

25 Years History-Chronicles of SAARCFINANCE



25 Years of Collaboration



STATE BANK OF PAKISTAN



State Bank of Pakistan

Chronicles of 25 Years of SAARCFINANCE

State Bank of Pakistan

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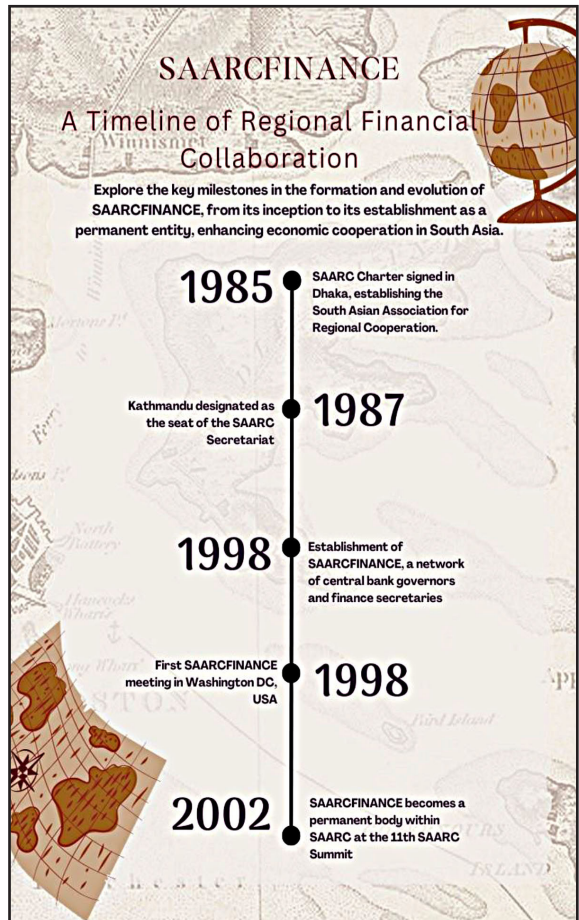
**Chronicles of
25 Years
of SAARCFINANCE**

1. SAARCFINANCE Objectives and Mandate

The South Asian Association for Regional Cooperation (SAARC) represents a platform for collaboration of eight diverse nations. Each SAARC member is unique in its cultural, economic, social, and political dynamics. Yet they also have similar festivals and overlapping languages influenced by shared historical roots and face similar modern-day challenges in achieving sustainable economic growth and development. These nations- Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka- collectively have 3.0 percent of the world’s land area and share a staggering 21 percent of the world’s population. The combined economic output of these economies stood at 5.21 percent (US\$ 4.47 trillion) of the global economy in 2021.

1.1 Recognition of SAARCFINANCE

In the 10th SAARC Summit held on 29th July 1998, the Heads of SAARC States reviewed the role of SAARC in the changing international economic environment. In this context, a declaration was issued noting widespread changes in economic, technological, social, and information fields, together with the severe distortions produced by the process of globalization, and the inherent challenges and opportunities arising from these fast moving developments. Further, members recognized that the systemic crises are becoming unpredictable with increased globalization, and members expressed concerns over the shortcomings of international monetary and financial systems. It was acknowledged that the situation had raised the need for strengthening individual financial systems within SAARC countries through the development of institutional capacity and surveillance mechanisms among the members, with closer consultation and coordination on macroeconomic policies.



To address systemic issues, the enhancement of the collective capacity of SAARC members with respect to policy analysis was emphasized, focusing on international finance, monetary, trade and investments, and their domestic ramifications. The need for more efficient capacity building was stressed to support informed decision-making, and innovative collective intervention to safeguard South Asia's interests in international negotiations. Sri Lanka, being the Chair of SAARC, was requested to conduct consultations with member states for convening a meeting of a network of researchers comprising the private sector, central banks, planning ministries, research institutes, and eminent economists nominated by Governments. The purpose was to identify, analyze, and prepare SAARC countries for current global, financial, and economic developments affecting the region. Though it was not part of the 10th Summit Declaration, there was also a suggestion for setting up a network of SAARC central bank governors and finance secretaries.

Consequently, SAARCFINANCE was established on 9th September 1998, as a network of the governors of central banks and finance secretaries, focusing on regional cooperation in the economic and financial sectors. Its initial meeting was convened on 5th October 1998 in Washington DC, USA. This platform served as a Centre for conducting extensive dialogues and creating partnerships amongst the member countries, helped in defining its operational mechanisms, and synchronized the SAARCFINANCE activities across the member central banks. A guideline, defining the spectrum of its activities, was set in its inaugural meeting, which was expanded to strengthen the network's operational mechanism over time.

Accordingly, the Central Bank of Sri Lanka – Sri Lanka being the SAARC chair - convened a preliminary meeting of SAARC central bank governors and finance secretaries alongside the Annual Meetings of IMF-World Bank in Washington DC in 1998. Initially named SAARCFIN, this preliminary meeting was attended by the central bank governors and finance secretaries of Bangladesh, India, Nepal, Pakistan, and Sri Lanka.

The participants agreed on the frequency and venue of holding SAARCFINANCE meetings twice a year – concurrently with the IMF-World Bank Annual and Spring Meetings. The rotation of its chair was linked with the shift in the SAARC chair. It was also decided that each member would set up a country cell in their central banks, which will get the status of a rotating SAARCFINANCE Secretariat, in tandem with the SAARCFINANCE Chair.

1.2 SAARCFINANCE: the Early Years (1998-2002)

The initial years of SAARCFINANCE as a formal SAARC body served as a platform for information exchange, capacity building, identification of research areas, and extensive discussions on key economic and financial issues influencing the region. The emphasis was placed on capacity building of staff in the domains of central banking and public finance. As a result, under the SAARCFINANCE banner, several central banks exempted training fees, provided local hospitality and shouldered other administrative costs.

In 2002, a structured proposal outlining the terms of reference of SAARCFINANCE, including primary objectives and operational framework, was presented for ratification at the 11th Summit of the SAARC Head of States and Governments. This event not only obtained the endorsement of SAARC Heads of State but also legitimized its presence as a regional network of SAARC central bank governors and finance secretaries. At the same time, it achieved formal recognition as an official entity within the SAARC. The operational dynamics proposed for SAARCFINANCE were distinct from other SAARC sub-entities as it was conceived to function autonomously, conducting all its activities independently, without the intervention of the main Secretariat. This autonomy and significance were acknowledged at the 11th SAARC Summit in Kathmandu in January 2002, where SAARCFINANCE became a permanent body within SAARC.

1.3 SAARCFINANCE: Key Milestones

January 2002 marked the endorsement of SAARCFINANCE Terms of References (TORs), solidifying the operational structure of the network. A significant initiative was taken in 2006 with the mandatory publishing of a biannual e-Newsletter.

In July 2007, the SAARC Payments Initiative (SPI) was approved, and subsequently, on 28th March 2008, the inaugural meeting of the SAARC Payment Council (SPC) was held. In April 2010, the drive for enhanced communication and information sharing led to the nomination of Nodal Persons for the SAARCFINANCE Database and web folder. Later, in 2011, the SAARCFINANCE Website was launched.

In a paradigm shift, the decision to host the Regional Meetings of SAARC independently of the Spring Meetings of IMF/WB was taken on 25th September 2011. Subsequently, on 16th May 2012, it was decided to convene the Group's Meeting and Symposium concurrently with the ACU Board of Directors' Meeting. Moreover, the significant decision to announce Currency Swap Arrangements was taken this year. A few months later, in July 2012, the 1st Meeting of the SAARC Public Debt Managers was conducted, emphasizing the need for effective public debt management in the region. The SAARC Currency Swap Arrangement helped to provide a back-stop line of funding to address short-term forex liquidity needs or balance of payment needs.

Enhancements in the role of the network continued with the appointment of Alternate Coordinators at each Central Bank on 14th October 2012 and the inauguration of the 1st Informal Meeting of Senior Economists of SAARC Countries for experience sharing in June 2013. This meeting also saw the announcement of the SAARCFINANCE Scholarship Scheme and the appointment of a 'Focal Person' at the Finance Ministry of each member country. In the same year, the strategic decision to rotate the Secretariat and Chair annually in alphabetical order.

In June 2015, modalities for Collaborative Research Studies were crafted with the formulation of a draft roadmap, in October; outlining five crucial areas of regional cooperation and integration. Consequently, the 1st Meeting of the SAARC Collaborative

Researchers was held on 8th October 2015, showcasing the collaborative research, while in April 2016, in its 2nd Meeting, financial inclusion was brought into focus. The Roadmap for SAARCFINANCE for Regional Cooperation was finalized in September of this year. On 7th October 2016, it was decided to extend invitations to the central banks of Iran and Myanmar to SAARCFINANCE events as observers, expanding the reach and collaborative scope of the organization.

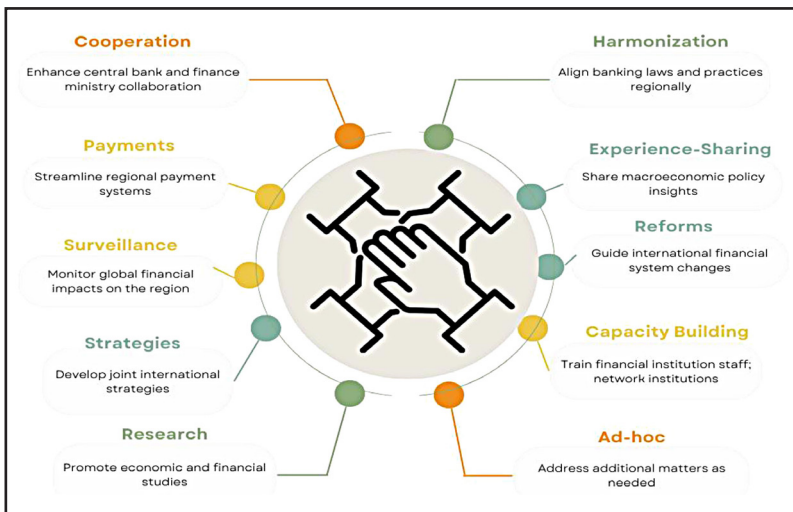
In recent years, there has been significant progress in the SAARCFINANCE network. Notably, during the challenging times of the Covid-19 pandemic, the network demonstrated adaptability and effectively responded to unprecedented challenges. This responsiveness was evident with the expansion of the SAARCFINANCE Scholarship Scheme in 2020. Later, in November 2021, the SAARCFINANCE Portal, the Directory of Retired Central Bank Officials, and the Financial Inclusion Platform were launched.

2. Key Objectives and Operational Structure of SAARCFINANCE

The key objectives and operational setup of SAARCFINANCE, as envisioned in the preliminary meeting of the network, have remained the same. However, it has evolved over the last 25 years.

2.1 Key Objectives of the SAARCFINANCE Network

2.2 Operational Structure



The network, over the last 25 years, has handled adequately the emerging challenges constraining its working and performance of activities. The amendments required in the ToRs of the network also got an endorsement from the SAARC body. Currently, the network is working with the following operational framework:

- **SAARCFINANCE Chair:** A governor from member SAARC central banks assumes the responsibility of holding the SAARCFINANCE chair for one year. During this period, the chairperson advances the agenda of the network with support from member central banks. The responsibilities of the SAARCFINANCE chair during the tenure include; a) holding agenda based meetings of the network; b) holding the SAARCFINANCE symposium; c) publishing a periodic e-Newsletter; d) Implementing the decisions of network meetings; e) facilitating the network activities; and f) assuming an overall responsibility of the network's affairs.
- **SAARCFINANCE Group Meeting:** The decision-making at SAARCFINANCE network takes place in the Group Meetings, which is a premier assembly of the central banks, and the finance secretaries. Two Group Meetings of the network take place in a year. Since the network operates in a spirit of cooperation, the decision-making at the forum takes place with a consensus of members.
- **SAARCFINANCE Chair's Rotation:** Before 2013, the rotation of SAARCFINANCE chair was linked with the rotation of SAARC's chair. However, delays in the rotation of the SAARC chair were creating an uneven period of holding the network chair, causing additional financial burden of the mandatory network activities on the host central bank. The rotation of the SAARCFINANCE chair was de-linked from that of the SAARC chair in the 7th Group Meeting held in Washington, D.C. in October 2013. Accordingly, the ToRs of the network were amended in the 35th Session of the SAARC Council of Ministers held in Maldives on 20th February 2014.
- **Venue for Group Meetings:** Historically, the two Group Meetings were held on the sidelines of IMF-World Bank meetings; the first alongside their spring meetings and the second with their annual meetings. This was decided in the hope of maximum participation of members without the additional cost of travel and logistics. However, the participation of members in the Group Meetings remained mostly thin, especially in meetings when conducted alongside the Spring meetings of IMF-World Bank.

In this perspective, in the 28th Group Meeting held on 24th July 2014, the venue for the first Group Meeting was moved to the region, while the second group meeting continues to be held on the sidelines of the annual IMF-World Bank meetings. The change in venue to the region allowed the participants to spend more time on discussing the agenda items in detail. Later on, the venue for this Meeting was linked with the Asian Clearing Union (ACU) Board of Directors meetings, in case it was hosted by the SAARC member.

After this decision, the first Group Meeting was hosted by Pakistan in 2013, when the State Bank of Pakistan held the chair of ACU. Notably, the ACU membership comprised both the SAARC and non-SAARC members. In case a non-SAARC central bank (e.g. Iran or Myanmar) holds the ACU chair, then the regional Group Meetings can be held in any volunteer member central bank, as the SAARCFINANCE network meetings can be held only within the SAARC region.

- **SAARCFINANCE Secretariat:** Unlike its parent body SAARC, the SAARCFINANCE network has no permanent Secretariat. However, every member central bank has established a country cell, which becomes the network's Secretariat during its turn as SAARCFINANCE chair. The permanent Secretariat was not established in view of the nature, magnitude, and paucity of tasks performed at the forum; the principle of equality, and the expectation that members in a chair may introduce innovative ideas was expected to work.
- **SAARCFINANCE Cells:** For smooth operations, each member central bank has set up a dedicated SAARCFINANCE cell within its Research Department. The coordinator from the chair-holding central bank oversees the year's agenda and network activities.

2.3 Special Initiatives and Meetings

A standout initiative was the establishment of the SAARC Public Debt Managers' Forum. This forum originated from a recommendation by the Inter-Governmental Expert Group and facilitates the exchange of knowledge and practices among debt managers across the SAARC region. Moreover, the creation of different working groups focusing on key areas such as Financial Inclusion (FI), the SAARCFINANCE Database (SFDB), and more recently, the Sustainable Finance Working Group, have significantly added depth and dimension to SAARCFINANCE's initiatives and engagements.

3. Achievements

The journey of the SAARCFINANCE has been marked by landmark achievements, pioneering efforts, and a collaborative spirit that binds the SAARC nations together.

3.1 Currency Swap Arrangement

On February 28, 2009, in the 31st Council of Ministers in Colombo, SAARCFINANCE sought to build a bilateral financial framework. The primary goal was to counteract short-term liquidity adversities and to work in tandem with the prevailing international economic structures.

Key Developments

- On May 16, 2012, in Pokhara, Nepal, the Swap Arrangement's introduction was officiated by the Governor of the Reserve Bank of India.

- A significant commitment ensued from India, earmarking US\$ 2 billion exclusively for the SAARC countries.
- The maiden agreement in this framework was formalized between India and Bhutan on March 8, 2013, channeling US\$ 100 million for three years.

Beyond fostering economic cooperation within the SAARC countries, this arrangement sets the stage for an upsurge in intra-regional trade. It aligned with the broader vision of uplifting the collective socio-economic status of member countries.

Purpose of Currency Swap Arrangement

- **Liquidity Assurance:** this arrangement grants member countries timely access to foreign currency reserves during FX liquidity crunches. The pre-emptive measure is crucial to uphold the seamless flow of trade and investment across member nations.
- **Stabilization of Exchange Rates:** the swap arrangements aimed at mitigating exchange rate volatility and helping in fostering an environment of stability and predictability for international transactions.
- **Term Structure:** The essence of these agreements revolves around their short-term nature. They are designed to address immediate fiscal needs but do not replace long-term foreign exchange requirements. Bhutan, Maldives, and Sri Lanka have so far benefitted from this SWAP arrangement.
- **Modes of Engagement:** Countries within the SAARCFINANCE framework can engage in bilateral or multilateral swap arrangements, as per the requirement of individual and collective financial needs.

3.2 Digital Payment Systems

The journey towards establishing a cohesive regional payment system within the SAARC bloc took a definitive turn at the SAARCFINANCE conference held in Colombo convened by the Central Bank of Sri Lanka (CBSL) in July 2007. Recognizing the need for a robust and standardized payment and settlement mechanism, the conference laid the foundation of the SAARC Payment Initiative (SPI).

The Governors of the SAARCFINANCE approved proposal of setting up of the SPI in October 2007. This approval rapidly translated into action, culminating in the operational launch of the SAARC Payment Council (SPC), the apex body responsible for policy making. The first meeting of the SPC held on 28th March 2008 at the CBSL. The mandate of the SPI is to strengthen the existing payment and settlement systems (PSS) in the SAARC region as well as facilitate an efficient, robust, stable and convergent PSS for SAARC region, that benchmarks with international standards.

As the central forum for SAARC countries in this domain, the SPC's role has been instrumental in shaping the trajectory of PSS reforms. Its responsibilities are two-pronged: charting a strategic course and driving the roadmap for PSS reforms tailored to the unique needs of each member nation. The governance and administrative structure of the SPC has a rotational model. Since inception of SPC (March 2008), CBSL was holding secretariat for more than three years which was then transferred to State Bank of Pakistan. The rotation of the secretarial duties among member countries has ensured a diversified leadership and operational style. At the 20th SAARC Payment Council meeting held in 2021, the SPC's secretariat shifted from RBI to Bangladesh Bank and the later still holds the Secretariat till date.

Building upon the facility of the SAARC Payment Council (SPC), cross-border remittance payments within the member nations became the subject of discussion. To this end, the 20th SPC meeting empowered member nations to initiate a thorough self-assessment of their payment system infrastructures. The ultimate objective was to build a harmonized payment system across the SAARC expanse.

In pursuit of this overarching vision, a specialized working group was formed with select officials from each member. This group convened its meeting on 14th December 2021, marking the beginning of quest for a harmonized payment system. Parallel to these efforts, an appraisal of the regional Payment and Settlement Systems (PSS) was developed to gauge the existing landscape of PSS within members. This led to the formulation of a Risk Mitigation Matrix, based on the focal point of discussions during the meeting in March 2022. Bangladesh Bank, as the secretariat for the year, pioneered the development of a risk matrix aligned with the Principles of Financial Market Infrastructure (PFMI).

Moreover, as a testament to the sustained commitment to transparency and information dissemination, the SPC website, hosted by the Reserve Bank of India, remains a dynamic repository. Regular updates ensure that stakeholders remain apprised of the latest developments, reinforcing the ethos of collaboration and shared vision that the SPC embodies.

3.3 Scholarship Scheme's Evolution

Within the 25-year legacy of the SAARCFINANCE Network, establishing the SAARCFINANCE Scholarship Scheme for Higher Studies by the Reserve Bank of India (RBI) in 2013 represents a significant juncture. The initiative was conceived to fortify the research capabilities of officials from central banks and finance ministries across the SAARC member countries.

Origins and Strategic Rationale

From the earliest days of its establishment, SAARCFINANCE set to build and strengthen collaborative bridges among the SAARC nations, as manifested in

underpinning the organization's objectives.

One of the important initiatives is to facilitate the exchange of economic insights and knowledge. By curating platforms for dialogue, SAARCFINANCE has enabled the dissemination of financial data, policy insights, and research findings across its member states. This initiative has promoted a culture of mutual learning and adaptation, allowing member countries to align their policies and strategies in the light of shared knowledge.

In policymaking, SAARCFINANCE has supported a collective approach; encouraging member states to participate in collaborative dialogues. This has resulted in policy frameworks drawn from the collective experience and expertise of the region.

Human capital development has been another significant focus for SAARCFINANCE. Recognizing the role of skilled officials in shaping and steering economic growth, the institution has been a proponent of staff exchanges across member nations. These exchanges have served as conduits for knowledge transfer and fostered a sense of unity, and shared purpose among officials from different member states. SAARCFINANCE's commitment to continuous learning and skill development is further supported by specialized training programs. The institution has ensured that the SAARC region remains agile and responsive to global economic shifts by equipping its member nations' officials with contemporary tools and insights.

The introduction of the SAARCFINANCE Scholarship Scheme was a strategic response to this identified gap. The scheme was designed to support a select number of officials with full-time Ph.D. scholarships in Economics for a tenure of four years. Given the complexities and unpredictability associated with academic endeavors, provisions were made to permit an extension of these scholarships by up to six months in some instances.

Scheme Expansion and Enhancement

The year 2020 marked a transformative phase in the scholarship scheme's journey. Following an in-depth evaluation of its impact, success, and the evolving academic and research needs of the SAARC region, the RBI decided to expand the scheme's parameters. The expansion encompassed a broader selection of courses, the inclusion of additional recognized academic institutions, an augmentation in the annual allocation of scholarships, and an increment in the financial support provided to each scholar.

Notable Achievements and Outcomes

Reflecting upon the 25-year trajectory of SAARCFINANCE, the Scholarship Scheme stands out as a noteworthy component, illustrating the network's vision, adaptability, and dedication to promoting regional economic collaboration and development. The scheme's continued growth and successful outcomes indicate SAARCFINANCE's ongoing commitment to elevating the quality and capacity of economic research and policymaking within the SAARC region.

3.4 Collaborative Research and Technical Assistance:

Collaborative studies¹ are integral to knowledge dissemination and capacity enhancement within the SAARCFINANCE framework. Over the years, member nations have engaged in concerted research initiatives, focusing on prevalent issues within the region. A number of studies stand out for their contribution toward achieving the forum's key objectives. The SAARCFINANCE network organizes collaborative research meetings with the SAARCFINANCE Governor's Meetings and Symposiums to bolster these efforts. An enduring facet of this cooperation has been the continuous exchange of information and data. A robust catalog of publications and policy documents is circulated regularly, ensuring harmonized understanding across member nations.

Shared Commitment to Address Economic Peculiarities: The SAARCFINANCE community rallied to formulate strategies in response to unique economic challenges. Recognizing the distinct challenges faced by Da Afghanistan Bank in its dollarized economy, collaborative solutions were devised to initiate a pathway towards de-dollarization.

Explorations in Regulatory Frameworks: SAARCFINANCE has emphasized enhancing financial sector regulatory regimes to solidify its foundation across the SAARC nations. The platform proactively initiated research to fortify and harmonize the regulatory landscape. In this context, the Central Bank of Sri Lanka conducted a detailed study comparing the financial sector regulatory regimes across member countries, providing valuable insights for further enhancements.

Workshops and Dialogues: SAARCFINANCE has been instrumental in facilitating a series of workshops² and dialogues addressing varied issues. Topics have spanned from managing workers' remittances, facilitated by Nepal Rastra Bank, to the specialized dialogue on 'Off-site Surveillance' convened by the RBI. Additionally, governance structures, foreign exchange management, and regional growth perspectives, notably through initiatives in 2008 by the Bangladesh Bank and the Central Bank of Sri Lanka, have further enriched the discourse on regional financial practices.

Focused Collaborative Research: SAARCFINANCE has commissioned studies that transcend diverse financial dimensions. Central to these endeavors has been the evaluation of digital currency avenues, the impact of capital and remittance flows, and financial stability measures.

3.5 SAARCFINANCE Seminars: Addressing Critical Issues and Facilitating Cooperation

Over the years, SAARCFINANCE has been instrumental in tackling the financial and economic challenges faced by member nations. By exploring pertinent themes and key areas, SAARCFINANCE has facilitated knowledge exchange, fostered collaboration, and

¹Detailed list of research studies can be found in Appendix 1.

²Detailed list of all workshops and seminars can be found in Appendix 2.

ensured that the region remains less affected by global uncertainties. So far around 62 seminars have been staged under its aegis.

- **Addressing Global Challenges:** In response to unprecedented global events, the themes chosen often reflected the current economic situation. For instance, exploring the “Impact of Global Financial Crisis and Recession on the SAARC Region” apprised the member nations with insights and strategies to mitigate the adverse effects of the 2008 financial meltdown. Similarly, evaluating “COVID-19 Pandemic in the SAARC Countries: Policy Responses and its Impact” allowed member nations to share best practices and learn from each other’s experiences.
- **Embracing Technological Evolution:** In an era of rapid digital transformation, themes like “E-Commerce” and “Artificial Intelligence and Central Banking” highlighted the significance of staying abreast with technological advancements. By focusing on these subjects, SAARCFINANCE paved the way for member nations to harness the potential of digital solutions, fostering economic growth and enhancing the quality of financial services.
- **Promoting Financial Inclusion:** Financial inclusion has been a cornerstone of SAARCFINANCE’s focus. By discussing themes such as “Micro Credit Operations” and “Financial Inclusion: The Role of Central Banks,” the platform has underscored the importance of expanding financial services to the underserved. These discussions have been pivotal in enhancing microfinance initiatives and leveraging fintech to democratize regional financial access.
- **Strengthening Monetary and Financial Systems:** A stable economic environment is paramount for the prosperity of the SAARC region. By exploring subjects like “Issues in Exchange Rate Management,” “Monetary Policy Framework,” and “Risk Management Framework for Banks,” SAARC Finance has facilitated the exchange of strategies and approaches to stabilize currencies, optimize monetary policies, and ensure the robustness of financial institutions.
- **Enhancing Data-Driven Decision Making:** Recognizing the importance of evidence-based policymaking, the discussion on “Developing a SAARCFINANCE

Regional Statistical Database,” emphasized on improving database that will empower member nations to make informed decisions and will help in optimizing economic outcomes.

Future-Proofing and Crisis Management: Anticipating challenges and crafting proactive strategies has been a hallmark of SAARCFINANCE. Whether addressing the “Year 2000 (Y2K) Problem” or deliberating the implications of oil price shocks on

South Asian economies, the platform has consistently ensured that member nations are equipped to navigate potential pitfalls.

Upholding Governance and Best Practices: The SAARCFINANCE meeting has a recurring emphasis on the ethical standards, governance, and best practices. Topics such as “Corporate Governance in Banks and Financial Institutions” have emphasized the importance of transparency, accountability, and effective oversight, ensuring that the financial sector across SAARC nations remains robust and trustworthy.

3.6 Development and Enhancement of the SAARC Database

The idea of a consolidated SAARC Database germinated from the understanding that research plays a pivotal role in shaping economic policies and strategies, especially in a region as diverse and interlinked as SAARC. With each country possessing a unique socio-economic landscape, it became imperative to have a unified platform to offer a comprehensive view of the region’s multifaceted economic indicators. Such a platform would streamline research endeavors and amplify their depth and relevance by providing a holistic perspective.

While the idea was universally acknowledged, its initiation and development were open for discussion. The Maldives, demonstrating a forward-thinking approach, initiated efforts towards creating such a database. Their vision and drive caught the attention of other member nations. Recognizing the potential benefits, the State Bank of Pakistan also expressed keen interest in participating in this transformative project.

Yet, as deliberations progressed, it became clear that the foundation for such a platform was already present in India. Given India’s robust technological infrastructure and experience managing extensive databases, it was collectively decided that the Reserve Bank of India (RBI) would be the most suited entity to host and develop the platform. This decision not only ensured the rapid development of the database but also guaranteed its scalability and reliability. The following phases of development and enhancement further solidified the SAARC Database’s reputation as a cornerstone for regional research and economic analysis.

The RBI developed SAARCFINANCE Database (SFDB) in 2016 with an objective of providing a comprehensive time-series database of macroeconomic indicators for SAARC countries to disseminate information and facilitate research. The database has been updating regularly by RBI. Recognizing the importance of data accuracy, consistency, and reliability, the RBI instituted a comprehensive audit mechanism in 2021. These audits, executed quarterly delved into the SFDB’s data structures to underscore standardization requirements, discern data discrepancies, and identify avenues to refine the data quality.

Given the multi-country data’s complexity and intricate nature, bilateral meetings were organized. These gatherings, focusing on fostering collaboration, saw technical teams from the RBI and their counterparts in member countries addressing pivotal challenges such as

data reporting, data gaps, and the resolution of definitional ambiguities. These meetings resulted in the constructive evolution of the SFDB, wherein its spectrum was broadened to include new variables pertinent to the dynamic regional economic landscape.

To further enhance the database's utility, accuracy, and relevance, the SFDB Working Group, under the aegis of the RBI, convened a series of meetings and seminars. These platforms facilitated discussions on fine-tuning the database and sought to enhance its visibility and usability among the stakeholders.

The seventh SFDB Seminar and Working Group meeting hosted virtually by the Bangladesh Bank (BB) in June 2021. The session revolved around the theme of "COVID-19 Pandemic in SAARC Countries: Policy Responses and its Impact", striking a chord with the region's unprecedented challenges.

A salient feature of the seminar was the presentation of country-specific papers that resonated with the overarching theme. These analytical studies provided important insights, shaping the collective understanding of the pandemic's impact on SAARC nations.

In a dedicated technical session with SFDB Working Group members and various SAARC central bank officials the RBI delineated the nuances of the "Implementation of Data Reporting Portal in the Centralized Information Management System (CIMS)," highlighting the advancements in data collation and dissemination. Constructive dialogues ensued, wherein member countries shared their experiences, challenges, and perspectives on data reporting and associated technical dimensions. The SFDB's current status encompasses a robust range of data points, boasting 194 annual variables, 96 quarterly variables, and 65 monthly variables.

The SAARCFINANCE Sync Portal

The SAARCFINANCE Sync portal, a closed-group secure communication network between SAARC central bank officials, was developed by RBI³ and inaugurated in November, 2020, by Governor, RBI, at the 40th Governors' Group Meeting. The portal is not open to the public and is used by only the SAARC central banks.



This portal is used for communication of various events, and initiatives, and repository to help build the institutional memory for these initiatives. The tagline of the portal, "regional mission meets the global vision," reflects its philosophy. This shared vision is reflected in the logo, symbolizing collective learning around core public service values.

³Reserve Bank of India team of Regional Financial Arrangements Division, International Department, consisting, Ms. Smita Sharma, Director; Mr. Maulik Shengal, Manager, International Department, Ms. Aparna Vakil, Assistant Manager and Ms. Eesha Bilolikar, Assistant.

The SAARCFINANCE Sync is more than just a communication portal – it is a tool for deepening ties between central banks by fostering collaboration and capacity building, encouraging research and innovation, and providing real-time economic intelligence.

The Sync Portal covers various SAARCFINANCE activities like Governors’ Group Meetings and Symposium, Coordinators Meetings, Seminar, Database Working Group Meetings, etc. It also tracks multiple initiatives such as capacity building, currency swap facility, cooperation roadmap, etc.

The resources hub on Sync Portal hosts three important SAARCFINANCE initiatives: Financial Inclusion Platform, Retired Officers Directory, and Capacity Building Programmes. The section ‘Research Area’ will allow free and open real-time communication through discussion forums, with a chat facility and sharing of documents and data. The Resource Hub is the centre of the central banking information pool.

3.7 Capacity Building and Training:

One of the principal objectives of SAARCFINANCE has been fostering mutual cooperation among the central banks and finance ministries across SAARC member countries. This manifests in their proactive approach towards promoting staff visits and facilitating the regular exchange of critical information.

SAARCFINANCE’s commits to enhancing the capabilities of officials from member countries. The forum champions staff exchange programs. These initiatives are designed to create an ecosystem where officials can freely learn and adapt best practices from their counterparts across borders. Whether it’s delving into the intricacies of risk-based supervision, mastering the nuances of human resource management, or understanding the mechanics of forward marketing arrangements for agricultural products, these exchange programs cover an expansive range of subjects.

Beyond just exchange programs, SAARCFINANCE has been instrumental in shaping academic and professional trajectories of officials through its scholarship scheme. This initiative invites officials from member countries to pursue postgraduate degrees in fields pivotal to central banking and finance. Such endeavors have not only strengthened the individual competencies of these professionals but have also contributed to creating a more interconnected and informed SAARC financial community.

The significance of these exchanges was underscored during the maiden SAARCFINANCE Governor’s Meeting. The consensus among Governors and Secretaries highlighted the need for and benefits of official exchanges between Central Banks and Finance Ministries.

While the spirit of these programs is collaborative, the host nations absorb the hospitality expenses, while the travel costs are taken care of by the institutions of the visiting officials. However, flexibility remains a hallmark, with the specifics of cost-sharing determined based on mutual agreement.

SAARCFINANCE's Staff Exchange Program has seen widespread participation over the years. An illustrative example is Pakistan's proactive role in this initiative. Pakistan has graciously hosted several officers from member countries and, in reciprocity, has sent its officials for enriching stints to institutions such as the Central Bank of Sri Lanka and the Reserve Bank of India.

3.8 Financial Inclusion:

RBI launched the SAARCFINANCE Financial Inclusion (FI) platform during the 40th SAARCFINANCE Group Meeting on November 4, 2020. The initiative to have a common platform for sharing experiences and knowledge on financial inclusion was proposed by the Royal Monetary Authority of Bhutan (RMAB) during the chairpersonship in 2019.

The proposal was operationalized by the RBI in 2020 to create a web-based platform updated regularly by all the members.

The platform, hosted on the SAARCFINANCE Sync portal, is a repository of initiatives taken by SAARC central banks to promote financial inclusion and literacy. The strategy papers, policy documents, financial literacy material, Standard Operating Procedures (SOPs) for conducting outreach programs, and research papers are accessible to the officers of the operational departments of SAARC central banks to facilitate policymakers through shared experiences and initiatives.

SAARCFINANCE Directory of Retired Officials

Since the inception of the SAARCFINANCE Network in September 1998, the regional Network has fostered greater cooperation to support institutional capacity and technical support within SAARC Central Banks.

During the 29th SAARCFINANCE Coordinators Meeting held at Paro, Bhutan, on March 22, 2019, RMAB proposed an idea to tap into the expertise and experience of retired officials from central banks in the region to fill the human resource gap prevalent in SAARC central banks. The idea was to identify a pool of experts and retired officials for consultancy by other central banks. Accordingly, a framework for recruitment of the former officials of the SAARC central banks was drafted by the RMAB and finalized by RBI in June 2020.

Under this Framework, each central bank will invite interest from its retired experts and select the candidates with the broad area in which the expertise can be offered, along with brief bios of the candidates. The directory of available retired experts from the SAARC Central Banks is updated periodically. The first directory of retired officials was launched on the SAARCFINANCE Sync portal by Governor, RBI, during the 40th SAARCFINANCE Governors' Group Meeting on November 4, 2020.

4. Outlook for SAARCFINANCE: Bridging Borders for a Unified Financial Future

As SAARCFINANCE marks its 25th anniversary, its future orientation is characterized by an emphasis on enhanced payment systems, deeper regional cooperation, and a commitment to sustainable finance. These areas are key to its strategic direction and are expected to shape the trajectory of financial collaboration and growth within the South Asian region.

4.1 Payment Systems

A key focus area for SAARCFINANCE is the development and integration of advanced payment systems. The platform can aim to modernize and streamline cross-border transactions within the SAARC region, fostering an environment where financial exchanges are not only efficient and secure but also cost-effective.

The adoption of innovative payment technologies is crucial in facilitating seamless financial interactions, and reducing the time and expense associated with cross-border monetary flows.

4.2 Regional Cooperation

Enhancing regional cooperation is at the core of SAARCFINANCE's future strategy. This involves fostering a collaborative framework among member nations, aimed at harmonizing financial policies and regulations. Such cooperation is essential for addressing regional economic challenges and maximizing collective growth opportunities.

Efforts in this direction include joint initiatives for financial market development, policy dialogues to align economic strategies, and collaborative approaches to manage regional economic crises. This cooperative model is designed to use the collective strengths of member nations, promoting financial stability and growth in the region.

4.3 Sustainable Finance

Commitment to sustainable finance is another strategic focus for SAARCFINANCE. Moving forward, the network can focus on promoting financial practices and investments that are not only economically viable but also environmentally responsible.

The network is set to play a critical role in advancing green finance initiatives, and supporting projects that contribute to sustainable development and climate change mitigation. SAARCFINANCE's approach to sustainable finance encompasses developing frameworks for environmental risk assessment in financial decision-making, mobilizing resources for green projects, and advocating for policies that align financial activities with sustainable development goals.

The focus on sustainable finance reflects a recognition of the pressing need to balance economic growth with ecological preservation.

Appendix

Appendix 1

List of Research/ Collaborated Studies*			
Sr. No.	Study Title	Lead CB	Time
1	Strengthening of Financial Institutions	Joint Study	1999
2	Regional Currency Arrangement	Joint Study	1999
3	The Feasibility of Using National Currencies in SAARC Trade	Joint Study	2000
4	Financial Sector Assessment	Joint Study	2002
5	Oil Price Hike: Implications for SAARC Countries	Joint Study	2004
6	Conduct of Monetary Policy and Management of Capital Flows	Joint Study	2004
7	Sovereign Wealth Fund for India: Delineating Issues and Options from International Experience	Joint Study	2008
8	South Asia's Recent Growth and Future Prospects	Joint Study	2008
9	Global Events and Economic Growth	Joint Study	2009
10	Trade in South Asian Region	Joint Study	2009
11	Monetary Policy framework in the SAARC Region	Joint Study	2009
12	Regulation and Supervision of Microfinance Institutions	Joint Study	2013
13	Managing Capital Flows and Remittances in the SAARC Region for Safeguarding Financial Stability	Joint Study	2016
14	Promoting Financial Inclusion in the SAARC Region	Bangladesh	2017
15	Infrastructure Financing in the SAARC Region	India	2018
16	Reducing the Cost of Cross-border Remittances among SAARC Countries	Bangladesh	2019
17	Fin tech and Financial Inclusion	India	2020
18			
19			
20	Comparison of Financial Sector Regulatory Regimes in the SAARC regions	Sri Lanka	2021
21	Prospects of Central Bank Digital Currency (CBDC) in the SAARC Region	Nepal	2023
22	Unconventional Monetary Policy in SAARC Member Countries	Pakistan	2023
*Note: Prior to 2016 all studies were joint studies. The collaborative studies were put under a Defined structure after 2016.			
While only the lead central bank is mentioned here, each study has been contributed to by all the member central banks.			

Appendix 2

SAARCFINANCE Conferences, Seminars and Governors' Symposium*			
Sr. No.	Host	Theme	Date
1	Bangladesh	Impact of Global Financial Crisis and Recession on the SAARC Region	1999
2	India	Supervision of Financial Institutions	1999
3	India	E-Commerce	1999
4	Sri Lanka	The Year 2000 (Y2K) Problem and Regional Cooperation for Business Community in the Banking Sector	1999
5	Sri Lanka	Year 2000 Problem and Regional Cooperation for Business Continuity in the Banking Sector	1999
6	Nepal	Issues in Exchange Rate Management	2001
7	Bangladesh	Micro Credit Operations	2002
8	Pakistan	Financial Sector assessment	2002
9	Sri Lanka	Issues in External Sector Management	2002
10	Nepal	Promoting Financial Stability: The Role of Central Banks	2004
11	Nepal	Central Bank and Promotion of Financial Stability	2004
12	Nepal	The Feasibility of Using National Currencies in SAARC Trade	2005
13	Pakistan	Conduct of Monetary Policy and the Management of Capital Flows	2005
14	Sri Lanka	Combating Pyramid Schemes	2005
15	Nepal	Human Resource Management	2006
16	Pakistan	Small and Medium Enterprise (SME) Finance	2006
17	Sri Lanka	Oil Price Shock and its Implications on South Asian Economies	2006
18	Bangladesh	SAARCFINANCE Governors' Symposium on Microcredit	2006
19	Nepal	Foreign Remittance Management	2007
20	Sri Lanka	Payment Systems	2007
21	Sri Lanka	Towards a Regional Payment Group	2007
22	Bangladesh	Corporate Governance in Banks and Financial Institutions in SAARC Countries	2008
23	India	Workshop on Off-site Surveillance	2008
24	Maldives	Implementation of BASEL-II	2008
25	Pakistan	Basel -II Implementation in South Asia	2008
26	Pakistan	Significance of Central Bank Independence in a Developing Country	2008
27	Sri Lanka	South Asia's Recent Growth and Future Prospects	2008

SAARCFINANCE Conferences and Seminars*			
Sr. No.	Host	Theme	Date
28	Sri Lanka	Basel-II Implementation in South Asia	2008
29	Sri Lanka	Foreign Exchange Reserve Management	2008
30	Sri Lanka	Regional Economic and Financial Monitoring in South Asia	2009
31	Bangladesh	SAARCFINANCE Governors' Symposium on Food Security: The Role of Central Bank in SAARC Region	2009
32	Pakistan	Global Financial Crisis-Implications and Policy Responses of SAARC Countries	2010
33	Bangladesh	Financial Inclusion: The Role of Central Banks in SAARC Region	2011
34	Nepal	Targeted Credit Program in the SAARC Region	2011
35	Pakistan	Basel-II Enhancement and policy Response in SAARC Countries	2011
36	India	Improvement of SAARCFINANCE Web Folder	2012
37	Pakistan	Monetary Policy Frame work in SAARC Countries	2012
38	Bangladesh	Improvement of SAARCFINANCE e-News letter and Development of SAARCFINANCE Scholarship Scheme	2013
39	Nepal	Regulation and Supervision of Microfinance Institutions	2013
40	Sri Lanka	Capital Market development	2013
41	Bangladesh	Management of External Sector Openness—South Asian Country Experiences	2014
42	India	Developing a SAARCFINANCE Regional Statistical Database	2014
43	Nepal	Payment & Settlement Systems in SAARC Region	2014
44	Pakistan	Risk Management Frame work for Banks	2014
45	Pakistan	Financial Consumer Protection in Banks: The SAARC Perspective	2014
46	Sri Lanka	Reaping the Mutual Benefits through Inter-regional Investment of Reserves	2014
47	India	SF Database Meeting	2014
48	India	Internal Audit and Enterprise Risk Management in Central Banks of SAARC Countries	2015
49	India	SF Database Meeting	2015
50	Bangladesh	SAARCFINANCE Governors' Symposium on Financial Inclusion	2015

SAARCFINANCE Conferences and Seminars*			
Sr. No.	Host	Theme	Date
51	Bangladesh	Impact of Mobile Financial Services in the SAARC Region.	2016
52	India	Banking in the SAARC Region	2017
53	Nepal	Macro Prudential Policies in the SAARC Countries	2017
54	Pakistan	Digital Financial Services	2018
55	India	SAARCFINANCE Database Seminar	2018
56	Bangladesh	The Strategies of Lending for Priority Finance in the SAARC Region	2019
57	Nepal	SAARCFINANCE Database Seminar	2019
58	Pakistan	Internal Audit: Emerging Challenges and Effective Practices in Central Banks	2019
59	Nepal	Financial Inclusion	2020
60	India	Leveraging Fin Tech for Financial Inclusion: Opportunities and Challenges	2020
61	India	Artificial Intelligence and Central Banking	2020
62	Pakistan	Economic Modeling and Forecasting	2021
63	Bangladesh	Database Webinar on COVID-19 Pandemic in the SAARC Countries: Policy Responses and its Impact	2021
64	Maldives	Database Seminar on Use of High-Frequency Indicators by Central Banks: Experience and Plans Going Forward	2022
65	India	Inflation Dynamics and its control in South Asia	2022

* Note: Information is arranged year-wise.