

**2ND MEETING OF THE GOVERNORS
OF DEVELOPING EIGHT (D-8) COUNTRIES HELD IN ISLAMABAD 21 NOVEMBER 2012**

Joint Communiqué

1. We, the Governors of Central Banks of Developing Eight (D-8) Countries, held our second meeting in Islamabad, Pakistan on November 21, 2012 with Mr. Yaseen Anwar, Governor of the State Bank of Pakistan in the Chair to achieve the objectives of increasing our mutual understanding of various economic and financial sector related challenges facing us, and enhancing co-operation among ourselves to confront these challenges.
2. Since we last met in Abuja, Nigeria in July 2010, the global economy continues to face a number of challenges. External, fiscal and financial imbalances still persist, creating challenges on economic growth and employment. Global growth is projected to drop in 2012 because of weak economic activity in the US and deteriorating sovereign and banking sector developments in the euro area. As a result, Real GDP growth in the emerging and developing economies is going to further slowdown. Although the impacts and related challenges may be different from country to country, and region to region, we are all united in our resolve to achieve sustainable and inclusive growth in a collaborative way. Specifically, we will:
 - a. Formulate monetary and financial policies to support sustainable growth strategy in D-8 countries in the backdrop of an uncertain outlook for the global economy
 - b. Promote Innovative Financial Inclusion Policies
 - c. Explore opportunities in Islamic Finance
 - d. Establish information exchange and promote peer learning amongst D-8 central banks

Sustainable Growth Strategy

3. We must work together to formulate monetary and financial policies to support sustainable growth strategy for D-8 countries in the backdrop of an uncertain outlook for the global economy. The D-8 economies face a diverse set of economic challenges. Some of these are structural; others may be cyclical in nature, while others a direct consequence of the global credit crunch of 2007-08 and the recent Euro area crises. However, in formulating a growth strategy to deal with these issues – and to identify areas of potential cooperation between members – it is necessary to understand these challenges better. In order to achieve this, we have agreed to collaborate and focus on:
 - a. Developing and using monetary and financial policy tools that can buffer the domestic economy against the global slowdown by striking a balance between nurturing sustainable domestic demand and an export-led growth model.
 - b. Reduce dependency on demand from traditional trade partners by rebalancing and diversifying the sources of economic growth in the domestic economies by focusing on opportunities for greater cooperation amongst regional blocs, such as the D-8.

- c. Establish correspondent banking relationship and currency swap arrangements amongst D-8 countries to promote trade and capital flows.
- d. The need to bring the informal sector into the mainstream economy, and hence into the tax net, by improving the efficiency of public institutions, in order to increase fiscal space and the effectiveness of monetary management processes.
- e. Developing the means (such as joint research projects and professional exchanges between the member countries for capacity-building) to better understand, and learn from member countries' experiences, on the efforts undertaken to tackle challenges that are common to the D-8 e.g. enforcing better fiscal discipline; promoting investment in infrastructure; implementation of capital standards; incentivizing banks to lend to the real sector and sustaining low and moderate levels of inflation and contributing to financial stability.

Financial Inclusion

- 4. Financial inclusion will remain a top priority as it alleviates financial constraints on poor and low income households, helps them to benefit from better economic opportunities, and creates employment. We also note the effectiveness of existing policy frameworks and institutions and progress made on various innovative new approaches to financial inclusion. We reaffirm our support to promote financial inclusion in D-8 countries. In this regard, we will take important measures to advance the financial inclusion agenda. Specifically we will:
 - a. Reaffirm or formulate national financial inclusion strategies in our countries and gather support from across our governments, financial sector and other key stakeholders to build broad-based ownership of the financial inclusion agenda.
 - b. Study policy approaches for building delivery channels and payments systems such as agent-based banking, mobile phone banking, and post office networks.
 - c. Form a D-8 Consultative Group on Financial Inclusion (CGFI) with representation from each central bank. The CGFI will have a series of knowledge exchange exercises, consultations and produce a comprehensive document by the next D-8 Summit.

Islamic Finance

- 5. We reviewed the progress of Islamic Finance industry in D-8 countries that has enjoyed rapid growth over the past decade primarily due to global trends and local demand for Shariah compliant financial services. Going forward, the central banks may discuss sustainable models to promote Islamic finance in D-8 countries especially in the wake of challenging global economic landscape. There is need for exploring sustainable models to promote Islamic finance in D-8 countries especially in the wake of challenging global economic landscape. The cooperation will highlight strategies for ensuring growth trajectories for Islamic finance in D-8 countries, with emphasis on home grown demand and strategies in D-8 countries, primarily promoting Islamic finance to meet latent demand for financial services due to low level of financial inclusion and lack of Shariah compliant financial solutions. In this regard, the expert group identified three major areas of

cooperation i.e. development of financial instruments & markets, improving perception and enhancing awareness, and training & capacity building.

Establish Information Exchange and Peer Learning

6. Finally, we have agreed that each of the D-8 members has their strengths in financial and monetary sector issues. In order for D-8 members to benefit from these strengths we will formalize our cooperation through the regular information exchange and work through peer learning model amongst D-8 central banks in such areas including monetary policy, banking regulations and supervision, financial inclusion and Islamic finance. We hope that the D-8 countries will join the proposed peer learning working groups and share their unique experiences.

7. The next meeting of the Governors of central banks of D-8 countries is expected to take place in 2014 in Turkey. The Governors agreed to discuss shadow banking and its related risks amongst other financial sector issues in the next meeting