

SAARCFINANCE e-Newsletter

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

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Message from the Chairperson of SAARCFINANCE Group

It's a great pleasure for me that as per the decision of the 14th SAARCFINANCE Group Meeting held in Singapore on 20 September 2006, the Bangladesh Bank is going to publish the first issue of half-yearly **SAARCFINANCE e-Newsletter**. The SAARCFINANCE e-Newsletter will be a regular electronic publication designed mainly to present news items mostly related to SAARCFINANCE.

I am confident that this will help to achieve one of the broad objectives of SAARCFINANCE of promoting cooperation among SAARC central banks and finance ministries through providing information. Since it is the first issue, there is scope to improve its contents after receiving comments and suggestions from the readers. Notwithstanding its limitations, I believe that this publication of the SAARCFINANCE e-Newsletter will be beneficial to policymakers, researchers as well as public in general, both within the SAARC and outside the SAARC region.

I express my profound sense of gratitude to the SAARCFINANCE Coordinators for their cooperation and contributions. I acknowledge the excellent work that the officials of SAARCFINANCE Cell, Research Department of Bangladesh Bank have rendered for publishing the first issue of SAARCFINANCE e-Newsletter.

The responsibility to publish the e-Newsletter rests on the Central Bank whose Governor acts as the Chairperson in rotation. I hope the e-Newsletter will become a regular feature and my esteemed colleagues will take care of this in the future.

December, 2006

Dr. Salehuddin Ahmed
Governor
Bangladesh Bank
&
Chairperson, SAARCFINANCE Group

Key Background Information on SAARCFINANCE

The SAARCFINANCE was established on 9 September 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 Katmandu, Nepal in January 2002. The SAARCFINANCE Chair moves in rotation with the change of the SAARC Chair. With the change of SAARC Chair to Bangladesh in November 2005, the formal handing over of SAARCFINANCE Chair from Pakistan to Bangladesh took place during 13th meeting of the network, held in September 2005 in Washington DC. Each central bank established a SAARCFINANCE Cell in its Research Department to accomplish the activities of SAARCFINANCE. Each member central bank also appoints a Coordinator to coordinate its activities among the member countries. The Coordinator of the central bank of SAARC Chairperson's country acts as the central Coordinator. The SAARCFINANCE meets twice a year concurrently with the IMF/WB Annual and Spring Meetings. Since its inception *fourteen* meetings were held till now. To facilitate the working of the SAARCFINANCE network, its Coordinators generally meet twice a year. *Six* Coordinators' meetings took place so far. The broad objectives of SAARCFINANCE 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 countries 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.

Staff Exchange Program under SAARCFINANCE

Since the inception of the SAARCFINANCE, *196 officers* visited various institutions of member countries under *Staff Exchange Program so far*. Detail information on the already arranged Staff Exchange Programs under the banner of SAARCFINANCE can be seen at glance in Table-1. Considering the effectiveness of the staff exchange program, including training, seminars, etc., the matter of cost sharing is left entirely to the countries concerned. Moreover, some proposed visit of the officials from various SAARC central banks are now under progress, which can be seen in 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	44	7	-	7	65
Pakistan	-	2	-	-	-	2
Sri Lanka	20	-	26	2	4	52
Total	71	61	39	10	16	197

RBI – Reserve Bank of India, CBSL-Central Bank of Sri Lanka, SBP-State Bank of Pakistan
NRB-Nepal Rastra Bank, BB-Bangladesh Bank,

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

Participating Central Banks	Host Central Banks	Name of Programs
Bangladesh Bank	State Bank of Pakistan	Risk-based Internal Auditing System
Nepal Rastra Bank	State Bank of Pakistan	Foreign Bank Branch System
Nepal Rastra Bank	Bangladesh Bank	Central Banking Course

Seminars, Studies, Workshops, Symposiums under SAARCFINANCE

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 12 seminars, 3 studies, one workshop and 3 Governors' symposiums from September 1998 till now. Detail information on the already arranged Seminars, Studies, Workshops, and Symposiums under the banner of SAARCFINANCE can be seen at a glance in Table-3.

Table-3: Number of SAARCFINANCE Seminars, Workshops, Governors' Symposiums and Studies at a glance:

Programs / Host Central Banks	BB	RBI	NRB	SBP	CBSL	Total
Seminars	2	1	3	3	3	12
Workshops		1				1
Governors' Symposiums	1	1			1	3
Studies		1	1	1		3
Total	3	4	4	4	4	19

SAARCFINANCE News

Afghanistan

New Member of SAARCFINANCE

Afghanistan is the new member in the SAARCFINANCE. As a new member of SAARCFINANCE, Afghanistan participated in various programs organized by other member countries but they did not arrange any activity so far under the SAARCFINANCE. The contact person for coordinating SAARCFINANCE activities in Afghanistan is Mr. Ahmad Feroz, Deputy DG (Monetary & Fiscal), Monetary Policy Department, Da Afghanistan Bank, Ibn-e-Sina Watt, Kabul (e-mail: aferoz_@yahoo.com, Phone: +93-20 2100293)

Bangladesh

SAARCFINANCE Governors' Symposium on Microcredit held in Dhaka

Bangladesh Bank organized a SAARCFINANCE Governors' Symposium on Microcredit during February 15-16, 2006. Hon'ble Minister for Finance and Planning, Government of the People's Republic of Bangladesh Mr. M. Saifur Rahman inaugurated the symposium. The Governors, Deputy Governors and other senior officials of SAARC countries including Afghanistan attended the symposium. The local participants in the symposium were from Bangladesh Bank, Nationalized Commercial Banks and Specialized Banks, different Ministries, Palli Karma-Shahayak Foundation, Credit and Development Forum, Grameen Bank, Islami Bank Bangladesh Ltd., Local Non-Government Organizations (NGOs), Bangladesh Academy for Rural Development and Social Development Foundation.

In the symposium, the participants from SAARC member countries and Afghanistan presented their country papers focusing experiences of microcredit operations of the respective economies. A keynote paper on "Microcredit: Banking With the Poor Without Collateral" was also presented at the symposium by Professor Muhammad Yunus, Managing Director, Grameen Bank. The proceedings and papers of the symposium have already been published in a book form and an electronic version is also available in web folder for SAARCFINANCE in Bangladesh Bank (www.bangladeshbank.org.bd).

Sixth SAARCFINANCE Coordinators' Meeting held in Dhaka, Bangladesh

The Sixth SAARCFINANCE Coordinators' Meeting which was held in Dhaka, Bangladesh during July 5-6, 2006 discussed a number of issues and took some decisions, which include:

- (1) In order to enhance staff exchange program the delegates of the said meeting made the following suggestions:
 - (a) The host country needs some feedback to know how the visiting participants have been benefited out of the staff exchange program. An evaluation report made by the participating country can be sent to the host country,
 - (b) A country can invite others in such areas in which it has got expertise, and
 - (c) A host country can inform others about the on-going staff exchange program so that they can also join in that program. But the number of participants should not be very large. If the numbers of participants become large then a workshop can be arranged.

- (2) Regarding the broadening of SAARCFINANCE mandate, the coordinators decided not to broaden the mandate of SAARCFINANCE.
- (3) On the issue of allowing SAARCFINANCE coordinator or a representative of coordinator to participate in different SAARC related meetings organized by Ministries of Finance/Foreign Affairs/other related Ministries of SAARC countries, the coordinators agreed that for coordination purpose it should allow but this issue could be left to the individual country concerned.
- (4) Most of the coordinators supported the idea of inviting a representative from SAARC Secretariat to attend SAARCFINANCE Coordinators' meeting from now on for coordination purpose. But the Indian delegate expressed that it should be left to the country concerned.
- (5) Regarding the idea of publishing a SAARCFINANCE e-News Letter by the central bank of the SAARCFINANCE Chair country the delegates of the 6th meeting of coordinators made following suggestions:
 - (a) The frequency of the e-News Letter would be half-year at the initial stage and the first issue date could be December 2006,
 - (b) The reporting time would be at best two months after the issue date,
 - (c) The said e-News Letter would focus on the activities of SAARCFINANCE and major economic developments in the SAARC region, and
 - (d) This would primarily be uploaded in the website of the central bank of the SAARC Chair country.

Fourteenth SAARCFINANCE Group Meeting held in Singapore

The Fourteenth SAARCFINANCE Group Meeting was held on the sideline of the IMF-World Bank Annual Meetings on 20 September 2006 at the Marina Mandarin Hotel, Singapore. The meeting was attended by the Governors and Finance Secretaries or their representatives from the SAARC member countries and Afghanistan. Dr. Salehuddin Ahmed, Governor, Bangladesh Bank and the current Chairperson of SAARCFINANCE Group hosted and chaired the meeting. The meeting discussed various issues relating to the interests of the member countries. After detailed discussions, the following Seminars/Symposiums of the Governors were agreed by the participants:

- (a) Foreign Remittance Management to be hosted by the Nepal Rastra Bank in May 2007,
 - (b) Payment Systems to be hosted by the Central Bank of Sri Lanka some time in 2007,
 - (c) Implementation of BASEL-II to be hosted by the Maldives Monetary Authority sometime in 2007 and,
 - (d) The SAARCFINANCE Group confirmed the hosting of the SME Seminar by State Bank of Pakistan during November 2006 which has already been organized on schedule time.
- (2) Regarding a separate SAARCFINANCE Logo, the meeting decided that SAARCFINANCE will not require a separate logo.
 - (3) Regarding the invitation of a representative from SAARC Secretariat to attend the SAARCFINANCE Coordinators' the meeting concluded that given the existing situation and diversity of opinions, no one from SAARC Secretariat should be invited. The meeting also suggested that in the same fashion, ASEAN and other forums should also not be invited in such meetings.

Bangladesh Bank Governor says Homegrown Projects Better Alternative to WB, IMF Assistance

Bangladesh Bank Governor Dr Salehuddin Ahmed told UNB, a Bangladesh news agency, on September 19, 2006 at Suntec Singapore during the Annual Meetings of World Bank and IMF that homegrown development projects would be the better alternative to World Bank and IMF assistance for the developing country like Bangladesh.

He told that if we could take good projects, others would be interested to provide funds...money would come from bilateral donors. He further told that Bretton Woods Institutions should not give any policy prescription. They should support our own policies.

Dr.Salehuddin was critical of World Bank President Paul Wolfowitz's plan to link the WB's financial aid to commitments by beneficiary countries to good governance, such as transparency in public procurement and anti-corruption measures. He said that we too wanted corruption in our country to go, but still we could question whether the World Bank has the mandate to do that.

The Bangladesh Bank governor was also critical of the World Bank and IMF for the unpredictability in disbursement of loans and said the loans must be time-bound and predictable. He also commented on the set criteria for raising the shares of the low-income countries. He felt that it would have been better for Bangladesh if the criteria had been measured on the basis of purchasing power parity, growth potential, democracy, human development and equality. (The Daily Star, 20 September 2006, web: <http://www.thedailystar.net/2006/09/20/d60920050263.htm>)

Dr. Muhammad Yunus and his Grameen Bank Win the Nobel Peace Prize for 2006

The Norwegian Nobel Committee has awarded the Nobel Peace Prize for 2006, divided into two equal parts, to **Muhammad Yunus** and **Grameen Bank** for their efforts to create economic and social development from below. Lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty. Microcredit is one such means. Development from below also serves to advance democracy and human rights.

The origin of Grameen Bank can be traced back to 1976 when Dr. Muhammad Yunus, a Professor of Economics at the Chittagong University started this experimental project at the village Jobra near the University. In 1979 the Bangladesh Bank sponsored the Grameen Bank Prakash (project) and this was supported by the then six Nationalised Commercial Banks and the Bangladesh Krishi Bank for replication in the district of Tangail. With success there, the project was extended to several other districts in the country. It continued as a project of the Bangladesh Bank upto 1st October 1983 and with the promulgation of the Grameen Bank Ordinance of 4 September 1983 it was converted into a bank.

Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. From a modest beginning as a project in a village three decades ago, Yunus has, first and foremost through Grameen Bank, developed microcredit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of microcredit that have sprung up around the world.

Every single individual on earth has both the potential and the right to live a decent life. Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development.

Microcredit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy cannot achieve their full potential unless the female half of humanity participates on an equal footing with the male.

Yunus's long-term vision is to eliminate poverty in the world. That vision cannot be realised by means of microcredit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, microcredit must play a major part.

Considering the aforesaid importance and the role played by Dr. Yunus and his Grameen Bank the Norwegian Nobel Committee has awarded the Noble peace Prize for 2006 to Muhammad Yunus and his institution. Readers may read Nobel Lecture given by Muhammad Yunus in the web (http://nobelprize.org/nobel_prizes/peace/laureates/2006/yunus-lecture-en.html).

Seventh SAARCFINANCE Coordinators' Meeting to be held in Dhaka

The Seventh SAARCFINANCE Coordinators' Meeting is scheduled to be held in Dhaka on 15 March 2007.

Bhutan

Bhutan participated in various programs organized by other SAARC member countries, but did not arrange any program in 2006 under the SAARCFINANCE.

India

SAARCFINANCE Governors' Symposium

The SAARCFINANCE Governors' Symposium which was held in Dhaka during 15-16 February 2006 was attended by the following officials of the RBI:

1. Shri V.S.Das, Executive Director, RBI
2. Shri H.R.Khan, Principal College of Agricultural Banking, RBI

SAARCFINANCE Coordinators' Meeting

The sixth SAARCFINANCE Coordinators' Meeting held in Dhaka during 5-6 July 2006 was attended by Dr. Janak Raj, Adviser, RBI.

Seminars, Workshops Studies

1. A Technical Paper on "Oil Price Hike-Implications for SAARC Countries" was presented by the Reserve Bank of India in Governors' Symposium hosted by Central bank of Sri Lanka during 20-21 January 2006.
2. The SAARCFINANCE Seminar on "Small and Medium Enterprise Finance" held in Islamabad during 20-22 November 2006 was attended by the following officers of the Reserve Bank of India:
 - a) Shri Rajinder Kumar, Deputy General Manager
 - b) Shri G.P.Borah, Deputy General Manager
 - c) Shri L.Lakshmanan, Assistant Adviser

SAARCFINANCE Staff Exchange Programme

1. Two officials from the Nepal Rastra Bank, viz. Mr. Manoj Kumar Gyawali and Ms. Arya Joshi had visited the Reserve Bank of India during November 27- December 1, 2006 on a observation tour to study foreign exchange management.
2. Bangladesh Bank had requested for secondment of their staff to the Reserve Bank of India for a study of risk-based auditing in the Inspection Department of the Reserve Bank of India. A brief note on the existing systems and Management audit in the Reserve Bank of India, based on which Bangladesh Bank could consider the secondment, was forwarded to the Bangladesh bank in July 2006.

Change in SAARCFINANCE Coordinator

Dr. R.K.Pattnaik, Adviser, Department of Economic Analysis and Policy has been appointed SAARCFINANCE Coordinator of the Reserve Bank of India in place of Dr. Ramalinga Kannan.

Maldives

Change of SAARCFINANCE Coordinator

Ms. Azeema Adam, Manager, Economic Research and Statistics Division has replaced Mr. Abdul Ghafoor Abdul Latheef as the new SAARCFINANCE Coordinator of the Maldives Monetary Authority.

Nepal

SAARCFINANCE Seminar on "Human Resource Management in SAARC Central Banks" Held in Kathmandu

Nepal Rastra Bank has hosted SAARCFINANCE Seminar on "Human Resource Management in SAARC Central Banks" in Kathmandu during August 21-23, 2006. The seminar was participated by 16 middle to senior level officials from SAARC Central Banks, except Bangladesh. The principal objective of this seminar was to explore the policy, strategy, tools and techniques that have been used for managing human resources in the SAARC Central Banks through the active discussions amongst the participants. The seminar also aimed to equip the participants with new ideas and practices and update them on latest developments in the area of human resource management. Resource persons from Reserve Bank of India, Central Bank of Sri Lanka and Nepal Rastra Bank contributed for the seminar.

Staff Exchange Program

A five-member team of Royal Monetary Authority of Bhutan visited Nepal Rastra Bank in November 2006. The objective of the visit was to provide a broader view and enhance knowledge on the foreign exchange policy, regulations, regimes and market.

SAARCFINANCE Seminar on " Remittance Management " **to be held tentatively in May 2007**

As per the commitment made by Nepal during the 14th SAARCFINANCE Governors' Meeting, Nepal Rastra Bank is planning to host a seminar on "Remittance Management" tentatively in May 2007.

Pakistan

Seminar on “SME Finance” held in Islamabad

State Bank of Pakistan (SBP) organized the Seminar on SME (Small & Medium Enterprise) Finance during 20-22 November 2006 at National Institute of Banking & Finance (NIBAF), Islamabad. Deputy Governor, SBP, while inaugurating the Seminar as Chief Guest, highlighted the emerging role of SMEs in the process of economic development and the future challenges faced by them. He also apprised the audience about efforts being made by SBP to play an effective role in the promotion of SMEs and other sectors of the economy. Prior to the speech of Chief Guest, Kazi Abdul Muktadir, Managing Director, NIBAF made the opening remarks while Mr. Ayub-ul-Hasan, SAARCFINANCE Coordinator of State Bank of Pakistan presented the vote of thanks.

Delegates from all member countries (except Maldives and Bangladesh) attended the Seminar (Economic Adviser Bangladesh Bank, Mr. Habibullah Bahar could not attend the seminar due to unavoidable circumstances. However, his Paper was presented to the participants). The participating teams presented Country Papers with a view to sharing their respective experiences and to generate a meaningful dialogue on the subject matter.

In addition to knowledge sharing during Seminar, participants were provided with opportunity to have a closer look of the cultural and historical heritage of Pakistan. In this regard, participants' feedback was highly encouraging. Strong appreciation was received, not only for contents/ knowledge ability of speakers but also for hospitality and arrangements made by State Bank of Pakistan.

Staff Exchange Program

The following activities took place during the year with respect to the captioned program:

- A familiarization program for two-member Delegation from Sri Lanka was arranged after the Seminar on SME Finance, at Islamabad and Lahore, during 25-28 November 2006.
- Three participants from Nepal Rastra Bank visited SBP, Karachi, from August 3-5, 2006, in the area of Secretarial Training.
- Six participants from the Central Bank of Sri Lanka visited SBP, Karachi, during May 2-5, 2006 in the area of Staff Welfare Policy.
- Executive Director, Nepal Rastra Bank visited SBP, Karachi, from January 25-27, 2006, for gaining experience in the area of Pass Book System in State Bank of Pakistan.

Participation in External Programs

State Bank of Pakistan participated in the following programs organized by the member Central Banks during 2006:

- Seminar on “Human Resource Management in SAARC Central Banks”, organized by Nepal Rastra Bank, at Kathmandu during 21-23 August 2006.
- SAARCFINANCE Governor’s Symposium on “Microcredit”, organized by Bangladesh Bank at Dhaka, during February 15-16, 2006
- Seminar on “Current Oil Price Shock and its Implications on South Asian Economies”, organized by the Central Bank of Sri Lanka, at Colombo during 20-21 January 2006.

Sharing of Information

State Bank of Pakistan handled the following information/material-specific requests received from the member Central Banks during 2006:

Sl. No	Name of Central Bank	Subject/Area of Request
1.	Royal Monetary Authority of Bhutan	Communication Policy
2.	Nepal Rastra Bank	Employees’ Union Activities
3.	Central Bank of Sri Lanka	Short Selling of Government Securities
	Market	
4.	Nepal Rastra Bank	Maximum Share Holding Limit
5.	Nepal Rastra Bank	Library Information
6.	Bangladesh Bank	Rules of Business
7.	Central Bank of Sri Lanka	Payment of Interest on Demand Deposits
8.	Bangladesh Bank	Retail Prices of Petroleum Products.

Change of SAARCFINANCE Coordinator

Mr. Ayub-ul-Hasan, Senior Joint Director has replaced Dr. Aftab Nadeem as the new SAARCFINANCE Coordinator of the State Bank of Pakistan.

Sri Lanka

SAARCFINANCE Seminar on "Oil Price Hike: Implications for SAARC Countries" held in Colombo

Central Bank of Sri Lanka organized a SAARCFINANCE seminar on "Oil Price Hike: Implications for SAARC Countries" on 20 January 2006. The seminar focused on the recent oil price hike and its implications for countries in the South Asian Region. Major points of the discussion was the magnitude of the oil price hike, and views and experiences on the impact of the oil price hike, policy responses and strategies adopted by South Asian countries to mitigate the adversities associated with the price hike, and policies and measures that would help lower the impact in the future. Governors and senior executives from SAARC central banks (except Bangladesh and Afghanistan), officials from Ministry of Finance and resource persons from World Bank and IMF participated the seminar. The proceedings of the seminar have already been published in a book form.

Staff Exchange Program

Twenty-eight officials from Nepal Rastra Bank visited Central Bank of Sri Lanka in different periods in 2006. One official from Royal Monetary Authority of Bhutan also visited Central Bank of Sri Lanka during 15-20 August 2006.