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MR. YASEEN ANWAR STRESSES THE NEED FOR CONTINUED COLLABORATION AMONGST D-8 CENTRAL BANKS TO FURTHER STRENGTHEN THEIR ECONOMIES

The Governor, State Bank of Pakistan, Mr. Yaseen Anwar has stressed the need for continued collaboration amongst the D-8 central banks to further strengthen their economies. He said that macroeconomic policies of D-8 countries must be balanced to check overheating pressures from strong recovery, high credit growth, volatile capital flows, elevated commodity prices, and renewed risk of inflation.

While opening and chairing the 2nd meeting of Central Bank Governors of D-8 countries in Islamabad today, Mr. Anwar observed that we must continue to rebalance our economies to sustain growth through modulating domestic consumption, increase in trade and allow capital to flow freely between emerging and developing economies in search of better returns as against investment in debt ridden advanced economies.

He noted that a sudden drop in the growth rate in 2009 immediately after the 2008 crises was perhaps the principal reason why the D-8 Central Bank Governors in their first meeting agreed to set this meeting agenda on strengthening monetary and financial cooperation. ‘The global growth is projected to further drop from 3.8 percent in 2011 to about 3.3 percent in 2012. As a result, the real GDP growth in the emerging and developing economies is projected to be further slower from 6.3 percent in 2011 to 5.2 percent in 2012. Therefore, we need continued collaboration to further strengthen our economies’, he added.

There is only one central bank in each country/monetary area, and therefore, it is very logical for central banks to look beyond their national borders for advice and collaboration, he said and added that in recent years, increasing globalization has further enhanced the need for central banks’ cooperation to tackle risks due to the cross border interdependencies and to make the most of emerging opportunities. The central banks’ cooperation has been facilitated through collaborative multilateral forums such as the G20, the FSB and the meetings of the IMF, BIS and a number of bilateral and regional initiatives for cooperation. ‘The enhanced role of these forums also reflects the increasingly important role that the central banks of emerging and developing economies are playing at these international forums’, he added.

Stressing the need for strengthening cooperation amongst D-8 countries, the SBP Governor said its (D-8) Secretariat must be strengthened to collect and maintain information on our economies and their interconnectedness. ‘This would serve the dual purpose as it would provide regular updates on the state of

D-8 economies and would help us in reviewing and measuring progress of our economies on economic and financial cooperation,' he added.

He suggested that D-8 countries must collaborate and focus on:-

- Optimal use of monetary policy tools which are at best the first line of defence against the global crisis.
- The D-8 countries must collaborate on how to rebalance its growth model from export-led growth to diversifying demand through structural changes in their economies that will enable sustainable future growth and make their economies less susceptible to volatility in other financial markets, particularly by raising domestic demand and recycling more of the D-8 countries savings into investments at home.
- Identify and rank economic challenges faced by each member country, including domestic impediments and constraints; and external vulnerabilities.

He asked the D-8 countries to develop stronger private sector linkages, particularly private banks to facilitate payments to enhance trade and cross-border linkages.

The SBP Governor suggested to the D-8 central banks to exchange views to highlight experiences of policy and development interventions for financial inclusion, particularly on:

- The need for proportionate regulations and policies for specific sectors/segments i.e. microfinance, SMEs, housing, infrastructure, rural and agricultural finance to ease financial access.
- The D-8 cooperation would provide useful insights and lessons from regulations and policy experience of promoting financial inclusion through transformational branchless banking.
- It would be useful if the central banks' experts continue to collaborate in financial sector development and inclusion strategies.
- Strengthening of consumer protection and financial education initiatives would increasingly be needed as low income unbanked persons become clients of financial institutions to safeguard their rights and understand their obligations to make sound financial decisions.

'There is a need for exploring sustainable models to promote Islamic finance in D-8 countries especially in the wake of challenging global economic landscape,' he added.

Mr. Yaseen Anwar stressed the need for formalizing our cooperation by establishing regular information exchange and create peer learning opportunities amongst D-8 central banks and added: 'I would like SBP to take the lead and volunteer on financial inclusion issues particularly on microfinance and branchless banking development through a peer learning working group'.
