nominal convergence**

was among the topics of interest for EU institutions also in 2008. It is important for Estonia to have its economic growth and level of inflation assessed against the background of a financial system having a currency-board-based fixed exchange rate regime and strong cross-border integration (primarily with Northern Europe). In the same way, it is necessary to take these circumstances into account when discussing the funding of Estonia's economy. To this end, central bank experts explained the specifics of Estonia's economic developments at the meetings of ECB committees and working groups.

**The economic policy framework behind exchange rate stability and the flexibility of the economy and markets (incl. the labour market) within the exchange rate mechanism ERM II.**

Once a year, the ECB assesses the functioning of the exchange rate mechanism ERM II and the fulfilment of commitments by the countries that have joined the ERM II. The report prepared by the ECB analyses the economic developments of the ERM II member countries to assess their readiness to join the euro area. Estonia joined the ERM II on 28 June 2004 and has not encountered any difficulties during the time of participation in the system. Estonia's representatives have stressed the need to keep the focus of analysis on issues vital for the functioning of the ERM II. The topics related to the ERM II were also on the agenda of the meetings of the Council of the European Union (see p 83).

Both the European Central Bank and the European Commission celebrated the **tenth anniversary of the Economic and Monetary Union (EMU)**. Among other things, the activities and achievements of the Eurosystem in the past ten years were analysed in depth. The EMU project is considered a great success. The ECB stressed that the euro has brought several economic benefits such as price stability and low interest rates. The ECB considers it important to enhance supervision over the economy, strengthen international cooperation and develop common fiscal and economic strategies. Estonia did not support establishing additional policy instruments for the coordination and closer monitoring of the EMU, but making better use of the existing instruments instead. However, Estonia does support expanding the principles of policy monitoring and cooperation of the euro area countries to the ERM II Member States. At the same time, additional (including indirect) criteria for joining the euro area should be avoided when improving the existing mechanisms (or developing new ones).

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<sup>1</sup> Slovakia adopted the euro on 1 January 2009.

The **growing uncertainty in the financial markets** was, quite expectedly, one of the key topics discussed in various forums. In the summer of 2008 and also in autumn it seemed that the EU can overcome the global financial crisis relatively easily. However, the bankruptcy of Lehman Brothers, a major US investment bank, in mid-September made the economic outlook much more pessimistic for the whole world, including the EU. In relation to that, the ECB had to take extraordinary measures to provide liquidity to the market by lowering the monetary policy interest rates.

### ***Council of the European Union***

Besides participating in the cooperation bodies of the European System of Central Banks, Eesti Pank's representatives also attend various committees and working groups set up by the Council of the European Union, i.e. the Council of Ministers. For example, in April and September 2008, the Governor of Eesti Pank attended the informal meetings of the Economic and Financial Affairs Council (ECOFIN). Topics of discussion included the European and global economic situation and outlook; issues related to the EU financial stability, such as harmonisation of the supervisory practices of the EU financial sector; development of a crisis exercise; improvement of public finances; revision of the deposit guarantee scheme, and the problems related to the constant rise in energy and commodity prices.

In addition, central bank experts advise the officials of the Ministry of Finance participating in the monthly ECOFIN meetings in matters within the competence of Eesti Pank. In 2008, such matters included ensuring the sustainability of public finances against the background of ageing population; assessment of Member States' economic policy; establishment of the Single Euro Payments Area; financial markets supervision and cross-border crisis management.

One of the most important substructures of the Council of the European Union, where Eesti Pank's representatives participate, is the Economic and Financial Committee (EFC) and its working groups dealing with issues of international economy and coins. Since the EFC prepares the meetings of the Council of Economic and Financial Ministers (ECOFIN), all important ECOFIN issues were also discussed in the meetings of 2008.

### ***Key topics of discussion in the Council of the European Union in 2008***

#### **Economic situation in the European Union.**

The second half of 2008 witnessed rapid changes when the financial turmoil turned into a global economic crisis. This, in turn, intensified the actions taken at the EU level, including the development of several new action plans, such as the European Economic Recovery Plan.

Eesti Pank's statements focused on economic policy issues concerning Estonia and other ERM II members, including long-term fiscal sustainability, and inflation and structural policies. For Estonia, it was important to receive an adequate and objective assessment from the EU, which was ultimately generally in line with the central bank's expectations.

**Euro area expansion.** Eesti Pank finds that it is in the interests of the entire EU that expansion of the euro area should take place in compliance with the provisions of the Treaty establishing the European Community and according to uniform rules. Otherwise, the credibility of the euro as an international reserve currency would be compromised.

Eesti Pank observed closely the economically meaningful interpretation of the criteria for joining the euro area at different meetings in Estonia as well as in the EU. The central bank considers it important that the concept of ERM II commit-

ments would be objective and that the interpretation of the criteria would not become restrictive. The importance of the equal treatment of the old and new Member States must also be stressed. The criticism at Estonia's economic growth above the potential and low flexibility of the labour market was generally justified.

**Financial supervision and crisis management at EU level.** The tightening of cross-border cooperation in financial supervision and crisis management in 2008 led to recognising the need for a reform of the supervision architecture. Given the specifics of Estonia's financial system, closer cross-border cooperation in financial supervision is of utmost importance for us. Eesti Pank supports the approach that requires clear division of roles between the home and host country's (Estonia's) national institutions as regards supervision over cross-border banks and financial crisis management. Estonia was satisfied with the results in that field of cooperation, as the interests of host countries were sufficiently protected in negotiations on establishing capital requirements to banks.

Representatives of Eesti Pank took part in a high-level working group, which was initially established for preparing a pan-European crisis simulation. In the crisis situation, the working group started to monitor the bottlenecks with regard to the organisational aspects of work at the EU level.

**Common position of the EU on issues related to the IMF.** Eesti Pank participated in discussions on topics like IMF quotas, representation in the IMF and strengthening economic policy monitoring in the Member States also in 2008. In the light of deteriorating global economic and financial situation, special attention was paid to issues related to strengthening the surveillance and reforming the lending framework of the IMF. Eesti Pank was also involved in the spring and autumn meetings of the IMF's International Mon-

etary and Financial Committee (IMFC), where common positions of the EU are developed.

**Statistics.** Eesti Pank has supported the development and application of good practice in the field of statistics for years now. A lot of attention was paid to the quality of statistics and its harmonisation in all EU countries also in 2008. The central bank facilitated the efficient use of resources for collecting, processing and publishing statistics by identifying the respective priorities (see also "Developments in statistics" on p 71).

#### **European Commission**

Representatives of Eesti Pank participate in the Banking Advisory Committee, Banking Supervisory Committee, Balance of Payments Committee, and Committee on Monetary, Financial and Balance of Payments Statistics set up by the European Commission. These committees address issues related to communications, statistics, economic forecasts, payment and settlement systems, banking, banknotes and coins, and counterfeit money.

Regular meetings with European Commission experts take place both in Estonia and Brussels to discuss Estonia's economic outlook and specify the data needed by the Commission to produce economic forecasts for EU Member States.

#### **Role of Eesti Pank after the adoption of the euro**

Until accession to the euro area, Eesti Pank is in charge of implementing Estonia's monetary policy, arranging currency circulation, ensuring financial stability, and guaranteeing the operation of reliable and well-functioning payment and settlement systems. The goal is to maintain the stability of the economy and the Estonian kroon, which form the foundation of a strong state.

When Estonia adopts the euro, the tasks of Eesti Pank will be largely the same, but the international significance of the institution will increase, as Estonia starts to participate in the euro area financial policy making hand in hand with other national central banks and the ECB. Eesti Pank is currently responsible for ensuring the reliability of the Estonian kroon; after joining the euro area, the central bank will be engaged in ensuring the reliability of the euro. As transition to the euro means that one currency is replaced by another one, the issuer of the euro in Estonia will be Eesti Pank as agreed with the European Central Bank.

Eesti Pank will continue to perform all the tasks of a central bank in the Eurosystem. The objective of the euro area national central banks is to ensure price stability and to this end they implement the single monetary policy in the euro area. The central bank will be participating in the monetary policy decision-making, for instance fixing of interest rates.

Eesti Pank is already analysing the economic indicators of Estonia as well as the rest of the world. Euro area membership and participation in the euro area monetary policy decision-making means that the central bank will have to deepen and expand international economic analysis even further. As a member of the euro area, Eesti Pank will participate in the joint management of reserves and development of settlement systems.

As a member of the Eurosystem, the Estonian central bank is responsible for communication with other central banks and international organisations (e.g. the IMF, rating agencies).

Eesti Pank will be ensuring the smooth operation of payment and settlement systems also in the future so as to guarantee fast and efficient inter-bank transfers, contribute to the sustainability of the financial system, and compile Estonia's balance of payments.

## **Cooperation with the International Monetary Fund**

The International Monetary Fund is a very important forum of international cooperation involving most of the countries in the world (185 to be more specific). The main objectives of the IMF are to ensure the stability of the international monetary and financial system, support stable and sustainable economic growth, and through this, prevent financial and balance of payments crises, and facilitate international trade. Eesti Pank is responsible for representing the interests of Estonia in the IMF.

The Governor of Eesti Pank is a member of the highest decision-making body of the IMF, the Board of Governors, which makes him the Governor of Estonia, and the Secretary General of the Ministry of Finance is the alternate member of the Board of Governors, or the Deputy Governor of Estonia. Both members attend the IMF Annual Meeting every year. The International Monetary and Financial Committee (IMFC), the advisory board to the Board of Governors, meets twice a year (in April and September).

Day-to-day cooperation with the IMF is conducted, first and foremost, through the Nordic-Baltic Constituency representing inter alia Estonia. The Constituency includes eight countries (Denmark, Estonia, Finland, Iceland, Latvia, Lithuania, Norway and Sweden) that elect a common representative to the Executive Board of the IMF. As of January 2007, the position of the Director of the Constituency has been held by a Swedish representative Jens Henriksson. To participate in the daily decision-making process of the IMF, the Constituency coordinates the positions of the eight countries on issues discussed in the Executive Board.

The strategic issues and related problems within the sphere of interests of the Nordic and Baltic countries are discussed twice a year in the Nordic-Baltic Monetary and Financial Committee (NBMFC). Each constituent country is represented in the Committee by a representative of the government and of the central bank. The experts daily involved in coordinating the work of the Constituency, i.e. the coordinators, meet once a year.

In June 2007, the IMF adopted new principles of surveillance (the 2007 Surveillance Decision). Above all, this changed the daily tasks performed by the Fund to achieve its main objective regarding the economic policy monitoring of its member countries; that is, to facilitate ensuring external stability. In principle, the IMF is now obliged to clearly assess in the final report of every Article IV consultation, whether and how much a country's real exchange rate is overestimated or underestimated as far as long-term balance is concerned, and whether a country's external position (current and capital accounts) is in line with economic development. In short, the IMF assesses whether the country's exchange rate policy is in compliance with the objective of maintaining stable economic development and external balance.

In 2008, the representatives of the IMF paid two visits to Estonia within the framework of bilateral surveillance. Regular economic policy consultations were conducted under Article IV of the IMF Articles of Agreement on 7–19 May and 9–15 December. The resulting report and a special report on the Estonian economy were published on the web sites of the IMF and Eesti Pank. The next visit of the IMF to Estonia will take place in May 2009.

#### ***Selected topics from the International Monetary Fund forums in 2008***

The near-term priorities of the IMF include monitoring of relations between the financial and non-

financial sectors, risk assessments, identification of financial sector vulnerabilities and assessment of the exchange rate equilibrium, with a particular focus on enhancing transparency and openness.

In tackling the current financial crisis, the IMF addresses the following issues with utmost attention.

#### **Reforming the international financial system.**

Great efforts are needed to overcome the ongoing financial crisis and avoid similar crises in the future. The IMF has a leading role here given its mandate to foster economic growth and financial stability. The Fund's primary focus is on surveillance, supervision and regulation of the international financial system as well as drawing conclusions from the crisis. Providing policy advice and financing to members is of importance too.

As regards strengthening the financial system, Eesti Pank considers it important to contribute to developing common positions of the EU. To this end, market-based solutions should be preferred, while avoiding over-regulation and state intervention.

#### **Development of early warning systems.**

One of the IMF's objectives is to strengthen collaboration with the Financial Stability Forum (FSF). Global risks and financial sector vulnerabilities can be better identified through relying on mutual expertise and membership in the IMF. Closer cooperation between the IMF and FSF is, first and foremost, necessary for clear and profound assessment of the risks to global financial stability. This would contribute to a more systematic integration of risk assessment and bilateral surveillance.

**Strengthening of surveillance.** Given the ongoing financial crisis, there is an increasing need for better assessment of risks and provision of policy advice. The IMF stresses the need

for integrating multilateral and bilateral surveillance and in-depth monitoring of threats to financial stability to better identify spill-over risks and relations between the financial and non-financial sectors. Among other things, this requires increasing competence.

Eesti Pank considers it crucial to develop global risk assessments at regional and group level, instead of the country-based approach. In addition, crisis management should be better coordinated.

**The IMF needs to hold sufficient resources and loan instruments** to provide immediate financial aid to its members that have been hit by the crisis. Thus, opportunities to increase the Fund's loan instruments should be investigated. In the light of changed economic and financial conditions, the current lending policy and facilities need to be revised. The ultimate goal is to make the IMF's lending framework easier, faster and more flexible.

In order to alleviate the effects of the current financial crisis, the IMF developed a new Flexible Credit Line to provide short-term liquidity to countries with strong economies yet facing liquidity problems owing to the crisis. The Extended Fund Facility is used to help countries address balance of payments difficulties. In addition, there are facilities to provide lending to low-income countries. As at the beginning of 2009, several countries had approached the IMF for financing, including Belarus, Hungary, Iceland, Latvia, Pakistan, Serbia and Ukraine.

Estonia and the Nordic-Baltic Constituency support providing fast, transparent and flexible access to the IMF's lending facilities for the member countries affected by the crisis. Therefore, revision of the policy of access to the Fund's credit facilities in line with the changed economic and financial situation is highly welcome. Eesti Pank is of the opinion that countries are increas-

ingly more facing crises that rather stem from the capital account, and not the current account. Thus, the potential need for financial aid is substantially bigger, which means that the Fund should be able to offer extensive access to its lending facilities.

**Reforming the system and principles of management.** The main objective is to enhance the Fund's legitimacy through increasing the voting power of poor and less advanced member states of the IMF. The effectiveness and decisions of the IMF affect also other actions of the Fund necessary for fulfilling its mandate, such as strengthening surveillance; revision of the lending framework to alleviate the effects of the crisis; development of the early-warning systems to name a few.

As a member of the Nordic-Baltic Constituency, Estonia has always supported making the management system of the IMF more effective, while also ensuring appropriate representation of the European Union, including Estonia, in the governing bodies of the IMF.

The revision of the IMF's operating principles has reached the final stage. At the Annual Meeting 2006 in Singapore the member countries decided to **reform the system of quotas and voting power.** The objective was to simplify the formula used for calculating quotas, increase quotas for under-represented countries and also the role of basic votes, which calls for changing the IMF's Articles of Agreement and approval by the parliaments of member states, including Estonia. The discussions on changing the operating principles continued in 2007-2008 and resulted in approval of the reform of quotas and voting power as well as the IMF's new income model by the Board of Governors in spring 2008. Currently, ratification is under way in the member countries. After the reform, Estonia's quota and voting power in the IMF will increase 31% and 46%, respectively. Based on the current formula, the quota

for Estonia is 65.2 million SDRs (about 1.1 billion kroons), i.e. 0.03% of total quotas. Estonia has 902 votes (0.04% of total votes).

In 2008, Estonia and many other members contributed to the **cancellation of Liberia's debt to the IMF** (543 million SDRs), since the Fund lacked sufficient resources and proposed to the member countries to give aid bilaterally. All in all, 102 member states could donate. Estonia's contributed 173,924 SDRs (2,872,894 kroons), which was allocated against the Republic of Estonia's claims on the IMF.<sup>2</sup>

### **Cooperation with the Bank for International Settlements**

The Bank for International Settlements (BIS) is one of the oldest cooperation forums of central banks. Eesti Pank is one of the founders of the BIS in the 1930s and Governor of Eesti Pank attends regular meetings of heads of central banks.

The meeting agendas mostly contain topical monetary policy issues (including the role of central banks), the economic and financial situation in different regions, as well as financial sector management and supervision.

### **Cooperation with rating agencies**

Since 1997, Estonia has been assessed by three major international rating agencies: Moody's Investors Service, Standard & Poor's and Fitch Ratings. Eesti Pank coordinates relations between Estonia and the rating agencies. This includes rating agencies' visits once a year and day-to-day communication with the analysts (for more details, see "Sovereign rating" p 138).

### **INTERNAL COOPERATION**

Experts and executives of Eesti Pank participate in different cooperation bodies in Estonia (see Table 3).

On Eesti Pank's initiative, quarterly four-partite meetings are held for officials of the central bank, the Ministry of Finance, the Ministry of Economic Affairs and Communications, the Prime Minister's Office, and the Economic Adviser to the President of the Republic. The topics of discussion include Estonia's economic situation and forecast, the fiscal strategy, the situation in the Estonian labour market, international cooperation, etc. Joint committee meetings of Eesti Pank, the Ministry of Finance and the Financial Supervision Authority on financial sector policy issues should also be mentioned here.

**Table 3. Eesti Pank's participation in internal cooperation**

<ul style="list-style-type: none"> <li>• European Union Coordination Council</li> <li>• Lisbon Working Group</li> <li>• National Changeover Committee and its sub-working groups</li> <li>• Working Party of Foreign Relations Councillors</li> <li>• Estonian working group of the European Payments Council (EPC)</li> <li>• Working Group on Financial Services Legislation</li> <li>• Coordination Committee for Combating Money Laundering and Terrorism</li> <li>• Development Cooperation and Development Assistance Working Group</li> <li>• Accession negotiations committee of the Organisation for Economic Cooperation and Development (OECD)</li> <li>• Working group for the development of national positions for representing Estonia in the European Commission, the European Court of Justice and the Court of First Instance</li> <li>• Working group for the future enlargement of the European Union</li> </ul>
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<sup>2</sup> Order of the Government of the Republic No 189 on participation in the cancellation of Liberia's debt as initiated by the IMF.

Eesti Pank participates in the committee of experts chaired by the Ministry of Finance, which deals with preparations for the changeover to the euro in Estonia. In 2008, representatives of the central bank and other state institutions and the private sector continued with preparations in the field of communication on the changeover.

Governor of Eesti Pank also belongs to the political working group chaired by Prime Minister and responsible for monitoring compliance with the Maastricht criteria and coordination of Estonia's accession to the euro area.

The presidency of the European Union changes in every six months, which entails revising Estonia's national policy priorities and short-term objectives for the new presidency period. The Government's long-term objectives are established in a three-year framework programme to achieve Estonia's general objectives in the European Union.

Participation in the EU decision-making process is coordinated by the European Union Coordination Council, which was set up in 2005 and includes representatives of all ministries and the central bank. The Council coordinates the transposition of European Union legislation, discussion of EU-related positions submitted to the Government, and exchange of information between state agencies on EU-related matters.

#### ***Cooperation with the Office of the President***

A member of the Executive Board of Eesti Pank, Märten Ross, is a member of President's Academic Advisory Board. The Board analyses different fields of life and makes recommendations for the balanced development of the country.

#### ***Cooperation with the Ministry of Finance***

Eesti Pank and the Ministry of Finance collaborate on a daily basis in legislative drafting, international communication and several other fields.

A joint seminar was held also in 2008, with the focus on economic developments and cooperation on financial supervision.

#### ***Cooperation with the Financial Supervision Authority***

Cooperation with the Financial Supervision Authority operating by Eesti Pank has been centred on monitoring financial system developments, discussions on financial sector regulation and, to a large extent, also on international cooperation.

In 2007, Eesti Pank, the Ministry of Finance and the Financial Supervision Authority signed the Memorandum of Understanding (MoU) on financial crisis management. At the end of 2008, the actions laid down in the MoU started off, including regular joint meetings between the three institutions.

#### ***Cooperation with the Estonian Banking Association and Estonian banks***

In 2008, there were several high-level meetings with members of the Estonian Banking Association; that is, representatives of commercial banks operating in Estonia. These meetings form a basis for cooperation and information exchange with the private sector. Experts of commercial banks often meet with representatives of Eesti Pank in order to specify the technical issues regarding the development of the Estonian banking infrastructure.

## **PUBLIC RELATIONS AND COMMUNICATION**

Eesti Pank operates in the framework of the currency board system with a fixed exchange rate. The objective of central bank communication is to support with its messages the stability of Estonia's monetary system, economy and financial system. The strategic objectives of the bank and the organisation's understanding of the central bank's role form the basis for communication.

The communication policy of Eesti Pank proceeds from the following objectives:

- To ensure public understanding of and sufficient support to the monetary policy pursued by the central bank;
- To maintain and value the reputation of Eesti Pank as a competent, independent, and credible institution that plays a significant role in guiding Estonia's economic policy and economic development, whose activities are transparent and monitored, and that is willing to communicate with all social groups;
- To ensure the best possible access for economic agents to background information necessary for making economic decisions.

The key objective of central bank communication is to help shape reasonable market expectations.

### **Principles of informing the public**

Transparency and reliability are vital in the central bank's activities. The general public but also more specific target groups, both domestic and foreign, must be able to receive regular, sufficient and high-quality information on economic policy from Eesti Pank.

Eesti Pank has undertaken the commitment to publish information more extensively and frequently than laid down by its accountability

as provided by law (see also „Accountability” on p 16). The central bank publishes overviews of Estonia's economy six times a year. On two occasions, the overview contains an economic forecast and on two occasions a review on financial stability. In 2008, a new series of topical overviews called Flash Reports was launched to keep the public informed about crucial developments in the economy. In addition, the central bank publishes regular reports on preparations for the adoption of the euro and on labour market developments (see also “Publications of Eesti Pank in 2008” on p 154).

The central bank considers it important to provide as up-to-date information as possible in the most convenient and the least expensive way. For example, Eesti Pank's regular publications are free of charge for subscribers and among others all the county libraries receive them. Besides the publications and information published on the web site it is possible to send direct inquiries to Eesti Pank. Information can be requested by mail, e-mail or phone. In 2008, Eesti Pank received altogether 3,751 inquiries: 2,407 by phone, 1,189 by e-mail, mail or fax, and 57 through the “Ask a question” interface on the bank's web site. 73 of the written inquiries were registered as requests for information.

### **Media relations and public appearances**

Approximately 5,150 writings, news texts, radio and TV news reflecting the activities of Eesti Pank and its economic policy standpoints were published or released in the Estonian media in 2008. Compared to other financial institutions in Estonia, Eesti Pank gained the biggest media coverage. In 2008, the central bank held 10 press conferences, issued 157 press releases and statements, and around 50 articles and interviews on the economic policy. In addition, bank's representatives made over 30 public presentations.

As regards banking related articles in general, the banking sector appears to have been, more than ever, in the limelight in the last four months of 2008. Looking back at the past ten years, banking (and economy) have never received as much attention as at the end of 2008.

The February and June media coverage on central bank activities was mostly related to the events dedicated to the 90th anniversary of the Republic of Estonia. The attention received in autumn, however, was not related to any specific media event. The top stories in terms of media coverage included the economic statements of Eesti Pank (799 articles), references to Eesti Pank in relation to the state budget problems (499 articles) and articles on the economic downturn (359). The first seven in the top ten topics concerning Eesti Pank are related to the difficult economic situation. In most cases, the central bank expertise was in focus.

### **Celebration of the 90th anniversary of the Republic of Estonia**

The Republic of Estonia celebrated its 90th anniversary in 2008. In relation to that, June was the month of Eesti Pank, as the monetary reform was once carried out in June 1992. The central bank organised various exciting events for different target groups.

At the beginning of June, the bank issued a new special one-kroon coin to celebrate Estonia's anniversary. The volume of coins issued totalled 20 million. The coins were presented at a fashion, art and music party called PangaÕõ (the Night of the Bank) on the roof of the Viru Centre in Tallinn.

In the second half of June, the central bank presented the special commemorative collectors' banknote dedicated to the anniversary. The design of the collectors' banknote draws on the currently valid ten-kroon note as well as the pre-war ten-kroon note. The averse is an exact copy of the

pre-war note designed by Günther Reindorff. The reverse features the current ten-kroon banknote designed by Vladimir Taiger (see also "Preparation of new banknotes and coins" on p 79).

In June, an exhibition on monetary reforms in Estonia was opened at the Eesti Pank Museum. The Museum also organised special events featuring the characters depicted on Estonian banknotes. In addition, in summer a travelling exhibition called "The Estonian Money from the Mark to the Euro" could be visited at different places in Estonia (see also "Eesti Pank Museum" on p 92).

In honour of the month of Eesti Pank, a new episode of the popular Estonian cartoon film called "Lotte from Inventors' Village" was completed, telling a story of the bank in that village. In addition, the central bank published a colourful and children's money book with illustrations and children's fun money, which explains the emergence and essence of money, banking and central banks.

The art gallery of Eesti Pank was open for visitors during June, featuring an exhibition called "Tükid" ("Pieces") by Estonian artist Sirje Runge. Guided tours in the buildings of Eesti Pank were held every Wednesday, Thursday and Friday. All in all, 250 people visited the bank in June.

The traditional Open Door Day of Eesti Pank took place on 6 September 2008. The day started with the joint public press conference of Governor of Eesti Pank and Chairman of the Board of the Financial Supervision Authority (FSA), who gave an overview of the most topical economic and financial sector developments and replied to the questions of the audience. Visitors could also get acquainted with the process of cash production, and the FSA staff gave tips how to manage one's money to the best of one's ability. Excursions were held all over the bank and children were entertained by the beloved cartoon character Lotte. More than a thousand people visited the Open Door Day of Eesti Pank.

### **Birth of the Republic of Estonia and busts of government members**

The hundred-year-old building of Eesti Pank has a unique national historical background: several crucial events took place here, laying the foundation for the birth and independence of the Republic of Estonia.

On 24 February 1918, the three-member Salvation Committee – Konstantin Päts, Jüri Vilms and Konstantin Konik – met in the original residence of Eesti Pank (the current Independence Hall of Eesti Pank). The Committee read out the Manifesto of Independence and established the first government of the Republic of Estonia called the Provisional Government of Estonia. The first Cabinet included Prime Minister Konstantin Päts and members Jüri Vilms, Jaan Poska, Juhan Kukk, Ferdinand Petersen, Andres Larka, Jaan Raamot and Peeter Põld.

In 2008, the central bank commissioned bronze busts of four of the ministers (K. Päts, J. Vilms, J. Poska and J. Kukk), which were completed in February. The busts were presented on 14 February at a ceremony held in the Independence Hall with Toomas Hendrik Ilves, President of the Republic of Estonia, and Ene Ergma, President of the Riigikogu, attending as guests of honour.

The busts of the rest of the Cabinet – F. Petersen, A. Larka, J. Raamot and P. Põllu – were added on 24 February 2009. All the busts were designed by sculptors Isabel Aaso-Zahradnikova and Ales Zahradnikov.

### **Eesti Pank Museum**

In 2008, the Museum had altogether 12,833 visitors, including 5,182 exhibition visitors and 7,651 coin purchasers. The amount of coins sold increased by nearly three times compared to 2007, totalling 21 million kroons.

In 2008, three exhibitions were held:

- “Heraldics today: A Selection of the Heraldic Symbols of Estonian Local Governments, State Agencies and Citizens in 1988–2008” (in February);
- “Own State, Own Money: Monetary Reforms in the Republic of Estonia (in June);
- “Coins with holes” (from November to February 2009).

There was also a travelling exhibition called “The Estonian Money from the Mark to the Euro”, at 15 different locations in the country as well as in Riga and Strasbourg.

#### ***Travelling exhibition in Riga***

The Latvian National History Museum in Riga held an exhibition “Igaunijas nauda – no markas līdz eiro” from 9 June to 17 August 2008. This was complemented by the Estonian travelling exhibition “The Estonian Money from the Mark to the Euro”, offering a representative display of specimens from the very first Estonian marks to the current Estonian kroons. The Estonian exposition was a follow-up to the Latvian exhibition “Money in Latvia: History and the Present Day”, which was open in the Eesti Pank Museum from 15 November 2007 to 9 February 2008.

#### ***“The Estonian Money from the Mark to the Euro” visiting the Council of Europe in Strasbourg***

The travelling exhibition “The Estonian Money from the Mark to the Euro”, which had won the first prize at the festival of Estonian museums in 2006, was displayed in Strasbourg for the 50th time. The exhibition was shown in the building of the Council of Europe on 8–19 December 2008 to celebrate the 90th anniversary of the Republic of Estonia. In a way, it was also related to defending Estonia’s report at the sitting of Moneyval, the Council’s Committee of Experts on the Evaluation of Anti-Money Laundering Measures, which took place at the same time.

The author of the idea to hold the exhibition there was Andres Palumaa from the Financial Supervision Authority and Head of the Estonian delegation in the Moneyval committee. The exhibition was coordinated in Strasbourg by the Permanent Representation of Estonia to the Council of Europe, especially Ambassador Sulev Kannike.

The display featured all collector coins issued by Eesti Pank from 1992 to 2008. The exhibition was officially opened on 10 December 2008. In addition to representatives from the Member States and officials of the Council also local Estonians residing in Strasbourg were invited to the opening.

## **GOVERNANCE, ORGANISATION AND HUMAN RESOURCES POLICY**

### **Governing and decision-making bodies of Eesti Pank**

#### ***Supervisory Board of Eesti Pank***

Pursuant to the Eesti Pank Act, the Supervisory Board of Eesti Pank is the highest body of Eesti Pank, exercising supervision over all activities of the central bank. The Supervisory Board has exclusive competence in the following areas:

- Making a proposal to the President of the Republic for appointment of the Governor of Eesti Pank;
  - Appointment to office and release of the Deputy Governors of Eesti Pank, the heads of the independent divisions and representative offices and Head of the Internal Audit Department of Eesti Pank; appointment and removal of members to the Supervisory Board of the Financial Supervision Authority<sup>1</sup> on the proposal of the Governor of Eesti Pank;
  - Approval of the Statute of Eesti Pank, the statutes of its independent divisions and representations and the Statute of the Internal Audit Department;
  - Supervision over the execution of the Eesti Pank budget;
  - Appointment of the internal auditors of Eesti Pank and approval of the internal audit work schedule;
  - Appointment of the independent auditors of Eesti Pank;
  - Approval of Eesti Pank's Annual Report on the proposal of the Governor;
- Making decisions regarding the denomination and design of new banknotes and coins;
  - Making decisions regarding the establishment, reorganisation and liquidation of the independent divisions of Eesti Pank on the proposal of the Governor;
  - Reviewing and approving written proposals and other documents submitted to the Riigikogu in the name of Eesti Pank.

The Governor of Eesti Pank reports regularly to the Supervisory Board on the situation in Estonia's economy, monetary policy and financial sector, and the implementation of the central bank's budget.

The Riigikogu appointed the Supervisory Board operating in 2008<sup>2</sup> to office on 17 February 2004. The Board comprised Professor Mart Sõrg (Chairman of the Board, appointed to office on 12 June 2003), Faculty of Economics of the University of Tartu; Professor Raul Eamets, Faculty of Economics of the University of Tartu; Professor Enn Listra, Faculty of Economics of the Tallinn University of Technology; Mart Opmann, economist; Tõnis Palts, public figure and economist; Professor Jüri Sepp, Faculty of Economics of the University of Tartu; Liina Tõnisson, public figure and economist, and Harri Õunapuu, Member of the Riigikogu. Until 12 June 2008, the Chairman of the Supervisory Board was Mart Sõrg. As of 13 June 2008, the Board has been chaired by Jaan Männik, public figure and economist.

#### ***Governor of Eesti Pank***

Andres Lipstok commenced his duties as Governor of Eesti Pank on 7 June 2005.

<sup>1</sup> The Supervisory Board of the Financial Supervision Authority comprises six members: two of them – the Minister of Finance and the Governor of Eesti Pank – are members by virtue of office while four are appointed. The Board is chaired by the Minister of Finance. Half of the members are appointed and removed by the Government of Estonia on the proposal of the Minister of Finance and half by the Supervisory Board of Eesti Pank on the proposal of the Governor of Eesti Pank.

<sup>2</sup> On 18 February 2009 a new composition of the Board was appointed to office.

### **Executive Board of Eesti Pank**

Pursuant to the Eesti Pank Act, the Executive Board of Eesti Pank is responsible for planning and organising the tasks of the central bank. The Governor of Eesti Pank is, by virtue of office, the Chairman of the Executive Board.

In 2008, the Executive Board comprised Governor Andres Lipstok and Deputy Governors Rein Minka, Märten Ross and Andres Sutt.

**Governor Andres Lipstok** is in charge of the **overall governance** of Eesti Pank. His exclusive competence involves organising the designing of monetary and banking policies and the overall governance of the tasks of Eesti Pank; supervision of the enforcement of the decisions passed by the Supervisory Board and implementation of measures necessary for that purpose; approval of Eesti Pank's budget, and supervision of the execution of the tasks of the European System of Central Banks.

The Governor reports to the Riigikogu and responds to interpellations concerning Eesti Pank's activities submitted. The Governor regularly reports on his activities to the Supervisory Board of Eesti Pank.

The Governor controls the work of Deputy Governors and is responsible for supervising the bank's management mechanisms.

**Deputy Governor Rein Minka** is responsible for coordinating the tasks related to currency circulation; safety of the working environment; reliable, cost-efficient and integrated development of the settlement system of Eesti Pank; development of the information technology working environment and legal environment, as well as human resources management.

**Deputy Governor Märten Ross** is responsible for the preparation and implementation of monetary policy decisions; management of the financial assets of Eesti Pank; coordination of collection, compilation, and disclosure of national statistics, and for the coordination of economic research and activities related to in-service economic training.

**Deputy Governor Andres Sutt** is responsible for international and public relations of Eesti Pank; development and implementation of financial sector policies; coordination of collection, handling and disclosure of financial sector information; supervision of payment and settlement systems, financial accounting and reporting, internal administrative services, and operational working environment at Eesti Pank.

### **Monetary Policy Committee**

A standing Monetary Policy Committee has been established to develop positions on monetary, economic and financial policies and coordinate the activities of Eesti Pank.

In 2008, the Committee included members of the Executive Board – Governor Andres Lipstok and Deputy Governors Rein Minka, Märten Ross and Andres Sutt – and Janno Luurmees, Head of the Financial Markets Department, Ülo Kaasik, Head of the Economics Department, Tanel Ross, Head of the International and Public Relations Department, Rait Roosve, Head of the Cash and Security Department, and Jaak Tõrs, Head of the Financial Stability Department (as of 17 April 2008).

### **Cooperation with the Financial Supervision Authority**

The **Financial Supervision Authority** (FSA)<sup>3</sup> operates as an agency of Eesti Pank. It exercises

<sup>3</sup> See § 4 of the Financial Supervision Authority Act.

national supervision over banks, insurance companies, financial intermediaries, investment funds and management companies licensed<sup>4</sup> and operating in Estonia as well as the securities market.

The FSA is governed by the Management Board chaired by Raul Malmstein. The activities of the FSA are planned by the Supervisory Board chaired by the Minister of Finance by virtue of office (by Ivari Padar in 2008). Members of the Supervisory Board include Governor of Eesti Pank Andres Lipstok and Deputy Governor Andres Sutt.

## **DEVELOPMENT OF THE MANAGEMENT SYSTEM AND WORK ORGANISATION OF EESTI PANK IN 2008**

### **Organisational values and value-based management**

The Executive Board of Eesti Pank has defined the following values of Eesti Pank.

#### **Competence**

- We keep ourselves informed on our long-term goals and follow them in our activities
- The messages we communicate are clear and understandable
- Our employees have the best qualification and a broad basis of knowledge
- We value self-learning and individual development and we learn from the best
- The sharing of employee skills and knowledge is well organised
- We are committed to fulfilling our main goals and we are prudent in our activities

#### **Cooperation orientation**

- We are flexible and innovative
- We engage the necessary expertise and make contributions where relevant

- We act in good will and trust each other
- We work as a team

#### **Reliability**

- We are loyal to our organisation and committed to our work
- Our words match with our deeds
- We are candid and self-critical
- We are consistent

#### **Consideration**

- We keep each other informed in regard with our work and give feedback
- We give recognition to good employees
- We have consideration for others and we are helpful and obliging

These values are part of the bank's management system. They are used in the daily and case-by-case analysis of work as well as in the more general analysis in annual development interviews. In order to keep the values better in mind, in-house seminars on the values were held at the end of 2008.

### ***Revision of the competency model for managers and evaluation of managers***

In 2008, the Executive Board together with the Human Resources Department and external consultants revised the competency model for managers established in 2004. The revised model consists of five major competencies (instead of the earlier seven): leadership and management; analytical skills and strategic thinking; self-organisation and taking responsibility; cooperation and establishment of relations, and influencing. In addition, behavioural descriptions were developed for every competency. The management's compliance with the competency model will be evaluated in the development interviews of 2009.

<sup>4</sup> Supervision over branches of banks, insurance companies and investment funds operating in Estonia is exercised by the supervision authority of the country of origin of the branch.

Besides revising the competency model, the management of Eesti Pank was evaluated based on the concept of the so-called 360 degree feedback<sup>5</sup>. Evaluation from both the supervisors and subordinates provided valuable feedback to the heads of department and ground for self-development. The Executive Board could monitor the management's developments at the individual as well as group level.

### **Development interviews**

The traditional development interviews were conducted also in 2008. The Human Resources Department compiled a summary of the interviews with the focus on the staff's proposals concerning the organisation. The summary was presented at a seminar for all employees and also at the traditional spring seminar where members of the Executive Board and the management could debate on the proposals. The conclusions of the working groups were then discussed at the bank's autumn seminar.

### **Process management**

The tasks of the process management development committee in 2008 included revision of in-house processes; determination of the rights and obligations of process owners and participants, and listing the bank's products and services along with their quality indicators and objectives. The committee also started to make preparations for the adjustment and introduction of the cost sharing methods that have been applied as a basis of comparison in the European System of Central Banks. In addition, the committee discussed the self-assessment model, which serves as the basis for the European Quality Award, to be adopted soon by the central bank.

During the audit of Eesti Pank, Bureau Veritas Eesti OÜ renewed the ISO 9001:2000 Qual-

ity Certificate issued to the Cash and Security Department in 2002. The certificate serves as a proof that cash handling and security processes in Eesti Pank are compliant with the requirements set forth in the standard.

### **Management accounting**

Financial and management accounting was developed further in 2008. Among other things, the accounting information system was enhanced by improving the interface to the payment and settlement system TARGET2-Eesti and replacing outdated loan software. In order to bring the bank's process-based budget drafting in line with that of the euro area central banks, the management accounting experts of Finnish, Swedish and Latvian central banks were consulted. Last but not least, the first descriptions of the relations between the processes of Eesti Pank and the European System of Central Banks were completed in 2008.

### **Risk management**

Eesti Pank has launched a risk management process that covers all bank's functions and is aimed at reducing the adverse impact of accidental events on accomplishing the bank's objectives. Risk management addresses operating risks, such as human resources risks, information system risks, financial risks, strategy and management risks, and reputation risks. Ensuring business continuity is another field of risk management.

Eesti Pank revises and assesses the risks regularly. Twice a year, all structural units submit a report on the materialisation of risks. Some units register smaller incidents also routinely. Based on the reports, no major risks materialised in 2008, which means that the risk measures taken so far have been effective.

<sup>5</sup> Method of evaluation of the executive's competence by himself, his subordinates, peers and supervisors.

In 2008, the focus of risk management measures was on planning the business continuity of the bank's main processes. The Executive Board has defined processes that are of critical importance for fulfilling the principal tasks of the central bank: settlement of interbank payments, operations of the currency board, management of foreign exchange reserves, coordination of currency circulation and public relations. Additionally, the bank has analysed and defined the incidents, which might cause substantial harm to the bank and for which business continuity plans have been drawn. These plans are based on common principles.

In 2008, the European Central bank started to introduce common principles for risk management and business continuity. The necessary framework instruments and action plan were approved at the end of the year. Eesti Pank participated in the coordination of these principles, and realised that the efforts in the field of risk management have been in line with the common vision and goals of the European central banks.

In 2008, Eesti Pank commissioned an external assessment of the level of risk management in the bank to determine future developments in that field. The audit by AS PricewaterhouseCoopers Advisors concluded that the organisational culture of Eesti Pank supports the implementation of risk management principles and procedures in the bank. The audit also noted that the central bank has established a suitable organisational culture and communication process, which helps ensure efficient risk management. The report of auditors included 12 recommendations for the further improvement of the bank's risk management system. For instance, the bank should identify the risks to achieving the strategic objectives of the bank and its structural units, as well as integrate risk management with strategic planning and budgeting. Most of the recommendations are planned to be implemented in 2009.

### ***e-Eesti Pank 2008***

The main task related to the development strategy for document and information management (e-Eesti Pank) in 2008 was to start preparations for the transition to electronic records management in 2009. In other words, internal records will be only digital, external records will generally be digital, and the entire records management will be based on e-applications. Digital documents and related information will be stored in a digital repository. E-applications will speed up the administration process and make it more transparent. Failures and errors will be easily detected and corrected.

To prepare for the transition to electronic records management, universal e-applications were developed for the coordination and approval of electronic records and the implementation of and supervision over the tasks set out in the records. In addition, the structure of the digital repository was specified and the application for digital correspondence was developed.

In relation to that, more individual trainings as well as trainings for e-application users were organised in 2008. Future users could also participate in defining the tasks of new applications, testing them and will eventually decide on the introduction of these applications.

The transition to electronic records management will entail the joint management of information and business processes. The different aspects of the transition were also introduced to a wider audience at the autumn seminar of the bank, given that the transition is not just a technical or organisational task, as it will also bring about changes in the organisational culture.

## **Eesti Pank's human resources policy**

The aim of Eesti Pank's human resources policy is to ensure the recruitment of employees needed for accomplishing the main objectives of the bank, to develop and train as well as motivate and provide fair remuneration to the staff.

### **Employees**

Internal competition is preferred in recruitment in order to motivate the staff by providing career opportunities within the bank. External competition is used in case internal competition has failed or in case an employee with different experience is needed. A competency model is used for recruiting executives or other highly responsible positions, as it provides the best opportunity to evaluate candidates' knowledge, skills, and personal characteristics.

Staff remuneration derives from the need to recruit and retain highly competent staff and motivate them to work effectively and contribute to the good reputation of the bank. The average compensation should be competitive in the labour market where the bank competes for employees; that is, the financial sector labour market in Tallinn.

The Supervisory Board of Eesti Pank determines the remuneration of top executives taking into consideration top executives' wages in state and private enterprises with turnovers larger than 500 million kroons. The size of the remuneration paid to top executives is affected by changes in the wage market data in the financial sector of Harju County. The remuneration of the Governor of Eesti Pank should not be smaller than the average wages of top executives in comparable enterprises and agencies.

In 2008, the total remuneration (basic wages and additional remuneration) paid to the members of

the Supervisory Board amounted to 2,268,000 kroons and that of the Executive Board to 6,049,689 kroons.

Non-executive positions have been assessed on the basis of the Hay method. Depending on the assessment results, all positions have been divided into wage groups listed in the classification of central bank positions.

Eesti Pank has implemented a wage scale comprising all wage grades.

The employees (members of the Executive Board excluded) receive remuneration on the basis of their wage grade, comparable by groups of similar work within as well as outside the bank.

The average monthly wages (including additional remuneration and holiday pay) in Eesti Pank amounted to 29,835 kroons in 2008. This includes the top executives as well as the support staff, but the majority of the central bank employees (nearly 85%) are specialists. The intermediate-level specialists employed in Eesti Pank must have a Master's degree, at least three years of professional experience and proficiency in written and oral English. They are also expected to attend some EU or European Central Bank working group. The monthly wages of a specialist complying with these requirements was approximately 23,000 kroons.

Eesti Pank had 245.2 positions as at the end of 2008. However, the number of actual employees was lower – there were 231 employees in 2008 on average. The reasons for suspending contracts of employment were maternity leave or employment at the European Central Bank or other international organisations.

The average age of the staff in 2008 was 42 years. 39% of the employees were men and 61% were women.

### ***Development and training***

For 2008, Eesti Pank had planned 4.4% of the wage budget on training. By the end of the year, nearly 4.6 million kroons had been spent on training courses, which accounts for 3.75% of the staff's payroll. All in all 226 employees (95% of total staff) attended trainings. On average, an employee received six days of training with the total cost of 19,500 kroons.

Traditionally, the most common fields of training were economic theory and policy, management/communication and language studies. Many of the trainings in core fields take place abroad. Group trainings mostly include in-house training courses and open seminars.

43 employees were engaged in academic studies in 2008: 75% of them were acquiring a Master's or Doctor's degree.

Two employees participated in trainee programs at the European Central Bank.

### ***Hobbies and traditions of the staff***

Eesti Pank's Sports Club had 232 members as at the end of 2008. Swimming, basketball, fitness, tennis, aerobics, volleyball, track and field, and yoga were the most popular fields of sport. In addition, winter and summer sports days were held. The staff also practices bowling, Nordic walking, kayaking, sailing and skiing.

Competitions between public officials were held in basketball and football. In-house competitions were held in bowling and chess. In addition, there were football and basketball competitions with the Financial Supervision Authority. As regards the sport events of European central banks, representatives of Eesti Pank took part in the Eurofest organised by the European Central Bank, a bowling competition in France and a chess tournament in Austria.

The chamber choir of the employees of Eesti Pank and the Financial Supervision Authority first gathered on 15 May 1998. The choir has 29 members and is conducted by Peeter Perens. Its activities are coordinated by the board that is elected every year.

To celebrate the 90th anniversary of the Republic of Estonia, the choir gave a spring concert dedicated to famous writers or musicians who celebrated or would have celebrated a jubilee in 2008. The choir's own tenth anniversary was celebrated with a concert at the House of the Brotherhood of Blackheads in Tallinn.