



19th SAARCFINANCE COORDINATORS' MEETING

18-19 May 2014, Kathmandu

Opening Address by

Dr. Yuba Raj Khatiwada

Chairman, SAARCFINANCE and Governor, Nepal Rastra Bank

Deputy Governors,
SAARCFINANCE Coordinators,
Ladies and Gentlemen,

I am pleased to address the opening session of this 19th SAARCFINANCE Coordinators' Meeting. I take this opportunity to thank SAARCFINANCE members for entrusting Nepal Rastra Bank to chair SAARCFINANCE Group and for providing the opportunity for hosting this Meeting. I am also happy to note that SAARCFINANCE has been instrumental to forge cooperation among central banks and finance ministries of the region while also strengthening the coordination between the monetary and fiscal authorities in relation to regional economic cooperation.

I believe that the principal objectives of this Meeting are to review the progress of SAARCFINANCE activities as well as to prepare the draft agenda for the forthcoming 28th SAARCFINANCE Group Meeting to be held in Colombo on 24 July 2014 on the sidelines of SAARCFINANCE Governors' Symposium.

Before I move on to shed light on some activities of SAARCFINANCE, allow me to highlight some recent macroeconomic developments of the SAARC region. This region currently falls among the slowest growing subregions, at least among Emerging Market Economies (EMEs), with GDP expanding by only 4.8 percent in 2013 from 4.7 percent in 2012, which is well below our potential. Growth is projected to improve to 5.3 percent in 2014 and 5.8 percent in 2015. Although inflation eased to 6.2 percent in 2013 as global commodity and oil prices broadly stabilized, it is expected to rise slightly to 6.4 percent in 2014 before easing back to 6.2 percent in 2015 due to country-specific factors such as currency depreciation, pressures on food prices, and energy price adjustments.



The SAARC Region accounts for 2 percent of world exports and 1.7 percent of global foreign direct investment. It continues to be regarded as the least integrated regions of the world. Just 5.4 percent of its trade is intraregional, compared with 26.4 percent in Southeast Asia and 51 percent in East Asia.

Regional cooperation and integration can play a paramount role in achieving the long-term development objectives of South Asian countries. By deepening cooperation, the region can exploit the economies of scale and cost advantages resulting from the large regional market, thereby sustaining high economic growth rates and continued reduction in poverty.

Obstacles to long-term cooperation have been discussed in various forums of this region. We as a region, need to strengthen our capacities to operate and develop the already established cooperation frameworks more effectively, rather than trying to find new areas for cooperation. To reduce inefficiencies, the different SAARC forums, including SAARCFINANCE, need to readjust our programs and focus more on key programs in consideration of our own areas of expertise and driving forces.

Dear Colleagues,

Let me mention that a number of initiatives have been undertaken under SAARCFINANCE in recent years. For instance, with a view to strengthening regional financial and economic cooperation, Reserve Bank of India has offered a Swap Arrangement of US\$2 billion both in foreign currency and Indian rupee that is intended to provide a backstop line of funding for SAARC member countries to meet any balance of payments and liquidity crises. Similarly, the launching of the SAARCFINANCE Scholarship Scheme will strengthen regional co-operation in economic research through the skill enhancement of officials of central banks and ministries of finance in the SAARC region.

I would now like to briefly touch upon one important issue that is to be discussed in this meeting that relates to the establishment of permanent SAARCFINANCE Secretariat. At present, the SAARCFINANCE Chair rotates on annual basis and hence, the SAARCFINANCE secretariat also changes accordingly. However, unlike SAARC, where a permanent secretariat is set up in Kathmandu and is responsible for the coordination work, there is no permanent secretariat for SAARCFINANCE. It is believed that a permanent SAARCFINANCE Secretariat is expected for better coordination among the member central banks and ministries of finance. With a permanent secretariat, the SAARCFINANCE network will be more effective in undertaking activities such as staff exchange programs, seminars,



symposiums and meetings, among others. Likewise, the continuity of document management and better coordination are necessary for undertaking longer-term projects and collaborative research. I think, these can be handled by the permanent Secretariat in an effective manner.

I also believe that one of the agenda items that you will discuss today on making the Coordinators' meeting more productive is on having a seminar or talk program along the sidelines of the SAARCFINANCE Coordinators' Meeting. I am confident that these sorts of initiatives will foster partnerships amongst the central banks of this region.

Dear Colleagues,

Nepal Rastra Bank has benefitted a lot from SAARCFINANCE activities. We have been regularly sending our staff to different central banks of this region to acquire knowledge on specific topics. Likewise, we had the opportunity to host the SAARCFINANCE Governors' Symposium and Group Meeting in Pokhara during 16-17 May 2012. Similarly, the Nepal Rastra Bank has also organized numerous workshops/seminars, the most recent being the SAARCFINANCE Seminar on "Regulation and Supervision of Microfinance Institutions in SAARC Region" during 20-22 March 2013. Overall, the SAARCFINANCE network has made commendable efforts to enhance and strengthen partnerships amongst the central banks of this region.

We must also explore the ways and means of benefiting more from the capacities we have in the region, particularly in the areas of inclusive finance, banking regulation and supervision and in economic research.

We must also ensure that the SAARCFINANCE initiative is equally owned and actively participated by the senior officials of both the Ministry of Finance and Central Banks.

In closing, I wish you an insightful and productive deliberation during the course of this Meeting and trust that the Meeting will be useful and will leave you with additional insights to tackle the challenges that the Network faces. To our guests, I hope you will leave Kathmandu with pleasant memories of your brief stay.

With these remarks, I declare this meeting open.

Thank you very much.