

Minutes of the Fourteenth SAARCFINANCE Group Meeting held on 20 September 2006 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. Agenda of the meeting and the list of participants are enclosed at Annex-1 and Annex-2 respectively.

2. By welcoming the participants, Dr. Salehuddin Ahmed, Governor, Bangladesh Bank initiated the discussions in the meeting. On behalf of the meeting the Chairperson of SAARCFINANCE Group conveyed special thanks to the participants of Afghanistan and congratulated them for their first participation in the SAARCFINANCE Group meeting. Dr. Salehuddin Ahmed then put up the agenda of the meeting and invited the participants for discussions. The issues that were discussed in the meeting along with the remarks/comments and views of the participants are placed below in brief.

Separate SAARCFINANCE Logo

3. Recalling the idea of a separate SAARCFINANCE logo that was mooted in the 5th SAARCFINANCE Coordinators' meeting held at Islamabad, Pakistan in August 2005 and the responsibility of preparing its design by the Reserve Bank of India, Dr. Sahehuddin Ahmed mentioned that the 27th session of the SAARC Council of Ministers held in Dhaka in August 2006 has made an observation on this issue that SAARCFINANCE might not have a separate logo. **Following the said**

observation by SAARC Council of Ministers, the meeting also decided that SAARCFINANCE will not require a separate logo.

Preparation of a schedule to organize seminars/governors' symposium/workshops/studies/research activities etc. for the next one year

4. Mr. Bijaya Nath Bhattarai, Governor, Nepal Rastra Bank expressed Nepal's desire to host a seminar on remittance management. He informed the meeting that remittance earnings constitute about sixteen percent of Nepal's GDP. The representatives from some other SAARC member countries also expressed their views about the importance of remittance in their national economies. Mr. Ajith Nivard Cabraal, Governor, Central Bank of Sri Lanka mentioned that Sri Lanka is grappling *with the problem of "transfer of money through unofficial channels"*. He informed that only 30-40 percent of remittances sent to Sri Lanka are going through official routes/channels. He expressed that the above problem coupled with "oil price hike" is creating macro-level imbalances for the economy of Sri Lanka. Therefore, he suggested having an action plan for responding to these problems. Dr. Y.V. Reddy Governor Reserve Bank of India observed that once the people have a total lack of confidence on formal channels because of various reasons- like cost and time, they would opt for informal channels. Out of various mechanisms, India used to deal with the issue through the establishment of a linkage between bank and post office. Mr. Daw Tenzin, Managing Director, Royal Monetary Authority of Bhutan said that his country had tried to address the issue by opening Foreign Currency accounts. Mr. Munshi Faiz Ahmad, the High Commissioner of Bangladesh in Singapore while taking the floor, mentioned his experiences on transfer of money. He mentioned that the informal channels have three advantages over formal channels. These are: (i) prompt delivery of remittances, (ii) gains through exchange

rate, and (iii) direct delivery to the beneficiaries. He observed that it might be a good idea to enforce the existing mechanism of laws so that relying on informal channels can be discouraged.

5. Appreciating the interest of hosting seminar on remittance, the Governor of Bangladesh Bank suggested organizing a seminar on Payment Systems, e.g. RTGS (Real Time Gross Settlement). Governor, State Bank of Pakistan rose that RTGS is a technical subject and best we have a technical group exchanging views on it rather than having a Governors' Symposium. The Governor of Reserve Bank of India observed that it might be a good idea to introduce the provision of submitting a status paper by each country on the Seminar topic. The host country of a Seminar may prepare an overview paper.

6. 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 as per original schedule.

Publishing a SAARCFINANCE e-News Letter

7. The participants agreed to launch e-News Letter sometime in December 2006 as per recommendation of the 6th SAARCFINANCE

Coordinators' Meeting. They also agreed on the suggestions, made in this regard by the 6th SAARCFINANCE Coordinators' meeting held in Dhaka. The Governor of Bangladesh Bank opined that when the Chair of SAARCFINANCE shifts to another country, that host country will launch its e-News letter as a follow-up exercise.

Inviting a representative from SAARC Secretariat to attend SAARCFINANCE Coordinators' meetings

8. The Governor of Bangladesh Bank welcomed the participants to express their views on the above issue. The representative from Bhutan indicated that since the SAARCFINANCE meetings normally deal with certain technical aspects and the Secretariat is too generalized, it might not be a good idea to invite a representative from the SAARC Secretariat. The RBI Governor felt that it should be left to the country concerned. **The host of the meeting concluded that given the existing situation and diversity of opinions, no one from SAARC Secretariat should be invited. He further suggested that in the same fashion, ASEAN and other forums should also not be invited in such meetings.**

Miscellaneous Issues

9. The issue of launching a common currency: While the host of the meeting welcomed any other ideas from the delegates that could be discussed in the meeting, the representatives of Maldives suggested introducing a common currency among the SAARC member countries. The delegates, attending the meeting had diverse opinions on it. The host of the meeting observed that based on the prevailing situation in SAARC, the idea could be a premature one. The RBI Governor suggested discussing the issue in Asian Clearing Union (ACU) forum. Appreciating the idea he observed that once the issue is raised, the member countries could continue discussion on it in other forums as well, such as at

Ministerial levels. Governor SBP observed that before adoption of the advanced levels of cooperation like common currency, it is imperative to have presence of a meaningful economic cooperation. However, we note that despite a number of cooperation arrangements in South Asia, trade cooperation has yet to emerge out of infancy stage. Therefore, it would not be wrong to think that we have to go a long way to effectively promote in our region. Once we are able to achieve the matching level of trade with that of other developed regions, only then one can think of possibility of a monetary union. Accordingly, the issue of launching a common currency appears to be pre-mature at this point of time.

10. Regarding the ACU meetings, the representative from Afghanistan expressed their desire to be invited in the ACU meetings. The proposal was accepted by the Group.

11. **SAARCFINANACE Training Centre:** Mr. Ajith Cabraal, Governor, Central Bank of Sri Lanka gave a proposal to select "Centre for Banking Studies" at the Central Bank of Sri Lanka as a regional training centre to undertake training courses for the personnel of the financial institutions of the SAARC countries. The proposal was accepted by the Group.

12. Finally, Dr. Salehuddin Ahmed, Governor, Bangladesh Bank and the current Chairperson of SAARCFINANCE Group thanked all the delegates for their contributions in making the Fourteenth SAARCFINANCE Group meeting in Singapore a successful one and concluded the meeting with the hope of further prosperity of SAARC region.

The Fourteenth SAARCFINANCE Group Meeting
(20 September 2006, Singapore)

Agenda

1. Adoption of Agenda
2. Review of SAARCFINANCE Progress Report (Activities of SAARCFINANCE)
3. Preparation of a tentative schedule of seminars / governors' symposiums / workshops / studies / research activities etc. for the next one year to be arranged by SAARC countries under the banner of SAARCFINANCE
(Regarding the next year's schedules of SAARCFINANCE seminars/governor's symposiums, workshops, studies etc. it was decided in the 6th SAARCFINANCE coordinators' meeting held in Dhaka on 5 July 2006 that these would be finalized in SAARCFINANCE Group meeting. Therefore, the delegates in the SAARCFINANCE Group meeting may kindly prepare a tentative schedule of seminars / governors' symposiums / workshops / studies / research activities etc. for the next one year to be arranged by SAARC countries under the banner of SAARCFINANCE. Besides, if authorities of SAARC central banks decide to organize any such program(s) which would not be included in the said schedule, they may do so at any time)
4. Enhancing staff exchange program by SAARC member countries
(The delegates in the 6th SAARCFINANCE Coordinators' Meeting discussed various issues regarding the enhancement of staff exchange program. After discussion, the delegates made following suggestions:
 - 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.
 - A country can invite others in such areas in which it has got expertise.
 - 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.)

5. Publishing a SAARCFINANCE e-News Letter from the SAARCFINANCE Cell of the central bank of the SAARCFINANCE Chair country

(Regarding the idea of publishing a SAARCFINANCE e-News Letter, the delegates in the 6th SAARCFINANCE Coordinators Meeting made following suggestions:

- The frequency of the e-News Letter would be half-year at the initial stage. The first issue date could be December 2006.
- The reporting time would be at best two months after the issue date.
- The said e-News Letter would focus on the activities of SAARCFINANCE and major economic developments in the SAARC region.
- This would primarily be uploaded in the website of the central bank of the SAARC Chair country.)

6. Inviting a representative from SAARC Secretariat to attend SAARCFINANCE Coordinators' meetings

(In order to enhance cooperation between SAARCFINANCE and SAARC Secretariat, the Chairman of the 6th meeting of SAARCFINANCE Coordinators' raised an issue to invite a representative from the SAARC Secretariat to attend SAARCFINANCE Coordinators' meeting from now. Most of the coordinators supported this idea and suggested that this issue could be included as an agenda item for the 14th SAARCFINANCE Group Meeting for consideration. The Indian delegate, however, felt that it should be left to the country concerned.)

7. Any other issue(s)

List of Participants at the Fourteenth SAARCFINANCE Group Meeting
20 September 2006, Singapore

	Name	Institution / Designation
Afghanistan		
1.	Mr. Samiullah Ibrahim	Da Afghanistan Bank
2.	Dr.Narendra Jadhav	Da Afghanistan Bank
Bangladesh		
3.	Dr. Salehuddin Ahmed	Governor, Bangladesh Bank
4.	Mr. Zakir Ahmed Khan	Alternative Executive Director, World Bank, Washington
5.	Mr. Siddiqur Rahman Choudhury	Secretary, Finance Division, Ministry of Finance
6.	Mr. Munshi Faiz Ahmad	High Commissioner of Bangladesh in Singapore
7..	Mr. Mohammad Sarwar Mahmood	First Secretary High Commission of Bangladesh in Singapore
Bhutan		
8.	Mr. Daw Tenzin	Managing Director Royal Monetary Authority of Bhutan
9.	Ms. Dechen Pelzom	Royal Monetary Authority of Bhutan
India		
10.	Dr. Y.V. Reddy	Governor, Reserve Bank of India
11.	Mr. R.Kannan	Principal Adviser, Department of Economic Analysis, Reserve Bank of India
12.	Mr. A.K. Misra	GM & Executive Assistant to Governor, Reserve Bank of India
Maldives		
13.	Mr. Qasim Ibrahim	Governor, Maldives Monetary Authority and Minister of Finance and Treasury
14.	Mr. Abdullah Jihad	Vice Governor, Maldives Monetary Authority and Minister of State for Finance and Treasury
15.	Ms.Khadeeja Hassan	Managing Director Maldives Monetary Authority
16.	Mr. Ibrahim Naeem	Deputy Managing Director, Maldives Monetary Authority
Nepal		
17.	Mr. B.N. Bhattarai	Governor, Nepal Rastra Bank
Pakistan		
18.	Dr. Shamsad Akhtar	Governor, State bank of Pakistan
Sri Lanka		
19.	Mr. Ajith Nivard Cabraal	Governor, Central Bank of Sri Lanka
20.	Ms. R. Jayamaha	Deputy Governor, Central Bank of Sri Lanka
21.	Mr. H.N. Thenuwara	Director, Research, Central Bank of Sri Lanka
22.	Mr. R.A. Jayatissa	Deputy Secretary to the Treasury, Sri Lanka