

COMESA Monetary Institute Prospectus 2024

# DIRECTOR’S MESSAGE

***Dear Readers***, the COMESA Monetary Institute continues to undertake all technical work to enhance the implementation of the COMESA Monetary Integration Programme which will culminate into COMESA Monetary Union. In 2024, the Institute has scheduled to conduct various capacity development activities to enhance skills of staff in member central banks. The Institute’s training and research programs continue to stay attuned to the evolving needs of the COMESA member countries and to keep abreast of developments at the frontier of macroeconomic and financial stability. Beside building capacity in macroeconomic development and financial Stability, the Institute continue undertaking studies to inform the path to the monetary and financial integration of the region.

Over time, the COMESA Monetary Institute programs have enabled participants in member countries central banks to refine skills relevant to their daily duties, making them competent and comparable to their peers in the region and beyond. Our research program enables them to undertake high quality research, which could be used as an important reference by other researchers and policy makers.

We continue to be gratified and motivated by our course participants and for their continued engagement and enthusiasm. Their positive feedback is a source of inspiration to us. We thank the COMESA Committee of Governors of Central Banks for their unwavering support and commitment to region’s monetary and financial integration agenda.

**Lucas Njoroge (PhD)**

*Director, CMI*

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## 1.1 Validation Workshop of CMI Research Activities

**Date: September 2024**

**Venue: Nairobi, Kenya**

The following country specific research papers which will be prepared by staff of member Central Banks will be validated:

1. Theme 1 - “Macroeconomic Impact of Climate change and the Role of Central Banks” and,
2. Theme 2 - “Impact of Sovereign-Bank Nexus on Financial System Stability”

The objectives of these research activities are among others to:

1. Ensure the application of research skills acquired from CMI training programmes;
2. Deepening know-how of researchers on the use of various econometric tools to conduct research;
3. Sharing country’s experiences on recent policy challenges; and,
4. Enhancing the skills of researchers in order to provide effective policy advice and decision making.

# 2.0 TRAININGS:

## 2.1. Macroeconomic Linkages and Economic Policy Analysis.

**Date: 5th – 9th February, 2024**

**Venue: Nairobi, Kenya**

The main objective of the course is to impact knowledge on the main macroeconomic accounts (real, fiscal, external, and monetary); and how they are linked with each other. Detailed analysis of each account and how they relate to each other will be presented, including policy implications of the changes in parameters from each account.

The training will equip participants with skills to understand macroeconomic accounting principles, how to link the various account and provide interpretation of the behavioral relationships between the macroeconomic accounts.

**Target Audience**

This course is intended to benefit Central Bank economists who deal with analysis of the entire economy and are expected to give policy input on the direction on economic and financial developments. Knowledge of working with Excel software will be important.

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## 2.2. Climate change statistics and application to monetary policy

**Date: 19th – 23rd February, 2024**

**Venue: Virtual**

The 2015 Paris Agreement aims to strengthen the global response to the threat of climate change by keeping global temperature rise well below 2°C and limit global greenhouse gas emissions to net zero by 2050. Whereas governments remain the primary actors, central banks and financial intermediaries are to play an important role in managing the impact of climate change and mobilizing financial resources and exploiting the opportunities that climate change presents. Extreme wheather events affects agriculture productivity and disrupts energy production—with implications on output and inflation, and may cause asset stranding—affecting firm and bank balance sheets.

The main objective of this course is to widen the knowledge and improve the understanding of climate change statistics and its application to monetary policy. More specifically, the course aims to:

* Equip the participants with the understanding of basic concepts and frameworks on climate change.
* Identify existing statistics on climate change-related indicators using national and international data sources.
* Identify basic data needs for macroeconomics research on climate change and the application to monetary policy in the COMESA countries.
* Promote production and dissemination of climate change related statistics for policy formulation and monitoring.
* Facilitate experience sharing among participating countries, and to understand country plans, and identify opportunities for collaboration.

**Target Audience**

The target group for this training are middle level technical staff preferably in the Financial Stability and the Research Departments.

## 2.3. Implementation of Basel Standards, 2017 post crisis reforms and Application of IFRS9

**Date: 4th to 8th March, 2024**

**Venue: Nairobi, Kenya**

Years 2008/2009 the world witnessed one the worst financial/ economic crisis in the recent times. The crisis led to economic meltdown where the prices of houses plunged, unemployment, shares in most stock market worldwide plunged to the lowest level in decades and banks in US some EU and Asian markets required liquidity support from their respective governments. The depth and severity of the crisis were amplified by weaknesses in the banking sector such as excessive leverage, inadequate and low-quality capital, and insufficient liquidity buffers. The crisis was exacerbated by a procyclical deleveraging process and the interconnectedness of systemically important financial institutions.

In response, Basel Committee on Banking Supervision came up with a new global standard to address both firm-specific and broader, systemic risks have been referred to as “Basel III”. These reforms seek to improve the banking sector’s ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy.

Basel III is intended to ensure stability in the financial sector by: -

* Raising the quality of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis;
* Increasing the risk coverage of the capital framework, in particular for trading activities, securitisations, exposures to off-balance sheet vehicles and counterparty credit exposures arising from derivatives;
* Raising the level of the minimum capital requirements.
* Introducing an internationally harmonized leverage ratio to serve as a backstop to the risk-based capital measure and to contain the build-up of excessive leverage in the system;
* Raising standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3), together with additional guidance in the areas of sound valuation practices, stress testing, liquidity risk management, corporate governance and compensation;
* Introducing minimum global liquidity standards consisting of both a short term liquidity coverage ratio and a longer term, structural net stable funding ratio; and
* Promoting the build-up of capital buffers in good times that can be drawn down in periods of stress, including both a capital conservation buffer and a countercyclical buffer to protect the banking sector from periods of excess credit growth.
* Reform supervisory process to also have a macroprudential focus, addressing system-wide risks that can build up across the financial sector.

Jurisdiction were expected to be fully compliance with Basel III principal by January 1, 2019. In December 2017, Basel Committee on Banking Supervision published Basel III post-crisis regulatory reforms. These reforms are supposed to be fully complied with by January 1, 2022.

There has been a slow adoption of Basel III standards by Jurisdiction in COMESA region. Currently most of the jurisdiction in the region are on Basel II with partial application of Basel III standards, hence the need to refresh on Basel III standards incorporating 2017 Basel III Post Crisis reforms and IFRS 9 to encourage adaptation of the standards in COMESA region. The training will equip participants with knowledge on Basel III standards including 2017 Basel III Post Crisis reforms and how those standards can be used to enhance supervisory policies and ensure financial stability at individual institution and entire financial system.

**Target Audience**

The target group for this training are middle level managerial staff working at Bank Supervision Department with five to ten years of experience in banking supervision departments.

## 2.4. Econometric Modelling of the Impact of Climate Change on Monetary Policy

**Date: 18th to 22nd March, 2024**

**Venue: Virtual**

There is wide consensus among policy makers and scholars that climate change has major implications on monetary policy. Physical and transition risks associated with climate change on financial and price stability, which are the key policy objectives of central banks’ monetary policy are the cause for concern among the central banks. Policy makers, as such are contemplating how to contribute towards fighting global warming. A consensus is already building that central banks should be actively involved alongside governments. The Network for Greening the Financial System (NGFS), a global association of central banks and supervisory authorities advocating for a more sustainable financial system established with eight members in 2017, now has more than 95 members and 15 observers, including all major central banks.

The overall objective of this training is to fuse or incorporate climate change effects in the econometric modelling of monetary policy transmission for the countries in the COMESA region. More specifically, the training aims to :

1. Give an overview of the past and current developments around climate change, and climate change policies and measures.
2. Equip participants with skills on compilation and measurement of key indicators of climate change risks and transition to green economies.
3. Assess and illustrate how climate change risks and policies interact with countries’ macroeconomic frameworks ; and
4. Equp participants on the various ways and or methods on incorporating climate change risk and mitigation indicators can be incorporate in econometric models of monetary policy transmission.

**Target Audience**

The target group for this training are Economists and Statisticians working in central banks, particularly those directly involved with monetary policy formulation and macroeconomic modelling and forecasting. The course material assumes some minimum knowledge about monetary policy transmission and modelling among the participants.

## 2.5. Monetary Policy formulation and Implementation in an Inflation Targeting Regime

**Date: 22nd – 26th April, 2024**

**Venue: Mombasa, Kenya**

Inflation Targeting (IT) has increasingly become the modern framework for formulating and implementing monetary policy globally. What began as a strategy suitable for only advanced countries whose fiscal and monetary institutions were strong with developed financial markets, is being adopted in emerging and developing countries with relatively weak institutions and less developed financial markets. The new wisdom is that among the numerous merits of IT lies the fact that its adoption can be the source of strengthening of the monetary institution and the development of the financial markets rather than a precondition. Given this wisdom and the rapid financial innovations and integration of financial markets globally, many countries, including the COMESA region, have transitioned or are planning to transition to this framework.

The preference for IT over other mostly old age monetary policy frameworks is premised on the belief that, IT solves the dynamic consistency problem which produces high average inflation. It also reduces inflation variability, and if “flexible” it can also stabilize output. IT also locks in expectations of low inflation, which reduces the inflationary impact of macroeconomic shocks. For these reasons and many others, many economists have advocated for this framework as the right approach to monetary policymaking.

Given the fast-growing popularity of this monetary policy regime, the broad objective of this course is to explain the different components of the IT regime highlighting the theory, practical considerations, and experiences of Inflation Targeters for the benefit of COMESA region central banks.

**Target Audience**

The course targets Economists interfacing with monetary policy formulation and implementation in Central Banks. Participants are expected to have an advanced degree in Economics or relevant experience with monetary policy formulation or implementation.

## 2.6. Impact of Emerging Risks (cyber, climate, FinTech, etc.) on Financial Stability

**Date: 29th July – 2nd August, 2024**

**Venue: Virtual**

Financial sector has leveraged on technological innovations to provide financial services efficiently and to the hitherto financially excluded. This has resulted to expansion in the access to financial services especially to the poor and micro small and medium size enterprises. The gains in financial inclusion have unintended consequences to the financial services providers and consumers of financial services. Financial services providers are predisposed to fraud and cyber-attacks, while consumers of financial services are exposed to fraud and predatory services, which undermine their income growth and ability to meet their financial obligations. The entry of the non-financial firms in the financial sector is increasing competition in the financial sector, reducing market share of financial institutions and introducing viability risks.

In addition, climatic changes have increased physical and transition costs, while financial institution are increasing being held accountable for the consequences of their financial intermediation activities on the environment. The regulators have issued guidelines to supervised financial institutions to incorporate climate change risks in their risks management frameworks. The vulnerability of the financial sector to cyber, fintech and climate change requires formulation of financial sector policies to mitigate the risks and enhance the resilience of financial institutions to shocks. Hence, the main objective of this course is to enhance capacity of policy markers to assess climate change, cyber and fintech risks to the financial sector. This will enable formulation of financial sector policies that enhance the resilience of the financial institutions.

**Target Audience**

The target group include staff undertaking economic and financial sector risk assessment, staff conversant with stress testing and financial institution supervision.

## 2.7. Application of Data Science for Analysis of Financial Stability

**Date: 27th – 31st May, 2024**

**Venue: Mombasa, Kenya**

COMESA central banks can benefit from the use of data science to extract value from various data sets to improve their modelling and forecasting techniques for assessing vulnerabilities to financial stability and their evolution over time. Moreover, data science techniques can support other tasks that are relevant from a financial stability perspective, including payment systems analysis, financial inclusion monitoring, consumer risk analysis, and anti-money laundering monitoring.

Therefore, an introductory course on the application of data science for financial stability analysis will equip participants to leverage data science to enhance the effectiveness of financial stability analysis and complement methodologies such as stress testing. This course introduces applications of data science for typical analytical challenges such as data handling, modelling, and interpretation. The focus of the training will be on defining use cases that are relevant to the region and on the interpretability of the results obtained in relation to informing macroprudential policy. Participants will also be provided with hands-on exercises in the R programming language.

**Target Audience**

The target audience for the course are Central Bank Statisticians, Economists and Financial Stability Analysts and Bank Supervisors from COMESA member countries. Participants are expected to have an advanced degree in Economics, Statistics, Mathematics, Financial Accounting, and/or relevant equivalent experience in Financial Stability and Bank Supervision.

## 2.8. Developing of Macroprudential Policy Frameworks

**Date: 10th – 14th June, 2024**

**Venue: Virtual**

## 2.9. Now-casting and Near-term Forecasting Modelling for GDP and Inflation

**Date: 24th – 28th June, 2024**

**Venue: Virtual**

Policymakers need to assess the current state of the Economy in real-time when only incomplete information is available. Most countries in the COMESA region do not compile high-frequency measures of Gross Domestic Product (GDP) or if they do, the estimates come with a long lag. Yet policy decisions need to be made often, especially when major shocks such as the 2008 GFC, COVID-19, and climate-related shocks have occurred. Publication delays cause missing values at the end of the sample for some of the especially very important variables which complicate forward-looking policy making.

GDP estimates for countries that compile them on a quarterly frequency are released with a considerable lag, while a range of leading and coincident variables are available in a timelier fashion (at a monthly or even higher frequency). Making use of these high-frequency indicators to forecast in real-time the missing values of a higher frequency variable have become a standard in the analysis of economic outlook in what is known as nowcasting.

Nowcasting has become a standard way to bridge the gap between the time lag in data releases and policymaking. Given the growing importance of nowcasting in the overall forecasting and policy analysis systems of central banks and other policy-making institutions, the broad objective of this course is to make officials engaged in policy analysis appreciate nowcasting, acquaint them with the standard nowcasting methods, and introduce machine Learning to nowcasting.

**Target Audience**

The course targets Economists interfacing with Forecasting and Policy Analysis. Participants are expected to have an advanced degree in Economics or relevant experience with monetary policy formulation or implementation.

## 2.10. Crisis Management and Resolution Framework for Banks and NBFIs

**Date: 8th – 12th July, 2024**

**Venue: Virtual**

## 2.11. Analytical Tools for Assessing Systemic risk for Banks and NBFIs

**Date: 26th – 30th August, 2024**

**Venue: Nairobi, Kenya**

Today’s contemporary financial landscape characterized by increasing complexity, interconnectivity, and rapid technological advancements, effectively managing systemic risk is a paramount concern for Banks and non-bank financial institutions (Insurance, Pension and Microfinance). In acknowledging the critical role Financial Stability play in sustaining economic well-being, this training aims to empower financial authorities in the COMESA region with skills and knowledge to navigate systemic risks in Banks and Non-Bank Financial Institutions effectively, contributing to the broader goal of enhancing financial stability. The broad objective of the training is therefore to provide participants with a nuanced understanding of systemic risks, encompassing its sources, manifestations, and implications to financial stability.

**Target Audience**

This training program is tailored for professionals across Central Banks in the COMESA region, focusing on Financial Stability. This includes Financial Analysts, Economists, Supervisors for both Banks and Non-bank financial Institutions and other staffs actively engaged in assessment and management of risks.

## 2.12. Training in Collaboration with The Central Bank of Egypt on “Applications of Big Data Analysis and Artificial Intelligence to Central Banking”

**Date: 18th – 22nd August, 2024**

**Venue: Cairo, Egypt**

The overall objective of the training program is to lay out an overview on Bigdata technology Adoption and Artificial Intelligence, & relevant use cases in the Financial & Banking Sector, especially for Central Banks.

The program takes a step-by-step approach to layout subjects in title, starting by the need, evolution and the surrounding ecosystem aiming to give the respected attendees the needed overview about Bigdata analytics & artificial intelligence as data stakeholders in their organizations, and it doesn’t require deep technical knowledge.

**Target Audience**

In order to benefit from the training program, the attendance should be by Central Banks staff

to middle level managers who are data stakeholders in their organizations.

# 3.0. Meetings/Workshops

## 3.1. The 21st Meeting of the Monetary and Exchange Rates Policies (MERP) Sub-Committee and Validation Workshop for the study on “*Macroeconomic impact of Climate change and the Role of Central Banks*”

**Date: 19th – 22nd September, 2024**

**Venue: Nairobi, Kenya**

## 3.2. The 18th Meeting of the Financial System Development and Stability (FSDS) Sub-Committee and Validation Workshop on “*Impact of Sovereign-Bank Nexus on Financial System Stability*”

**Date: 30th September – 4th October, 2024**

**Venue: Nairobi, Kenya**

## 3.3. The 44th Meeting of the Experts of the Bureau of the COMESA Committee of Governors of Central Banks

**Date: 2nd – 3rd November, 2024**

**Venue: Eswatini**

## 3.4. The 28th Meeting of the Committee on Finance and Monetary Affairs

**Date: 4th – 5th November, 2024**

**Venue: Eswatini**

## 3.5. The 44th Meeting of the Bureau of the COMESA Committee of Governors of Central Banks

**Date: 6th November, 2024**

**Venue: Eswatini**

## 3.6. The Symposium of Governors of COMESA Central Banks on the themes below:

**Date: 7th November, 2024**

**Venue: Eswatini**

1. “Digital Banking and the impact of Cyber Security and other emerging Risks to Central Banks in the COMESA region”; and,
2. “The era of using Big Data and Machine learning in Central banks and Financial Institutions: implications for monetary policy”.

## 3.7. The 28th Meeting of the COMESA Committee of Governors of Central Banks

**Date: 8th November, 2024**

**Venue: Eswatini**

**For Further Information**

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1. The dates indicated in this prospectus remain tentative and will be confirmed through letters of Invitation from COMESA Monetary Institute to Central Banks. [↑](#footnote-ref-1)