

Developing Eight (D-8) Countries Central Banks Experts Workshop on
Financial and Monetary Cooperation for Promoting Inclusive Economic Growth,
November 20, 2012, Islamabad-Pakistan

Welcome and Opening Remarks
Kazi Abdul Muktadir, Deputy Governor SBP

Honourable Deputy Governors, Distinguished delegates from D-8 Central Banks,

Ladies and Gentlemen!

Assalam o Allaikum wa Rehmatullah,

Good morning and a very welcome to Islamabad and to today's Workshop on "Central Banks Monetary and Financial Cooperation for Promoting Inclusive Economic Growth in D-8 countries". Let me begin by thanking the D-8 Secretariat and Pakistan Foreign Office who have cooperated very closely with the State Bank of Pakistan for organizing this event. This Workshop, being organized on the sidelines of the D-8 Summit, is indeed a significant event. The central banks governors and subsequently the heads of states and governments of the D-8 countries will consider adoption of the recommendations that are expected to emerge from the today's experts workshop proceedings. This puts a lot of responsibility on all of us. It is encouraging to see that this workshop has brought together highly qualified central banks experts, members of private sector industry, officials, and academics to explore issues in promoting central bank cooperation among D-8 countries, identify key areas for future collaboration and to setup a mechanism for institutionalizing future cooperation for sustained progress in this regard. I personally believe that events such as this one are particularly valuable because they allow us to draw on a broad range of experiences and evidence. We are keenly interested in hearing your insights and look forward to sharing results from the State Bank of Pakistan for our continued efforts.

Ladies and Gentlemen!

As you may be aware that D-8 is an organization for cooperation among 8 developing countries namely, Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey. The objectives of D-8 Organization for Economic Cooperation are to improve all member states' position in the global economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at international level, and improve standards of living. In this backdrop this event is an ongoing continuation of efforts for achieving these goals.

Ladies and Gentlemen!

As central bankers we are going through interesting and challenging times. The financial meltdown in advanced economies in 2008 unleashed a global crisis and followed by their great recession. The central banks around the world therefore had to adopt both conventional and unconventional policy tools to dampen the impact of global crisis. Therefore, this workshop has been organized not only to exchange views on current global economic situation but also, share our views on the proposed agenda items for deliberations among the member countries under the theme of enhancing financial and monetary cooperation for promoting inclusive economic growth.

Ladies and Gentlemen!

D-8 countries with a population of over a billion people represent around 14 percent of the world population and a favorable demographic dividend have a strong potential to be a major economic force in the world. Today's theme "Central Bank Cooperation D-8 countries in Times of Crisis," is very important for us to realize this potential and to advance the economic progress of D-8 countries. Fostering a stable banking system is key to ensuring sustainable development. However, the recent experience - first the global financial crisis and more recently Euro crises--has clearly demonstrated that cooperation and coordination among central banks, especially from emerging markets and developing countries may be necessary to diversify and insulate our economies from global shocks and also learn from each other's experiences that would help in achieving respective economic goals.

I would now like to focus on four key aspects for D-8 central banks' cooperation. These areas reflect key challenges and opportunities for promoting inclusive economic growth amongst the D-8 countries.

First, we need to deliberate on sustaining growth in the New Economic Order and enhancing cooperation through trade and capital Inflows among the D-8 countries

The D8 economies have witnessed remarkable growth despite slow recovery in the global economy. As the D8 economies accelerate to a new phase, it is critical for central banks to work towards deeper economic and financial integration through sound monetary policies and macroeconomic management. However, regional economic and financial integration should be based on greater exchange rate flexibility, freer capital mobility, transparent rules and regulations. I hope that in our deliberations today we could narrow down on the macro view of regional integration among D8 economies so that they may efficiently locate opportunities for cooperation and adopt policies that allow flow of capital towards the member countries. Let me share that sustainability of economic growth can only be ensured through incentives to encourage investment in innovation and technology, and promotion of entrepreneurship; therefore we should aim to define our policies to unleash the potential of private sector. In addition, increased cooperation and deeper economic integration will enable D8 countries to respond effectively to global challenges. I hope that today's discussions will lead to concrete recommendations, inter alia, on promoting trade and capital inflows within D-8 countries.

Second, we need to cooperate to promote innovative Financial Inclusion Policies in the D-8 countries.

Central banks of the D-8 have been working on the inclusive financial sector development. However financial exclusion remains an impediment in achieving inclusive growth. Traditionally the financial industry has been shying away from financing sectors, namely, Micro Small and Medium enterprises because of their risk profile. However,

developing dynamic risk management framework and innovative financial structures can help the banking industry to exploit the huge potential of this sector. Keeping in view that majority of the one billion people fall in this segment of society.

I hope in today's deliberations we will share our experiences of policy and development interventions for financial inclusion, particularly, on the need for proportionate regulations and policies for specific sectors i.e. microfinance, SMEs, housing, infrastructure, rural and agricultural finance to ease financial access. Also, we should share our progress on innovative financial services such as branchless banking. As most of the emerging and developing countries with large and dispersed unbanked populations are increasingly using policy and regulatory innovations to open up space for "Branchless Banking". Technological innovation impacts cost and access equation – making it economically viable for financial service providers, to reach poor people, with a wider range of products and services. I believe, the D-8 cooperation in this regard would provide useful insights and lessons from regulations and policy experiences of promoting financial inclusion through transformational branchless banking.

It would be useful if the central banks experts openly share their experiences on financial sector development and inclusive strategies. In addition, it is important that as we try to include low income people in the financial system the consumer protection, financial literacy and education aspects be properly addressed to ensure sustainable access and growth.

Third, we should and need to discuss opportunities in Islamic Finance in D-8 countries.

Many today believe that the true spirit of Islamic Financial system is the way forward that may help the global financial system to recover and regain the lost trust of stakeholders. Adopting the sound fundamentals of Islamic finance and participative modes of finance not only prevent but mitigate risks through sharing recurring crisis in financial markets and its subsequent fallouts on real economy. Despite many challenges the Islamic banking industry is expected to grow considerably to play its

critical role towards the economic growth in any economy. Global Islamic financial industry stands at US\$ 1.1 trillion. Recent reports suggest that global Islamic finance market will continue its upsurge and is likely to grow 20 per cent annually between 2011-15 and thereby double in value to reach above US\$2 trillion. We members of D-8 countries have relative advantage of a huge Muslim population with a natural demand for Islamic finance. Due to our inherent belief in the system, we can facilitate the growth of this industry by supporting and cooperating with each other by establishing adequate regulatory and supervisory environment for Islamic finance and also become a trend setter for other countries to follow.

Finally, we need to establish information exchange and promote peer learning amongst D-8 central banks.

I hope that the three breakout sessions will provide an opportunity to openly discuss our progress in the above three key areas of central banking and conclude with concrete proposals for future cooperation especially through information exchange and peer learning models among the D-8 central banks.

Closing Observations

In my closing remarks, I would like to reiterate that the issues you will be discussing today are of paramount importance to everyone for extension of our economies and success of our nations. Based on the wide variety of perspectives represented by the D-8 central banks delegates, private sector participants, and officials from various organizations at today's workshop, I am confident that we may not be able to agree and have full consensus on the answers to all the many questions that will be raised. However the dialogue itself will be of great value. We at the State Bank of Pakistan have found that meetings and workshops such as these will enable us to effectively take stock of issues by providing better understanding and also help in defining path for future cooperation and collaboration. We hope that each of you will find this experience worthwhile.

Thank you in advance for sharing your insights, and I look forward to your contributions and recommendations that we will be able to derive from the today's discussions that will be present in the Governors forum tomorrow.

I wish you all a happy stay and pray for your health and wisdom in the larger interest of the Ummah and people whom we represent.

Wa Aakherun Dawana Annil Hamdolillahe Wa Akhirun Dawana Annil Hamdolillahi
Rabbil Aalamin.