COMESA MONETARY INSTITUTE

Facilitating the Region's Sustained Development through Monetary and Financial Integration

NEWSLETTER ISSUE NO.9 | 2025

COMESA Monetary Integration Programme and the Role of COMESA Monetary Institute (CMI)

The mandate to set up a monetary union is derived from Article 4(4) of the COMESA Treaty signed in Kampala, Uganda in 1993, which states that "the COMESA Member States shall in the field of monetary affairs and finance, cooperate 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".

This mandate was further reinforced in Articles 76-78 of the Treaty, which respectively deal with COMESA Monetary and Fiscal Policy Harmonization, establishment of currency convertibility and formation of an exchange rate union. Based on the above mandate, the COMESA Committee of Governors of Central Banks set up a COMESA Monetary Institute (CMI). The CMI's objective is to undertake all the technical, policy, statistical, institutional and legal preparatory work that will lead to creation of the common central bank and the introduction of a common currency in COMESA region, with the ultimate objective of achieving monetary union. The Institute became operational in March 2011 and is based in Nairobi, at the Central Bank of Kenya (CBK), Institute of Monetary Studies.

VISION

To make COMESA region a zone of macroeconomic and financial stability with the ultimate goal of achieving a monetary union. The Monetary Union will make the region more globally competitive and attractive to cross border and foreign investment.

MISSION

To provide excellent technical services to member countries in order to facilitate the region's sustained development through monetary and financial integration.

Director’s note

I am pleased to note that in 2025, the COMESA Monetary Institute (CMI) continued to make meaningful progress in advancing the Monetary and Financial Integration agenda within the COMESA region. The achievement of this agenda remains firmly anchored on sustained macroeconomic stability, resilient and well-functioning financial systems, and adherence to international standards and best practices that support regional harmonization. In this regard, central banks continue to play a pivotal role, particularly in fostering monetary cooperation, promoting macroeconomic convergence, and strengthening financial system development and stability.

In line with its mandate, CMI undertook a wide range of activities during the year under review. These included assessments of macroeconomic convergence and financial system development and stability across member countries, as well as targeted capacity-building and research programmes on macroeconomic management and policy. Collectively, these initiatives enhanced the technical capacity of member central banks, supported progress towards attainment of the COMESA Macroeconomic Convergence Criteria, and strengthened knowledge sharing and professional networking across the region.

I am encouraged by the notable progress achieved by several member countries towards macroeconomic convergence and the implementation of the COMESA Financial Stability Framework. I am also pleased that the Governors approved the publication of the Fourth Edition of the 2024 COMESA-wide Financial Stability Report, one of the Institute’s flagship publications, which continues to provide valuable insights into regional financial system developments and risks.

During 2025, CMI successfully implemented an extensive programme of capacity-building activities covering key areas such as financial crisis management, macroeconomic forecasting, financial stability analysis, monetary and macroprudential policy, financial technology, Basel III reforms, stress testing, climate finance, and carbon markets. In addition, the Institute advanced its research agenda through the completion, validation, and publication of several country-specific studies, working papers, special reports, and contributions to internationally recognized publications. These outputs have enriched policy dialogue and strengthened the evidence base for informed decision-making within the region.

The Institute also convened several sub-committee, task force, and expert meetings, both physical and virtual, which provided critical platforms for peer review, validation of studies, policy coordination, and oversight of regional initiatives, including the preparation of the COMESA-wide Financial Stability Report.

I wish to express my sincere appreciation to the COMESA Member Central Banks for their continued support and active participation in CMI activities, all of which are directed toward the shared objective of making the COMESA region a zone of macroeconomic and financial stability. I am equally grateful to the CMI team for their dedication, professionalism, and commitment throughout the year.

On behalf of the Institute, I take this opportunity to extend my best wishes to all our stakeholders for a Merry Christmas and a prosperous and productive year ahead.

Lucas Njoroge (PhD)
Director
COMESA Monetary Institute

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Building Resilient Financial Systems: CMI's Training on Crisis Management and Resolution

The complexities of managing a financial crisis are often heightened by external shocks, such as commodity price fluctuations, particularly in countries heavily reliant on these resources. These challenges underscore the importance of implementing best practices to prevent financial crises and enhancing crisis management tools to mitigate their negative impacts. This is especially relevant for low-income countries, including those in the COMESA region. To address this, the COMESA Monetary Institute (CMI) undertook a training program aimed at equipping financial sector professionals with the necessary tools and strategies to effectively manage banking and financial crises in their jurisdictions.

From 17 to 21 February 2025, CMI organized a virtual training on: "Financial Crisis Management and Resolution Framework for Banks and Non-Banking Financial Institutions (NBFIs)." The program attracted 69 delegates from 11 COMESA member countries' central banks, including Burundi, Comoros, DR Congo, Egypt, Ethiopia, Eswatini, Kenya, Malawi, Rwanda, Zambia, and Zimbabwe.

CMI Director, Dr. Lucas Njoroge, emphasized that the training was designed to equip participants with the knowledge and skills to identify, prevent, and manage financial crises—particularly in economies with underdeveloped financial markets and weak legal and institutional frameworks required to facilitate bank resolution. He highlighted that the acquired knowledge would be directly applicable to their roles while also providing a platform for experience-sharing on crisis management and resolution strategies. A financial crisis can have severe consequences, including job losses, reduced access to credit, large fiscal deficits, rising sovereign debt, and slowed economic growth. By strengthening crisis management capabilities, CMI continues to play a crucial role in enhancing financial stability across the COMESA region. The training aligned with the 2025 Work Plan for CMI, which was approved by the COMESA Committee of Governors of Central Banks in November 2024.

Having much money does not necessarily insulate a country from a financial crisis

At the end of the training, participants were equipped with the necessary tools and strategies to effectively manage banking or financial crises in their jurisdictions; acquired knowledge that was not only crucial but also directly applicable to their roles; and had an excellent opportunity to share knowledge and country experiences on crisis management and resolution frameworks.

> **By strengthening crisis management capabilities, CMI continues to play a crucial role in enhancing financial stability across the COMESA region.**

From Data Delays to Real-Time Insights:
Advancing GDP Nowcasting in COMESA

Most Member States do not compile high-frequency measures of gross domestic product (GDP). If they do, the estimates come with a considerable lag, yet policy decisions need to be made often, particularly when major shocks such as COVID-19 pandemic or climate related shocks have occurred. This inspired the COMESA Monetary Institute to come up with a training programme to build the capacity of staff in the regional apex banks to address this challenge.

Titled 'Nowcasting and Near-Term Forecasting of GDP', this training was conducted on 24 - 28 February 2025, in Nairobi, Kenya. The objective was to engage central bank staff involved in policy analysis to appreciate nowcasting and acquaint them with the standard nowcasting methods and Near-Term Forecasting of GDP.

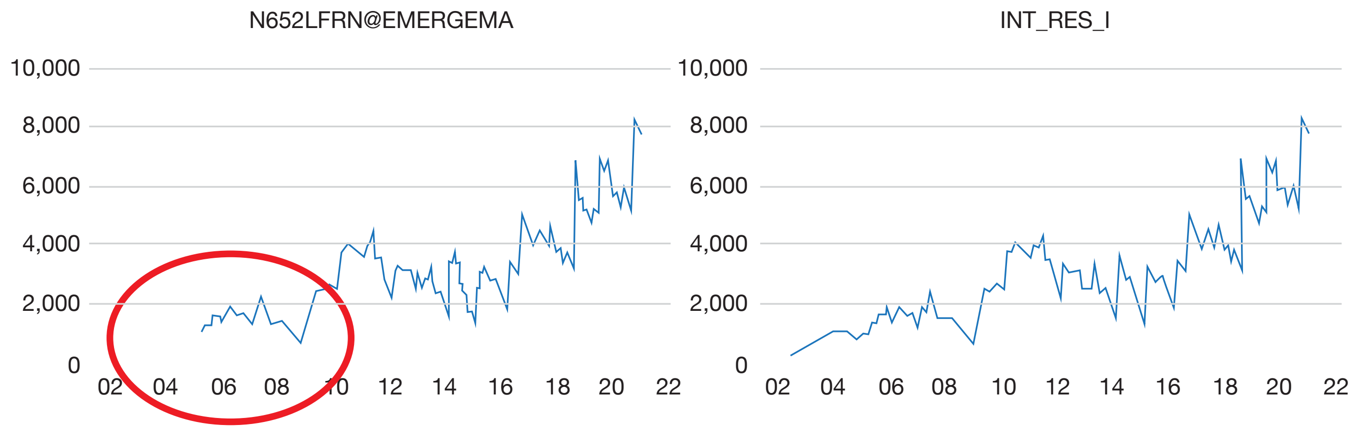
Nowcasting simply means seeking to understand things (predict) the way they are happening now while Near-term forecasting is predicting what will happen in the Near future. It was attended by delegates from eight COMESA member Central Banks namely: Djibouti, Eswatini, Egypt, Kenya, Mauritius, Uganda, Zambia and Zimbabwe.

At the opening of the session, Dr Lucas Njoroge, Director of CMI observed that data publication delays and missing data complicates forward-looking policy making. In such context, he noted, making use of a range of leading and coincident variables to forecast in real-time the missing values of GDP have become a standard practice in the analysis of economic outlook, in what is referred to as nowcasting. Its aim is to bridge the gap between the time lag in data releases and policymaking.

The training equipped the participants with scientific tools to overcome numerous data challenges faced by most COMESA member countries including but not limited to, missing data, lack of high frequency data, considerable data lags and publication delays.

The skills acquired at the training included various methods for nowcasting and near-term forecasting of GDP, which they will start applying to improve their forecasting methods. Participants also shared knowledge and experience of various aspects of forecasting.

"The 'Nowcasting and Near-Term Forecasting of GDP' is part of the CMI 2025 Work Plan, which was approved by the 28th meeting of the COMESA Committee of Governors of Central Banks in November 2024.



Interpolation of int-residuals, comparison with original series

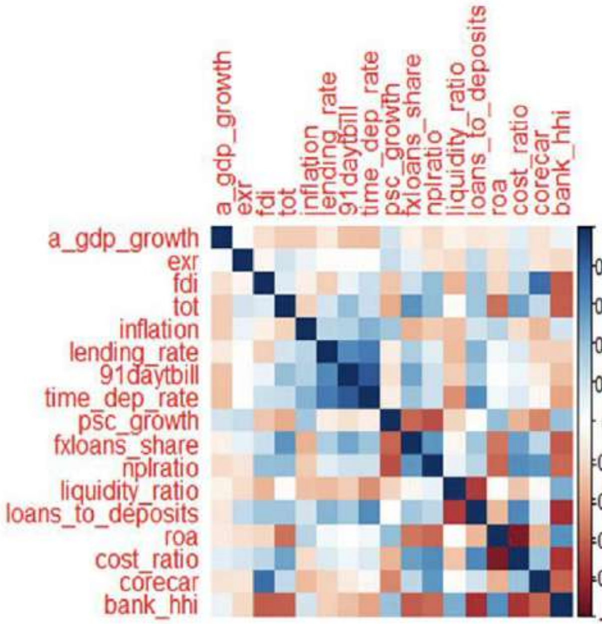
Harnessing Data Science to Identify Financial System Risks in COMESA

Regional central banks can significantly enhance their ability to assess risks, identify financial system vulnerabilities, and anticipate potential disruptions by leveraging advanced data analytics and statistical modeling. To realize this potential, staff involved in the financial stability function within regional banks must be equipped with the necessary skills and knowledge to apply data science techniques effectively.

In recognition of this need among COMESA Member States' central banks, the COMESA Monetary Institute (CMI) organized a training workshop on "Applications of Data Science for Analysis of Financial Stability". The training took place on 24–28 March 2025 in Nairobi, Kenya. The primary objective of the workshop was to empower participants with practical tools for monitoring systemic risks and making informed, data-driven decisions to safeguard financial stability.

Speaking at the event, Dr. Lucas Njoroge, Director of CMI, emphasized the value of data science tools in helping COMESA central banks extract meaningful insights from diverse data sets. He noted that these tools can improve data handling, modeling, forecasting, and interpretation—particularly in assessing vulnerabilities that may threaten financial stability. *"The techniques can also support other tasks relevant to financial stability, including payment systems analysis, consumer risk assessment, financial inclusion monitoring, and anti-money laundering efforts,"* Dr. Njoroge added.

Delegates from nine COMESA Member States—Burundi, DR Congo, Egypt, Kenya, Malawi, Mauritius, Rwanda, Uganda, and Zambia—participated in the training. The program featured hands-on exercises using programming languages commonly applied in data science and analytics. Participants also exchanged insights on their respective countries' experiences in applying data science to analyze financial stability, fostering a collaborative learning environment across the region.



Having much money does not necessarily insulate a country from a financial crisis

> **The techniques can also support other tasks relevant to financial stability, including payment systems analysis, consumer risk assessment, financial inclusion monitoring, and anti-money laundering efforts.**
>
> **Dr. Njoroge - Director, CMI**

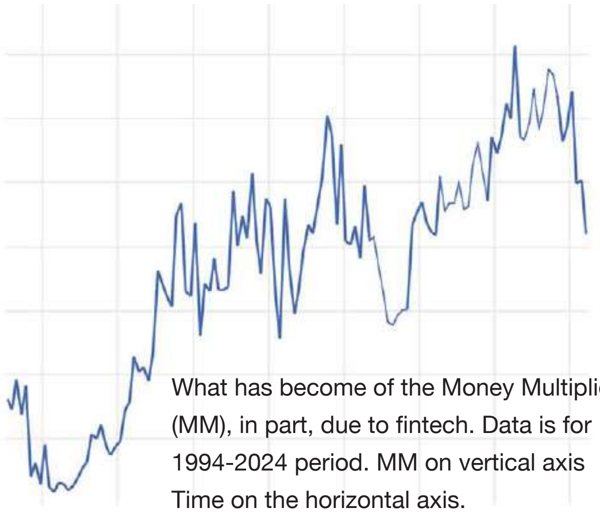
Empowering COMESA Central Banks to Leverage Fintech in Monetary Policy

Fifty staff from Central Banks in twelve COMESA countries were trained in understanding the complex interaction between monetary policy and Financial Technology (Fintech). The comprehensive training was to enable staff to provide advice for effective policy responses to the challenges and opportunities presented by fintech in the COMESA region. Organized by the COMESA Monetary Institute (CMI), the virtual training held on 07 – 11 April enabled the participants to share knowledge on each country's Fintech journey, conduct and implementation of Monetary policy.

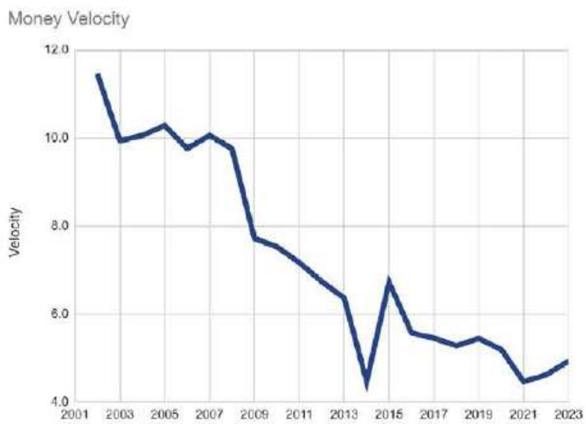
While addressing the trainees, CMI Director Dr Lucas Njoroge observed that the rapid growth of fintech in the world, including in the COMESA region, has continued to revolutionize the traditional financial services, offering innovative solutions such as digital currencies, peer-to peer lending, and blockchain technologies. He noted that fintech has the potential to increase financial inclusion, reduce transaction costs, and improve access to credit. These changes can influence the effectiveness of traditional monetary policy tools and alter the speed and the manner in which monetary policy decisions are transmitted throughout the economy, potentially impacting inflation, economic growth, and financial stability. Additionally, fintech developments might lead to the emergence of new financial markets or disrupt existing ones, requiring central banks to adapt their policy frameworks and monitoring tools. Dr Njoroge observed that as fintech continues to evolve, it is essential for central banks to understand the complex interaction between monetary policy and fintech to better manage potential risks and leverage opportunities to enhance monetary policy outcomes, ensuring the stability of the financial system and the broader economy.

Participating countries included Burundi, Congo DR, Egypt, Eswatini, Malawi, Mauritius, Madagascar, Rwanda, Somalia, Sudan, Uganda and Zambia.

Both the velocity and money multiplier have unit roots



What has become of the Money Multiplier (MM), in part, due to fintech. Data is for 1994-2024 period. MM on vertical axis Time on the horizontal axis.



Strengthening Financial Stability: COMESA Central Banks Trained on Macroprudential Tools

Representatives from nine COMESA Member States' Central Banks were trained on the applicable Macroprudential Policy Framework by the COMESA Monetary Institute (CMI). This is part of efforts to empower COMESA macroprudential practitioners with the knowledge and expertise to effectively mitigate the likelihood and severity of financial instability by tackling systemic risk in the region, drawing on the home-grown COMESA Financial Stability Framework.

While addressing the delegates in Mombasa, Kenya on 5 May 2025, CMI Director Dr. Lucas Njoroge said the participants also shared knowledge on each country's implementation of the macroprudential policy framework in the context of the new COMESA Financial Stability Assessment Framework. Dr. Njoroge recalled that regulatory failure, to identify the build-up in vulnerabilities relating to excessive credit growth, risk-taking, and risk concentrations across the financial system, in the run- up to the global financial crisis of 2007-08, paved the way for the systemic crisis. Since then, there has been recognition for the need for microprudential supervisory and regulatory reforms to reinforce the safety and soundness of individual financial intermediaries, including the need to reinforce national regulatory frameworks with a systemwide approach to financial regulation and oversight. Against this backdrop a macroprudential policy framework (MPPF) is seen as an appropriate policy response to changing financial environment and is considered necessary to promote financial system stability. Considering that there isn't a one-size fits-all approach to the implementation of an effective macroprudential policy framework due to the heterogeneity in the national legal frameworks and financial sector structures, the training leveraged on data from COMESA Member States to provide a better understanding of the COMESA Financial Stability Assessment Framework—a tool which has only recently been adopted and is being used to prepare the COMESA wide Financial Stability Report.

At the end of the training, participants noted that they had understood the important elements of a macroprudential policy framework including the different tools used to monitor and analyse the build-up of systemic risk in financial systems and acquire skills to prescribe appropriate macroprudential policy tools to mitigate identified systemic risk. The training was attended by delegates from the central banks of Burundi, the Democratic Republic of Congo, Eswatini, Kenya, Libya, Malawi, Uganda, Zambia and Zimbabwe.

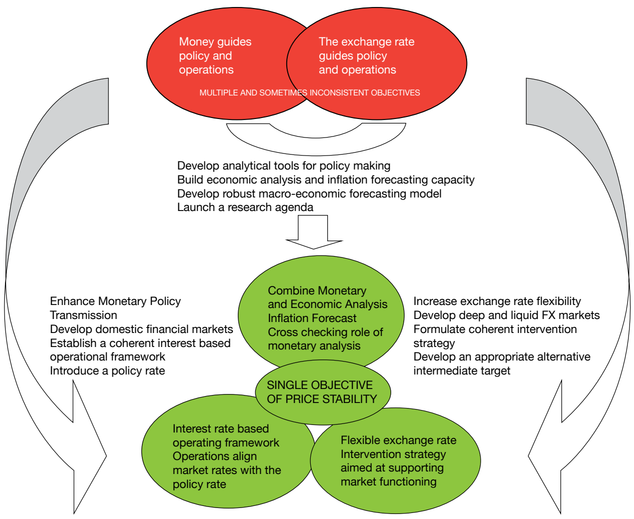
COMESA central banks' delegates attending CMI training in Mombasa.

Strengthening Monetary Policy in COMESA Through Inflation Targeting

The COMESA Monetary Institute (CMI) has strengthened the capacity of member countries' central banks in monetary policy formulation and implementation under an inflation targeting (IT) regime. This followed a regional training programme held from 19–23 May 2025 in Nairobi, Kenya, which brought together representatives from seven COMESA central banks.

In recent years, CMI has observed the growing adoption of inflation targeting as the preferred monetary policy framework globally, including among emerging and developing economies. This trend underscores the need for COMESA Member States to align with global best practices and avoid lagging behind in modern monetary policy frameworks.

Emphasising the importance of enhanced capacity building, CMI Director Dr Lucas Njoroge noted that despite relatively weaker institutions and less developed financial markets in many developing countries, inflation targeting remains a viable and beneficial framework.



Stylized Policy Modernization Agenda and Forecasting & Policy Analysis System (FPAS)

"Among the numerous merits of inflation targeting is that its adoption can itself contribute to strengthening financial institutions and developing financial markets, rather than being a precondition," Dr Njoroge said while addressing delegates at the training.

He further observed that rapid financial innovation and increased integration of financial markets have prompted many countries— including those in the COMESA region— to either transition to or begin implementing the inflation targeting framework.

Dr Njoroge highlighted that inflation targeting helps address the time-inconsistency problem, reduces inflation variability, stabilises output, and anchors inflation expectations, thereby mitigating the inflationary effects of macroeconomic shocks.

At the conclusion of the training, participants reported improved understanding of how inflation targeting differs from other monetary policy frameworks, the role of the Forecasting and Policy Analysis System (FPAS) in supporting inflation targeting, and approaches to managing shocks and implementation challenges under the framework.

Participants also exchanged experiences and lessons from their respective countries' journeys toward adopting and implementing inflation targeting.

The training was attended by central bank officials from Egypt, Kenya, Malawi, Mauritius, Uganda, Zambia, and Zimbabwe.

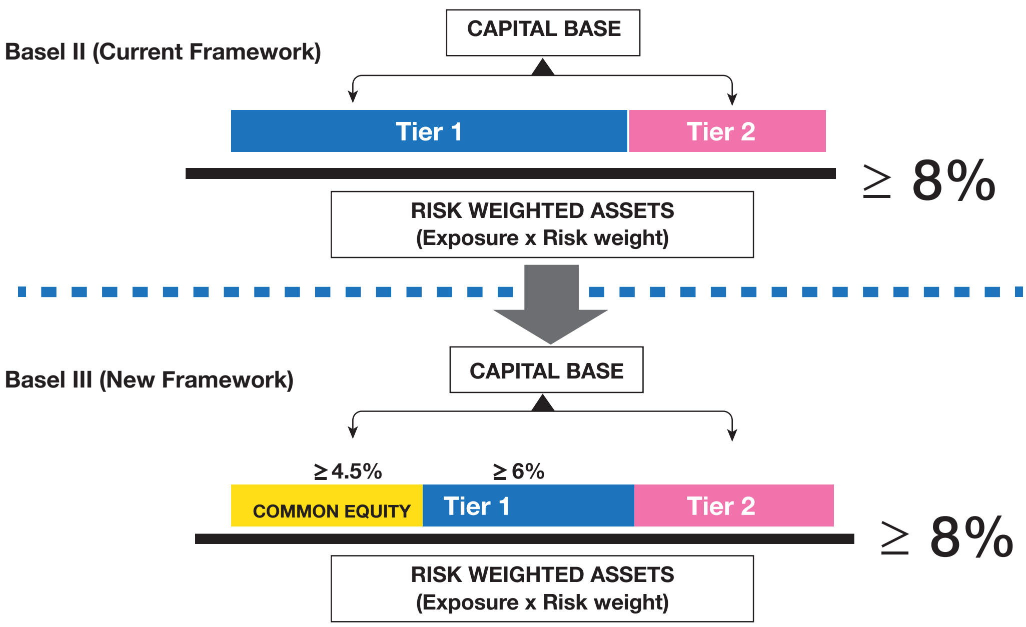
COMESA Central Banks Trained on Basel III Post-Crisis Reforms to Safeguard Financial Stability

A week-long training programme on the COMESA region's preparedness for the implementation of Basel III Post-Crisis Reforms and their implications for financial stability was held from 9 to 13 June in Nairobi. The training brought together delegates from eight central banks representing Egypt, Eswatini, Kenya, Malawi, Rwanda, Uganda, Zambia and Zimbabwe.

During the training, central banks in the region were encouraged to adopt the Basel III Post-Crisis Reforms as a critical step towards strengthening the resilience and stability of their financial systems. Addressing participants, COMESA Monetary Institute (CMI) Director, Dr Lucas Njoroge, underscored the region's exposure to external shocks—such as commodity price fluctuations, exchange rate volatility and geopolitical tensions—highlighting the importance of the reforms in mitigating systemic risks and reducing the likelihood of banking crises.

The Basel III framework introduces more stringent capital adequacy requirements, enhanced liquidity standards and strengthened risk management practices. These measures are designed to improve banks' capacity to absorb economic shocks, enhance supervisory effectiveness and boost investor confidence in the financial system.

Dr Njoroge noted that adoption of the Basel III standards across the COMESA region remains slow, with most Member States still operating under Basel II. He emphasized, however, that the Basel III standards can be progressively applied to enhance supervisory policies and reinforce financial stability, while encouraging broader regional adoption. At the conclusion of the training, participants shared country experiences and gained practical insights into incorporating Basel III Post-Crisis Reforms in the calculation of key capital and liquidity ratios, alongside other critical supervisory and regulatory tools.

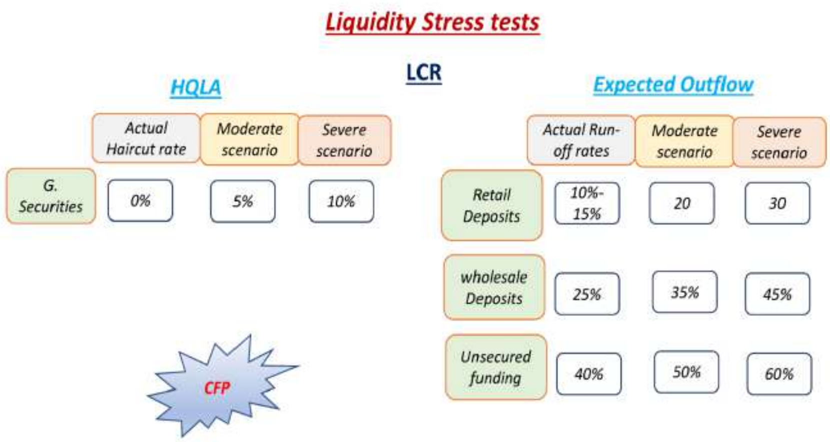


Capital requirement under base III

Macro and Micro-Stress Testing to Assess Financial System Stability

Thirty-two analysts from 11 central banks of COMESA Member States have been trained on Macro and Micro Stress Testing as a tool for assessing the stability of the financial system. The tool helps uncover direct exposures between banks that can lead to contagion through domino effect and cause instability in the entire financial system.

The training was organised by the COMESA Monetary Institute (CMI) in collaboration with the Central Bank of Egypt in Cairo, Egypt on 22 - 26 June 2025 as part of efforts to expose participants to stress testing tools and enhance the implementation of the COMESA Financial System Development and Stability Plan. CMI Director Dr Lucas Njoroge noted that macro and micro stress testing are key tools for assessing the stability of the financial system and motivated the need for the training. Speaking at the same event, Dr. Naglaa Nozahie, Governor's Advisor for African Affairs at the Central Bank of Egypt underscored the importance of systemic risk assessment as it is pertinent in uncovering direct exposures between banks.



A protype of one of the stress tests conducted by the Central Bank of Egypt

Participants were also taken through the regulatory framework for stress testing for the Egyptian banking sector and learned about supervisory assessment methods for banks' stress testing frameworks through both offsite supervision and onsite examination approaches. At the end of the workshop, the analysts from DR Congo, Egypt, Eswatini, Kenya, Libya, Malawi, Tunisia, Sudan, Uganda, Zambia and Zimbabwe attested to gaining a deeper understanding of macro and micro stress testing, including how to incorporate scenarios around climate change risk, liquidity stress tests and contagion risks.

> **"The tool helps uncover direct exposures between banks that can lead to contagion through domino effect and cause instability in the entire financial system.**

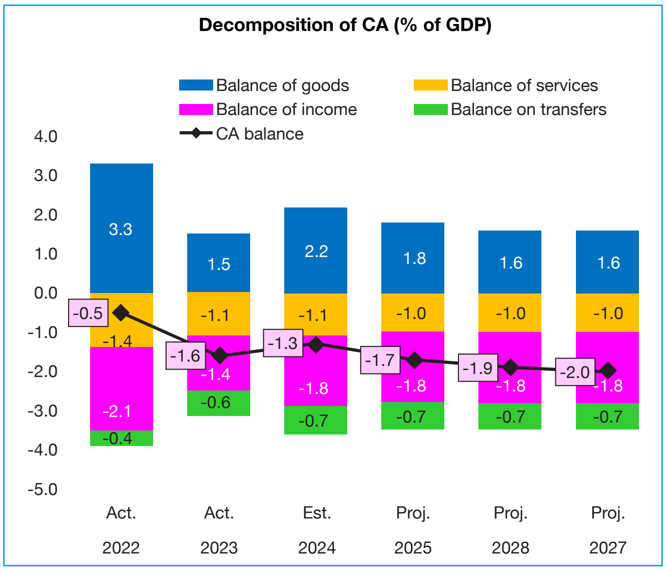
Macroeconomic Forecasting and Vulnerability Assessment in COMESA Apex Banks

Staff from central banks in the COMESA Region have been trained on how to improve macroeconomic accounts forecasts, conduct vulnerability assessments, detect and assess imbalances and design evidence-based policy responses as the region advances to strengthen the sector.

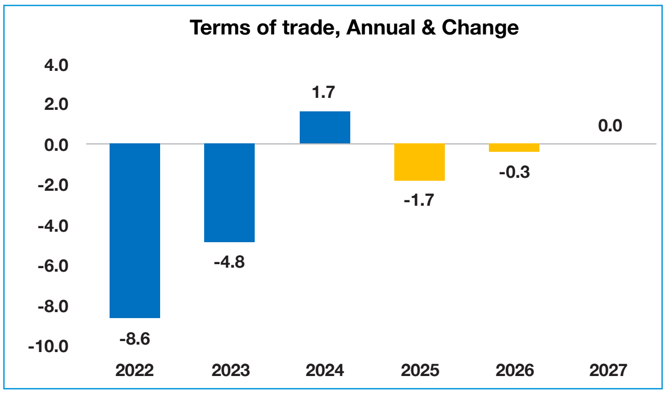
Organized by the COMESA Monetary Institute (CMI), on 11-15 August 2025 in Nairobi, Kenya, the training emphasized that macroeconomic forecasting and vulnerability assessments are critical for sound economic management and for early detection of potential imbalances.

During the training, CMI Director Dr Lucas Njoroge highlighted the region's recurring challenges, including persistent fiscal deficits, high debt, current account imbalances, inflation, reliance on primary commodity exports and exposure to external shocks. Others are political instability and climate change. He stressed the need for timely detection and effective policy responses to address these issues. At the end of the training, participants affirmed that they had gained the skills to assess the current macroeconomic situation, including government monetary and fiscal positions in their respective jurisdictions. They also learned to identify and evaluate vulnerabilities within forecasts, understand their sources and potential impacts, and unravel the linkages between forecasting, vulnerability assessments, and macroeconomic imbalances, while gaining insights into how early warning appraisals can support timely policy responses.

Participants also shared knowledge on each country's experience in macroeconomic accounts forecasting and vulnerability assessment. The training was attended by delegates from nine countries namely Congo DR, Egypt, Kenya, Malawi, Mauritius, Sudan, Uganda, Zambia and Zimbabwe.



Country X: Components of Current Account projections



Climate Finance, Carbon Markets and the Role of Central Banks

On 25 – 29 August 2025, the COMESA Monetary Institute brought together 74 staff from 13 Central Banks of COMESA Member States in a virtual training on *Climate Finance, Carbon Markets and the Role of Central Banks*.

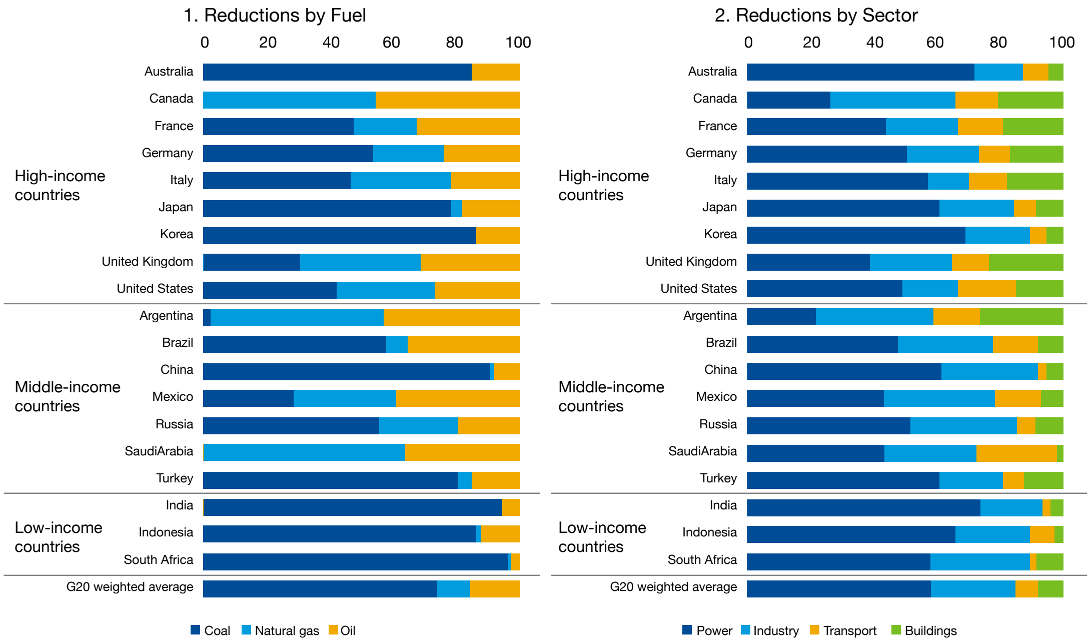
The participants represented Burundi, Egypt, Eswatini, Djibouti, Kenya, Madagascar, Malawi, Mauritius, Seychelles, Sudan, Tunisia, Uganda and Zimbabwe.

Given that climate change is now a defining global challenge with profound implications for sustainable development, poverty reduction, food security, and disaster risk management, the need for building the capacity of apex banks in the region on this subject is critical.

Addressing delegates at the training, the CMI Director, Dr. Lucas Njoroge noted that climate-related disasters especially in Least Developed Countries and climate-vulnerable regions have endangered lives and livelihoods, affected the ecosystems and infrastructure.

"Addressing these challenges requires substantial financial resources, which have remained limited over the years," he noted. *"Low financial resources for climate mitigation and adaptation needs remain a major constraint to Africa's climate finance, and reflect weak institutional frameworks, inadequate technical capacity, low project development and fragmented governance systems."*

Even more critical, he added, is the inability of countries to fulfil eligibility requirements, articulating strong climate rationales in project proposals, integrating climate finance into national budgets, and establishing robust monitoring and reporting systems. He observed that the objective of the training was therefore to enhance capacity and technical knowledge of the participants on climate finance and carbon markets.



Breakdown of CO2 Reductions by Fuel/Sector under Carbon Pricing, 2030

At the end of the training, participants gained technical knowledge on climate finance and carbon markets needed to navigate the increasingly complex climate finance landscape. They learned and explored how carbon pricing and trading systems function and how to assess the current landscape and sources of climate finance at global, regional and national levels.

Through the training, they are now in a position examine the responsibilities and tools central banks can leverage on—such as green monetary policies, climate-related financial risk assessment, and regulatory frameworks. Ultimately, these will enable central banks to play a crucial role of aligning monetary and financial systems with climate goals, and shared experiences on climate finance and carbon markets.

Addressing these challenges requires substantial financial resources, which have remained limited over the years.

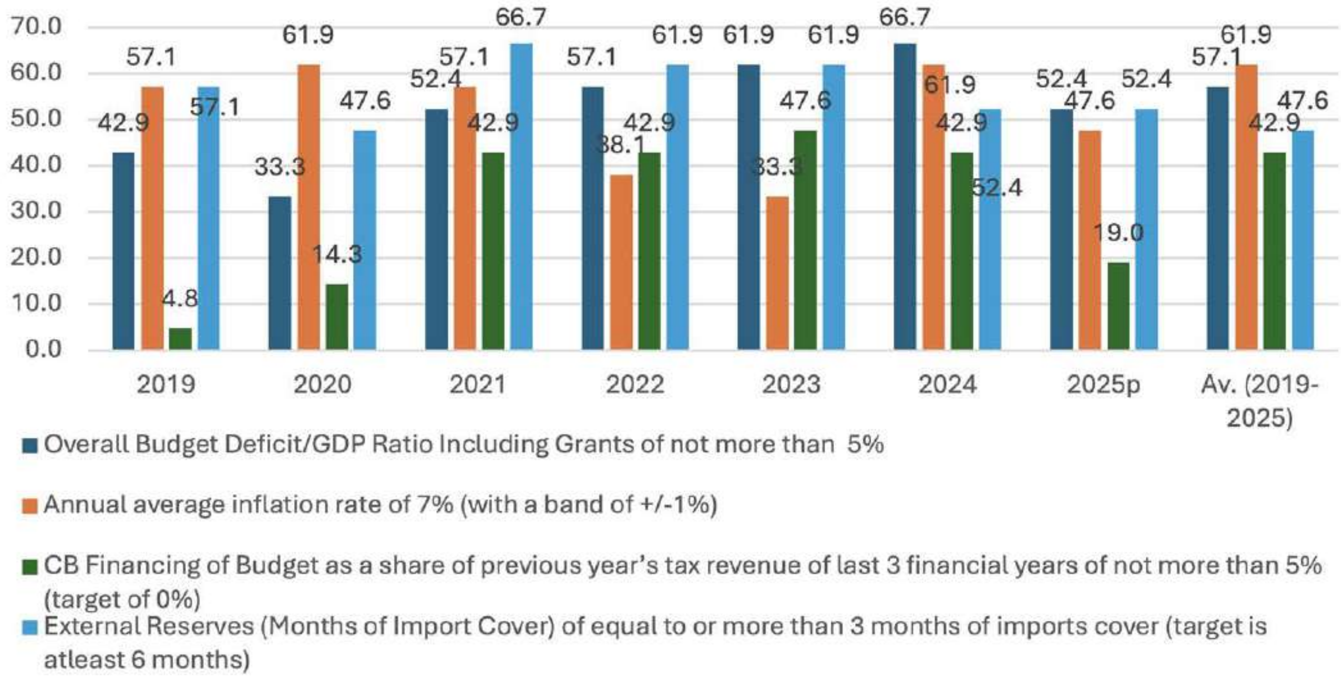
Dr. Njoroge - Director, CMI

Experts Interrogate the Revised COMESA Macroeconomic Convergence Criteria

A high-level meeting of experts from research departments in central banks across Member States was convened on July 10 and 11 in Nairobi, to examine progress toward the COMESA macroeconomic convergence benchmarks. This was to determine whether the region is prepared to transition to the next phase, scheduled for 2026-2030 while aligning with the African Monetary Cooperation Programme (AMCP) of the Association of African Central Banks (AACB).

The meeting reflected on the implementation of the New Macroeconomic Convergence Criteria, introduced in 2019 following a successful revision by a team of Experts that completed the task in 2018 in Nairobi.

The convergence program is structured into three stages: Stage 1 (2019-2025), Stage 2 (2026-2030), and Stage 3 (2031-2035). However, global shocks—including the COVID-19 pandemic, the Russia-Ukraine conflict, and climate change-related disruptions—have significantly hampered progress. A review of regional economic performance revealed a mixed picture. While some countries met certain convergence targets, none consistently achieved all criteria throughout the assessment period. The findings suggest that the region's overall progress remains uneven, with notable gaps in fiscal targets.

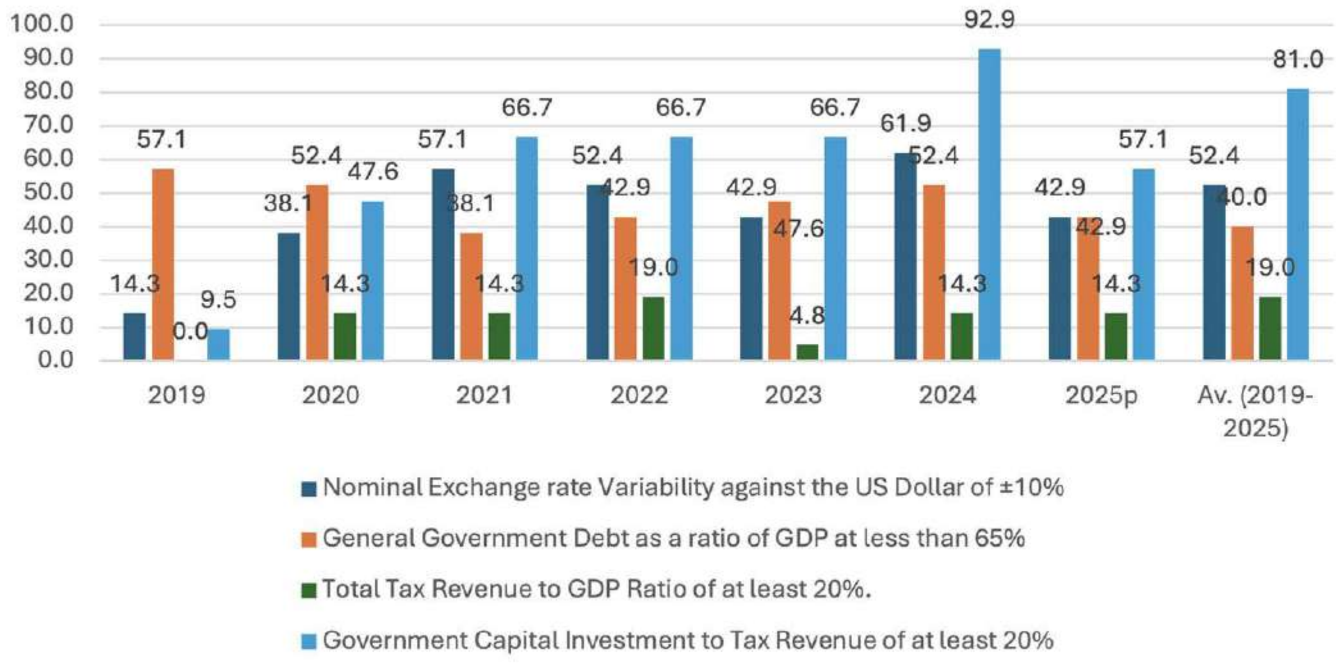


Member country's achievement rate on the primary Convergence criteria

In his remarks, Dr. Lucas Njoroge, Director of CMI, emphasized the urgency of the assessment. "As we approach the end of Stage 1 in December 2025, we must advise Governors whether to proceed to Stage 2 or consider extending the current period to ensure stability and compliance," he stated.

The meeting highlighted that central bank-related criteria have generally performed better than fiscal indicators, indicating that fiscal policies are a major challenge to convergence. Consequently, participants recommended reactivating the joint forum of Finance Ministers and Central Bank Governors to enhance coordination of fiscal and monetary policies—an essential step toward preparing the region for a single currency and deeper economic integration.

The experts underscored the pressing need for Member States to address fiscal vulnerabilities and reinforce policy coordination. The meeting informed whether the region is ready to advance to Stage 2 or if extensions are necessary to achieve the convergence objectives that underpin COMESA's broader integration ambitions.



Member country's achievement rate on the Secondary Convergence criteria

FSDS Sub-Committee Reviews NBFI Risks and Sets 2026 Financial Stability Agenda

The 19th FSDS Sub-Committee meeting in session

The 19th sitting of the COMESA Financial System Development and Stability (FSDS) Sub-Committee was conducted in Nairobi, Kenya on 10 – 11 September 2025. Its objective was to review the activities undertaken by CMI in 2025 which are related with FSDS Sub-Committee, and to prepare a work plan for 2026.

Prior to the meeting, a validation workshop was held of country specific studies on the *"Impact of Non-Bank Financial Institutions (hereafter NBFIs) Shocks/Shocks on Member Country's Financial System Stability"*, conducted by staff from COMESA Member central banks in 2025. It was held at the same venue on 8-9 September 2025.

The meeting noted that the financial space in any one economy comprises of the banking and non-bank financial institutions (NBFIs). The latter comprises development banks, capital markets, insurance firms (life and non-life), private and government pension funds, mutual funds, brokerage companies, mortgage companies, financial leasing companies, micro finance institutions, post office, SACCOs, forex bureaus, among others.

It further noted that NBFIs facilitate alternative financial services, such as mobilization and allocation of long-term finance for capital investment (both collective and individual) because they have longer maturities, risk pooling, financial consulting, brokering etc. Asset leasing, for example, enables the borrower to acquire the equipment before fully paying for it, which frees the borrower from the pressure of fully paying for the equipment and tying down operational cash in equipment that is normally costly if paid for at once.

FSDS studies validation workshop at the CMI

Along with banks, NBFIs are a source of consumer credit and have increasingly become popular in enabling the population access to a host of financial services, including, for example, retirement financial planning and investment (pension and mutual funds).

Notwithstanding that NBFIs provide services that are not necessarily suited to banks and that are in some aspects competitors to banks and specialize in sectors or groups, they have increasingly become interconnected with the traditional banking system. Operations of banks have diversified into non-traditional activities and formed partnerships and collaborations with NBFIs to offer a broad range of financial products and services—including, for example bancassurance.

Banks have also become increasingly more reliant on capital markets for funding, complementing traditional deposit-taking, while at the same time, advances in technology have enabled greater connectivity and data sharing between banks and NBFIs. This growing interconnectedness has created a more complex and intertwined financial ecosystem, exposing the financial sector to potential risks and vulnerabilities emanating from NBFIs or even banks through interconnectedness.

It is from the foregoing that the studies contextualized how shocks to the NBFIs can propagate to the broader financial system, posing risks to financial stability, looking into, inter alia; developments in NBFIs in country jurisdictions; the channels through which shocks to NBFIs can potentially propagate to the broader financial system. Arising therefrom were proposals on how central banks can use macroprudential tools to mitigate systemic risks and stabilize the financial system in response to shocks emanating from NBFIs.

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The meeting noted that the financial space in any one economy comprises of the banking and non-bank financial institutions (NBFIs).

Empirical estimates revealed that some Member States have experienced a significant impact on their financial stability caused by shocks from Non-Bank Financial Institutions (NBFIs). The impact of NBFIs' shocks on financial stability has been mixed with some countries experiencing significant instability while for other countries, the impact was insignificant.

The common policy recommendations arising from the studies largely pointed to the need for strengthening governance, implementing risk-based supervision and promoting diversification within the NBFIs sector. In addition, the studies noted the need to institutionalize cross-sector stress testing and enhance oversight of concentrated NBFIs funding, harmonizing liquidity standards across the financial sector and strengthening financial stability surveillance and early-warning frameworks to include NBFIs.

These interventions are expected to enhance NBFIs' stabilizing role and mitigate systemic financial risks. Other policy recommendations included strengthening cross-sector supervisory coordination among the Financial Sector's Regulatory Agencies, developing contingency and resolution planning for NBFIs, including liquidity support and recovery strategies; upgrading cross-sector data granularity and disclosure (including climate and cyber metrics); and undertaking regular stress tests for NBFIs, as this helps to identify vulnerabilities and inform policy responses to emerging risks and market developments, among others.

The meeting further considered the training and other activities undertaken by CMI related to the COMESA Financial System Development and Stability Sub-Committee in 2025 and prepared a work plan for 2026 which will be implemented by CMI.

The workshop and meetings were attended by delegates from 13 COMESA member Central Banks; Burundi, DR Congo, Egypt, Eswatini, Kenya, Malawi, Mauritius, Madagascar, Rwanda, Sudan, Uganda, Zambia and Zimbabwe.

The 2024 COMESA-Wide Financial Stability Report Finalized

Preparation of the 2024 COMESA Financial Report underway at the CMI in Nairobi

COMESA Monetary Institute (CMI) convened the final meetings of the taskforce constituted to prepare the 2024 COMESA wide Financial Stability Report (FSR) on 13 September 2025 in Nairobi, Kenya.

The meeting was attended by the technical working group comprising experts from the central banks of Burundi, Egypt, Eswatini, Malawi, Mauritius, Rwanda, Sudan, Uganda and Zambia. The meeting was chaired by Dr. Ahmed Sahloul, Assistant Sub-Governor for Macro Prudential Sector, Central Bank of Egypt, and acknowledged the contribution of the central banks of Madagascar and the CMI.

The key objective of the meeting was to review progress and finalize the draft 2024 FSR for the COMESA region. The FSR provides an in-depth review of developments in the financial sector; identifying key risks, vulnerabilities and challenges that faced the financial systems of COMESA member countries in 2024.

Dr. Sahloul, observed that beside providing the key policy responses, the 2023 FSR is a key ingredient for enhancing the implementation of the COMESA Financial System Development and Stability Plan.

The experts had several engagements on this 4th edition of the FSR, starting with revising and agreeing to the revised questionnaire and data requirements. The meeting observed that the draft report compilation commenced upon data submission by member countries and that the progress on the report was expected to be close to completion by end of October 2025.

Based on this, they made a thorough revision of the draft FSR, chapter on chapter basis, providing comments for the respective chapter authors that they have to incorporate, and agreed on the timelines for the submission of the final report in readiness for the Monetary Cooperation meetings of Governors, in November 2025.

COMESA Central Banks Review Fintech's Impact on Monetary Policy

MERP studies validation workshop in progress at the CMI in Nairobi, Kenya

The 22nd meeting of the Monetary and Exchange Rate Policies (MERP) Sub-Committee was held in Nairobi, Kenya from 2 to 3 October 2025. Its objective was to review activities undertaken by the CMI under the MERP sub-Committee in 2025 and to prepare a work plan for 2026.

This meeting was preceded by a validation workshop for the country studies conducted by staff from COMESA member central banks, in 2025 on the *"Impact of Fintech-led Innovations on the Effectiveness of Monetary Policy"*, held at the same venue from 30 September to 1 October 2025.

Both events were attended by delegates from 13 COMESA member central banks, namely: Burundi, DR Congo, Egypt, Eswatini, Kenya, Libya, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe.

Delegates noted, that the rapid growth of technology-enabled innovation in financial services, the incorporation of technology by financial institutions to facilitate delivery of financial services has disrupted traditional banking methods.

In particular, the use of non-conventional models like mobile money, mobile banking, peer to peer lending and digital wallets among others, fintech is rapidly shifting credit intermediation away from the traditional commercial banking channels. This is marked by declining usage of cash in preference for cashless transactions and intensified competition and collaboration between traditional players, tech companies and start-ups, with benefits for consumers and financial institutions.

Notwithstanding, the positive and beneficial change due to fintech in the financial sector space, its advancement brings with it risks that could destabilize the financial system.

Further, heavy reliance on third-party service providers (firms or sectors) for FinTech activities increases vulnerability to shocks and reputational risks for central banks on account of technological glitches, cyberattacks and/or human error, which could undermine the central bank credibility and potentially complicate policymaking with challenges for regulation and monetary policy.

The effect of Fintech on monetary policy effectiveness appears to depend on how the public use digital payments, online lending, and other financial technologies whether as a substitute for cash, or a substitute for deposits or a mix of both for which the main effect is a change in the velocity of money. It is in this context that the studies contextualized how Fintech-led innovations could bear on the effectiveness of monetary policy.

Empirical findings from the studies indicated, in general, that fintech has made both the velocity of money in circulation and the money multiplier unstable in most member countries, making it challenging to appropriately anchor inflation expectations particularly in countries pursuing monetary aggregates regimes.

Policy recommendations from the studies largely pointed to the need for modifications of monetary policy frameworks taking into account fintech innovations, and enhancement of legal and regulatory frameworks governing fintech. This is necessary to guard against regulatory arbitrage, cyber risks, contain spillovers to the macroeconomy and promoting responsible fintech innovations, and enhancement of data collection on digital financial services. Ultimately, it will improve understanding of their impact on monetary policy transmission and accelerate consumer financial literacy to encourage responsible use of FinTech platforms and limit speculative or consumption-driven inflation.

The MERP meeting further considered the training and other activities undertaken by CMI related to the MERP sub-Committee and prepared a workplan for 2026 which will be implemented by CMI. It also commended member countries for continued resilience and progress in achieving the macroeconomic convergence criteria in 2024 and for undertaking the studies.

The 22nd MERP Sub-committee meeting

COMESA Central Bank Governors Convene to Strengthen Regional Monetary Cooperation

The 29th Annual Meeting of the COMESA Committee of Governors of Central Banks was held in Kampala, Uganda, on 21 November 2025. It brought together senior central bank officials from across the region to deliberate on measures to strengthen monetary cooperation and financial stability.

Hosted by the Bank of Uganda (BoU) under the chairmanship of its Governor, H.E. Dr. Michael Atingi-Ego, the meeting was attended by Governors, Deputy Governors and delegates from 15 COMESA member central banks—Burundi, the Democratic Republic of Congo, Djibouti, Egypt, Eswatini, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Uganda, Zambia and Zimbabwe. Also in attendance were the COMESA Assistant Secretary General for Administration and Finance, Dr Dev Haman, representing the Secretary General, as well as officials from the COMESA Monetary Institute (CMI) and the COMESA Clearing House (CCH).

The annual meeting followed a series of prior engagements, including the Governors' Symposium held on 20 November, the 45th Bureau Meeting of the Committee on 19 November, and meetings of technical committees of experts conducted from 16 to 18 November 2025, all held in Kampala. Governors reviewed progress made during 2025 in advancing regional monetary and financial cooperation, with particular focus on activities implemented by the CMI and CCH. The CMI reported significant progress in capacity development under the Monetary and Exchange Rate Policies sub-committee and the Financial System Development and Stability sub-committee, aimed at strengthening macroeconomic management and safeguarding financial stability across member states.
The CCH highlighted key initiatives undertaken during the year, including the modernization of the Regional Payment and Settlement System (REPSS), the commencement of migration to the ISO 20022 messaging standard, and the implementation of the Digital Retail Payments Platform (DRPP). These initiatives are expected to enhance efficiency in cross-border payments and support intra-regional trade.
In his opening remarks, Dr. Atingi-Ego welcomed delegates and noted that their participation underscored a shared commitment to the COMESA integration agenda. He observed that the meeting was being held against the backdrop of a challenging global environment characterized by trade tensions, geopolitical uncertainties and climate-related shocks.

"Whilst the direct exposure of the region to the US tariffs may be limited, indirectly, softer global demand, and lower commodity prices are likely to have unsparing implications for the region because the region's biggest trade partners—China, India and South Africa, are in the eyes of the U.S tariff storm," he noted.

Dr. Atingi-Ego further noted that persistent global inflationary pressures and slower monetary policy easing in advanced economies could sustain high global interest rates, constraining capital flows to the region and increasing borrowing costs. He emphasized that these conditions pose renewed headwinds to the region's economic recovery and called for continued efforts to enhance resilience to external shocks.

These initiatives are expected to enhance efficiency in cross-border payments and support intra-regional trade.

He underscored the critical role of central banks in balancing inflation control with support for economic recovery, while safeguarding debt sustainability and managing exchange rate volatility amid tightening global financial conditions. Governors, he noted, must devise appropriate policy responses to navigate these challenges amid shrinking fiscal space.

The Governors' Symposium, which preceded the meeting, examined topical issues under the themes *"Central Banking and Global Shocks: Conduct of Monetary Policy in Times of Crisis and Positioning Monetary Policy for Commodity Booms and Busts"* and *"Assessing Financial Sector Stability and Resilience to Exogenous Shocks in the COMESA Region: Implications for Monetary Policy."*

Key takeaways emphasized the need for flexible policy frameworks, agile regulation to manage fintech risks, integration of climate considerations into monetary and financial stability frameworks, and the use of both conventional and non-conventional policy tools to address large and volatile shocks.

In a statement delivered on behalf of the COMESA Secretary General, H.E. Chileshe Mpundu Kapwepwe, Dr. Dev Haman, commended Governors for their continued commitment to deepening monetary and financial integration in the region. He noted that enhanced monetary and financial stability remains critical to advancing economic integration and sustaining long-term growth within COMESA.

At the conclusion of the meeting, the Committee elected the Bureau of the COMESA Committee of Governors of Central Banks for 2026, with the Reserve Bank of Malawi elected as Chairperson, the Bank of Uganda as First Vice Chair, the Banque de la République du Burundi as Second Vice Chair, the Bank of Zambia as First Rapporteur, and the Bank of Mauritius as Second Rapporteur.

Governors and guests at the symposium

CMI Publications

In this Special Report, opportunities and challenges of digitization and cyber se¬curity in the banking sector as well as the future of digital banking and cyber security in the COMESA region are examined. And, some lessons for banks in the region are provided.

Rapid digitization has transformed banking from brick-and-mortar branches, into more cost-saving, user friendly and branchless entities, characterized by enhanced convenience, accessibility and great efficiency, but this has come with serious cyber risks. The frequency and severity of cyber-attacks are on the rise, leading to greater concerns about the ability of banks in the region, to cope and mitigate these threats. The evolving nature and sophistication of these threats make them even more challenging for banks.

The consequences of these cyber risks when they materialize can be devastating and include, among others, huge financial losses, reputational damage, lost relationships and sometimes-legal liability. Moreover, deployment of new technologies such as AI by banks, while good at detecting and preventing cyber-attacks, has perpetuated the concerns, introducing new sources and transmission channels of cyber risks.

The report makes a strong case for enhanced collaboration and information sharing among the players without boundaries is essential for cybersecurity to facilitate early detection of emerging threats and the adoption of best practices, which are critical for mitigating potential cyber risks.

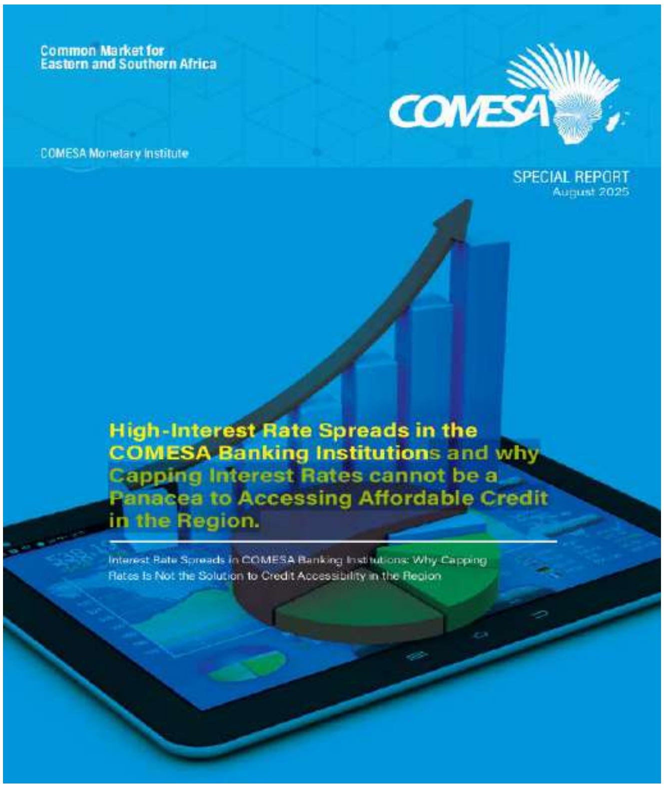
> **The frequency and severity of cyber-attacks are on the rise, leading to greater concerns about the ability of banks in the region, to cope and mitigate these threats.**

High real interest rates charged by banks remains a widespread concern among borrowers in the COMESA region. In this Special Report, we show that high lending rates are a combination of the cost of funds, the Treasury bill rates on the risk-free public-sector borrowing, the country's risk rating from an investor perspective and the high cost of doing business in the region.

Driven by the need to reign on high lending rates, some countries, inclusive of those in the region, have moved to legislate for lending interest rate caps to protect borrowers from high interest rates, but legislating for interest rates on loans cannot improve access to affordable credit because it does not address the binding constraints to credit expansion.

We argue that lower lending rates can still be achieved, but through dialogue aimed at addressing structural drivers of the cost of credit and a deliberate policy effort to deepen and broaden (i.e., diversify) the domestic financial system. Institutional reforms, such as liberalization of the pension industry and reforms to the commercial justice systems and the land registries offer the best prospects for achieving these objectives.

Policy makers in addition should continue to embrace the safe adoption of digital financial services that supports competition, innovation and financial inclusion for both individual and small firms.



In this Special Report, we show that high lending rates are a combination of the cost of funds, the Treasury bill rates on the risk-free public-sector borrowing, the country's risk rating from an investor perspective and the high cost of doing business in the region.

ABOUT CMI

Is a premier regional institution created by the COMESA Committee of Governors of central banks to enhance regional, monetary and financial integration. Its overall objective is to undertake all the technical, policy, statistical, institutional and legal preparatory work which will culminate into the COMESA Monetary Union.

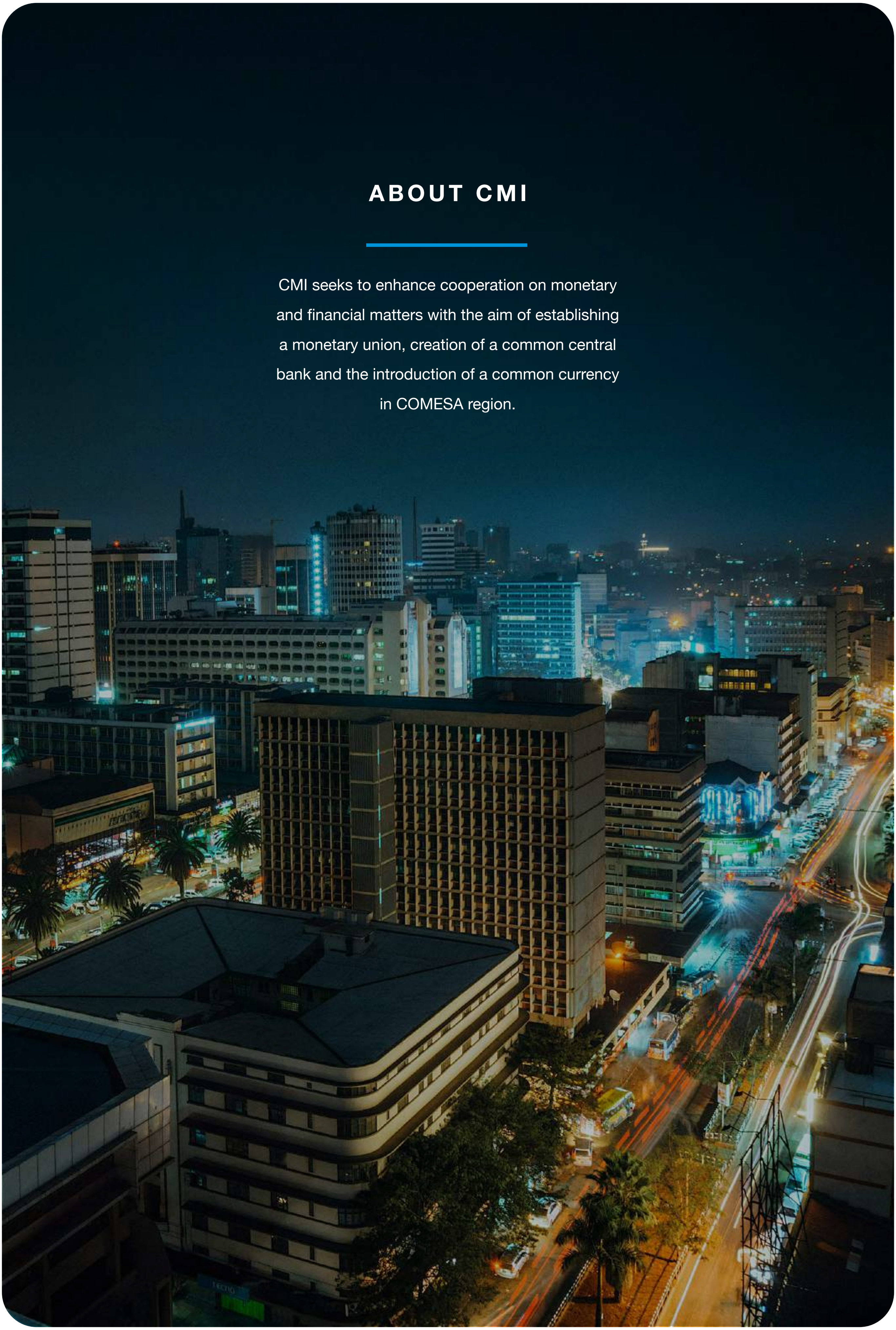
62
Country specific Studies & Special Reports

130+
Capacity building progrgrammes

4000
Participants from Central Banks

ABOUT CMI

CMI seeks to enhance cooperation on monetary and financial matters with the aim of establishing a monetary union, creation of a common central bank and the introduction of a common currency in COMESA region.



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