

ANNUAL REPORT ON COOPERATION

2020



BANCO DE
PORTUGAL
EUROSYSTEM

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Underlying chart data on cooperation
are available in an attached file.



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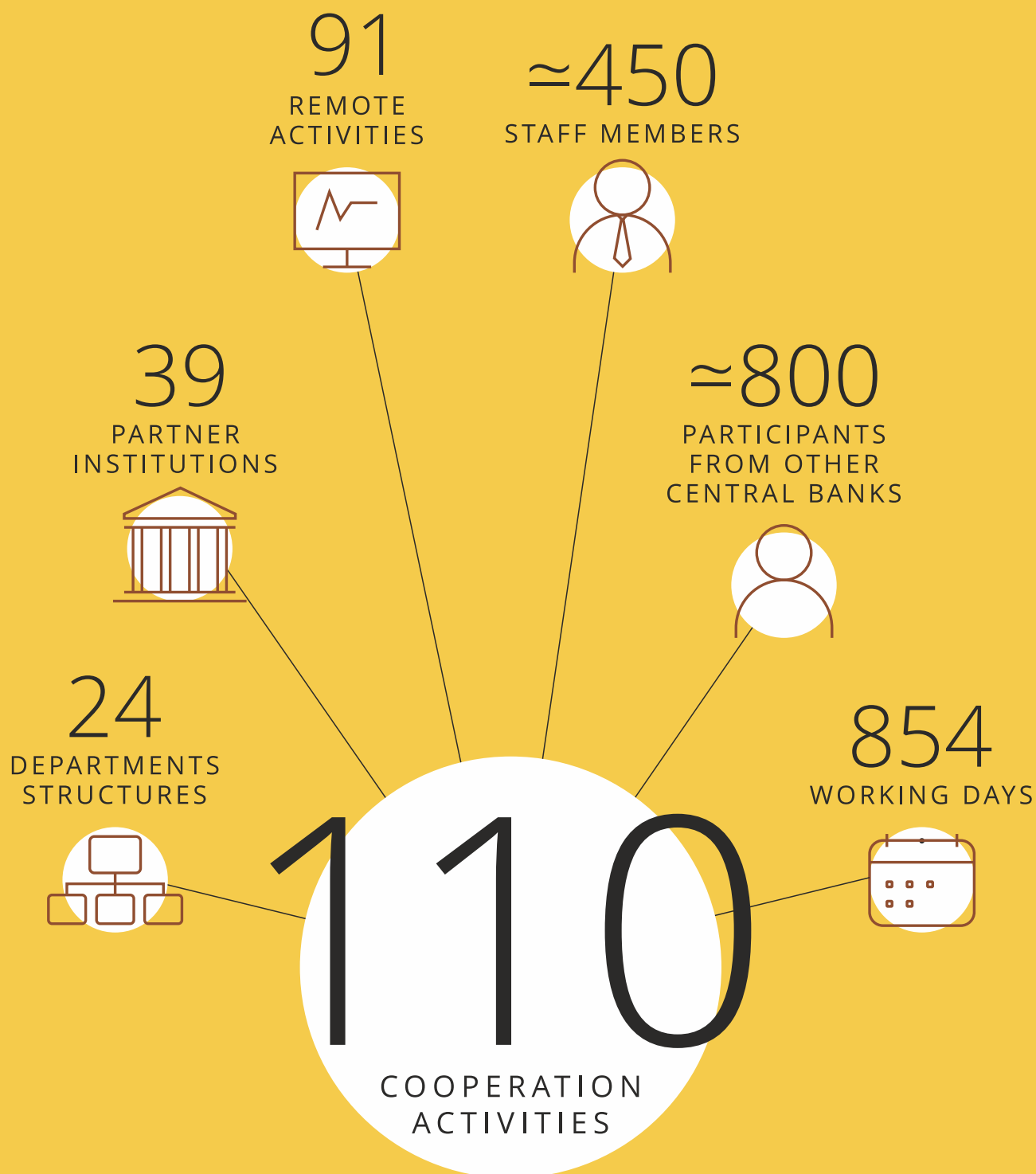
The challenging times
of the COVID-19 pandemic
have shown the importance of mutual aid,
including among central banks.

The reaction to the pandemic, however,
does not only seek to recover what was lost,
but is also an opportunity to do better.

Within this context, I would like to highlight
the contribution made by the Banco de
Portugal in the field of technical cooperation
with partners from very diverse geographies,
in the face of an adverse and highly
uncertain scenario.”

Mário Centeno,
Governor of the Banco de Portugal

Cooperation in numbers 2020

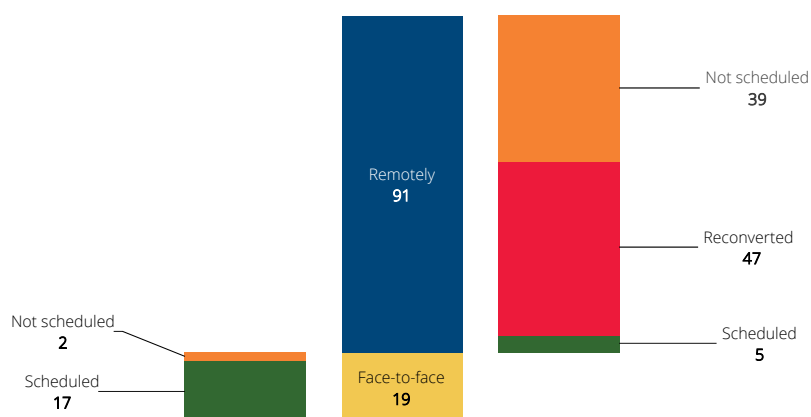


1 Banco de Portugal cooperation in 2020

Technical cooperation with other central banks, part of the Banco de Portugal's mission, was able to adapt to the restrictions imposed by the fight against the COVID-19 pandemic, which caused significant and cross-cutting changes to all activities. Cooperation was enhanced by the circumstances, benefiting from the solid relationship between partners, broadening topics and reaching more staff members, although losing the benefits that only close contact can bring. Flexibility, the use of digital communication and the promotion of multilateral activities, basic principles of cooperation, were decisive.

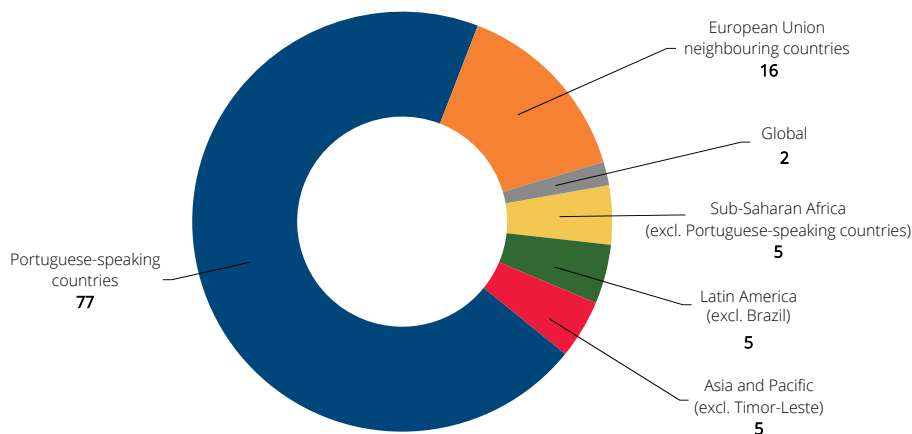
In 2020 the Banco de Portugal carried out 110 cooperation activities, 83% of which remotely, involving approximately 450 of its staff and 800 staff members of partner institutions. The central banks of Portuguese-speaking countries accounted for 70% of all activities, while activities with partners from other geographies remained relevant, in particular with EU neighbouring countries (15%).

Chart 1.1 • Cooperation activities in 2020 by channel



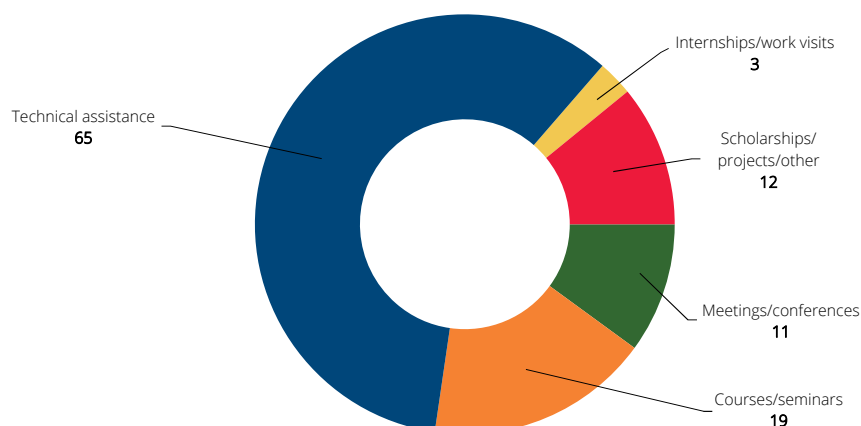
Source: Banco de Portugal.

Chart 1.2 • Cooperation activities in 2020 by region



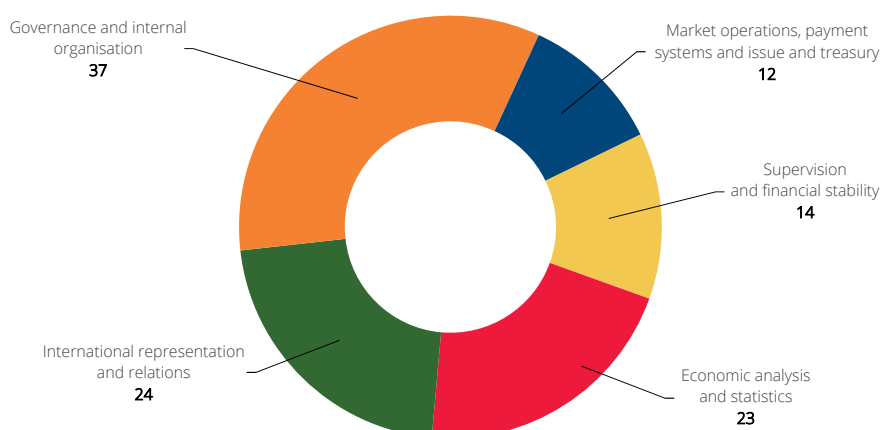
Source: Banco de Portugal.

Chart 1.3 • Cooperation activities in 2020 by type



Source: Banco de Portugal.

Chart 1.4 • Cooperation activities in 2020 by topic



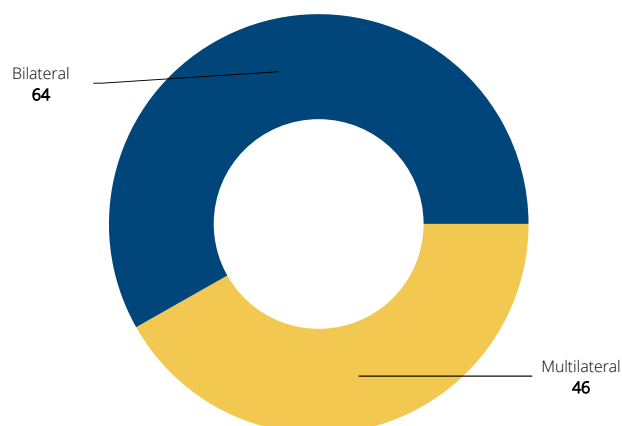
Source: Banco de Portugal.

Given the particularly difficult circumstances, cooperation addressed new needs, such as the exchange of experience in managing the health crisis and implementing emergency measures for financial institutions, internal and external communication of measures adopted, and technological innovation (Section 1.1).

These topics and activities, resulting from the current emergency, added to sound cooperation in core central bank functions – namely in economic analysis and statistics and in supervision and financial stability – as well as in governance and internal organisation, which are crucial for the fulfilment of the mandate of central banks.

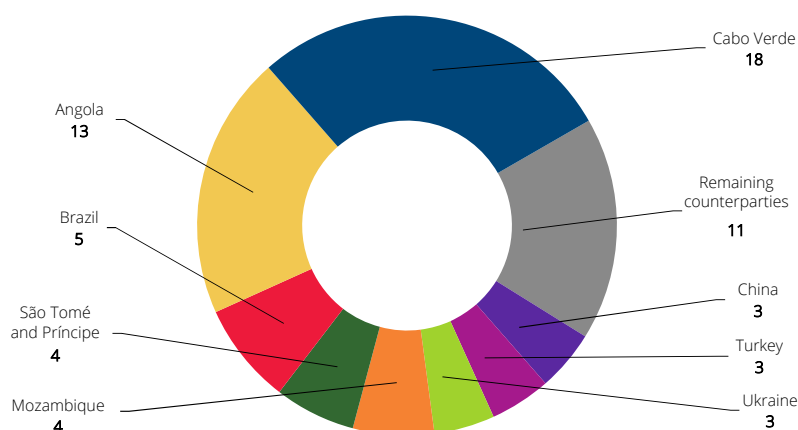
The Banco de Portugal continued to participate in the monitoring bodies of the Exchange Rate Cooperation Agreement with Cabo Verde and the Economic Cooperation Agreement with São Tomé and Príncipe, in a format also adapted to the circumstances. In 2020 the Banco de Portugal signed a Cooperation Agreement with the Bank of Namibia, bringing the number of cooperation agreements in force to thirteen.

Chart 1.5 • Cooperation activities in 2020 by scope



Source: Banco de Portugal.

Chart 1.6 • Cooperation activities in 2020, counterparties for bilateral activities



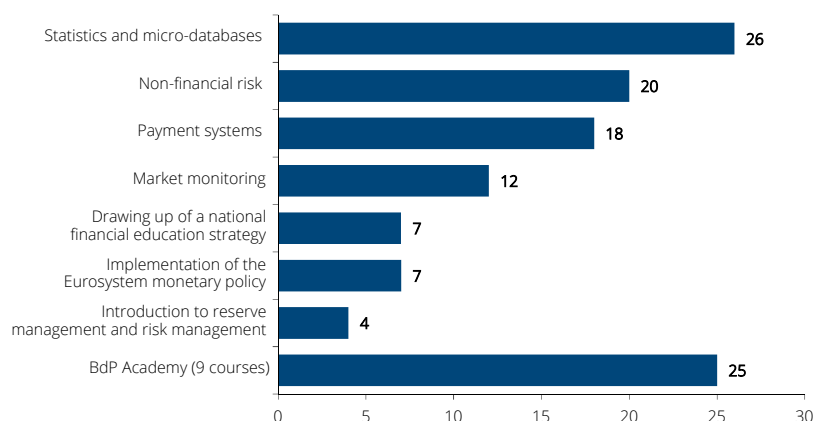
Source: Banco de Portugal.

In 2020 the central banks of Portuguese-speaking countries showed considerable interest in the training initiatives of the Banco de Portugal Academy, one year after they were expanded to include them. Access to training in leadership, communication and soft skills, and to the self-training technology platform SABER+, made an important contribution to the capacity building and development of staff at the central banks of Portuguese-speaking countries (Section 1.2).

Also of note is the provision, in 2020, of the documentary database on the history of economic relations in the former escudo monetary zone in a digital archive, now included in the Historical Archive of the Banco de Portugal, the result of a cooperation project also aimed at enhancing research (Section 1.3).

A number of high-level events were organised, such as the *XXX Lisbon Meeting between the Central Banks of Portuguese-speaking Countries* (Section 1.4) and the *CIX Meeting of Central Bank Governors of the Center for Latin American Monetary Studies (CEMLA)*, which were held remotely for the first time due to the constraints imposed by the pandemic.

Chart 1.7 • Participants from Portuguese-speaking countries in courses and seminars in 2020



Source: Banco de Portugal.

The Bank remained involved in European cooperation activities with EU candidate and potential candidate countries, in particular as regards the programme for the Western Balkans. In 2020 the Bank organised, jointly with the Bank of Lithuania, a regional course entitled Resolution Framework in the EU and the Banking Union. In the bilateral measure, the Bank established a partnership with the Central Bank of the Republic of Kosovo in financial customer protection and complaints management. Also with EU funding, the Bank increased its participation in Twinning programmes, particularly in projects with the National Bank of the Republic of North Macedonia and the National Bank of Ukraine (Section 1.5).

The difficulties of 2020 led to the introduction of innovative solutions in cooperation activities; and remote activities, little used until then, became the norm. The experience gained over the course of the year reflected positive feedback, leading to greater inclusion and a widening of scope, despite the loss of personal contact. To help understand the structural impact of this experience on the future cooperation model, the Banco de Portugal launched a survey on the new trends to cooperation coordinators and managers of Portuguese and international partner institutions (Chapter 2).

1.1 Cooperation in the response to the COVID-19 pandemic

The COVID-19 pandemic forced a readjustment of the formats and timetables of cooperation activities in 2020, in close cooperation with partners, thus maximising the efficiency of joint work. In addition, the pandemic created a set of specific needs for sharing experiences on the response of each country and institution. Particularly useful was the information shared on the measures implemented as regards the functioning and protection of the financial system and on the internal plans for the contingency phase and the return to the workplace.

In parallel, the need to monitor the economic and social situation of the countries with which the Banco de Portugal maintains closer relations led it to follow in detail the main effects of the pandemic and the containment policies implemented on Portuguese-speaking countries and other relevant emerging economies.

1.2 Training courses of the Banco de Portugal Academy

Due to the pandemic, the course catalogue of the Banco de Portugal Academy was redesigned; courses have been conducted remotely, with the central banks of Portuguese-speaking countries showing considerable interest.

As demand far exceeded the number of places available, in 2020 staff from the central banks of Portuguese-speaking countries participated in nine Academy courses, with a total of 25 participants, more than twice the number of 2019. Courses focused on issues related to the development of soft skills, such as presentation techniques, time management, creativity and communication.

Particularly noteworthy was the interest shown by staff from the Banco Central do Brasil, which stood out both in number of registrations and actual participants. Participation by the Banco Central de Timor-Leste, which had shown considerable interest in this initiative in a face-to face format in 2019, declined when courses were held remotely, due to the time difference with Portugal.

1.3 Archive of the history of economic relations between former territories of the escudo monetary zone

In 2020 the Banco de Portugal provided for public consultation the documentary database on the history of economic relations in the former escudo monetary zone, a digital archive included in the Bank's Historical Archive (AHBP). This project included documentation on Angola, Cabo Verde, Guinea-Bissau, Portugal, Mozambique, São Tomé and Príncipe, Timor-Leste and the Macao Special Administrative Region from 1960 to 2010.

This was an important milestone in a project that started in 2018, through which relevant documentation from the AHBP and other national archives (to be added to the AHBP page) was catalogued and digitised. The final stage includes the creation of an international network of documentary archives on this topic, which central banks, universities and researchers of Portuguese-speaking countries have been invited to join.

A key objective of the project is to promote research into this important historical period for the countries involved. In 2020 several studies were undertaken using the catalogued documentation and presented in the forum *Tardes de arquivo do Banco de Portugal* (Archive afternoons at the Banco de Portugal), dedicated to disseminating and researching archives of financial institutions. The findings of studies on the history of economic relations in the former escudo monetary zone were presented in the forum both from a global perspective and from the perspective of some countries.

1.4 XXX Lisbon Meeting

In the year marking three decades of structured cooperation by the Banco de Portugal, the 30th edition of the Lisbon Meeting in October 2020 also took on a new format, as it was condensed and held remotely, due to the constraints of the COVID-19 pandemic.

Also with the participation of the Monetary Authority of Macao, the Lisbon Meeting provides a privileged occasion for cooperation among the central banks of Portuguese-speaking countries and

includes a public session on a specific issue. Ambassadors and leading figures from international financial institutions, the Portuguese financial system, business associations, general government, public sector institutions involved in the development agenda and in cooperation are invited to attend the public session. Taking place the week before the Annual Meeting of the IMF/World Bank, the Lisbon Meeting is an opportunity for the Governors to discuss, in a private session, topics of interest on the international agenda and for the deepening of existing cooperation relations.

In the *opening address of the XXX Lisbon Meeting*, the Governor of the Banco de Portugal underlined the role of international cooperation in fighting the pandemic, mitigating its effects on economies and populations and preparing for the future. He highlighted the role of central banks in the first line of policy response, creating or strengthening mechanisms to safeguard the liquidity and stability of the financial system. The Governor also underlined the ability of cooperation to respond and adapt to circumstances arising from the pandemic, mentioning the effort required to hold the event.

The central theme of the public session was Challenges and opportunities in the context of the COVID-19 pandemic, with a speech by Susana Peralta (Nova School of Business and Economics). The private session included a presentation of the main topics of the annual meetings of the IMF and the World Bank, a joint reflection on the challenges and opportunities of the present crisis and to take stock and review the prospects for cooperation among the central banks of Portuguese-speaking countries. The heterogeneity in terms of structural and institutional contexts and in resource availability explains the asymmetry of consequences and responses to the pandemic crisis. The increased vulnerabilities that these economies face are illustrated in the publication *Economic Developments in Portuguese-speaking African Countries and Timor-Leste – 2019-2020*, published by the Banco de Portugal on the day of the Meeting.

1.5 European Union Twinning programmes

The European Union's *Twinning* programmes are a major instrument for cooperation between public administrations of Member States and partner countries. Central banks have been some of the most frequent participants in these programmes.

The aim of Twinning programmes is to strengthen institutions and build up their capacity. Determined by agreement between the parties, the assistance includes the identification of concrete mandatory operational results and usually covers several areas of intervention. It also includes a resident twinning adviser, who coordinates the activities during the implementation period (one to three years) and it is common to have the support of an auxiliary manager and to request specific or sector partnerships from other entities. A number of activities can be undertaken: technical assistance missions, workshops, training sessions, courses, study visits, internships or counselling.

Initially, the Twinning programmes were only available for EU candidate and potential candidate countries, i.e. the beneficiary countries of the Instrument for Pre-accession Assistance (currently, Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia and Turkey). In these countries, Twinning aims to support the transposition, implementation and enforcement of EU legislation, as well as strengthen institutional capacity throughout the accession process, share good practices and foster long-term relationships. As of 2004, Twinning programmes have also been available for countries covered by the European Neighbourhood Policy: to the east, Armenia, Azerbaijan, Belarus, Georgia, Moldavia and Ukraine; and to the south, Algeria, Egypt,

Israel, Jordan, Lebanon, Morocco, Palestine and Tunisia. In addition to capacity building, these programmes aim to support the approximation of laws and regulations to the quality standards of EU Member States in the framework of cooperation or partnership agreements signed with the EU.

The Banco de Portugal has stepped up its involvement in Twinning programmes, always as sector partner. In 2005 and 2006, at the invitation of Banca d'Italia, the Bank participated in the project *Strengthening banking supervision and further institutional developments of the National Bank of Romania*, making a contribution in several legal matters.

In 2019 the Deutsche Bundesbank sought the Bank's partnership in IT security operations within the programme *Strengthening of the institutional capacities of the National Bank of Serbia in the process of EU accession*. Under the leadership of the Deutsche Bundesbank, in 2020 the Bank also participated in the project *Strengthening the institutional capacity of the National Bank of the Republic of North Macedonia in the process of its accession to the ESCB*, providing assistance in banking conduct supervision.

In September 2020, Narodowy Bank Polski was adjudicated the programme *Strengthening the institutional and regulatory capacity of the National Bank of Ukraine to implement EU-Ukraine Association Agreement*, with a duration of 21 months. The partnership of the Banco de Portugal was requested in the field of strategic planning, including technical assistance and training activities, with its first missions held remotely in December 2020.

Participation in Twinning programmes has become a valuable component of the Bank's cooperation activities. Given its environment, the Bank considers twinning programmes a privileged cooperation instrument, in particular considering the effectiveness of its contribution to the institutional strengthening of central banks and the macroeconomic stability of partner countries.

2 Survey on new trends in cooperation activities

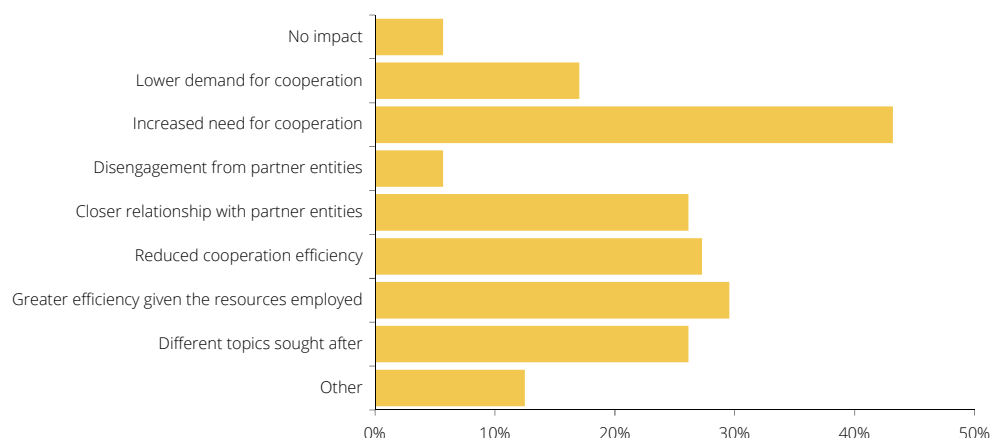
The pandemic containment measures significantly constrained international technical cooperation in 2020, mostly due to substantial face-to-face activities. As remote work became the norm and travel was banned, cooperation activities were carried out exclusively through digital platforms, which made it necessary to adapt work methodologies, the layout of activities and shared content across the board. Although exceptional and temporary, some of the transformations observed may come to have a permanent impact on how central banks cooperate, most notably due to the strong acceleration in digitalisation.

Against this background, the Banco de Portugal launched a survey to cooperation coordinators and managers of partner institutions, to reflect on the trends that can be determined after one year under health-related restrictions affecting activity. 191 surveys were sent to representatives from 51 central banks and 11 international institutions, among others. The interest of the topic led to an overall response rate of 46%.

2.1 Analysis of responses

Given the geographical scope of the Banco de Portugal's cooperation activities, the responses provide a wide-ranging insight into the impacts of the pandemic on activity, the digital experience and expectations for the future of cooperation.

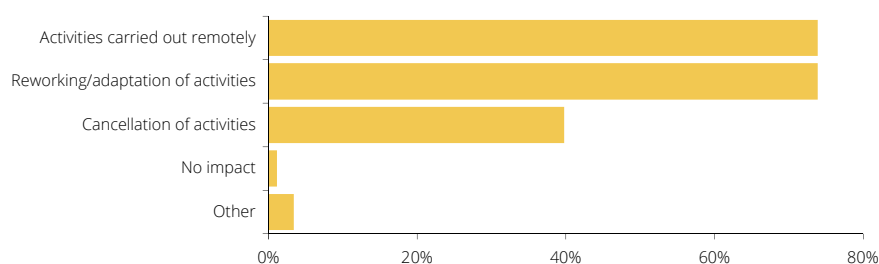
Chart 2.1 • Main impacts of the pandemic on cooperation activities



Source: Banco de Portugal. | Note: 88 observations, multiple choice.

The impact of the pandemic on cooperation activities was acknowledged in 94% of responses given, notably with the perception that the crisis led to an increase in the need for cooperation (47%). Of all impacts, the low prevalence of disengagement from partner entities (6%), the acknowledgment of the greater efficiency of resources (30%) and the change in topics sought after (26%) emerged as indicators of resilience and adaptability of cooperation activities. Reduced cooperation efficiency was the main negative impact singled out (27%). Beyond the options presented, respondents also mentioned the broader scope of digital solutions, which can mobilise a wider audience for cooperation activities.

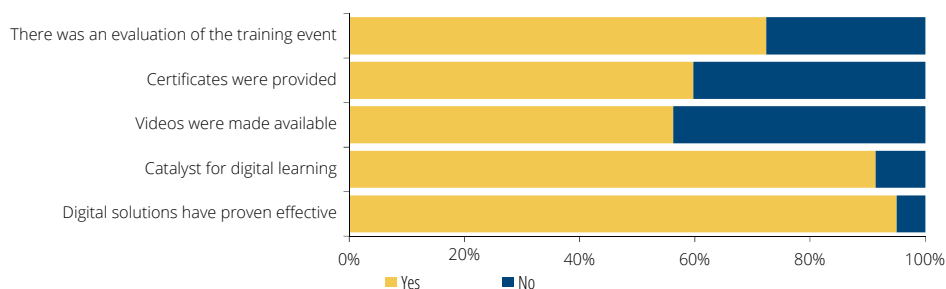
Chart 2.2 • Main impacts of the pandemic on the organisation of activities



Source: Banco de Portugal. | Note: 88 observations, multiple choice.

In a period marked by high uncertainty, the onset of the pandemic called for a review of a substantial share of activities planned for 2020 and continues to pose challenges to the agenda in 2021. With regard to the main impacts on the organisation of activities, the cancellation of activities, although relevant, was identified by fewer respondents (40%) than reworking/adaptation and activities carried out remotely (74% in both cases).

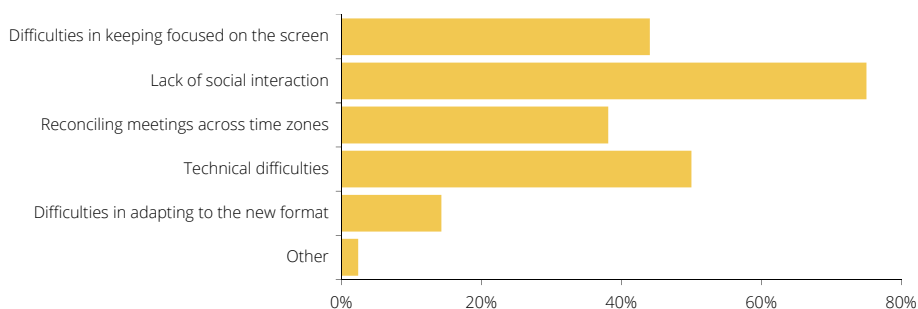
Chart 2.3 • The digital experience



Source: Banco de Portugal. | Note: 79 observations.

For most respondents, the perception was that digital solutions had proven effective (95%) and that the pandemic had acted as a catalyst for digital learning (91%).

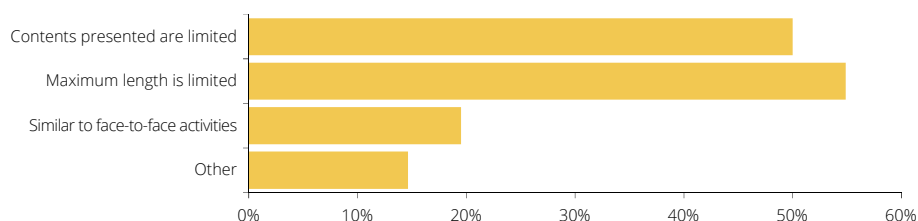
Chart 2.4 • Main obstacles to the implementation of a digital solution



Source: Banco de Portugal. | Note: 84 observations, multiple choice.

The lack of social interaction was acknowledged as the main obstacle to the implementation of a digital solution (75%), with notable mentions to technical difficulties (50%), difficulties in keeping focused on the screen (44%) and reconciling meetings across time zones (38%). However, it should be noted that the number of respondents that mentioned difficulties in adapting to the remote solution was modest (14%), which indicates that for some years institutions have been able to adapt to the digital ecosystem.

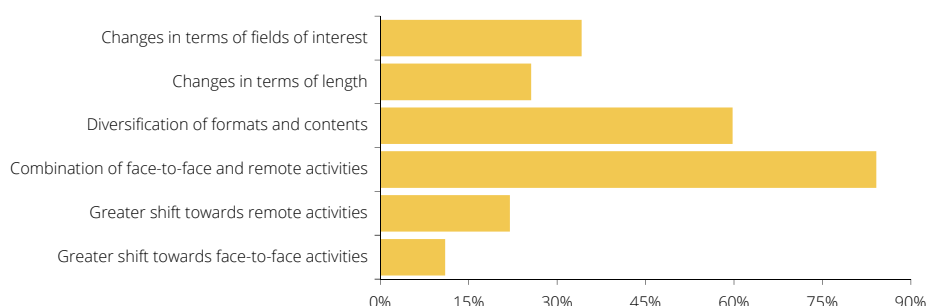
Chart 2.5 • Main limitations to the use of remote solutions



Source: Banco de Portugal. | Note: 82 observations, multiple choice.

The limitations to the digital experience mentioned were the maximum length (55%) and contents presented (50%) in the activities, with other notable remarks on missed networking opportunities and benefits of informal contacts.

Chart 2.6 • The cooperation model in the future



Source: Banco de Portugal. | Note: 82 observations, multiple choice.

Among the features that the future cooperation model should present, a large majority of respondents indicated a combination of face-to-face and remote activities (84%) as well as a tendency for greater diversification of formats and contents (60%). Out of all the comments sent on the future of cooperation, the most notable was the strengthening of institutions' technological capability and their staff IT skills.

With the lifting of travel bans, the number of remote initiatives is expected to stabilise above pre-pandemic levels, making use of the advantages of a more digital model, particularly the efficiency of recourses employed, the democratisation of access to cooperation content and the lower environmental impact of activities. However, the return to face-to-face activities will make it possible to mitigate the disadvantages of an exclusively digital model, particularly in domains where knowledge is less likely to be shared remotely and in sectors in which face-to-face content delivery and networking opportunities are more relevant. Topics related to the digitalisation of the financial sector, cybersecurity, business continuity management and sustainable financing are also expected to take centre stage on international technical cooperation agendas.

2.2 Characterisation of surveyed and respondent entities

The information presented here was obtained from an online survey, launched on 18 February 2021, and participants were asked to reply by 8 March. Out of 191 surveyed entities, 114 responses were received, of which 88 were valid. The charts below summarise the geographical coverage of the exercise, response rates per question and the characterisation of the respondents' profile.

Figure 2.1 • Geographical coverage of the survey

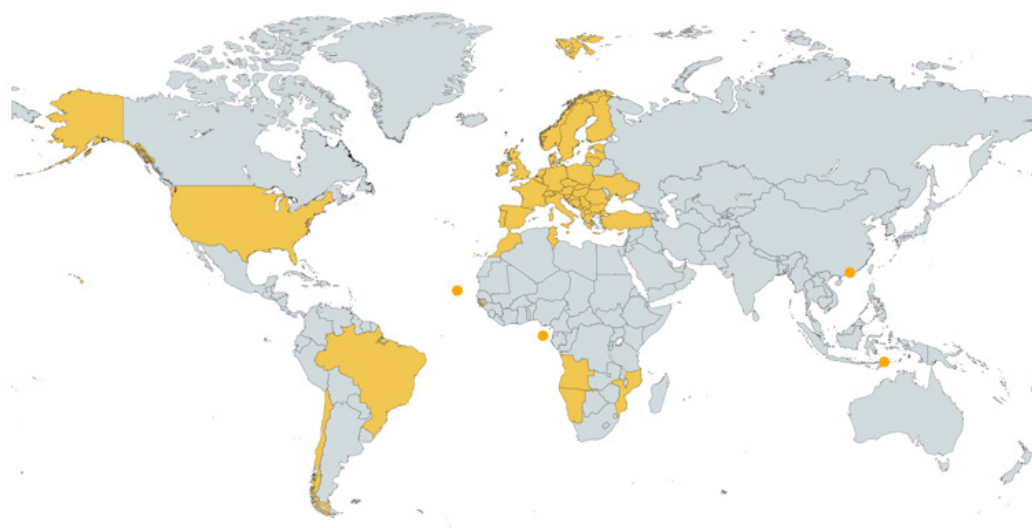
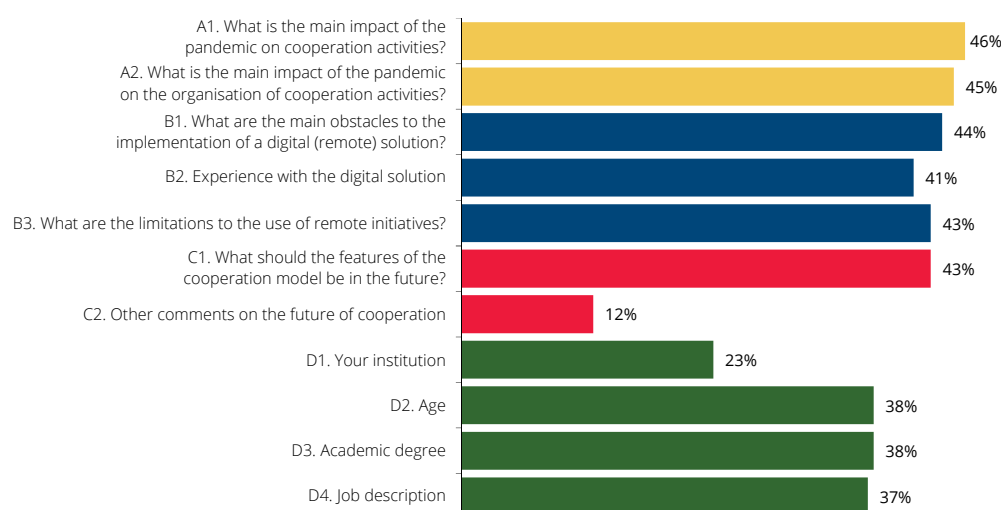


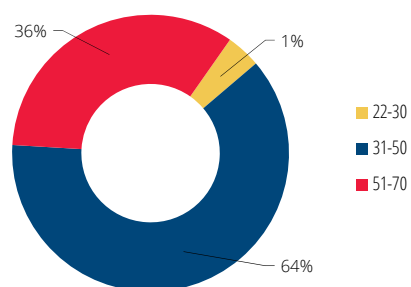
Chart 2.1 • Response rates per question



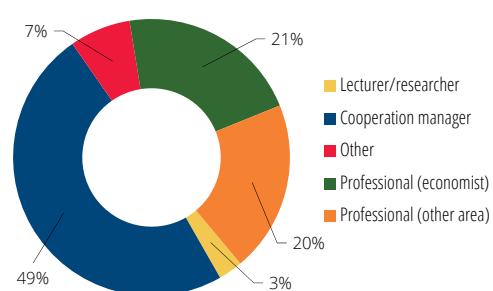
Source: Banco de Portugal.

Chart 2.2 • Characterisation of respondents

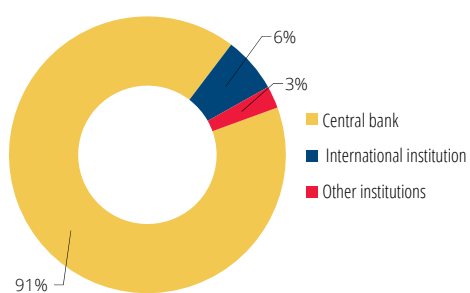
Age bracket, in years | 72 responses



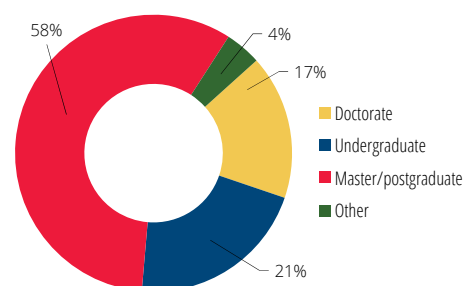
Job description | 70 responses



Institution | 44 responses



Academic degree | 71 responses



Source: Banco de Portugal.

3 Courses and seminars in 2020 with the participation of Portuguese-speaking countries

3.1 Introduction to reserve management and risk management | 17 to 21 February

Introductory course jointly organised by the Markets Department and the Risk Management Department, focusing on the main concepts and procedures used in reserve management and the complementary financial risk management. The course covered issues related to market monitoring, the conduct of portfolio management operations (front office) and their recording and processing (back office), as well as the associated risk measurement and control.

3.2 Implementation of the Eurosystem monetary policy | 22 to 26 June

Course organised by the Markets Department, presenting the Eurosystem monetary policy transmission mechanisms, including available instruments, eligibility criteria for counterparties, collateral in credit operations and conduct of monetary policy operations. It also focused on the banking system liquidity forecast, the role of non-standard measures, the information systems used and the impact of digital innovation and FinTech.

3.3 Non-financial risk | 27 to 31 July

Course organised by the Risk Management Department and the Compliance Office, which addressed the Bank's experience in strategic and operational risks, including the identification and monitoring of associated indicators and the management of related incidents. The topics of business continuity management, information security and conduct risk were also covered.

3.4 Payment systems | 19 to 23 October

Seminar organised by the Payment Systems Department, presenting key concepts on payment systems, covering central bank money settlement systems, retail payments, innovation in services and systems, the List of Cheque Defaulters, regulations, compilation and production of information and the oversight of various systems.

3.5 Statistics and micro-databases | 19 to 23 October

Course organised by the Statistics Department on the experience of the Banco de Portugal in organising and structuring a central bank's statistics department. It addressed the main domains, focusing on monetary and financial statistics, the Central Credit Register, external statistics, the

Central Balance Sheet Database, securities statistics, national financial accounts and general government statistics. It also covered topics such as statistical quality, the integrated management of information and dissemination/communication.

3.6 Market monitoring | 16 to 20 November

Specialised course organised by the Markets Department, aiming at further developing know-how on techniques and instruments to support regular market monitoring and analysis, from historical and forward-looking perspectives. It included an overview of the world economy, the current features of foreign exchange and financial markets and an approach to the key elements of asset management.

3.7 Drawing up of a national financial education strategy | 23 to 25 November

Course co-organised by the Banking Conduct Supervision Department and the Alliance for Financial Inclusion on the drawing up and implementation of a national financial education strategy. It included the identification of the main stages of development, the analysis of governance models, as well as the relevance and challenges in monitoring and assessing the strategy, besides a call to focus on digital financial education and its role in the national strategy.

3.8 Banco de Portugal Academy

Under the Banco de Portugal Academy, several courses were carried out during the year to strengthen management skills and further develop central bank staff members, with the participation of counterparties from Portuguese-speaking countries.

The Pomodoro Technique, a time management method – personal time management and its consequences for daily work organisation and capitalisation; the Pomodoro Technique for time management, suitable for professional activities.

Creativity and innovation – generating creativity and innovation in organisations, prompting outside-the-box thinking within the organisation and creating an environment conducive to positive change.

How to set up indicators to measure our goals? – establishing better indicators for goals, to ensure that work environments are challenging and stimulating.

The power of 3D in problem-solving: let's explore Lego® – the Lego® SeriousPlay® method for problem-solving by fostering the participation and engagement of all team members; motivating teams and establishing new degrees for team engagement.

Personal effectiveness and communication – determining the individual area of control to build up the use of personal resources and actions taken to achieve goals; the role of effective and assertive communication and the establishment of positive, effective interactions.

Presentation techniques through storytelling – the key factors of a professional presentation and adjustment to the online reality; the use of storytelling to boost communication and persuasion skills.

The power of small wins – attractive power, engagement of people and mobilisation of teams; the added value of emotional management and collective reasoning on performance.