

**PARLIAMENTARY ASSEMBLY OF THE BLACK SEA ECONOMIC COOPERATION
PABSEC**

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**THE THIRTEENTH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY
THE ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL
AFFAIRS COMMITTEE**

REPORT*

ON

"THE BLACK SEA TRADE AND DEVELOPMENT BANK"

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Text adopted by the General Assembly in Ankara on 23 June 1999

I. Introduction

1. The leaders of the Participating States of the Black Sea Economic Cooperation had since their first ever meeting declared their intention to establish the financial wing of the newly born organisation.

2. In the **Summit Declaration on Black Sea Economic Cooperation**, of Istanbul on 25 June 1992, the Heads of State or Government of the BSEC Participating States stated that “the Participating States will consider or encourage the conclusion of appropriate credit and financial arrangements at the governmental and non-governmental level and will seek to mobilise funds, including through international institutions and third parties, for the purpose of expanding their mutual economic and commercial cooperation and implementing specific projects of common interest in the Black Sea area. In this context they will consider the possibilities and the ways of establishing a ‘Black Sea Foreign Trade and Investment Bank’”.

3. The process for establishing the Black Sea Trade and Development Bank was initiated during the same year, and at this date almost all necessary preparations for the establishment of the Bank have been completed; the financial institution of the BSEC process commenced its operations on 2 June 1999. This is a historic achievement for the countries of the region, since the new institution will contribute to the overall economic development of the BSEC area, the restructuring towards free market economies integrated into the international economic and commercial system, and the deepening of the multilateral cooperation among its member countries.

4. For the drafting of the Report the International Secretariat received the contributions of Greece, Romania, Ukraine and Turkey, and from the BSTDB.

II. The Creation of the BSTDB

5. On the instructions of the Meeting of the Ministers of Foreign Affairs of the BSEC Participating States, the first meeting of the WG in Banking and Finance convened on 15-16 October 1992 and reached consensus on the necessity and importance to establish a Bank, and initiated discussions on the “Draft Agreement Establishing the Black Sea Trade and Development Bank”.

6. The subsequent three meetings of the WG finalised the draft agreement and forwarded it to the MMFA. The Third MMFA reached a decision that the Bank will be based in Thessaloniki, Greece, as well as that the first President will be from Turkey, and the first Vice-President from Bulgaria. The Fourth MMFA in Tbilisi on 30 June 1994 signed the Establishment Agreement.

7. The Agreement stresses that the purpose of the Bank “shall be to effectively contribute to the transition process of the Member States towards the economic prosperity of the people of the region and to finance and promote regional projects and provide other banking services to projects of the public and private sectors in the Member States and trade activities among the Member States”.

8. To fulfil its purpose the Bank has the following functions and powers:

- a. to assist in the promotion of intra-regional trade, especially of capital goods, among the Member States;
- b. to finance productive projects and enterprises in the Member States;
- c. to cooperate with international development institutions and national finance and development agencies of the Member States;

- d. to establish and operate Special Funds for specific purposes, which are to be decided by the Board of Governors;
- e. to undertake research and surveys for promoting economic development in the region of the Member States or any of the Member States in order to stimulate development and transition;
- f. to further the aim of regional cooperation for development and to cooperate with the Member States to orient their development policies towards better utilisation of their resources in a manner consistent with the objective of making their economies more complementary and of fostering the orderly growth of the economies of the Member States and acting as an advisor in designing sound economic policies;
- g. to promote investment in economic and social infrastructure projects in the Member States, by way of guarantees, participations and other financial arrangements in both the public and the private sectors;
- h. to undertake such other activities and provide such other services as may advance its purpose.

9. The Moscow Declaration of the Heads of State or Government welcomed the ratification of the Agreement. At the Yalta Summit Declaration of 5 June 1998 the Heads of State or Government expressed their deep satisfaction with the establishment of the BSTDB, while appealing to the international banking and financial institutions to strongly support the BSTDB and consider ways and means to participate in its activities.

10. The Headquarters' Agreement was signed by the Deputy Minister of Foreign Affairs of Greece and the President of the Bank during the 12th MMFA in Sofia on 22 October 1998, and is expected soon to be ratified by the Greek Parliament. At the same time the Ministers expressed their concern about the delay in convening the Extraordinary Meeting of the Board of Governors on which the date of commencement of the BSTDB Bank operations would be announced, and emphasised the necessity to speed up preparations, particularly of the Business Plan for the first stage of operations.

11. At the same time the Ministers underlined the necessity to:

- accelerate the preparation of a clear strategy for business and financial operations of the BSTDB;
- appoint competent managers of medium level;
- strictly observe the engagements of the Member States under the Agreement for the Establishment of the BSTDB.

12. The MMFA called upon the Participating States to keep to the time schedule of their corresponding financial obligations by which the completion of the capital stack of the Bank will be realised. The Ministers expressed their appreciation to the valuable contribution of the government of the Hellenic Republic made so far for the establishment of the Bank and called upon the latter to further assist the bank in securing premises adequate to its operational requirements.

13. The initial capital of the Bank is app. \$1.5 billion. The countries' contribution to its capital is as follows:

- a. Greece, Russia and Turkey 16.5% each
- b. Bulgaria, Romania and Ukraine 13.5% each, and
- c. Albania, Armenia, Azerbaijan, Georgia and Moldova 2% each.

Greece financed the contribution of Armenia (\$ 2.72m) and Georgia (\$ 2.8m) to the paid-in capital of the Bank.

14. The inaugural meeting of the Board of Governors of the Black Sea Trade and Development Bank was held on 5-6 February 1998 in Thessaloniki. The meeting unanimously appointed the candidate designated by Turkey, Mr. Ersoy Volkan, as the President of the Bank. The announcement of the names of the Board of Directors was made. It was decided that the second meeting of the Board of Governors will convene on 11 March 1998. The Board of Governors on its second meeting of 11 March 1998 created the position of a second Vice-Presidents and the new post of the Secretary General.

15. The inaugural meeting of the Board of Directors was held on 6 February 1998 in Thessaloniki. During this meeting the following recommendations for the future work of the Bank were made:

- to build up a concept of confidence through measures that create mutual trust;
- to carry out a realistic and sound banking policy;
- to work according to normal banking standards, and not political ones;
- to follow a cautious and conservative policy;
- main criteria in the Bank's activities should be the solvability and liquidity of the Bank, and
- staffing on a temporary basis should start as soon as possible.

16. In the subsequent meetings of the Board of Directors a number of subjects were discussed, such as the recruitment and remuneration policy of the staff of the Bank, organisational matters, statute of the Bank, recruitment of consultants, financial policies etc. Mrs. Daniela Bobeva (Bulgaria) and Mr. Andreyi Kassianenko (Russia) were appointed as Vice-Presidents and Mr. Nicholas Zachariadis (Greece) as Secretary-General.

17. At this stage all BSEC countries have ratified the Agreement Establishing the BSTDB. 10 countries have deposited the in-paid capital (10% of the shares). Concerning the subscribed shares (20% of the total), which have to be deposited in 8 annual instalments, the Meeting of the Board of Directors of 11-12 September 1998 asked the Member States to initiate the relevant procedures.

18. The EU has financed the Business Plan of the Bank through its TACIS and PHARE programmes with the amount of 250,000 ECU. Although the preliminary Business Plan was completed in 1997 it is now under revision in order to adapt it, taking into consideration the turbulent international banking environment that emerged in 1998.

19. The BSTDB was initially housed on a building of the National Bank of Greece. It has now moved to new rented premises situated on the sea-front side of Thessaloniki. These premises do not constitute the final headquarters building for which Greek authorities have pledged their support. This support might take the form of a building or land donation. The Bank has already recruited its core personnel and continues filling-in the remaining vacancies.

20. The Bank has cooperated closely with the European Bank for Reconstruction and Development, but also with the European Investment Bank and other international financial institutions in issues like Internal Staff Regulations and Insurance Policies that have been promoted with their assistance.

21. The Bank is expected to commence its full operations in 1999. However, the exact date will be decided during the meeting of the Board of Governors, that will take place in Kyiv on 6 April 1999.

III. The PABSEC and the BSTDB

22. The PABSEC has since the beginning provided full support to the establishment of the BSTDB both through the Recommendations it adopted since 1994, expressing

support to the creation of the Bank, as well as through its cooperation with the National Parliaments in the ratification of the Agreement Establishing the BSTDB.

23. The establishment of the Bank was supported by the members of the Parliamentary Assembly in various documents of the Economic, Commercial, Technological and Environmental Affairs Committee, and the other PABSEC Committees. The following Recommendations adopted by the General Assembly included special provisions about the Bank:

- 9/1995 on the "Development of Cooperation of Banking and Finance among the BSEC Member Countries";
- 12/1995 on the "Follow-up of the Implementation of Recommendations 1-11";
- 16/1996 on the "Development of Cooperation in the Field of Trade and Business Among the BSEC Member States";
- 22/1997 on "The BSEC Free Trade Area: Part of the New European Architecture"
- 23/1997 on "Harmonisation of Foreign Trade Regimes in the BSEC Participating States";
- 25/1998 on "The BSEC Stock- and Commodities Exchanges"
- 29/1998 on "Transport in the Black Sea region"

24. The Declaration of the Fifth Anniversary of the PABSEC, adopted by the General Assembly in Bucharest on 24 June 1998, once again welcomed the establishment of the BSTDB. More importantly, the PABSEC members played a key role in accelerating the ratification of the "Agreement Establishing the BSTDB" by the National Parliaments of the BSEC Participating States.

IV. Member States' Contributions

Greece

25. The information provided by Greece has been incorporated into Chapter II. of the Report.

Romania

26. Romania has complied to her commitments in accordance with the provisions of the establishment agreement:

27. In 1997, the sum of 13.5 million Special Drawing Rights (SDR) was paid, representing 10% from the total subscription of Romania. The promissory note for 27 million SDRs was issued, representing 20% from the total subscription of Romania. The sum of 3.4 million SDRs was paid, representing the first instalment of the promissory note.

Ukraine

28. The Supreme Rada of Ukraine ratified the agreement establishing the Bank on 17 June 1997. The National Bank of Ukraine (Central Bank) was appointed by the President of Ukraine as the representative at the Board of Governors, with respective responsibility in the Board of Directors. Ukraine has observed its obligations concerning the first stages of the Bank and is keen to accelerate the start of full operations of the Bank taking into account that the funds contributed to its establishment were deposited in mid-1997.

Turkey

29. Turkey sent its proposals for the Recommendation.

V. Conclusions

30. It is common knowledge that the Black Sea process has since its birth in 1992 organised itself very well concerning its institutional base. The BSEC and its subsidiary bodies, the Parliamentary Assembly, the Business Council, as well as other bodies operating semi-autonomously under the BSEC wing, such as the International Centre for Black Sea Studies, provide an excellent institutional structure for the promotion of the goals of the Summit Declaration of the Black Sea Economic Cooperation and the Declaration on the Establishment of the PABSEC.

31. However, although great strides were taken towards this direction, the concrete results of the institutional building were up to now hardly evident to the people of the Black Sea region due to the lack of financial resources allowing the implementation of concrete projects. The BSTDB is finally here in order to provide the financial muscle for achieving the economic objectives of the BSEC process.

32. The Bank will help its 11 countries of operations to implement structural and sectoral economic reforms, to promote competition, privatisation and entrepreneurship, taking into account the particular needs of countries at different stages of transition. Through its investments it is expected to promote private sector activity, the strengthening of financial institutions and legal systems, and the development of the infrastructure needed to support the private sector.

33. The Bank will undoubtedly foster the transition towards open market-oriented economies, will facilitate intra-regional and international trade the Black Sea region and will promote private and entrepreneurial initiative in the countries of the Black Sea Economic Cooperation. The Bank is committed in applying sound banking and investment principles in all of its operations, while promoting environmentally sound and sustainable development.

34. Conclusively, the commencement of full operations of the BSTDB is an important landmark in the consolidation of the BSEC process and its ability to shape a shared vision of the future, and through mutual cooperation to transform the BSEC area into a region of peace, stability and prosperity, fully integrating its countries into the multilateral economic system and the new European architecture. Support to the BSTDB by the BSEC and the PABSEC, as well as by the Governments and the Parliaments of the BSEC member countries is now all the more important in order to achieve these objectives.

Annex I

BLACK SEA TRADE AND DEVELOPMENT BANK COMPOSITION OF THE BOARD OF GOVERNORS

COUNTRY	GOVERNOR
ALBANIA	Ms. Adriana BERBERI Deputy Minister, Ministry of Finance
ARMENIA	Mr. Edward MURADIAN Deputy Minister, Ministry of Finance and Economy
BULGARIA	Mr. Svetoslav GAVRIISKY Governor, Bulgarian National Bank
GEORGIA	Mr. Merab KAKULIA Vice-President, National Bank of Georgia
GREECE	Mr. Nikolaos KARAMOUZIS Deputy Governor, National Bank of Greece
MOLDOVA	Ms. Valentina BADRAJAN First Deputy Minister, Ministry of Finance
ROMANIA	Mr. Decebal Traian REMES Ministry of Finance
RUSSIAN FEDERATION	Mr. Evgueny G. YASIN Minister, Ministry of Foreign Affairs
TURKEY	Mr. Yener DINCMEN Under-secretary of Treasury, Ministry of State
UKRAINE	Mr. Victor YUSHCHENKO Governor, National Bank of Ukraine

* no representative of Azerbaijan yet