ESRC-DFID Project
Conference of the University of Manchester,
CERDI, FERDI and the West African Training Centre for Banking Studies (COFEB)

Financial Volatility, Macroprudential Regulation and Economic Growth in Low-Income Countries

Dakar, 9 November 2016

Context

The global financial crisis has sparked a new debate about the nature and effectiveness of financial regulation. According to the consensus that has emerged from it, to contain systemic risks and preserve macroeconomic and financial stability, it is essential to go beyond a microprudential approach based solely on regulation of individual institutions and instead adopt a macroprudential approach in the form of regulatory provisions to strengthen the financial system's resilience to systemic risks, and to limit disruption of the provision of financial services which could have serious adverse consequences for the real economy. At the same time, the growing attention that is being paid to systemic risks and financial vulnerabilities has spawned a huge debate in university and political circles about how macroprudential regulation can help to lessen the procyclicality of the financial system by preventing unsustainable expansions of lending and the creation of asset price bubbles. The current international banking regulations, which were laid down in 2011 by the Basel Committee on Banking Supervision, include a number of tools which are intended to solve this problem. The focus in recent discussions on the consequences of financial volatility for short-term economic stability and the short-term advantages of financial regulations is justified, given the cost of economic and financial crises.

However, the effects of financial volatility on growth and the ways in which they can be mitigated have been ignored to a great extent in these discussions. Gaining an understanding of the longer-term effects of financial regulation is nevertheless essential given the potential negative correlation associated with the fact that regulation policies — intended to reduce procyclicality and the risks of a financial crisis — could in fact be harmful to economic growth due to their impact on risk-taking and incentives to borrow and lend. This negative correlation exists despite the fact that these policies can also encourage indirect growth by contributing to a more stable environment in which actors can assess the risks and returns associated with their investment decisions.

Purpose of the conference

A research project intended to gain a better understanding of the aforementioned issues in relation to financial volatility, macroprudential regulation and economic growth in low-income countries has been conducted over the past two years by the University of Manchester, in association with the Centre for Studies and Research on International Development (CERDI) and the Foundation for Studies and Research on International Development (FERDI). The project, which is being led by Professor Pierre-Richard Agénor, has been supported by two major institutions in the United Kingdom: the Economic and Social Research Council (ESRC) and the Department for International Development (DFID). The members of the project are part of an eminent group of researchers which includes Professor Patrick Guillaumont (FERDI) and Dr. Patrick Plane (Director of Research at CNRS-CERDI). The other members of the project represent a number of other institutions, including the Central Bank of West African States (BCEAO).

The documents that have been prepared for the project, and policy briefs in English, can be downloaded from the following websites:

http://www.socialsciences.manchester.ac.uk/cgbcr/research/escr-dfid-project/

http://www.ferdi.fr/en/programme-project/financial-volatility-regulation-and-economic-growth

The purpose of the conference, which is being organised in collaboration with BCEAO's West African Training Centre for Banking Studies (COFEB), is to present the research documents prepared during the project and to discuss their implications for financial policies (especially macroprudential regulation) for sub-Saharan Africa.

The programme for the conference is set out in the appendix.

Prior to the conference, two training activities open to all participants will be run on 8 November. The first activity, entitled **Financial Stability, Macroprudential Policy and Monetary Policy: Current Issues and Debates**, will be led by Professor Agénor. The second activity, **Methods of Analysing the Impact of Macroprudential Policies on Financial Stability and Economic Growth**, will be led by Dr. Neanidis and a team from FERDI. The programme for these activities is also set out in the appendix.

Registration and information

The conference will take place in Dakar, Senegal, on 9 November 2016 in the COFEB office. Participants will be required to cover their own travel and accommodation expenses. A list of accredited hotels is available upon request.

To register for the conference and/or training activities, and for all other information, please contact Vincent Nossek, FERDI, at vincent.nossek@ferdi.fr as soon as possible. **The closing date for registration is 15 October 2016. <u>No registration requests will be accepted</u> after this date.**

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9:00-9:15 Welcome: Ousmane Samba Mamadou (BCEAO), Aminata Haïdara (BCEAO), Prof. Pierre-Richard Agénor (Manchester) and Prof. Patrick Guillaumont (FERDI)

9:15-10:00 Session 1: Prof. Pierre-Richard Agénor (Manchester)
Macroprudential Regulation and Growth: Aid Volatility, Human Capital, and Growth

10:00-10:45 Session 2: Dr. Kyriakos Neanidis (Manchester)
Volatile Capital Flows and Economic Growth: The Role of Macroprudential Regulation

10:45-11:15 Coffee break

11:15-12:00 Session 3: Dr. Lisa Chauvet (DIAL, FERDI) and Dr. Laurent Wagner (FERDI)
Economic Volatility and Inequality: Do Aid and Remittances Matter?

12:00-14:00 Lunch

14:00-14:45 Session 4: Dr. Patrick Plane (Director of Research at CNRS-CERDI)
Does It Pour When it Rains? Capital Flows and Economic Growth in Developing Countries

14:45-15:30 Session 5: Dr. Samuel Guérineau (CERDI)
The Growth of Lending, Information-Sharing and Macroprudential Policies

15:30-16:00 Coffee break

16:00-17:00 Case studies: Prof. Patrick Guillaumont (FERDI) and Dr. Samuel Guérineau (CERDI)

17:00-17:30 Round table discussion: Prof. Pierre-Richard Agénor (Manchester), Prof. Sylviane Guillaumont Jeanneney (FERDI), Ousmane Samba Mamadou (BCEAO) and Samuel Guérineau (CERDI)
Lessons Learned from the Macroprudential Regulation Project in West Africa

Closing remarks: Prof. Pierre-Richard Agénor (Manchester) and Ousmane Samba Mamadou (BCEAO)

Prior to the conference, two training activities open to all participants will be run on 8 November:

1. Financial Stability, Macroprudential Policy and Monetary Policy: Current Issues and Debates. This activity will be led by Professor Pierre-Richard Agénor (Manchester). It will focus on a review of recent evidence regarding the use of macroprudential tools and will discuss the importance of coordination between monetary policy and macroprudential policy. The implications for the franc zone will also be discussed.

2. Methods of Analysing the Impact of Macroprudential Policies on Financial Stability and Economic Growth. This activity will be led by Dr. Neanidis (Manchester) in collaboration with a team from FERDI. It will focus on econometric methods and the type of data that are used to test the impact of macroprudential tools on economic growth. The databases created for the project will also be presented and discussed.