



Nepal Rastra Bank

Press News

SAARCFINANCE Governors' Symposium in Nepal

Nepal Rastra Bank hosted SAARCFINANCE Governors' Symposium on "Food Inflation in SAARC Region" on 16th May 2012 in Pokhara, Nepal. SAARCFINANCE is a regional network of the SAARC Central Bank Governors and Finance Secretaries. Dr. Fazeel Najeeb, Chairperson of the SAARCFINANCE and Governor of Maldives Monetary Authority inaugurated the Symposium.



Welcoming the guests and delegates to the Symposium, Mr. Gopal Prasad Kaphle, Deputy Governor of Nepal Rastra Bank stated that food inflation has become a challenge to the central banks. The dimensions of food inflation are both domestic and international. He urged about

necessary reform in monetary policy for attaining the price stability which is one of the main objectives of all the central banks.

Dr. Kalpana Kochhar, Chief Economist from the World Bank South Asia Region addressed the opening ceremony as a guest speaker. She discussed causes and impacts of food inflation in the region vis-à-vis the global context and emphasized on framing appropriate policy measures to address food inflation issue.

Dr. Yuba Raj Khatiwada, Governor of Nepal Rastra Bank presented a thematic paper on "Food Inflation in SAARC Region". Governor Dr. Khatiwada viewed that high labor cost, global prices, low level of food production, lack of support for food production are the main causes of food inflation. Dr. Khatiwada stated that the food inflation has negative impact on macroeconomic situation and it hits the poor section of the population the most. Governor Khatiwada opined that the member central banks in the region need to implement credit policy measures to promote food production and help control food inflation in the region.

Mr. Mohamed Ibrahim Ghafoori, Director of SAARC Secretariat highlighted need of implementing the agreements like SAFTA effectively.

At the end of the opening ceremony, Mr. Maha Prasad Adhikari, Deputy Governor of Nepal Rastra Bank presented the vote of thanks to all the distinguished guests, delegates, participants, media persons and other stakeholders who played a vital role to make the program a success.

After the opening ceremony, country papers on food inflation were presented in two sessions. The first session was chaired by Dr. Kalpana Kochhar and the second was chaired by Dr. Y. R. Khatiwada. Besides the country paper presentation, Dr. Sultan Hafeez Rahman, former Director General of ADB shared his views as a guest speaker on Food Inflation in the SAARC Region.



Dr. Rahman emphasized that food inflation was driven by structural and cyclical factors, and that the former factors such as rising prosperity in Asia had increased protein-based foods, e.g. meat whose production is highly cereal intensive while food-grain productivity had stagnated for many years. Food production needs to be increased through technological innovation and sound economic policies. Unless strong efforts are made in this regard food prices will keep rising.

During the Symposium, round table discussion on "Macroprudential and Monetary Policies in the SAARC Region" was also held. Governor Dr. Khatiwada chaired the roundtable discussion while Dr. Atiur Rahman, Governor of Bangladesh Bank and Dr. D. Subbarao, Governor of Reserve Bank of India participated in the round table as the lead discussants.

During the round table discussion Governor Dr. Rahman opined that a central bank should move left and right like a fox to look for the available opportunities. Macroprudential policies are the effective tools available for central banks to deal with the financial sector instability.

Governor, Dr. Subbarao opined that financial markets are not self correcting and central banks need to implement macroprudential policies to restore the financial stability. He also stressed on the need to enhance

capacity of implementing macroprudential policies in the SAARC Region.

Governor Dr. Khatiwada stated that macroprudential policies can work as a bridge between monetary and financial policies in maintaining sound financial system without hampering the economic growth. He opined that credit measures as a component of macroprudential measures would help not only to ensure financial stability but also to enhance the supply of food output so that food inflation could be contained. He said that when blanket monetary or credit policies do not work for addressing sectoral challenges like that of increasing production and productivity in agriculture, macroprudential measures could be helpful in that respect also.

Earlier, SAARCFINANCE Group Meeting of Governors and Finance Secretaries was held in the morning. The meeting discussed the issues related to swap arrangement, SAARCFINANCE scholarship scheme, portal and e-newsletter for information sharing and future events. The meeting endorsed the proposal of Reserve Bank of India to establish a USD 2 billion fund for swap arrangement.

Governors from Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka attended these programs and representative of Governor from Pakistan also participated in the programs. Similarly, Secretaries and representatives from the Ministry of Finance of four countries participated in the Group Meeting and Governors' Symposium.

20 May 2012

Office of the Governor