

**Harvard Kennedy School**  
**Mossavar-Rahmani Center for Business and Government**  
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*Research Summary*

My research topic will be related to ‘*Central Bank Management & Governance in Developing Economies.*’ This topic shall include sections related to monetary policy, monetary policy instruments, financial sector supervision, reserves management, banking operations, and digital payment services. In addition to this primary research topic, I will also seek to conduct supplementary research on state development and collapse, peace initiatives, and regional economic interests.

Extensive academic literature exists for the management of advanced economy central banks. However, literature regarding policy and operations for less developed central banks remains sparse. To increase the literature in the area of central bank management in less-developed economies, I shall examine the following six areas of central bank management: (1) appropriate monetary policy reaction functions, (2) monetary policy tools, (3) financial sector supervision framework, (4) reserves management, (5) banking operations, and (6) development of digital payment services.

- **Monetary Policy:** In terms of monetary policy, the Taylor Rule outlines relatively accurately the reaction function of developed market central banks. However, central banks in less developed frontier countries have very little literature on appropriate monetary policy frameworks. We evaluate the effectiveness of existing monetary policy rules in frontier markets such as Afghanistan and will make recommendations for improvement of such models
- **Monetary Policy Tools:** Second, I will evaluate the effectiveness of monetary policy tools in less developed economies. I would review the effectiveness of such monetary policy tools in the case of Afghanistan and provide recommendations for its use in other developing economies
- **Financial Sector Supervision:** Third, I will seek to evaluate financial sector supervision frameworks. I shall review literature on banking sector supervision and financial inclusion, describe the DAB experience, and provide recommendations
- **Reserves Management:** Fourth, I shall review optimal international reserves management. I will review modern portfolio theory, highlight Afghanistan’s Investment Policy Statement, and make recommendations for other developing market central banks

- **Banking Operations:** Fifth, I will review banking operations. I will therefore review how DAB managed risks during normal periods, as well as under the period where the Taliban were taking over provinces. I shall seek to provide a risk-management framework for central bank operations in risky operational environments
- **Digital Payments:** And sixth, I shall conduct an analysis of a central bank's role in the development of a digital payment ecosystems. I shall conduct a literature review of payment systems, describe the experience of creating payment systems at DAB, and develop a framework for the development of such digital payment systems in other developing countries