

SAARCFINANCE e-Newsletter

[A half-yearly publication of the regional network of SAARC Central Bank
Governors and Finance Secretaries (SAARCFINANCE)]

July 2007

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SAARCFINANCE Cell
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Message from the Chairperson of SAARCFINANCE Group

In accordance with the decision of the 14th SAARCFINANCE Group Meeting held in Singapore on 20 September 2006, the responsibility to publish the e-Newsletter rests on the central bank whose Governor acts as the Chairperson in rotation. The purpose of e-Newsletter is to have all news relating to SAARCFINANCE activities at one place for awareness of the member country. Accordingly, the Bangladesh Bank has published the first issue of half-yearly SAARCFINANCE e-Newsletter in January 2007, covering activities that have taken place during July-December 2006.

The Chair of the SAARCFINANCE has now moved to the Reserve Bank of India (RBI) from Bangladesh Bank during the meeting held on the sidelines of the Asian Clearing Union (ACU) meeting on May 15, 2007 in Dhaka. It is, therefore, the turn of the Reserve Bank of India to publish e-Newsletters for June 2007 and December 2007.

It is a pleasure for me to publish the second issue of e-Newsletter in its sequence, encompassing SAARCFINANCE activities occurred during the first half of 2007. I believe the member country would find this issue of e-Newsletter beneficial to their end. I also expect that publication of e-Newsletter will become a regular feature as SAARCFINANCE activities in due course.

I express my sincere gratitude to the SAARCFINANCE Coordinators for their support and contribution. The efforts of SAARCFINANCE Cell, Department of Economic Analysis and Policy, Reserve Bank of India, towards preparation of this e-Newsletter are also duly acknowledged.

The comments and suggestions, if any, regarding this issue of e-Newsletter (June 2007) are most welcome in a bid to improve upon their successive issues.

July 2007

Dr. Y.V. Reddy
Governor
Reserve Bank of India
and
Chairperson, SAARCFINANCE Group

Brief History, Objectives and Activities of SAARCFINANCE

Brief History

The 10th SAARC Summit of the Head of the States of the SAARC Region which was held in Colombo on July 29, 1998 agreed, in principle, to establish a "Network of Central Bank Governors and Finance Secretaries of the SAARC Region (SAARCFINANCE)" with a view to opening dialogues on macroeconomic policies of the region and sharing mutual experiences and ideas. Accordingly, the SAARCFINANCE was established on September 9, 1998 as a regional network of the SAARC Central Bank Governors and Finance Secretaries. It is a permanent body, which got formal recognition of SAARC at the 11th SAARC Summit, held in Kathmandu, Nepal in January 2002. As per the decision of the Summit, Chairperson of SAARCFINANCE is invited to the sessions of the SAARC Council of Ministers to make a presentation on SAARCFINANCE activities.

Broad Objectives

The basic objective of establishing the SAARCFINANCE Network is to share experiences on macroeconomic policy issues among member countries of the region. However, the broad objectives of the SAARCFINANCE Network are as follows:

- To promote cooperation among central banks and finance ministries in SAARC member countries through staff visits and regular exchange of information.
- To consider and propose harmonization of banking legislations and practices within the region.
- To work towards a more efficient payment system mechanism within the SAARC region and strive for higher monetary and exchange cooperation.
- To forge closer cooperation on macroeconomic policies of SAARC member states and to share experiences and ideas.
- To study global financial developments and their impact on the region including discussions relating to emerging issues in the financial architecture, IMF and World Bank and other international lending agencies.
- To monitor reforms of the international financial and monetary system and to evolve a consensus among SAARC countries in respect of the reforms.
- To evolve whenever feasible joint strategies, plan and common approaches in international fora for mutual benefit particularly in the context of liberalization of financial services.
- To undertake training of staff of the ministries of finance, central banks and other financial institutions of the SAARC member countries in subjects relating to economics and finance.
- To explore networking of the training institutions within the SAARC region specializing in various aspects of monetary policy, exchange rate reforms, bank supervision and capital market issues.
- To promote research on economic and financial issues for the mutual benefit of SAARC member countries.

- To consider any other matter on the direction/request of the SAARCFINANCE, Council of Ministers or other SAARC bodies.

SAARCFINANCE Secretariat

The 9th SAARCFINANCE meeting decided that since the current workload is not sufficient for establishing a permanent formal SAARCFINANCE Secretariat, the existing arrangement of having secretariat of the network on a rotation basis with the central bank of the country that holds chairmanship of SAARC, to be continued. The SAARCFINANCE Chair also moves in rotation with the change of the SAARC Chair. The Chair of the SAARCFINANCE has moved to the Reserve Bank of India (RBI) from Bangladesh Bank during the meeting held on the sidelines of the Asian Clearing Union (ACU) meeting on May 15, 2007 in Dhaka.

SAARCFINANCE Cell

Each central bank established a SAARCFINANCE cell to coordinate the activities of SAARCFINANCE. Member central banks also appoint a Coordinator. The Coordinator of the central bank of SAARC Chairperson's country acts as the central Coordinator.

SAARCFINANCE Link on Central Bank's Website

As per the decision of 4th SAARCFINANCE Coordinators' Meeting, State Bank of Pakistan, Central Bank of Sri Lanka, Bangladesh Bank, Royal Monetary Authority of Bhutan and Nepal Rastra Bank have created a link of SAARCFINANCE at their respective central banks' websites. Other SAARC central banks are also expected to create such link soon.

SAARCFINANCE Group Meetings

The SAARCFINANCE Group meets twice a year concurrently with the IMF/WB annual and spring meetings. Since its inception fifteen SAARCFINANCE Group meetings are held till now.

SAARCFINANCE Coordinators' Meetings

To facilitate the working of the SAARCFINANCE network, it was decided at the 13th SAARCFINANCE Group meeting that Coordinators should meet twice a year and 2-3 delegates could represent each country. So far, seven SAARCFINANCE Coordinators' meetings are held.

Sharing Information

Sharing information among the SAARCFINANCE institutions progressed satisfactorily. A good number of publications and other documents on various policy issues were exchanged among the member country's institutions.

Involvement of Financial Institutions

In the case of the involvement of the financial institutions, as per the decision of the 9th SAARCFINANCE meeting, the institutions that are under the regulatory purview of the central banks could be invited to participate in the SAARCFINANCE activities like research, training, seminars, *etc.*, if such activities would be useful for them. In the aforesaid meeting it was also decided that the multilateral institutions like the World Bank, IMF, ADB, BIS, *etc.*, could be involved for technical matters in the training and seminar programs but the leadership should lie with the SAARCFINANCE itself.

SAARCFINANCE e-Newsletter

As per the decision of the 14th SAARCFINANCE Group Meeting held in Singapore on September 20, 2006, the SAARCFINANCE Chair has to publish half-yearly SAARCFINANCE e-Newsletter. It is a regular electronic publication designed mainly to present news items related to SAARCFINANCE activities. Accordingly, the Bangladesh Bank has published the first issue of half-yearly (December 2006) SAARCFINANCE e-Newsletter in January 2007.

Staff Exchange Program

Since the inception of the SAARCFINANCE a good number of officers visited various institutions of member countries under Staff Exchange Program (Table 1). The matters of the Staff Exchange covered a broad range of issues ranging from risk-based supervision to human resource management and forward marketing arrangements for agricultural product, *etc.* Considering the effectiveness of the staff exchange program and also in the case of training, seminars, *etc.*, the matter of cost sharing is left entirely to the country concerned. Moreover, some proposed visit of the officials from various SAARC central banks are also under progress (Table 2).

Table 1: SAARCFINANCE Staff Exchange Program at a glance

Country of Origin of the Staff	Host Institutions/Central Banks					Total
	RBI & other Institutions	CBSL	SBP	NRB	BB	
Bangladesh	11	-	4	-	-	15
Bhutan	31	7	-	8	-	46
India	-	4	2	-	5	11
Maldives	2	4	-	-	-	6
Nepal	7	51	7	-	7	72
Pakistan	-	2	-	-	-	2
Sri Lanka	20	-	26	2	4	52
Total	71	68	39	10	16	204

RBI: Reserve Bank of India
SBP: State Bank of Pakistan

CBSL: Central Bank of Sri Lanka
NRB: Nepal Rastra Bank

BB: Bangladesh Bank

Table 2: Proposed visit of the officials from various SAARC central banks at a glance

Participating Central Banks	Host Central Banks	Name of Programs
State Bank of Pakistan	Bangladesh Bank	Risk-based Internal Auditing System
Nepal Rastra Bank	Bangladesh Bank	Central Banking Course
Nepal Rastra Bank	State Bank of Pakistan	Foreign Bank Branch System
Nepal Rastra Bank	Central Bank of Sri Lanka	Accounting, Audit and Budgetary System

Seminars/Workshops/Special Studies/etc.

A number of seminars/workshops/special studies have been conducted on common topical issues by some of the member countries of the SAARC region. It was decided at the 13th SAARCFINANCE Group meeting that every member central bank (except Bhutan and Maldives) would organize at least one seminar every year.

The SAARCFINANCE members conducted 13 seminars, three studies, one workshop and three Governors' symposiums from September 1998 till now (Table 3).

Table 3: SAARCFINANCE Seminars/Workshops/Governors' Symposiums/Studies at a glance

Programs/ Host Central Banks	BB	RBI	NRB	SBP	CBSL	Total
Seminars	2	1	4	3	3	13
Workshops	-	1	-	-	-	1
Governors' Symposiums	1	1	-	-	1	3
Studies	-	1	1	1	-	3
Total	3	4	5	4	4	20

RBI: Reserve Bank of India
SBP: State Bank of Pakistan

CBSL: Central Bank of Sri Lanka
NRB: Nepal Rastra Bank

BB: Bangladesh Bank

Review of country-wise progress on SAARCFINANCE activities

Afghanistan

As a special invitee to the SAARCFINANCE, Afghanistan had participated in the SAARCFINANCE Governors' Symposium on Microcredit held in Dhaka on February 15-16, 2006 and the 14th SAARCFINANCE Group Meeting held in Singapore on the sideline of the IMF-World Bank Annual Meetings on September 20, 2006. Afghanistan formally joined as a full member of SAARC in the last SAARC Summit held in New Delhi during April 3-4, 2007. Accordingly, Afghanistan was formally included into SAARCFINANCE Group as a new member.

Bangladesh

Seventh SAARCFINANCE Coordinators' Meeting held in Dhaka

The Seventh SAARCFINANCE Coordinators' Meeting which was held in Dhaka on March 15, 2007 at Bangladesh Bank. Mr. Habibullah Bahar, Economic Adviser and Bangladesh Bank and SAARCFINANCE Coordinator of Bangladesh chaired the meeting. SAARCFINANCE Coordinators / their representatives from SAARC member countries (except Afghanistan, Maldives and Sri Lanka) attended the meeting. The delegates of the meeting discussed various issues and took the following major decisions:

- The delegates in principle agreed to conduct an annual research project on a topic which has a high regional concern. It was decided that Coordinators would cooperate and discuss further to select an appropriate annual research project.
- Regarding the idea of standardization of web pages of SAARCFINANCE, the delegates agreed that each SAARC central bank would follow General Data Dissemination System (GDDS) as designed by the IMF, instead of taking a separate initiative by the SAARCFINANCE.

Fifteenth SAARCFINANCE Group Meeting held in Dhaka

The Fifteenth SAARCFINANCE Group Meeting was held on the sideline of the 36th Asian Clearing Union (ACU) Board of Directors Meeting on 15th May 2007 at Dhaka, Bangladesh. The meeting was attended by the Governors and Finance Secretaries or their representatives from the SAARC member countries excepting Maldives and Afghanistan. Dr. Salehuddin Ahmed, Governor, Bangladesh Bank chaired the meeting. The delegates of the meeting discussed various issues and took the following major decisions:

- (a) SAARCFINANCE Group formally welcomed Afghanistan as a new member of SAARCFINANCE Group.
- (b) The delegates of the Group Meeting agreed to organize a SAARCFINANCE Governors' Symposium on "South Asia's Recent Growth and Future Prospects" and decided that the Governor of the Central Bank of Sri Lanka, Mr. Ajith Nivard Cabraal will take initiative for preparing a position paper on this issue and other members may also contribute to it. After getting the inputs and comments from the central banks, the paper will be finalized for presentation in the proposed

- Symposium. The date and venue may be decided by the Governor of the Central Bank of Sri Lanka.
- (c) Bangladesh Bank intended to organize a seminar in the first quarter of 2008 on “Corporate Governance in Banks and Financial Institutions in SAARC Countries”. The Meeting supported the idea of holding such a Seminar.
- (d) The SAARCFINANCE Chair was formally handed over to Dr.Y.V.Reddy, Governor, Reserve Bank of India from Dr. Salehuddin Ahmed, Governor, Bangladesh Bank. The delegates of the Group Meeting welcomed Dr. Reddy as the new SAARCFINANCE Chairperson. The delegates also thanked Dr. Ahmed for his excellent job as the SAARCFINANCE Chairperson.

Presentation on the Activities of the SAARCFINANCE at Sessions of SAARC Council of Ministers by Dr. Salehuddin Ahmed

At the 11th SAARC Summit held in Kathmandu in January 2002, it was decided that SAARCFINANCE Chairperson would be invited to the future sessions of SAARC Council of Ministers to make a presentation on the SAARCFINANCE activities. Accordingly, sixth presentation on the activities of SAARCFINANCE was given by the Governor of Bangladesh Bank, Dr. Salehuddin Ahmed, the then Chairperson of SAARCFINANCE at the 28th Session of the Council of Ministers held in New Delhi on 2nd April 2007.

Information Sharing

Bangladesh Bank supplied information / materials on the following areas as requested by the member central banks during January-June 2007:

Name of Central Bank	Subject/Area of Request
Central Bank of Sri Lanka	1. Commercial Banking System 2. Data on Petroleum Prices
Reserve Bank of India	1. URL of SAARCFINANCE web folder

Staff Exchange Programme

Banlgadesh Bank is dealing with the following proposals of visit of the officials under this programme:

Participating Central Banks	Host Central Banks	Name of Programmes
State Bank of Pakistan	Bangladesh Bank	Risk-based Internal Audit System
Nepal Rastra Bank	Bangladesh Bank	Central Banking Course

Participation of Bangladesh Bank Officials in Seminars / Symposiums organized by other SAARC Member Countries

An official of Bangladesh Bank participated in a seminar on “Management of Workers’ Remittances in SAARC Countries” organized by the Nepal Rastra Bank during 9-11, May 2007.

Bhutan

Bhutan participated in various programs organized by other SAARC member countries, but have not arranged any program in 2007 under the SAARCFINANCE.

India

Handing over Chair of SAARCFINANCE to Dr. Y.V.Reddy, Governor, RBI

The Chair of SAARCFINANCE for the year 2007-08 was formally handed over to Dr. Y.V.Reddy, Governor, Reserve Bank of India (RBI) on the sidelines of the Asian Clearing Union Meeting held in Dhaka on May 15-16, 2007. Dr. Reddy thanked Dr. Salehuddin Ahmed for his excellent job as the SAARCFINANCE Chairperson and assured the audience to uphold the spirit of SAARCFINANCE during his tenure.

SAARCFINANCE Coordinators' Meeting

The Seventh SAARCFINANCE Coordinators' Meeting held in Dhaka on March 15, 2007 was attended by Dr. D. P. Rath, Director, Reserve Bank of India.

SAARCFINANCE Group Meeting

The Fifteenth SAARCFINANCE Group Meeting held on May 15, 2007 at Dhaka on the sidelines of the Asian Clearing Union meeting was attended by Dr. Y.V.Reddy, Governor, RBI along with Mrs. Meena Hemchandra, Chief General Manager, RBI.

Seminars, Workshops and Studies

- Ms. Alpana Killawala, Chief General Manager and Press Relations Officer, RBI visited Nepal Rastra Bank as a senior resource person for giving training to their Directors and Deputy Directors on Press Relations during April 6-7, 2007.
- The following officials of the Reserve Bank of India attended the Seminar on “Management of Workers’ Remittances” conducted by Nepal Rastra Bank during May 9-11, 2007 at Kathmandu:
 - Smt. Rekha Misra, Assistant Adviser, attended as Resource Person
 - Smt. Vanitha Venugopal, Deputy General Manager
 - Shri A.G.Ray, Deputy General Manager
 - Shri Rajmal, Research Officer

SAARCFINANCE Staff Exchange Programme

Two officials from the State Bank of Pakistan, viz. Mr. Nawaz Qasim and Mr. Mohammad Ashraf Khan, would be visiting the Reserve Bank of India during September 11-14, 2007 to interact on various aspects of agricultural and rural finance. This would be the first visit of officials from State Bank of Pakistan to the Reserve Bank of India under the SAARCFINANCE Staff Exchange Programme.

Maldives

Change of Governor of the Maldives Monetary Authority

Previously, the Finance Minister (FM) used to be the ex-officio Governor of the Central Bank of Maldives. Now with an amended Act, the two posts (FM and Governor) have been separated.

Mr. Qasim Ibrahim continues to hold the post of Minister of Finance and Treasury. Mr. Abdullah Jihad has been appointed as the new Governor of the Maldives Monetary Authority.

Maldives was not able to participate in any seminar/staff exchange programme held by the SAARCFINANCE or conduct any training/workshop/seminar under the SAARCFINANCE banner during January-June 2007.

Nepal

SAARCFINANCE Seminar on "Management of Workers' Remittances in SAARC Countries" held in Kathmandu

As per the commitment made in the 14th SAARCFINANCE meeting held in Singapore on September 20, 2006, Nepal Rastra Bank organized the SAARCFINANCE Seminar on "Management of Workers' Remittances in SAARC Countries" during 9-11 May, 2007 in Kathmandu. The principle objective of the seminar was to share experiences and practices in formulating programs and policies for attracting and productively utilizing the remittances, and identifying pertinent issues relating to workers' remittance management in the SAARC countries.

The resource persons from the Reserve Bank of India, Bangladesh Institute of Development Studies, Bangladesh and Tribhuvan University, Nepal contributed for the seminar. A total of 17 officials from SAARC Central Banks participated in the seminar.

In addition to sharing knowledge and ideas on remittance management, the participants were also provided with the opportunity to have a close observation of the cultural and historical heritage of Nepal during the post seminar tour.

Staff Exchange Program

The following four officials from Nepal Rastra Bank had visited the Central Bank of Sri Lanka during 9-11 May, 2007 for the study of policies relating to Human Resources Management-

1. Mr. Tek Bahadur Kunwar, Deputy Director, Human Resource Management Department
2. Mr. Badri Kumar Ghimire, Assistant Director, Human Resource Management Department
3. Mr. Kushal Kumar Sharma, Assistant Director, Human Resource Management Department
4. Mr. Shivahari Singh Basnet, Assistant Director, Human Resource Management Department

Participation in SAARCFINANCE Programs

Ms. Shiba Devi Kafle, Director/SAARCFINANCE Coordinator, Research Department of Nepal Rastra Bank attended the 7th SAARCFINANCE Coordinator's Meeting held on 15th March, 2007 in Dhaka, Bangladesh.

New Secretary in Ministry of Finance

Mr. Bhoj Raj Ghimire, then finance secretary of Government of Nepal has been replaced by Mr. Vidyadhar Mallik.

Pakistan

Sharing of Information

State Bank of Pakistan shared the following information/data with the Central Bank of Sri Lanka-

- (a) Strategic Management at the State Bank of Pakistan
- (b) Monthly data on Petroleum products

SAARCFINANCE Seminar

Albeit, there was no SAARCFINANCE seminar held during January-June 2007, but State Bank of Pakistan intends to hold a Seminar on “Significance of Central Bank Independence in a Developing Country” sometime during the second quarter of 2008.

Governor of State Bank of Pakistan Honoured

The Islamic Financial Services Board (IFSB) Council, in its 9th meeting held on 29th November, 2006 at Jeddah, Saudi Arabia, approved the appointment of Dr. Shamshad Akhtar, Governor, State Bank of Pakistan as the Deputy Chairperson of the IFSB for the year 2007. Furthermore, Dr. Shamshad Akhtar will be appointed as Chairperson of the IFSB for the year 2008.

SAARCFINANCE Group Meeting

Mr. Yaseen Anwar, Deputy Governor, State Bank of Pakistan, attended the 15th meeting of SAARCFINANCE Group held at Dhaka, Bangladesh on May 15, 2007.

SAARCFINANCE Coordinators Meeting

Dr. Omer Farooq Saquib, Senior Joint Director, Research Department, represented State Bank of Pakistan at the 7th meeting of SAARCFINANCE Coordinators, held at Dhaka on March 15, 2007.

Sri Lanka

SAARCFINANCE Conference: Towards a Regional Payments Group

The Central Bank of Sri Lanka has hosted a conference on “Towards a Regional Payments Group” in July 2007. This conference has thus provided an opportunity to the South Asian Countries to initiate a collective action to form a regional payments group, which is expected to elevate our region’s position in competition with other well-established groups.

Change of SAARCFINANCE Coordinator

Mr. K. M. Abeykoon, Deputy Director, Training Department had been appointed as the SAARCFINANCE Coordinator, in place of Mr. S. A. J. Handagama of the Central Bank of Sri Lanka.

Staff Exchange Programme

The Central Bank of Sri Lanka arranged familiarisation programmes for two groups of officers of Nepal Rastra Bank in February and May 2007. The first group consisting of 3 officers participated in a programme in February 2007 to exchange experience in the areas of finance, accounting and budgeting and internal audit. The second group consisting of 4 officers visited Sri Lanka in May 2007 to participate in a familiarization programme in the area of Human Resource Management.