

# ANNUAL REPORT ON COOPERATION



2019



BANCO DE  
PORTUGAL  
EUROSYSTEM



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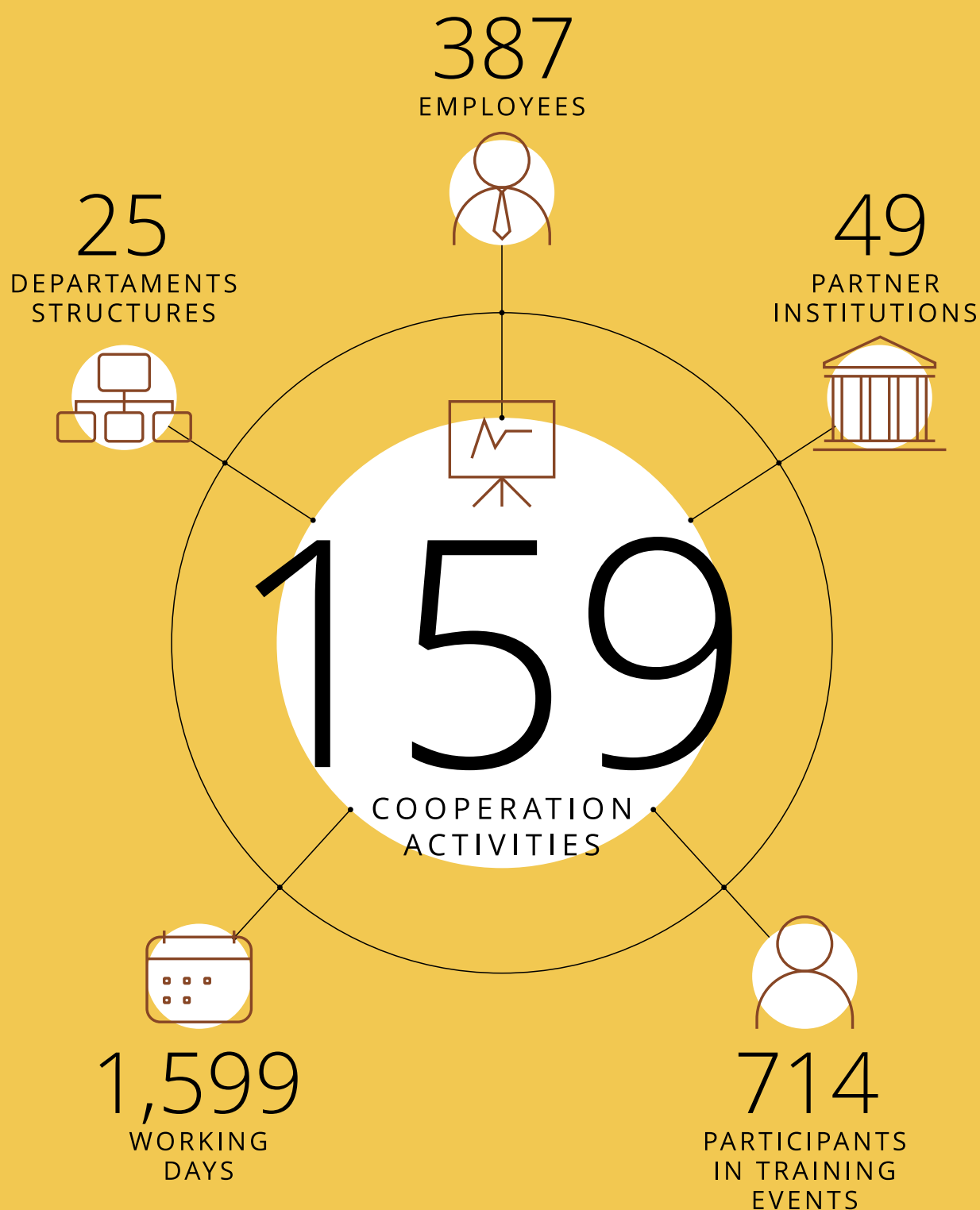




Banco de Portugal highlights the strategic importance of cooperation between central banks, thus actively and consistently pursuing to strengthen its dynamism – both in intensity and in diversity and scope. The COVID-19 pandemic outbreak has given more strength to this focus by proving that cooperation is essential to overcome the difficulties arising in our common home, showing that no problem is exclusively national and that everyone benefits from sharing the knowledge on how to overcome them.”

Carlos da Silva Costa,  
Governor of Banco de Portugal

# Cooperation, in numbers 2019



# 1 Cooperation in 2019

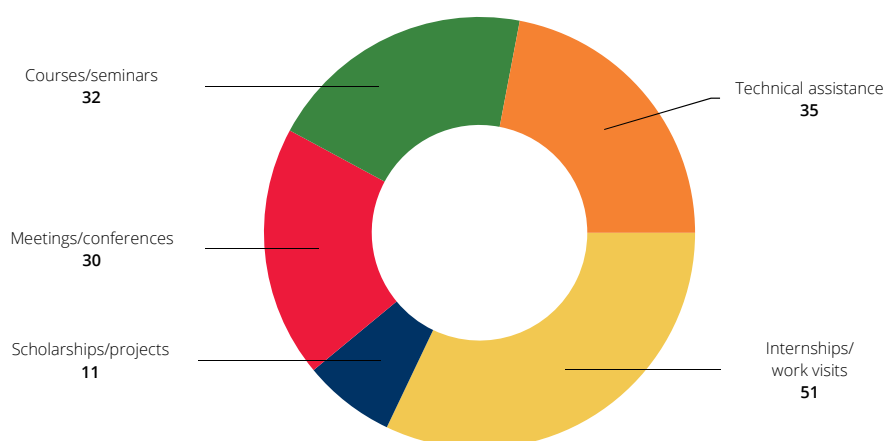
Cooperation with other central banks is part of Banco de Portugal's mission, contributing to the global cause of monetary and financial stability. With a broad mandate – including monetary policy, financial stability, resolution, banking prudential and conduct supervision – Banco de Portugal offers an overall perspective, which is particularly relevant to central banks from emerging and developing countries.

Being primarily carried out with its own technical and financial resources, Banco de Portugal's cooperation activities have responded to current demands by incorporating new players and institutions and introducing new themes and methodologies. The issues raised by the financial crisis and technological innovation have gained prominence in recent years. In these fields, as well as in the support, management and infrastructure-related functions of central banks, cooperation has grown quantitatively and qualitatively. Despite extending to all the functions and departments of Banco de Portugal, the fields of supervision and financial stability and statistics are the more sought after.

In a particularly busy year, Banco de Portugal carried out 159 cooperation activities in 2019, involving almost 400 of its employees and reaching a much larger number of participants from its counterparts, of which more than 700 in training activities only. Although cooperation with Portuguese-speaking countries accounted for the most significant part (106 cooperation activities), contact with rest-of-the-world partners has been expanding and strengthening, more significantly in countries in the European Union's Neighbourhood and in Latin America and Asia-Pacific regions. The evaluation of activities was also consolidated through the redesign of the satisfaction measuring process.

Of the extended set of cooperation activities, some deserve a special mention in this report due to their relevance, innovation, impact and commitment: the opening of Banco de Portugal's Academy to its Portuguese-speaking counterparts, the participation in the EU-funded Programme for Strengthening the Central Bank Capacities in the Western Balkans, the 1<sup>st</sup> Meeting on Reserve Management of the Central Banks of Portuguese-speaking Countries, the celebration of the 10<sup>th</sup> anniversary of the Economic Cooperation Agreement between Portugal and São Tomé and Príncipe, the 29<sup>th</sup> Lisbon Meeting, the renewal of the Technical Cooperation Agreement with Banco Nacional de Angola, the conclusion of the Technical Cooperation Agreement with the Central Bank of Chile and the deepening of cooperation with the Asia-Pacific region.

**Chart 1.1.1 • Cooperation activities in 2019 by type**



### Box 1 • Opening of Banco de Portugal's Academy to its Portuguese-speaking counterparts

The opening of the Banco de Portugal's Academy (BdPAcademia) to the Central Banks of the Portuguese-speaking Countries, including the possibility of accessing the technological platform Saber+, was a novelty in Banco de Portugal's cooperation activity in 2019.

BdPAcademia is an on-going project that combines in-person and online training. As a factor of organisational development, it generates potential conditions for a more effective institutional performance by enhancing individual management and valuation skills, in addition to institutional capacity building.

The online component (Saber+ platform) contains short training videos on behavioural, management and leadership skills.

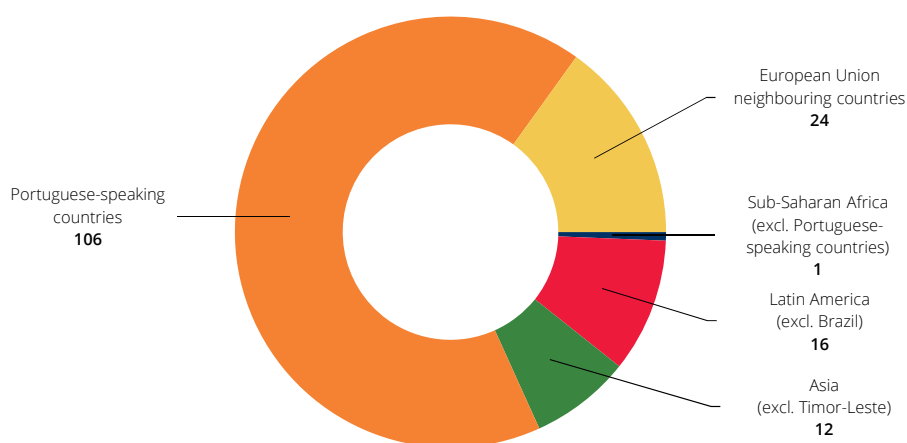
### Box 2 • EU-funded Programme for Strengthening the Central Bank Capacities in the Western Balkans

The EU-funded Programme for Strengthening the Central Bank Capacities in the Western Balkans (Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia and Kosovo) began in March 2019, financed by the European Union and coordinated by the Deutsche Bundesbank. With 21 members of the European System of Central Banks participating in this project, including the European Central Bank, it has a duration of 2 years and a financial package of around €2 million.

The project offers an opportunity to enhance institutional capacity building, which is one of the vectors of the European enlargement strategy. The integration process has been playing a central role in the region's economic progress, and central banks have been important promoters of this process.

Banco de Portugal has participated in the project since the first phase, which consisted of an extended set of regional training events. The second phase (bilateral activities) began at the end of the year. The Bank's involvement in this phase is focused on the areas of financial inclusion and literacy, statistics and banking resolution, with the central banks of Albania, Kosovo and North Macedonia as partners.

Chart 1.1.2 • Cooperation activities in 2019 by region





### Box 3 • 1<sup>st</sup> Meeting on Reserve Management of the Central Banks of Portuguese-speaking Countries

In 2019, Banco de Cabo Verde organised the 1<sup>st</sup> Meeting on Reserve Management of the Central Banks of Portuguese-speaking Countries, with the theme “Challenges and Trends of Foreign Reserve Management in the Current International Context”. This Meeting was established with the purpose of promoting the discussion of relevant subjects concerning the management of foreign reserves, and exchange experiences on the important challenges posed to foreign assets management in a highly complex international context.

The value chain of the reserve management process was analysed, covering the international environment, i.e. market analysis, investment policy and strategy, management procedures (including guidelines), and (exchange, credit and interest rate) risk management and mitigation. The Meeting was attended by representatives of the Markets and Reserve Management Departments and the Risk Management Departments of the central banks of Angola, Mozambique, Portugal, São Tomé and Príncipe, Timor-Leste and Cabo Verde.

Chart 1.1.3 • Cooperation activities in 2019 by scope

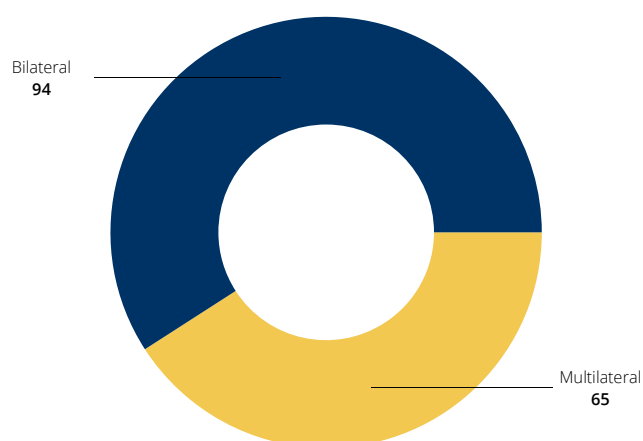
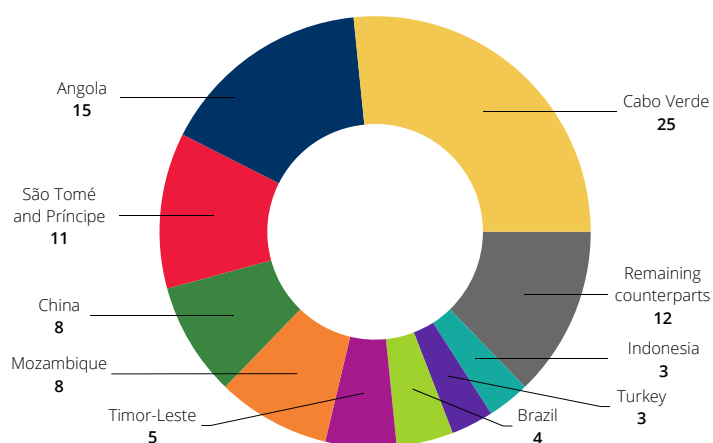


Chart 1.1.4 • Cooperation activities in 2019, counterparties for bilateral activities



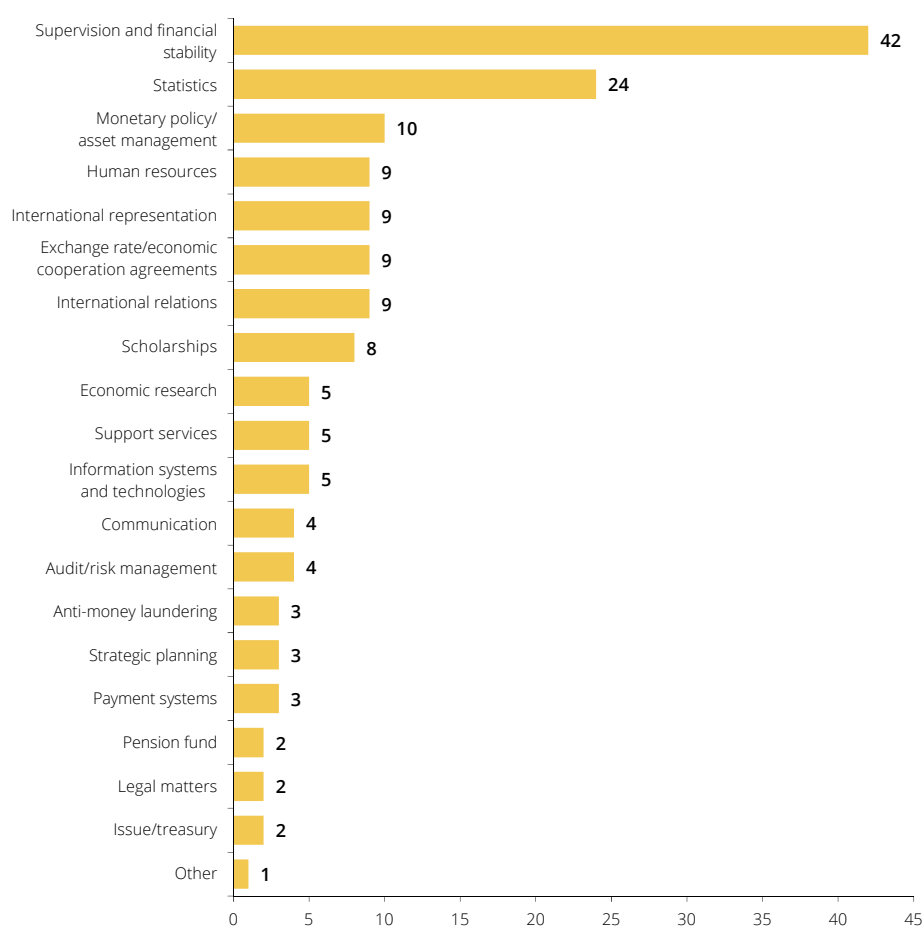
#### Box 4 • 10 years of the Economic Cooperation Agreement between Portugal and São Tomé and Príncipe

In 2019 the Economic Cooperation Agreement (ECA) between Portugal and São Tomé and Príncipe completed its 10<sup>th</sup> year of operation. This anniversary was celebrated at a conference held in the city of São Tomé, attended by the President of the Republic of São Tomé and senior representatives of the São Toméan Government and central bank, as well as members of the Government at the time of the signing of the Agreement and prominent figures from the business sector and civil society. Representatives of the Portuguese Ministry of Finance and Banco de Portugal were also present as well as the IMF staff member responsible for monitoring this African country.

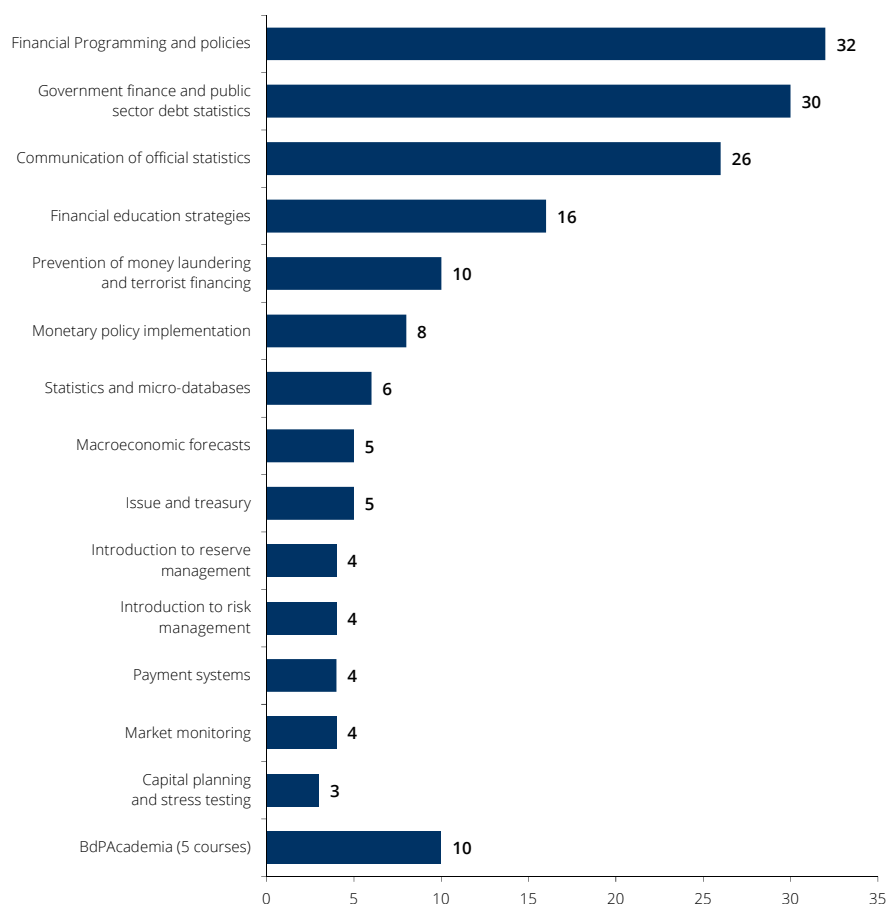
The ECA seeks to contribute to the stability and economic development of São Tomé and Príncipe based on the maintenance of a fixed parity between the São Tomé an currency and the euro. Banco de Portugal participates in the two joint bodies described in the Agreement: the Economic Cooperation Agreement Commission and the Macroeconomic Surveillance Unit.

As acknowledged during the Conference, the adopted exchange rate regime contributed to the disinflation process registered between 2009 and 2015. The international financial crisis, among other factors, did not allow for greater economic openness and attraction of foreign investment, in view of the consequent constraints of the Portuguese economy, São Tomé and Príncipe's main partner in these matters.

Chart 1.1.5 • Cooperation activities in 2019 by topic



**Chart 1.1.6 • Number of participants in courses and seminars organised for Portuguese-speaking countries in 2019**



#### **Box 5 • 29<sup>th</sup> Lisbon Meeting**

The 29<sup>th</sup> Lisbon Meeting between the Central Banks of Portuguese-speaking Countries hosted in October focused on “The implications of technological innovation for financial activities”. In an innovative configuration, the findings drawn from pre-organised workshops between the Central Banks of Portuguese-speaking Countries on the core topic were presented at the Meeting, followed by a debate, at Governor level, on the main challenges and recommendations raised.

In the opening address, the Governor of Banco de Portugal took the opportunity to share an overview of the latest years of cooperation, recognising its dynamism, not only in terms of depth but also in terms of diversity and extent of the topics covered. The Governor also mentioned the consolidation of cooperation in the universe of central banks of Portuguese-speaking countries and the importance and longevity of the Meeting.

The main topics of the annual meetings of the IMF and the World Bank, as well as current trends and future steps of cooperation between the Central Banks were discussed in a working session.

### Box 6 • Renewal of the Technical Cooperation Agreement with Banco Nacional de Angola

A delegation from Banco de Portugal, headed by the Governor and composed of experts in financial supervision and stability visited Banco Nacional de Angola in October 2019.

As part of this visit, the Governors signed a new Technical Cooperation Agreement, renewing the framework for cooperation under the current principles and functions of both authorities, thus contributing to the consolidation of the already long-lasting cooperation relationship between the two central banks. Technical meetings were also held on matters of bilateral cooperation, with particular focus on the areas of financial supervision, stability and regulation.

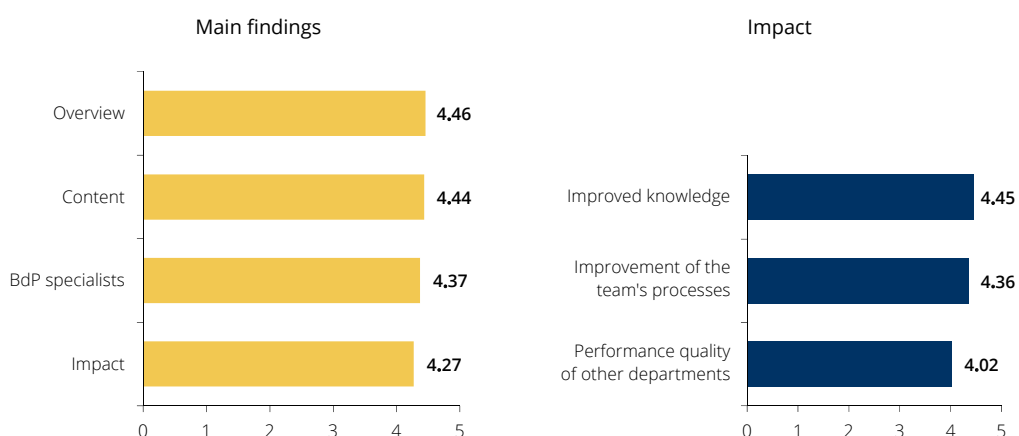
Also during this visit, the Governor intervened as keynote speaker in the Conference promoted by Banco Nacional de Angola on “Corporate Governance in the Banking Sector” and gave a lecture at Agostinho Neto University on “The European Central Bank and the Euro Area”.

### Box 7 • Evaluation of cooperation activities

In 2019 Banco de Portugal consolidated the individual evaluation process of the cooperation activities carried out. An electronic process to measure satisfaction (using the EPSILON system) was implemented, based on a redrafted evaluation form sent to participants in the training events where individual opinions could be gathered. This new form added evaluation dimensions and brought in a quantified approach to qualitative information, easing response processing and subsequent analysis.

Of the total cooperation events eligible for evaluation carried out in 2019, a response rate of 56% was obtained – from a universe of 156 participants, 88 forms were received, of which 60 via the EPSILON system. The average scores were quite satisfactory, with an overall evaluation of the events of 4.46 (scale 1 to 5).

Chart C7.1 • Individual evaluation of cooperation activities in 2019, average figures



### **Box 8 • Technical Cooperation Agreement with Central Bank of Chile**

The signing of a new Cooperation Agreement, with the Central Bank of Chile, in October 2019 reflects the international recognition achieved in different geographies and enhances the expansion of Banco de Portugal's cooperation activity in Latin America.

This bilateral protocol establishes the principles, procedures and types of technical cooperation between the two central banks and aims to enhance existing links. The Agreement aims to strengthen the mutual sharing of know-how and expertise, in particular by fostering the development of cooperation through research and studies in fields of common interest and technical assistance events, among other cooperation activities.

The Agreement was signed during the visit of the Governor of Banco de Portugal to the Central Bank of Chile, where he participated as a speaker at the Third Statistics Conference: Measuring the Economy in the Digital Age, presenting the topic "Challenges of digitalization: how can we measure its impact in the economy?".

### **Box 9 • Cooperation in the Asia-Pacific region**

The intensification of cooperation activities in the Asia-Pacific region over the last decade reached its peak in 2019. Of the 12 cooperation activities carried out, the Conference of Central Bankers, Financial Supervisors and Financiers from China and Portuguese-speaking Countries is noteworthy, with the participation of several Governors and representatives of the Central Banks of Portuguese-speaking Countries. Taking the opportunity and the presence of the Governors, the 9<sup>th</sup> Meeting of Governors of the Central Banks of Portuguese-speaking Countries was also held in Macao.

Also of relevance were the visits to Banco Portugal of the Delegation of the China Banking and Insurance Regulatory Commission, covering topics of prudential supervision and financial stability, as well as of the Monetary Authority of Macao on the development of a local market for issuing offshore bonds in renminbi. There were two other visits by Chinese delegations, whose agenda focused on Green Finance and Sustainable Finance.

In 2019 there was also an intensification of the cooperation relationships with Indonesia, with three cooperation activities mainly related to financial stability issues.

## 2 Courses and seminars organised for Portuguese-speaking countries in 2019

### 2.1 Introduction to Reserve Management

| 18 to 20 February

Introductory course organised by the Markets and Reserve Management Department, focusing on the main concepts and procedures used in reserve management. The course covered issues related to market monitoring, the conduct of portfolio management operations (front office) and their recording and processing (back office).

### 2.2 Introduction to Financial Risk Management

| 21 to 22 February

Introductory course organised by the Risk Management Department, complementary to the Introduction to Reserve Management course, focusing on the framework for managing risks that are inherent to reserve management (and other financial assets).

### 2.3 Financial Programming and Policies | 11 to 22 March

Course co-organised by Banco de Portugal and the Institute for Capacity Development of the International Monetary Fund, aiming to consolidate and further develop knowledge in the design and implementation of macroeconomic and financial policies. The fundamental characteristics of the four main macroeconomic sectors (real, fiscal, external and monetary) and their interlinkages were also covered, particularly accounting and behavioural relationships. Participants worked with a hypothetical financial programme based on a country case study.

### 2.4 Government Finance and Public Sector Debt Statistics | 1 to 10 April

Course co-organised by Banco de Portugal and the Statistics Department of the International Monetary Fund, seeking to promote capacity building in government finance and public debt statistics, following the 2014 Governance Finance Statistics Manual methodology. It aimed to enable better government finance and public debt statistics, facilitating the process of assessing the role of government finance in economic activity and the timely detection of risks and vulnerabilities.

### 2.5 Payment Systems | 6 to 10 May

Seminar organised by the Payment Systems Department, presenting key concepts for central bank experts engaged in the processing of operations and the oversight of payments systems (both for retail operations and large transactions).

## **2.6 Monetary Policy Implementation in the Eurosystem** | 6 to 10 May

Course organised by the Markets and Reserve Management Department aiming at further developing skills to identify monetary policy transmission mechanisms, instruments available to a central bank, and eligibility criteria for counterparties and collateral in credit operations. It also looked at different techniques used to forecast banking system liquidity.

## **2.7 Issue and Treasury** | 6 to 10 May

Technical course organised by the Issue and Treasury Department, aiming at enhancing skills in the development of new banknotes, quality requirements and identification of their characteristics and security features, in the context of detecting and combating counterfeiting. The course covered banknote production and quality control processes, as well as cash management models, including a reference to the business continuity plan.

## **2.8 Statistics and Micro-databases** | 24 to 28 June

Course organised by the Statistics Department on the experience of Banco de Portugal in organising and structuring a central bank's statistics department. The course looked into main statistical areas, chiefly focusing on the compilation, processing and dissemination of data, specifically on micro-databases.

## **2.9 Macroeconomic Forecasts** | 24 to 28 June

Course organised by the Economics and Research Department designed to equip participants with the necessary tools to develop and/or improve short and medium-term forecast models for macroeconomic variables, focusing on forecasting inflation and on using factor models and coincident indicators.

## **2.10 Designing and Implementing Financial Education Strategies** | 1 to 3 July

Course promoted by Banco de Portugal and the Alliance for Financial Inclusion, with the purpose of sharing experiences among central banks in designing and implementing financial education strategies. It was led by trainers from Banco de Portugal and Banco Central do Brasil and covered issues such as drawing up and implementing a national financial education strategy, financial education in schools, carrying out financial education initiatives targeting other groups and the lessons learned from behavioural economics applied to financial education.

## **2.11 Prevention of Money Laundering and Terrorist Financing** | 1 to 5 July

Seminar organised by the Legal Enforcement Department on the framework for Banco de Portugal's activities as a supervisory authority for the prevention of money laundering and terrorist financing at national, European and international level, having as main references Law No 83/2017 and Notice of Banco de Portugal No 2/2018 of 29 September 2018.

## **2.12** Communication of Official Statistics | 7 to 12 July

Course lectured in Cabo Verde by the Statistics Department, based on the experience in the communication of official statistics, complemented by a practical component for creating specific content on official statistics. The topics covered included best practices for clear and effective communication of different statistical products, the importance of visual communication of information and storytelling, the creation of impactful content – from text to infographics – and the power of social media.

## **2.13** Capital Planning and Stress Testing | 8 to 12 July

Seminar organised by the Banking Prudential Supervision Department in collaboration with the Federal Reserve Bank of New York, aiming at providing supervisors with the ability to identify the risk profile, operational strategy and portfolio structure of a banking institution, and assess the quality of the institutions' capital plans. It also allowed a clear understanding of stress testing methodologies and expectations associated with their completion, as well as the ability to analyse the Basel II criteria.

## **2.14** Market Monitoring | 12 to 20 September

Specialised course organised by the Markets and Reserve Management Department, aiming at further developing know-how on techniques and instruments to support regular market monitoring and analysis, from historical and future perspectives. Containing several practical components, the course also covered integration of the analysis into exchange rate and profitability rates forecast, from the reserve management standpoint, and financial indicators associated with reserve management.