

# ESCB CENTRAL BANK COOPERATION: BEST PRACTICES



## *Introduction*

Cooperation among central banks is a well-established practice that began with the creation of an international network of major central banks in the first half of the last century, with the Bank for International Settlements being established in 1930.

Central bank cooperation comprises a large and diverse range of activities, where the format and geographic focus have shifted over time. In particular, political developments such as the creation of Economic and Monetary Union, EU enlargement but also global developments have impacted the focus and format of central bank cooperation activities.

The central bank cooperation activities of the ESCB, comprising the ECB and the national central banks of all EU member states, are largely demand-driven thereby responding to requests being brought forward.

This document describes best practices that illustrate the rationale, modalities and principles, which the ESCB applies to its central bank cooperation activities.

## *Rationale*

The mission of the ESCB's central bank cooperation activities - both individually and jointly - is to strengthen its relations with non-EU central banks and to foster sound central banking practices, thereby contributing to monetary and financial stability. The focus of these activities primarily rests with central banks and supervisory authorities from developing countries and emerging market economies.

In fulfilment of their activities, the national central banks, the ECB and the ESCB jointly cooperate with central banks of developing countries and emerging market economies to discuss central banking policies and practices, thereby enhancing mutual awareness of economic and financial developments. In addition, ESCB central bank cooperation activities provide a forum for discussion for countries having a perspective for EU accession and support their institutional capacity building in their preparation to join the ESCB in due time.

The national central banks also respond to established ties of their countries with non-EU central banks and share their experience for pursuing national tasks.

## *Practices*

For the ESCB, central bank cooperation activities are based on a number of principles:

### **Principle 1: Global monetary and financial stability**

The essence of central bank cooperation is the transfer of expertise. When ESCB central banks put their expertise at the disposal of their peers, they contribute to the promotion of monetary and financial stability globally.

### **Principle 2: Relationship building**

Establishing and maintaining close professional relationships is key to sound and rewarding cooperation. For this reason, ESCB central bank cooperation has built up partnerships over many years with monetary and financial supervisory authorities around the world.

### **Principle 3: Openness and respect**

The ESCB cooperates with its partners in openness and full respect. All interaction is guided by mutual understanding and trust, cultural awareness and openness to ideas and opinions.

### **Principle 4: Efficiency**

The members of the ESCB manage all resources prudently and promote effective and cost-efficient solutions, applying the principles of sound planning to all stages of the project cycle. Within the ESCB, potential synergies and economies of scale arising from central bank cooperation are identified and exploited to the extent feasible. Whenever appropriate, efficiency gains associated with the use of new digital platforms and tools are pursued.

### **Principle 5: Sustainability**

ESCB central bank cooperation activities are aimed at having a sustainable impact. To achieve this objective activities are demand-driven and tailored to the needs of partner central banks. Due regard is paid to the absorption capacities of the beneficiary institution.

### **Principle 6: Evaluation**

ESCB central bank cooperation activities – whenever appropriate - make use of monitoring, reporting and feedback mechanisms to review activities, to assess their relevance, efficiency, effectiveness, sustainability and impact to draw conclusions on how to strengthen future activities.

### *Modalities*

Taking into consideration the different national approaches, central bank cooperation can best be characterised by a set of illustrative examples rather than by a general definition. The following examples show the main thrust of central bank cooperation activities:

- High level contacts and discussions at policy level (such as conferences and bilateral meetings between members of the Board)
- Peer-to-peer discussions
- Seminars, workshops, training courses or other learning events, including innovative technology where appropriate, which are attended by representatives of central banks worldwide
- Dedicated structured programmes (medium to long-term) to support institution-building and policy set-up, or regular missions, either at the technical or policy level
- Supportive actions, either following bilateral contacts or on the basis of agreements with other central banks or institutions (eg international financial institutions, EU institutions, governments) to coordinate activities and at times obtain external financing (eg EU-funded projects)
- Wide range of further activities (such as secondments, visits, video/telephone conferences, responding to questionnaires).