

Lars Nyberg: The Riksbank's cooperation with Sida

Speech by Mr Lars Nyberg, Deputy Governor of the Sveriges Riksbank, at a seminar arranged by Sida, Stockholm, 13 December 2006.

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Let me begin by thanking you for this opportunity to briefly describe the Riksbank's work on aid issues. I would also like to say that it is particularly pleasing to see that the Nobel Peace Prize has this year been awarded to efforts in the financial sector in Bangladesh. Otherwise, the financial sector is often sadly forgotten in aid contexts. Foreign aid to developing countries often concentrates on combating poverty in all its forms, which is of course commendable. But it is easy to forget that a financial sector with functioning institutions is necessary to achieve long-term stable economic growth. A high inflation rate in one country may, for instance, quickly lead to greater poverty among large sections of the population than even the best type of poverty combating measures have time to counteract. A well-functioning central bank and responsible monetary policy can therefore make a significant contribution with regard to combating poverty.

The Riksbank has cooperated with Sida for some years now in building up and reinforcing capacity within the central banks of Sri Lanka, Vietnam and Uganda. We do not call this foreign aid, but quite simply "Staff Exchange Programmes". As all of the central banks in the world do more or less the same things, albeit in rather different ways, it is always rewarding to see how others work. We therefore send experts in various fields out to the countries with which we have this cooperation, for instance, experts who design payment systems or make models for inflation forecasting. The other central banks send their staff to us for further discussion of these issues or to talk about other things, such as how we deregulated the financial system in Sweden in the 1980s, or how important information and transparency are if one is to run a central bank with independent responsibility for monetary policy. Recently we have received some young employees who have stayed with us for periods of a month to six weeks on "internships", where they can, for instance, learn how to write a financial stability report from scratch.

Long-term thinking is a central concept of our programme. It takes time to understand one another's reality and to create relationships that lead to cooperation based on mutual trust. We usually say it takes at least five years. Central bank governors are always involved in various ways (both here at the Riksbank and at the other central banks), which is important for giving the programmes adequate status. In our view, it is important that we are colleagues, not consultants. We are rarely able to stay longer than a week, as we have our own central bank to manage. We do not conduct large-scale investigations that we document and leave behind us; we describe our own experiences and allow our colleagues to consider whether these experiences may be of any use in their own work. We in Sweden and at the Riksbank have achieved quite a lot that has turned out well over the years, but we have also done a lot that we feel with hindsight could have been done better. For instance, we are proud of how we came through the bank crisis at the beginning of the 1990s, but not of how we got into it. This is the type of experience that no textbooks or courses can convey in the same way as people who were there when it actually happened. Our colleagues are usually interested in everything, but particularly in learning from others' mistakes.

We also consider it important that the Riksbank's employees learn from the cooperation – that is one of the ideas behind a "Staff Exchange Programme". Encountering activities that are similar to your own workplace's, but are conducted under different external conditions always gives reason for consideration and reflection. Our programmes are therefore of great professional interest to our employees and most of them return from their trips with new and often unexpected experiences.

Our cooperation with Sida has been excellent, although we sometimes hear that we have not spent as much money as expected. A few experts and their trips do not cost very much. The cooperation with the embassies is also very important. We have seen that the links to the central banks work best when the staff at the Swedish embassies in the respective countries are actively involved and regularly follow up what is happening in the respective banks.

At the beginning of this year, Sida commissioned an evaluation of the Riksbank's cooperation so far with Sri Lanka and Vietnam. The evaluation showed that the Riksbank's efforts in these central banks had been both successful and appreciated by the recipients. The very fact that we are colleagues, that we do the same things, have the same responsibility, was one of the key factors. There are many

consultants; colleagues are harder to find. The long-term thinking behind the cooperation is also an important factor. We do not merely make an analysis, write a report and disappear. We are still here and can continue the discussion whenever necessary. The problems that were indicated in the evaluation were more of an administrative nature. For instance, it is difficult to find a place in a foreign aid context for low-cost projects like this, as they do not really follow the set patterns for other aid efforts.

Finally, I can mention that the Riksbank has allocated resources in our internal business plan for next year to extend our cooperation with some of the central banks in Sida's cooperating countries. We consider that our work has been both interesting and rewarding and we hope that it has also helped some of our colleagues to make their own institutions stronger.