
The Centre for Central Banking Studies

By Peter Sinclair, Director, Centre for Central Banking Studies.

The Bank of England's Centre for Central Banking Studies (CCBS) conducts training, seminars and collaborative research with and for central banks in the rest of the world. It enjoys contact with some 150 of these, and now averages over 1,000 training contacts each year in all. The typical medium is a week-long course in London or abroad. These cover nearly all subjects of concern to central banks, with a growing emphasis, among other topics, on forecasting and econometric modelling for monetary policy. CCBS handbooks and other publications are read all over the world; some 8,000 electronic download requests for handbooks are received each month.

Introduction

There is a very long history of co-operation between the monetary authorities of different countries. And one vital form that co-operation takes is in training and research.

The Centre for Central Banking Studies (CCBS) was founded twelve years ago. The impetus for this was the collapse of communism in Central and Eastern Europe, and the urgent need to equip central bankers in these formerly communist countries with new expertise. The Centre continues to do much of its work with these countries, but its reach now also encompasses a large range of other countries in Africa, the Americas and elsewhere in Asia and Europe too. It also continues the Bank of England's traditions by working closely with Commonwealth countries.

The problems posed by financial, currency and monetary instability are not just an intrinsic concern for the country facing them. They are all too likely to spill across international boundaries. The United Kingdom, with its traditionally outward-looking financial and commercial institutions, has a particular interest in helping to maintain stable monetary and financial conditions throughout the world. Equipping overseas central bankers with the tools needed to help achieve these aims in their own country is a task of paramount importance. Promoting monetary and financial stability in one country helps to further them elsewhere—the United Kingdom included.

So the primary function of the CCBS is to contribute to the Bank's Core purposes 1 (monetary stability) and 2

(financial stability), by helping overseas central banks to build up the human capital of their staff in these key areas. It provides seminars, workshops and technical assistance in London and abroad, as well as collaborative research opportunities, on a wide range of issues facing central banks.

A suitable motto for the CCBS would be 'learning from diversity'. The Centre is especially anxious not to give a narrow, didactic monologue, merely describing 'how the Bank of England does it' and implying that all other central banks need do is to copy us. The emphasis is on recognising that what is appropriate for one central bank may well not be apt for another, and listening carefully to participants' experiences (as well as describing the Bank's). The Centre aims to maintain a continuing dialogue with other central banks, retaining personal contacts through e-mail, post, and, increasingly, videoconferencing. It is committed to evolution, to adapting the content and format of its activities in response to changes in the priorities and needs of central banks abroad.

The Centre's main activities

Regular courses in London

The Centre delivers some 22–25 training courses at the Bank each year. Typically these last one week, and involve up to 24 central bankers drawn from different countries. Courses for 2003 embrace topics including monetary policy and operations, economic forecasting, econometric modelling, financial market structure, exchange rates and capital movements, financial stability, reserves management, debt management, payments and

settlements, human resources and strategy, financial operations, information technology, general and organisational risk management, derivatives, communications, the governance of central banks, accounting, internal auditing, and the role of the back office.

For 2003, the CCBS has decided to respond to demand by expanding the number of courses on certain topics. The biggest increase is in the area of economic modelling and forecasting. The Centre will also be introducing two Expert Fora on Operational Risk and Payments Systems. Map 1, described further below, illustrates the 152 countries that have participated in these and other CCBS events since January 2000. One of the advantages of London courses is that participants can meet and hear experts from elsewhere in the Bank of England, the City and British academia, as well as CCBS staff.

Research workshops

Research workshops were introduced in 1998, to provide more interactive, in-depth analysis of leading issues for central bankers. From 2000, the first day of each workshop has been extended into an open conference attended by large numbers of Bank of England officials, academics and other experts. Speakers in our past three have included the outgoing and new chief economists at the IMF, and distinguished academics.

Workshops are followed by a ten-week research project. A small group of overseas central bankers and a Bank of England expert conduct research together, with CCBS staff, on aspects of the material covered in the workshop. The CCBS research project group presents its findings in a one-day conference. There are two of these events each year. The subjects for 2002 were international capital movements, and financial crises and crisis resolution. Our research team looking at the former included experts from the Japanese, Korean, Polish and Thai central banks. The second subject had another strong team, with staff from Bank Indonesia, the Bank of Japan, the Bank of Mexico, the Bank of Norway, the US Federal Deposit Insurance Corporation and an academic, formerly working at the Czech National Bank. The countries represented here, and others involved in earlier research projects in 2000 and 2001, are highlighted in yellow (or orange if they also participated in regional CCBS courses) in Map 2.

Central Bank Governors' Symposium

One of the year's highlights is the Symposium, held in the middle of the year for up to 60 central bank Governors invited to London by the Governor of the Bank of England. The CCBS provides a report for this occasion on an issue of prime importance. Original papers for this report are specially prepared, many of them written in the CCBS. The report is discussed at the Symposium and is usually published later as a book. The topic for 2002 was International Financial Architecture.⁽¹⁾ The Symposium is preceded by a High Level Workshop, for Governors and their delegates, which the CCBS organises.

Regional away courses

The CCBS also holds courses in other countries. In the past year, the CCBS has mounted twelve regional away courses. Five of these were econometrics, modelling and forecasting courses, most recently in Mexico City. This year the Centre initiated a South-Asian central bank course, on exchange rates, held in Tehran in January, for Bangladesh, India, Iran, Nepal and Pakistan. In January 2003, another will be held there for an expanded range of countries, on inflation and monetary operations. In August 2002, another new CCBS regional course, on inflation, was held in Manila for Cambodia, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.

2002 has also seen the introduction of three regional courses for Latin-American and Caribbean countries held in conjunction with the Mexico-based Centro de Estudios Monetarios Latino-Americanos (CEMLA). CCBS courses for Southern and East-African countries, with the Southern African Development Community (SADC) continue to flourish, supplemented, in 2002, by a new course run with the Kenyan Monetary Institute. Substantial CCBS inputs into other regional courses and conferences have been made in the past twelve months in Albania, Estonia, France, Ghana, Hong Kong, Hungary, Japan, Latvia, Poland, Portugal, South Korea, Turkey and the Ukraine.

Proposals for two more new regional courses, one involving Turkey and the Balkans, and the other Russia and some Central-Asian countries, have now reached an advanced stage. CCBS staff have also contributed to seminars or given lectures in this period in another

(1) A summary of the debate and the background papers is given in Sinclair (2002).

dozen or so overseas central banks, ranging from Albania, Argentina and Australia to the ECB, Russia and Uzbekistan. Map 2 depicts the range of countries participating in CCBS away courses in 2002. These are coloured red, or orange if they also participated in CCBS recent research projects. A further range of countries that will be invited to away regional courses projected for 2003 is coloured pink.

Courses and technical assistance for specific countries, and conferences

Courses are occasionally provided for individual countries in response to demand, sometimes in London and sometimes abroad. The CCBS mounted a London course on capital market issues for the People's Bank of China in 2002, and gave others, on various monetary policy issues, in Beijing and in Hanoi in 2001. Technical assistance, geared to one country's individual needs, was provided in 2001/02 in, among others, Colombia, Estonia, Mauritius, Mozambique, Poland and Turkey. An overseas location is often more cost-effective, particularly when all instruction is given by a small CCBS team.

The Centre attracts requests from individual central banks, and from international agencies, such as the International Monetary Fund, to provide technical assistance or participate in missions. Sometimes a visit from a member of the CCBS staff, as for example recently to Belgrade, or from elsewhere in the Bank, can be arranged.

In the past 18 months, the Centre has mounted conferences in London on Islamic banking, financial development and South-East Asian economic issues—in addition to two others at the conclusion of research projects on inflation, and exchange rates.

Staff

At present the Centre has 18 members of staff. These include a director,⁽¹⁾ a deputy director, and six advisers, to provide technical expertise and direct the courses and workshops. Between them, these eight individuals have specialist expertise in econometric modelling and forecasting, monetary and international economics, monetary policy, financial stability, financial markets and operations, communications, and internal audit. In October 2002, the CCBS increased its modelling and forecasting team from two advisers to three. Support

staff administer courses, and provide archival, information technology, research assistance and secretarial services.

Assessing quality and planning courses

Participants in each CCBS course evaluate every session. These evaluations, which are in the main highly favourable, influence the planning for future courses on the topic. In 2001, the CCBS instituted a process for scrutinising data on excess demand for all courses. Almost all turned out to be oversubscribed, some heavily so. This evidence, together with other feedback, assists the Centre in designing its future programmes. It helps the Centre to ensure that its teaching is continually improved and adapted to meet the changing needs and demands of the central banking community world-wide.

Publications

The past two years have seen additions to the CCBS series of published Handbooks. There are four new handbooks on The Issue of Banknotes, Reserves Management, Basic Bond Analysis, and Banking and Monetary Statistics. There are now 21 booklets in this series. Ten more are currently in preparation, and due to appear in coming months. Eight new ones will cover Optimum Inflation, Inflation Targeting, Central Bank Risk Management, Unit Roots in Econometric Modelling, the Econometrics of Consumption, the Econometrics of Inflation and the Phillips Curve, Communicating Monetary Policy and Excess Liquidity. There will also be updated editions of our handbooks on Monetary Operations and on Internal Audit. In 2001, a new series was initiated, Research Papers on Finance.

All but one of these handbooks can be downloaded from the CCBS section of the Bank of England's internet site. Usage is heavy. In the first nine months of 2002, there were no fewer than 73,945 downloads. The most popular, with over 10,600, was the handbook on Basic Bond Analysis.

The year 2000 saw the publication by Routledge of *Monetary policy frameworks in a global context*, edited by Lavan Mahadeva and Gabriel Sterne. In 2001 the final version of the Central Bank Governors' Symposium volume, *Financial stability and central banks*, appeared (Brealey *et al* (2001)). Its authors include Juliette Healey

(1) Mario Blejer will succeed Peter Sinclair as director on 1 January 2003 (see box on page 439).

and Peter Sinclair of the CCBS. A 2000 CCBS research workshop and project was published in 2002 (Mahadeva and Sinclair (2002)). More books are in the pipeline. Numerous academic journal articles and contributions to books have also appeared.

External contacts

The CCBS is a first port of call, and filter, for numerous requests. It is responsible for relations with the London representatives of other central banks, for whom—as well as embassies and high commissions—the CCBS hosts a quarterly *Inflation Report* briefing. Briefings for the *Financial Stability Review* will begin in 2003. Contacts that the CCBS has built up over the years offer the Bank valuable opportunities for personal links with staff inside other central banks, and additional avenues for answering queries or resolving difficulties. The CCBS now has some 8,000 alumni, many of them in senior positions.

Geographical focus: ‘Learning from diversity’

The wide geographical focus of the Centre’s activities may be seen from the attached maps. In the period from 1 January 2000 until 21 October 2002, the time of writing, the Centre provided training for 3,350 individuals—nearly all of them central bankers. They were drawn from 152 countries. There were just a handful of central banks, most of them in Central America, the Middle East or francophone West Africa, with which we had no contact in this period. They appear as white on Map 1. The median central bank sent eleven individuals to our events in the 2.8 years. The largest number, 153, came from the People’s Bank of China. In fact, between them, the twelve successor states of the former Soviet Union had no fewer than 520 contacts with the CCBS during that period.

China, and the 37 other countries in the top quartile (ranked by the number of participants in CCBS events), are coloured red on Map 1. These 37 countries included many of the other most populous countries in the world: India, Indonesia, and the United States,⁽¹⁾ as well as Germany, Nigeria, the Philippines, Russia, Thailand, Turkey, the Ukraine and Vietnam. The number of CCBS contacts for the top quartile of countries over the period ranged from 153 to 29. The top quartile also embraced eleven other transitional country central banks (Armenia, Bulgaria, Croatia, the Czech Republic, Estonia,

Hungary, the Kyrgyz Republic, Latvia, Lithuania, Poland and Slovakia). Nine mid-sized and smaller Commonwealth countries are in the group too: Australia, Botswana, Ghana, Malaysia, Malta, Mauritius, Mozambique, South Africa and Sri Lanka. The others in the top 38 included 3 other OECD countries (Korea, Norway and Portugal), and two Latin-American countries (Colombia and Peru).

The second quartile ranges from 11 up to 29 CCBS contacts during the period. These countries are coloured green on Map 1. This group of 38 is dominated by countries from the Commonwealth in Africa (10) and elsewhere (5), the OECD area (10, including Canada), and a group of other transition countries (8). The remaining 76 countries with which we enjoyed contact in this period are coloured pale blue.

In 1999, there were 95 countries with GDP per head below the then world average of \$5,020.⁽²⁾ No fewer than 80 of them had some contact with the CCBS in the period under review. Together, these 80 countries accounted for 2,074 (that is 62%) of our total training contacts. These poorer countries included over half of the Centre’s 38 most frequently participating countries, half of the second quartile, and well under half of the 76 countries in the lower half of countries ranked by number of training contacts. So there is a clear emphasis on the provision of training to poorer countries. And although the CCBS prides itself on multilingualism—its current staff, between them, are fluent in French, German and Spanish, and capable of some limited conversation in another 20 or more African, Asian and European languages—London lectures are delivered in English (occasionally with translation). This may account for the fact that in some parts of the world, such as Africa, demand for CCBS events is inevitably higher from central banks where English is more widely spoken.

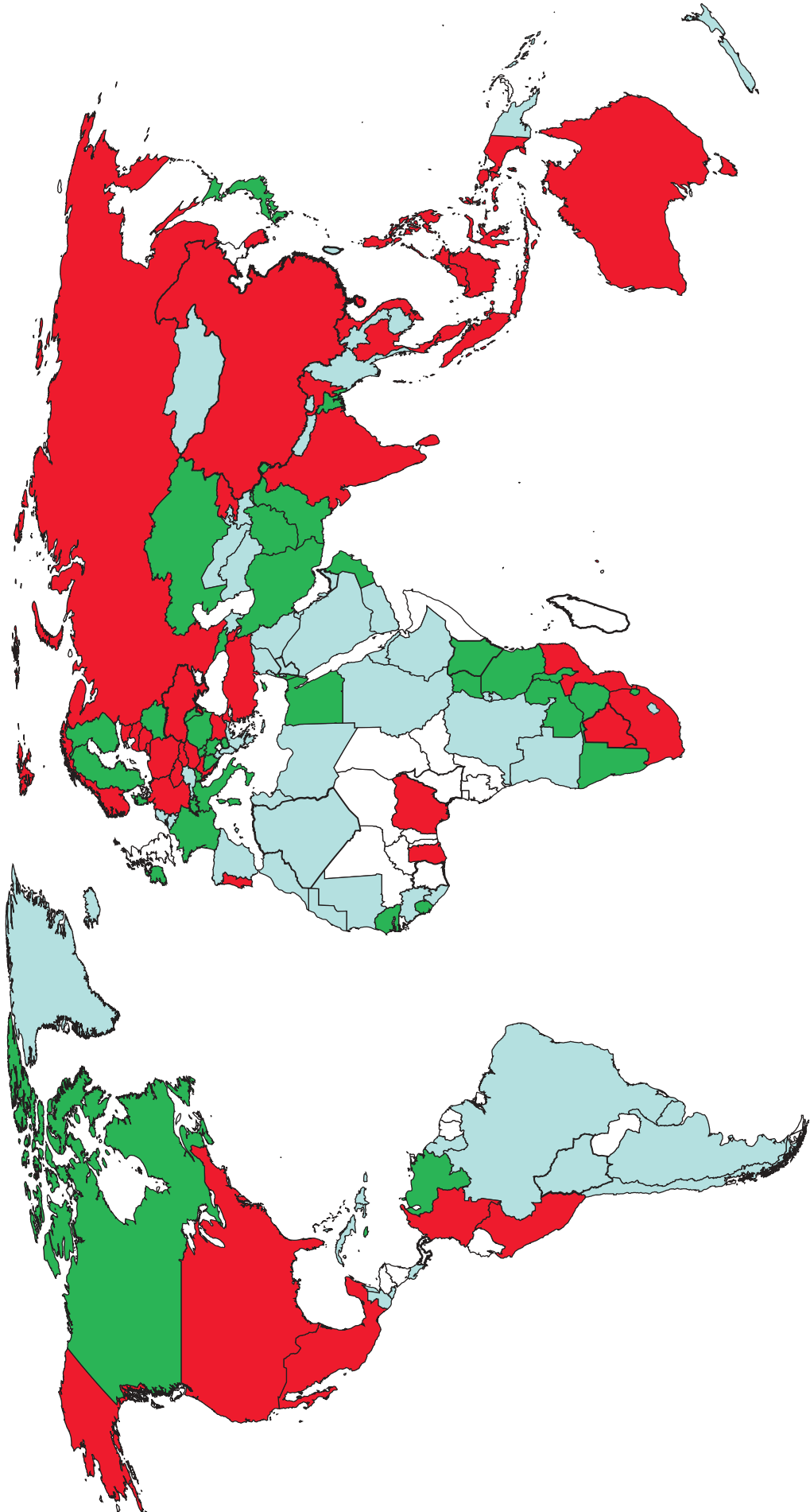
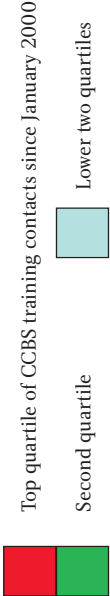
The role of the CCBS

Financial and monetary disturbances may originate in just one country, but they can quickly spread to others. Of course, it is sometimes hard to tell whether a simultaneous outbreak of troubles in several countries occurs because they are exposed to a common shock—like a sudden change in world equity or oil prices—or because troubles that begin in one country get rapidly

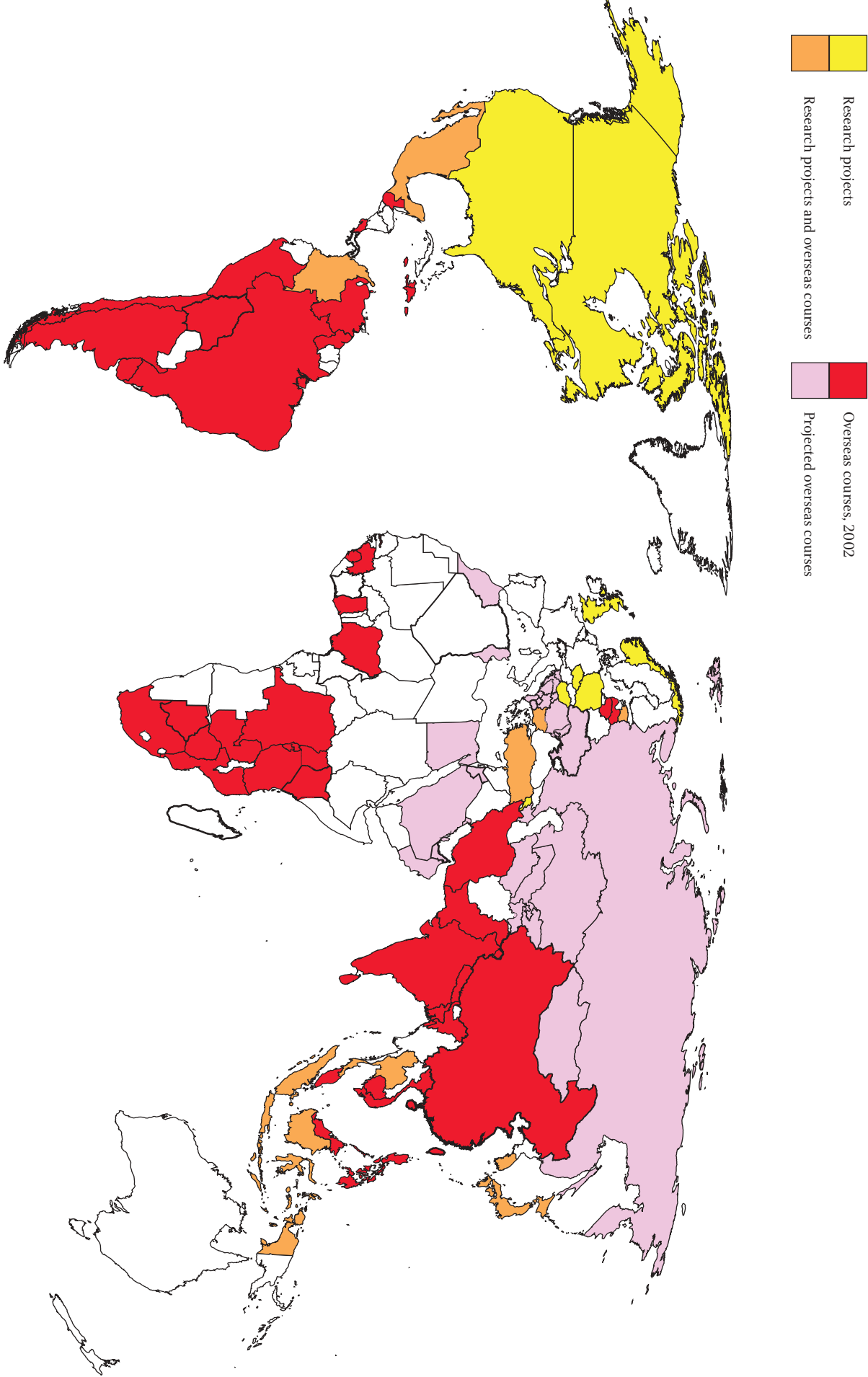
(1) US visitors to the CCBS include periodic groups of Congressmen and Senators, and from universities.

(2) Data are drawn from World Bank (2001), Table 1.1, page 14, using statistics for GDP per head at current exchange rates.

Map 1
CCBS training contacts since 2000



Map 2
Participation in CCBS research projects and overseas courses



transmitted elsewhere. Trade, finance, cross-country banking links and capital movements over international boundaries are the main conduits here. So central banks must always keep a weather eye on events abroad. Furthermore, the relationships a central bank enjoys with its government, and the commercial institutions within its purview, are rarely straightforward. Central banks can only learn from each other's experiences. No two central banks operate in exactly the same institutional setting. But this diversity is itself an interesting source of information.

So central banks have every incentive to collaborate and pool information. They can learn a vast amount from each other. Officials can share experiences about inflation surges and currency crises, commercial banks in trouble, and bubbles and bursts in property and share markets. The CCBS can offer a forum where central bankers with personal experience of only tranquil conditions at home can listen to first-hand reports from witnesses to crisis. Those who observed crises directly can describe the lessons learnt about why some methods of resolving them appear to work better than others. Contemporary debates about how financial markets might work or should work, and the principles governing the proper scope and character of any intervention and regulation, can be illuminated by experiences of what has and what has not worked well in practice. Practical experience really is indispensable. It furnishes a laboratory where ideas and claims have been tested. It is the only laboratory we have. And why rely only on your own central bank's experiences, when there is so much to be discovered from others'?

In the realm of central bank risk management, for example, only looking inward is itself an unwarranted gamble. Extending one's horizon to datasets from other central banks gives a much fuller picture of the relevant risks and the complex interrelationships involved. Formulating monetary policy responses to shocks calls for quantitative estimates of the likely size, time profile and predictability of the effects on macroeconomic variables that a change in a policy instrument will induce. Even in a country with frequent, timely, dependable and copious data that stretch back far into

the past, policy-makers find it difficult to quantify these with any precision; how much harder it is for many emerging and transitional economies, whose data are brief, spotty, and infrequent. Panel econometrics on multi-country datasets can be enormously helpful here. And there really is no substitute for some form of econometric modelling, which will offer a formal framework for predicting the effects of policy actions. Modelling is by itself no guarantee for good policy. But policy-making is liable to be less effective, and more prone to error, if conducted without a model and a forecast. Over the years, the CCBS has pioneered model-building in its work with, and for, the central banks of many transitional and emerging economies.

A central bank faces awkward policy choices. What variable should it target, for example, over what horizon, and what should it do if and when the target looks like being missed? What should its exchange rate policy be? How should its foreign exchange reserves be managed? How can it best safeguard the payments system and financial stability more generally? The academic literature is helpful, as always. But it is bewilderingly voluminous, scattered, often inaccessible, always evolving and spattered with controversy. And the practical experiences of central banks around the world provide indispensable lessons too. CCBS courses and written material aim to distil the key messages from both these sources.

The spectrum of issues that concerns today's central banks is immense. It ranges from the advantages of transparency and the importance of communicating policy, the benefits and threats posed by liberalisation and new financial instruments, the latest econometric research, and appropriate mechanisms for ensuring accountability and good corporate governance, to such topics as how best to recruit, train and retain talented personnel, ensure sound macroprudential supervision, and keep currency issuance efficient and safe from counterfeiters. The aim of the CCBS is to offer cutting-edge training on these and other subjects. In so doing, the Bank seeks to foster good practices in central banking throughout the globe.

New Director of the Centre for Central Banking Studies

Professor Mario Blejer has been appointed as the new Director of the CCBS at the Bank of England.

Professor Blejer was Governor of the Central Bank of the Argentine Republic from January 2002 to June 2002 and previously Deputy Governor. Before

that he was a Senior Advisor at the International Monetary Fund (1980–2001) and Walter Rathenau Professor of Economics at the Hebrew University of Jerusalem. He takes up his appointment in January 2003.

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