



BRIEF ON COMESA MONETARY INTEGRATION PROGRAMME WITH PARTICULAR REFERENCE TO COMESA MONETARY INSTITUTE

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Brief on the COMESA Monetary Integration Programme

- COMESA has a phased monetary co-operation programme which aims at establishing a common monetary area. This mandate is derived from Article 4(4) of the COMESA Treaty signed in Kampala, Uganda on 5th November, 1993, which states that the COMESA Member States shall “in the field of monetary affairs and finance, co-operate in monetary and financial matters and gradually establish convertibility of their currencies and a payments union as a basis for the eventual establishment of a monetary union”.





Brief on the COMESA Monetary Integration Programme

- To fulfil the above mandate, the idea of the creation of the COMESA Monetary Institute (CMI) was approved during the meeting of the COMESA Authority of Heads of State and Government (Summit) held in Djibouti during November 15-16, 2006.
- The COMESA Monetary Institute was thus established in 2011 in Nairobi, Kenya. The Charter for the Institute was endorsed by the Twenty Seventh Meeting of the COMESA Council of Ministers which was held in Lusaka, Zambia on 7 December 2009. The Charter has been signed by 12 member countries Central Banks, namely Burundi, Congo (DR), Egypt, Kenya, Malawi, Mauritius, Rwanda, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Brief on the COMESA Monetary Integration Programme

The Existing COMESA Monetary Cooperation Programme has the following stages:

- Stage I: Consolidation of existing instruments of Monetary Co-operation and implementation of policy measures aimed at achieving macroeconomic convergence.
- Stage II: Introduction of limited currency convertibility and informal exchange rate union;
- Stage III: Formal exchange rate union and co-ordination of economic policies by a common monetary institution; and
- Stage IV: Full monetary Union involving the use of one common currency issued by a common Central Bank.
- In order to achieve the above stages member countries need to go through a process of monetary harmonisation with a view to achieve macroeconomic convergence.



Brief on the COMESA Monetary Integration Programme

- In order to assess progress being made, a number of convergence criteria divided into primary and secondary criteria were formulated with the view to gauging the progress being made by the member countries in three phases . Phase one was from 2005-2010; phase II 2011-2015, phase III 2016-2018.
- The Primary Criteria include targets for overall budget deficit(excluding grants), inflation; minimizing the Central Bank financing of the budget deficit towards “0” and External reserve Cover. Secondary Criteria include achievement of stable exchange rate; sustainable real growth rate, maintenance of positive interest rate, sustained pursuit of debt reduction target for domestic revenue to GDP ratio; sustainable current account deficit to GDP ratio target to domestic investment to GDP ratio, implementation of the Core Principles of Bank regulation and Supervision and Adherence to the core principles for systematically important payments system





Brief on the COMESA Monetary Integration Programme

- The assessment of Member States' performance on the convergence scale revealed that most member countries did not achieve the first phase .
- The above convergence criteria and the road map to COMESA Monetary Union are being revised to make them consistent with the convergence criteria for the African Monetary Cooperation Programme (AMCP).



Institutional Framework for the Implementation of the COMESA monetary Integration Programme

1. The Authority of Heads of State and Government (The Summit): This is the Supreme Organ of COMESA. Being the Supreme Authority provides political and economic guidance and makes decisions.
2. Council of Ministers is responsible to monitor and keep under constant review the proper functioning and the development of the Common Market in accordance with the provision of the Treaty and report to the Authority for final decision.



Institutional Framework for the Implementation of the COMESA monetary Integration Programme

3. The Convergence Council: is charged with the responsibility of monitoring the achievement of the agreed upon macroeconomic convergence criteria, and also issues the Annual Broad Guidelines of Economic policy which lays down the common objectives and policy options in terms of inflation, public finance, trade, exchange rate stability etc. that could guide member countries in the formulation of their respective fiscal and other policies to achieve the agreed upon convergence criteria. The Convergence Council reports to the Council of Ministers. The Convergence Council is not yet operational.

4. The Committee of Governors of Central Banks is empowered under the Treaty to, among others responsibilities to monitor and ensure the proper implementation of the monetary integration programme of COMESA



Institutional Framework for the Implementation of the COMESA monetary Integration Programme

- The Committee of Governors meet once a year in a member country which hosts the Monetary Cooperation Meeting. During its meeting it reviews the implementation of its decisions which were made in the preceding meeting related with the implementation of the COMESA Monetary Cooperation Programme. It also deliberates on the accomplishments of the Annual work plan for CMI and CCH It as well approves the Annual Work Plans for COMESA Monetary Institute (CMI) and for the COMESA Clearing House (CCH).
- The Committee is supported by The Bureau of the COMESA Committee of Governor of Central Banks which meets at least a year to take decisions on behalf of the Committee of Central Bank Governors. The Bureau approves the Budget of the CMI and CCH. The activities of Chief Executive Officers of CMI and CCH will be directly supervised by the Bureau. The Bureau also recruits officers for CMI and CCH.



Institutional Framework for the Implementation of the COMESA monetary Integration Programme

5. The Committee of Experts on Finance and Monetary Affairs is responsible for monitoring implementation of the COMESA Monetary Integration Programme and make recommendations to the COMESA Committee of Central Bank Governors. The latter then makes the recommendations to the Convergence Council and Council of Ministers for further action.

6. The Monetary and Exchange Rates policies Sub-Committee is responsible for devising appropriate monetary and exchange rate policies strategies and appropriate set of monetary policy instruments.

This Sub-Committee is responsible among other for:

- Design of Monetary Policy Framework for the COMESA region
- Design of exchange Rate Mechanism for COMESA region
- Follow up on the achievements of the targets set for achieving macroeconomic convergence in member countries;
- Harmonization of concepts, methodologies and statistical framework
- Make recommendations for Annual capacity and research activities of CMI



Contd: Institutional Framework for the Implementation of the COMESA monetary Integration Programme

7. The Financial System Development and Stability Sub-Committee is responsible to for guiding the implementation of the COMESA financial System development and Stability plan which includes the following among others: f:

- Modernization of payment systems in member countries;
- follow up on the implementation of the REPPS by member countries
- Ensuring financial inclusion in member countries
- Ensuring compliance of member countries to the 29 Core Principles of Bank Supervision and Regulation
- Ensuring diversification of financial system in member countries
- Ensure financial Stability in member countries
- Make recommendation s for annual capacity building and research activities of CMI which are related with Financial System development and stability.

8. COMESA Monetary Institute: Key Mandates of the COMESA Monetary Institute is to undertake all preparatory work for the achievement of the COMESA Monetary Union



Key Objectives and Mandates of COMESA Monetary Institute

The following are key objectives of the COMESA Monetary Institute;

- i. Promote macroeconomic policy coordination and financial integration in member countries;
- ii. Advance research activities on monetary and financial integration issues; and
- iii. Assist COMESA integration agenda by supporting COMESA initiatives on investment and trade competitiveness

The following are Key mandates of the COMESA Monetary Institute

- i. Guide the implementation of the COMESA Multilateral Macroeconomic Surveillance Framework
- ii. Guide the implementation of the COMESA Financial Development and Stability Plan;
- iii. Undertake research on macroeconomic and financial stability issues in member countries; and
- iv. Provide capacity building support to member countries.



Key Achievements of the COMESA Monetary

The following are the key Achievements of COMESA Monetary Institute, among others::

1. Build capacity in Macroeconomic Management. The Institute Undertook trainings and prepared Manuals. It trained more than 900 research staff in member Central banks. It also published 42 articles on country specific studies on macroeconomic management in member countries. CMI undertakes capacity building programmes founded on the need of the member Central Banks to improve macroeconomic management and financial system stability.

More specifically ; the following trainings among others were conducted and manuals were prepared :

- i. Application of Advanced Panel Data Analysis with special application to the impact of financial structure on Monetary Transmission Modelling and forecasting Volatility in Financial markets
- ii. Panel and time series data analysis using VAR, SVAR and VECM
- iii. Macro modelling and forecasting in collaboration with Bank of England



Key Achievements of the COMESA Monetary

2. To enhance the implementation of the COMESA Financial System Development and Stability Plan, the Institute conducted the following trainings and prepared Manuals among others

- i. Interest rate, exchange rate and liquidity risk management in collaboration with Central Bank of Egypt
- ii. Training in collaboration with the IMF on “Enhancement to the Basel Process”
- iii. Training and manual on “ Detecting by Central Banks the early stage capital distress of financial institutions;
- iv. Training and Manual on Systemic Risk Assessment Tools
- v. Training and Manual on macro and micro stress testing;
- vi. Training on Macro Prudential policies
- vii. Training and Guideline on Enhancing Financial Inclusion in COMESA Region through enhancement of the Regulatory and Supervisory Framework in collaboration with African Development Bank and Alliance Forum Foundation (Japan)



Key Achievements of the COMESA Monetary Institute

3. CMI Published the following books which contains studies related with macroeconomic developments in selected member countries:

- i. Empirical Analysis of the Effectiveness of Monetary Policy in Selected COMESA Member Countries.
- ii. Exchange Rate Volatility and Its Impact on Macroeconomic Management In Selected COMESA Member Countries
- iii. The effects of fiscal policy on the conduct of transmission mechanism of monetary policy in selected COMESA Member states
- iv. Impact of External Shocks on the effectiveness of Monetary Policy
- v. Causes and Macroeconomic effects of exchange rate volatility



Impact of CMI Activities

- CMI training programs offer manifold benefits for each participant. They offer ideal situation for knowledge sharing and networking and most importantly, each participant leaves the workshop/training with both theoretical and practical knowledge that enlightens and inspires.
- The feedback which CMI receive from participants at the end of its capacity building programmes, clearly indicate that the participants acquired skills relevant for their daily duties in central banks and make them competent and comparable with their peers in the region and beyond. They also express their enthusiasm to put what they learned into practice.
- The impact of CMI capacity building programmes have been clearly demonstrated by the high quality research which participants of the training/workshops produce and present in CMI Annual Research Forums.



Impact of CMI Activities

- In addition, CMI produces manuals for all its capacity building activities and publishes books on its research activities. This enables member Central Banks to use the manuals and books as a reference. The Manuals are also used to train more staff in member Central Banks at a national level.
- Skills acquired from CMI training and research activities have also contributed to policy making in member countries.
- It is important to note that the COMESA Committee of Governors of Central Banks during their Annual meetings always appreciate the wide range and effectiveness of the CMI research and capacity building activities, which will no doubt significantly contribute to macroeconomic policy convergence among member countries, required to ultimately achieve COMESA Monetary Union



DISCUSSIONS

THANK YOU

