



BS/BF/WG/R(2001)1

**REPORT OF THE
MEETING OF THE BSEC WORKING GROUP ON
BANKING AND FINANCE**

Istanbul, BSEC Headquarters, 12-13 December 2001

1. The Meeting of the BSEC Working Group on Banking and Finance was held in Istanbul, BSEC Headquarters, on 12-13 December 2001.

2. The Meeting was chaired by Mr. Andriy KONONENKO, Director of Department of Economic Cooperation, Ministry of Foreign Affairs of Ukraine.

3. The Meeting was attended by the following Member States :

Republic of Albania
Republic of Armenia
Republic of Azerbaijan
Romania
Russian Federation
Ukraine

4. The representatives of the PABSEC, the BSEC Business Council and the Black Sea Trade and Development Bank (BSTDB) also participated in the Meeting.

The list of participants of the Meeting is attached as Annex I.

5. The draft agenda of the Meeting was discussed and adopted. The agenda, as adopted, is attached as Annex II.

**EVALUATION REPORT ON THE PREVIOUS ACTIVITIES AND CURRENT
PRIORITIES OF THE WORKING GROUP ON BANKING AND FINANCE**

6. The participants reviewed the performance of the Working Group on Banking and Finance on the basis of the Evaluation Report prepared by the PERMIS. They analyzed the results of the previous meetings and activities with a view to ensuring the follow up for the

decisions previously adopted and making good use of the experience accumulated in the course of designing further activities.

7. It was emphasized, in particular, that the WG successfully completed a major task – the Drafting of the Agreement Establishing the BSTDB. At present time there are a number of issues that require further involvement of the WG on Banking and Finance, including:

- Budgetary process of the BSEC;
- Establishing of complementary financial instruments for project development;
- Creating a favorable environment for the implementation of the BSTDB projects;
- Providing expertise in and facilitating the process of cooperation between the BSEC and the interested international financial institutions and agencies.

8. The country-coordinator of the WG is expected to take into account these major issues as well as the relevant provisions of the BSEC Economic Agenda while considering the ways of implementation of the Action Plan and dynamisation of the WG as a whole.

CONSIDERATION OF THE DRAFT RULES AND REGULATIONS OF THE BSEC PROJECT DEVELOPMENT FUND

9. Pursuant to the resolution of the Council of Ministers of Foreign Affairs, the WG exchanged views on the Draft Terms of Reference and Regulations for the BSEC Seed Money Fund / Project Development Fund.

10. The delegations agreed that the name to be used hereinafter for the Fund would be “Project Development Fund” instead of “Seed Money Fund” mentioned in the BSEC Economic Agenda.

11. The BSEC Permanent International Secretariat was instructed to update the “Draft Rules and Regulations of the Project Development Fund” on the basis of the proposals expressed by the delegations, and specifically, elaborate a workable scheme for the project development process within the BSEC including its stages, accountability of the bodies involved, main principles of interaction, etc. and circulate the latter to the BSEC Member States two weeks prior to the next Meeting of the WG on Banking and Finance.

12. To achieve the afore-mentioned objective, the BSEC Secretariat shall closely cooperate with the BSTDB, BSEC Business Council and ICBS with a view to making good use of their expertise and submit the updated background paper to the next Meeting of the WG on Banking and Finance.

CONSIDERATION OF THE DRAFT AGREEMENT ON COOPERATION BETWEEN THE BSEC AND THE GERMAN DEVELOPMENT AGENCY KfW (KREDITANSTALT FÜR WIEDERAUFBAU)

13. The participants appreciated the presentation on this topic made by the BSEC PERMIS Secretary General. The Secretary General informed the participants that after the Fifth Meeting of the Council of Ministers of Foreign Affairs the KfW has decided to proceed with the implementation of its project through bilateral channels and at the same time reconfirmed its interest in realizing in the future other projects in cooperation with the BSEC.

14. The WG agreed that in order to elaborate a common approach for responding to cooperation proposals by financial institutions, PERMIS should prepare for the next Meeting of the WG on Banking and Finance (Istanbul, 15-16 January 2002) a draft model Protocol of Intent designed for the institutionalization of relations between BSEC and interested financial institutions. The PERMIS shall circulate the draft model Protocol of Intent to the BSEC Member States two weeks prior to the next Meeting of the WG on Banking and Finance.

ANY OTHER BUSINESS

15. The WG welcomed the proposal of the BSEC Business Council to investigate the possibility of setting up a special “BSEC SME Equity Fund” with the participation of the BSTDB, other equity funds and international donors.

16. To this end, the BSEC Business Council and BSTDB volunteered to jointly draft a concept paper on the “BSEC SME Equity Fund” and present it at the next Meeting of the WG on Banking and Finance (Istanbul, 15-16 January 2002).

DATE AND VENUE OF THE NEXT MEETING

17. The next Meeting of the WG on Banking and Finance will be convened on 15-16 January 2002 at the BSEC Headquarters in Istanbul.

ADOPTION OF THE REPORT

18. The WG adopted the present report to be circulated to the BSEC Member States.