

Central Bank Operations

Capacity Development Activities in Fiscal Year 2024

Algeria

June 18-22, 2023: At the request of the Banque d'Algérie (BA), METAC provided a follow-up mission as part of the project of setting up a credit rating system for non-financial corporations. The project was launched during the December 2022 mission and is motivated by the objective to operationalize the acceptance of bank credit claims as collateral, both for monetary policy and for Emergency Liquidity Assistance (ELA). This focused, hands-on mission provided clarification and follow-up on outstanding recommendations of the initial mission and an update of the detailed roadmap, taking the BA's progress and experience so far into account. The mission found BA has made good progress on the organizational level but more needs to be done with respect to data collection to allow a country-specific, statistical calibration for the credit rating process.

September 18-19, 2023: Following the AMF High-Level Workshop in Algiers (see above), METAC conducted a follow-up consultation with the Banque d'Algérie (BA) on the ongoing TA project of establishing an internal credit rating system for credit claims. METAC and the BA agreed that the next steps on the roadmap will be delivered in-person given the confidentiality of the input data of the project.

January 29-February 1, 2024: At the request of the Banque d'Algérie, METAC provided a follow-up technical assistance mission to set up a credit rating system for non-financial corporations to allow bank credit claims to be accepted as collateral in central bank liquidity-providing operations. Under this project METAC delivers short and targeted follow-up missions at regular intervals conditional on the actual progress made. This mission delivered tools for the hands-on implementation of the methodology based on the country-specific calibrations of the relevant financial balance sheet ratios to achieve a credit rating scale for Algerian non-financial corporations. The next steps of the project will be the mapping of the credit rating scale into a haircut schedule for credit claims.

Djibouti

May 28-June 6, 2023: At the request of the Banque Centrale de Djibouti (BCD), METAC provided a technical assistance mission on domestic liquidity management. The mission focused on introducing and operationalizing reserve requirements. The mission found that reserve requirements would provide several beneficial roles in Djibouti's currency board arrangement, absent other safety nets. The mission provided guidance on all parameters of the reserve requirement. Given limited absorption capacity and the limited track record of implementing previous TA recommendations, METAC stands ready to provide hands-on follow-up support.

December 17-21, 2023: At the request of the Banque Centrale de Djibouti (BCD), METAC provided CD on the implementation of reserve requirements. This mission followed a first METAC mission on this topic in June 2023. The BCD has expressed its intention to introduce reserve requirements in early 2024. Throughout the mission there was an intensive collaboration with the staff of the newly created “Pôle Réserves Obligatoires”. The mission was hands-on in nature and provided regulatory texts and ready-to-use tools. An updated, granular roadmap should provide sufficient guidance to the BCD to achieve an immediate implementation. METAC stands ready to further support the implementation of the reserve requirements through remote or field-based delivery.

March 4-5, 2024: METAC facilitated a peer learning program on the implementation of reserve requirements for the Banque Centrale de Djibouti (BCD) at the Bank Al Maghrib (BAM). As the BCD is preparing the introduction of reserve requirements in CY24, the visit was timely and allowed to share and clarify all outstanding aspects of adopting and implementing reserve requirements in practice. BCD benefited from the discussions with their peers from the BAM’s Monetary policy division as well as Banking Supervision department. METAC and BCD are appreciative for BAM’s efforts in co-organizing the program.

Iraq

October 15-18, 2023: At the request of the Central Bank of Iraq (CBI), METAC provided a four-day TA mission on domestic liquidity management and on developing an interbank market in domestic currency. The CBI has made significant progress since the initial TA mission in March 2023 in adopting an active domestic liquidity management to support the exchange rate peg. The mission reiterated the outstanding recommendations on domestic liquidity management and provided advice for fine-tuning, among others, to support OMO implementation that would encourage interbank activity. There is currently no interbank market in Iraq and the mission provided recommendations on the preconditions and basic features to kickstart an interbank market.

Lebanon

May 2-12, 2023: At the request of the Banque du Liban (BdL), METAC delivered a scoping mission for Technical Assistance (TA) on the functioning of the foreign currency (FX) market. At the start of the mission the BdL-Governor stated the objective to move towards a floating exchange rate with a transparent, market-determined pricing mechanism. The mission provided clear guidelines and an action plan to introduce an electronic interbank trading platform. Moreover, the interbank market should be guided by transparent rules and compliance checks and an automated, electronic trading platform will allow for a transparent pricing mechanism and reference rate. The mission stressed that an electronic trading platform is a technical tool but needs to be supported by a broader policy measure to obtain a liquid two-way FX market with a market-clearing rate.

September 11-13, 2023: An IMF staff team visited Lebanon from September 11–14, 2023, to discuss economic and political developments. METAC CBO advisor assisted the mission on foreign exchange related matters, including discussing TA request from the authorities in this area.

October 26, 2023-April 19, 2024: At the IMF Annual Meetings in October 2023, the Banque du Liban (BdL) requested support to guide the set-up of an electronic Foreign Exchange (FX) trading platform with high priority. This request was a direct follow-up to a May 2023 METAC scoping TA mission. Due to the tensions in the region following October 7th and their direct impact on Lebanon, the BdL has put the implementation of the FX electronic trading platform on hold until further notice. Once the BdL resumes its efforts on this project, METAC is ready to re-engage and provide technical assistance in FY25.

Libya

March 18-April 26: METAC provided a remote diagnostic mission on foreign reserve management to the Central Bank of Libya (CBL). This was the first IMF engagement with the CBL on central bank operations in over a decade. The mission recommended strengthening the governance of the reserve management activity by assigning the appropriate hierarchical decision-making levels. All foreign reserve management processes should have clear rules and formal documentation of authority. The mission also recommended introducing benchmarked portfolio management. METAC will support the CBL in implementing the recommendations of the diagnostic mission in FY25.

Yemen

September 1-October 19, 2023: At the request of the Central Bank of Yemen (CBY), METAC provided guidance on the reorganization of the General Investment Department. To support the objective of strengthening the foreign reserve management capacities METAC assisted – remotely – the CBY to prepare the staffing of this department. The mission tasks included defining the proper roles and responsibilities of the front and middle office of their Foreign Reserve Department. This will allow the CBY either to hire externally or reallocate staff with adequate skill set within the bank.

October 5-9, 2023: At the request of the Central Bank of Yemen (CBY), METAC provided training on basic concepts of Foreign Exchange (FX) reserve management. The CBY selected 5 staff members to participate in a 5-day in-person training in Amman. The training focused on the governance framework, financial products for FX reserve managers and IMF reserve management guidelines. The training was well-received by the participants and benefited from highly interactive discussions.