Bank for International Settlements (BIS) Closing Dinner
Shanghai, 29 February 2016

Dinner Address by

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

Thank you Jens Weidmann for your kind words. Governor Zhou of the People's Bank of China, our gracious host for our meetings here in this magnificent city of Shanghai, and ladies and gentlemen, it is my honour to be invited to speak tonight at this distinguished gathering of Governors. In my 35 years as a career Central Banker, it has been my privilege to have been associated with the BIS for 20 of those years. The BIS had in the mid-1990s initiated a move to have a greater interface with the emerging world. This translated into an expansion of the membership of the BIS in 1996 and then again in 1999 and 2003, when several Central Banks in emerging Asia became members of the BIS. Today, almost half the membership of the BIS is from the emerging world.

This initiative by the BIS under the leadership of the late Sir Andrew Crockett has proven to be highly prescient given the growth of the emerging world in significance and influence in the global economy. The BIS has evolved to become an international organisation that is truly global. The BIS has not only focussed on the important issues of financial stability emanating from financial systems of the developed world but has also surfaced the issues that are important to the emerging world. Most important is the engagement and the opportunity provided for the emerging world to have a voice on the issues that have fundamental implications on us and on the broader global community. Jaime Caruana and the Board of the BIS, thank you for this.

It was in 1995 when I was first invited to participate in a BIS roundtable meeting and the topic then was on capital flows. Today, twenty years hence, this is still a hot topic and remains an unresolved issue as the world continues to witness massive shifts in funds across borders. Indeed, such financial flows are having serious repercussions on financial markets, notably on the money and foreign exchange markets, the capital markets and other asset markets across the world. In addressing such challenges and the many others that confront Central Banks, we have benefitted immensely from the work by the BIS. Not only has the BIS always flagged the issues important to Central Banks through its many excellent reports, research works, background notes which have always been of the highest quality and of great benefit to the Central Bank community but the BIS has also had a pivotal role in providing a platform that facilitates and strengthens engagement and cooperation among Central Banks. My own development has benefitted from the experience with the BIS including its highly prolific Asian office. It was also my privilege to be perhaps the longest serving member of the governance group at the BIS. The knowledge gained from this certainly benefitted the series of organisational transformation we undertook at Bank Negara Malaysia to enhance our organisational effectiveness.

As this BIS meeting is taking place in Asia, allow me to take the opportunity to say something about our region. While Asia has not been immune to the turbulence and the upheavals taking place in the different parts of the world, the region has been able to rise to the challenge and each time has demonstrated the ability to experience a swift rebound. Factors that have contributed to this resilience is not so much what we have done in response to the developments but it is what we have done previously that prepared us to weather these developments. These factors in varying degrees have included undertaking rebalancing and structural adjustments of our economies, economic and financial reforms, the development of our financial systems, pursuing greater fiscal discipline, building a

more extensive policy tool kits, building buffers during the good times and advancing regional integration and cooperation.

For most of the region, following these efforts, our more diversified economies have become less vulnerable to economic shocks, our more diversified and developed financial systems have been better able to absorb and intermediate the financial turmoil and turbulence, while the financial reforms have also increased our flexibility and produced better price and exchange rate adjustments. Those with sound macroeconomic fundamentals including more sustainable fiscal positions also had the policy space to manage the implications of these challenging developments. Thus, despite our vulnerability to setbacks, these factors prepared the ground for Asia to be positioned for a rebound to a more sustainable growth.

Allow me to take this opportunity to also say something about China, the host country for our meetings. Let me first of all thank the PBOC and in particular, Governor Zhou for the very warm hospitality that has been extended to us. China has always recognised its important role in the region. With its ascension to the WTO in 2001, the increase in intra-regional trade has been an important catalyst in driving growth in the Asian region. For many of us, China has become our largest trading partner. This trend is reinforced by the two-way foreign direct investment flows in the region. The use of the Renminbi to settle these trade and investment flows is a further factor that facilitates and strengthens these trade and investment flows.

In the area of Central Bank cooperation, the PBOC has actively participated in all our regional groupings including that for the ASEAN economies. For Malaysia, this cooperation has manifested itself in many ways. The one event that I will always vividly remember is the one on 21 July 2005 at 7 o'clock in the evening when both China and Malaysia transitioned to a flexible exchange rate regime. For Malaysia, we had seven years earlier fixed our exchange rate during the height of the Asian financial crisis. Our transition into the flexible regime with China allowed for us to achieve it without being destabilised by the financial markets. Bank Negara Malaysia also became one of the first Asian Central Banks to be accorded the QFII status in 2009 as we took steps to diversify our reserves into Chinese and other Asian denominated papers. While China in the current environment is being confronted with challenges as it addresses its areas of vulnerabilities and as it takes steps to rebalance and reform its economy and financial system, it is these very actions that will provide the ground for a more sustainable China that will in turn become a source of stability for the region and for the global economy.

Looking ahead, there is much to be done by all of us. I have said that the business of Central Banking is an unfinished business. In view of the highly dynamic environment, there will always be new challenges on the horizon. For Asia, it is the future challenges that we now need to be concerned with. And it is what we do now that will prepare the ground for us for the future. There has been too much focus on the present. In Asia, while we have successfully prepared ourselves for the current environment, we now need to prepare ourselves for the future. Among the future challenges that are likely to confront Asia is whether our prevailing growth model is sustainable given the consequences from erosion of our demographic advantage, the rising indebtedness, the rising cost of living in an apparent period of low inflation, the need to meet the massive infrastructure requirements and the need to address rising income disparities and environmental challenges.

What then are the ways in which economic management can prepare us for the future? This will involve policies and reforms that will reduce leverage, that will address widening income disparities, that will effectively manage infrastructure development and urbanisation, that will accord environmental sustainability and finally that will accord importance to governance, accountability and integrity in the implementation and execution of the many endeavours to achieve sustainable advancement.

For most Central Banks in the emerging world, our mandate is broader. Most certainly we are expected to have a role in contributing to addressing many of these challenges both directly and indirectly. Most of all, not only do we have a voice but we also provide support to addressing many of these issues, whether it is on financial inclusion, financing of infrastructure or putting in place financial and social safety nets or on environmental sustainability. As much of these efforts will involve interface with other parts of the public sector, it has been my experience that the participation of the Central Bank in many of these agendas will require careful boundary management and a signing off when it is completed so that it does not remain permanently with the Central Bank. Of great importance in this process is also to carefully safeguard the independence of the Central Bank.

In conclusion, let me express my deep gratitude and appreciation to my fellow governors for all the cooperation and support that has been extended to me and to Bank Negara Malaysia. For the friendship and for the collaboration, it has truly been enriching for me. And to the BIS, thank you for this privilege to be part of the Central Bank community.

"Mobilising ASEAN: Building the Future Through Partnership"
Wharton Global Forum
Kuala Lumpur, 11 March 2016

Keynote Address by

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
Governor, Bank Negara Malaysia

It is my very great pleasure to welcome you to Kuala Lumpur, Malaysia for the Wharton Global Forum 2016. Over the years, the Wharton community has recognised the potential of the ASEAN region as a growing force in the global economy. Indeed, in the recent five years, Malaysia is the third country in ASEAN to host this Global Forum (Bangkok in 2015 and Jakarta in 2012) and while central bankers have been a recurring feature at the Wharton Forum, I do however believe that this is possibly the first time a Central Bank is the venue and host of the Wharton Global Forum. We are really delighted to have this opportunity to be the host for this year's Wharton Forum.

I am particularly pleased to welcome you to Sasana Kijang, our Central Bank's centre of excellence for learning and international cooperation. Indeed, the word 'Sasana' is a Sanskrit word that means a meeting place. The building Sasana Kijang which opened its doors in 2011 was envisioned to be a global meeting place for learning, international knowledge exchange, collaboration and cooperation. Today, it has evolved to become a truly global meeting place for thought leadership and collaboration, with the presence of several international organisations in the building and a venue for regional and international meetings. Being a Central Bank, our goal is to ultimately enhance our knowledge and capability to better enable us to serve society. This is not unlike Joseph Wharton's vision for the Wharton School to produce graduates who would become, what he referred to as, "pillars of the state, whether in private or in public life."

The Collective Strength of the ASEAN Region

Turning to the theme of this Global Forum – "Mobilising ASEAN: Building the Future through Partnership." Founded almost half a century ago, ASEAN is currently one of the fastest-growing and most dynamic regions in the world. While at different stages of economic development, the ten economies of ASEAN all have immense growth potential. The region has experienced a long-term average annual growth of more than 5%, much higher than the global average, and this is expected to be sustained going forward. Collectively, ASEAN is now the sixth-largest economy in the world, with a population of 630 million and a combined GDP of USD2.5 trillion.

ASEAN is also one of the centres of global trade, after the European Union, North America and China, and it is home to more than 220 global companies with annual revenues of above USD1 billion. This strong growth and economic dynamism of ASEAN is supported by its favourable demographic structure. With a young population, ASEAN has the third-largest labour force in the world, after China and India, with a fast-growing middle class given the rapidly rising affluence. By 2020, ASEAN is expected to account for more than USD2 trillion of additional consumption to the world economy.

Motivation for ASEAN Integration

A key factor that underpins the region's potential is the ongoing progressive economic integration. ASEAN is one of the most diverse regions in the world – in terms of economic size, income level, resource endowment, economic structure, financial sector development, and economic systems. The region has therefore leveraged on its complementarities arising from this diversity. This is reflected in the increased cross-border production networks, and the significant increase in intra-regional trade and investment activities. Since 1990, ASEAN intra-regional trade has grown from 18% to 24% of its total trade, and intra-regional investment activities have now quadrupled since 2000, from 4% to 17% of its total investment.

While there has been a trend towards greater intra-regional trade and investment, financial integration in the region has not progressed as significantly. ASEAN economies have, however, now reached that stage of development whereby greater regional financial integration can further unlock our growth potential. The push for regional financial integration is to bring about a more effective intermediation of funds in the region, bringing the excess savings from one country to be channelled into productive investments in another. The ASEAN region, having one of the highest savings rates in the world, therefore has the immense potential to meet some part of the region's massive financing requirements, particularly for large investment projects and infrastructure development. Financial integration will therefore facilitate channelling part of such surplus funds towards productive investment opportunities in the region. It will also allow for more efficient risk diversification of assets to include foreign assets from within the region. This will not only reduce vulnerability to external developments but will contribute to achieving more stable conditions in the regional financial markets.

ASEAN's Approach towards Greater Integration

Turning now to the approach we have adopted for ASEAN integration. Like most regional blocs, the integration process for ASEAN seeks to promote greater regional connectivity which will in turn expand and reinforce the region's growth potential. For ASEAN, this integration process has, however, followed its own distinct path. While ASEAN has drawn lessons from the European experience of monetary and financial integration, the approach taken by ASEAN is distinctly different in order to be consistent with the circumstances of the region. Unlike the European Union, in which the formation of a monetary union with a single currency represents a major element in realising its economic integration, the ASEAN region had come to a decision in the early 2000s, based on a study by the ASEAN Central Banks that a common currency would not be pursued. This was because the ASEAN economies did not have the preconditions to achieve such a monetary union and that the effort to achieve such preconditions would involve immense costs to our economies. It was therefore concluded that the region would instead be better served by greater regional financial integration to achieve the very same objectives of a greater shared economic prosperity for the region.

Additionally, in Europe, the integration process is facilitated by a more centralised governance structure led by supra-national institutions while ASEAN is being built on institutional arrangements and mechanisms that would facilitate financial integration and which leverages on a network of committees for the governance process. ASEAN has also adopted a more flexible path that allows member countries to participate in the financial integration process based on their respective state of readiness.

Of particular focus is the harmonisation of regulatory standards and supervisory practices, which is reinforced by capacity building initiatives and technical assistance to bring all member states to similar levels. This inclusive approach ensures that all member states will mutually benefit from the integration process.

Additionally, regional cooperation in the areas of surveillance arrangements, financial safety nets, and crisis management has been intensified to secure financial stability during the integration process. While much remains to be done, significant achievements in regional financial integration have already been met in recent years. Notably, the launch of the ASEAN Banking Integration Framework (ABIF) in March 2015 and the progress made in advancing the integration of the regional capital markets and the payment and settlement systems are important milestones in this process.

Partnerships for a Successful Future

While the authorities and policy makers in ASEAN have entered into multilateral partnerships to achieve the common goal of a more promising future, so has the private sector, given the immense opportunities that the more integrated region presents. This is also reinforced by the intrinsic predisposition of the DNA of the region and its people and institutions. The future of ASEAN therefore needs to be built on the collective actions that are for the advancement of ASEAN. Businesses

have already been proactive in harnessing the benefits arising from the diversity and complementarities in the region. To date, these efforts have culminated in the launch of the ASEAN Economic Community in 2015.

In a global landscape that is constantly evolving, building effective and smart partnerships has become a key potential option to achieve the common goals that ASEAN aims to achieve. Partnerships are important given that no one entity has all the solutions, answers and expertise that is able to take full advantage of all the opportunities and synergies that are presented in such partnerships.

Moving forward, building successful partnerships is an important strategy to realise the true economic potential of ASEAN. Effective partnerships in the financial sector have already made important contributions to institutional building in our financial systems. These partnerships allowed shared knowledge and expertise for participants to tap into opportunities to create scale and efficiencies for the development of common financial infrastructure. Another area that has been leveraged on effectively is the development of the ecosystem to support start-up businesses. An example of this is the Malaysian Global Innovation & Creativity Centre (MaGIC) ASEAN Startup track which builds a community of startups within ASEAN and accelerates their time-to-market-readiness. Then there are also the various financial technology or 'fintech' initiatives by regional financial institutions that foster partnerships to accelerate innovators in the region.

In 1919, an American biochemist discovered the four basic building blocks that form the DNA's iconic double helix structure. Similarly, I believe that successful partnerships are also anchored by four strong foundations in their DNA, namely **Adaptability and Responsiveness, Complementarity, Trust, and Governance**. Let me elaborate on these essential foundations for success for aspiring policymakers and entrepreneurs to reflect on.

The first basis of a strong partnership is **adaptability and responsiveness**. In today's world, challenges will not be easily addressed with conventional and one-dimensional solutions. With greater interconnectedness and the intensification of competition, one needs to draw on perspectives that can be gained from partnerships, thus building the agility to manage in an ever-changing environment. In a partnership, it is important to strive for mutual respect and recognition of the differing needs, preferences and interests, and to encourage an open dialogue around them. In this, the parties involved need to be adaptable and responsive in offering pragmatic solutions that will deliver on the common outcomes to be achieved, while respecting the respective priorities of the various stakeholders.

The second base of an effective partnership is complementarity. ASEAN's diversity does not only manifest itself in terms of potential economic development, it also extends to the region's varied cultures, languages, and religions. ASEAN therefore presents a unique opportunity to tap into this diversity as a unique strength and to harness the complementarities. By working collectively, ASEAN partners can build significant collaborative advantage to exploit new opportunities and achieve shared goals. This will involve removing constraints and taking bold, even experimental steps to push new frontiers that may not have been considered possible before.

The third base of a successful partnership is trust. With trust, must come accountability. One can observe the fallout from the lack of trust in the financial markets during and after the global financial crisis, when many markets froze and fraudulent actions by financial institutions shattered the public's confidence. Trust is pivotal in any collaborative relationship. The value of trust at the individual, institutional, national, and global levels cannot be overstated. Building trust, particularly among very diverse stakeholders, is of course not easy. Therefore, partnerships

will benefit from a clear commitment to stated goals that are in turn supported by accountability structures that will sustain and reinforce that commitment.

Finally, a key aspect in achieving partnership aspirations is governance. Partnerships will thrive and add value when they are supported with effective decision-making structures and organisational frameworks to ensure the smooth translation of ideas from conception to implementation. These factors create partnerships with the potential for real impact as they will be able to fully and sustainably utilise their skills, knowledge and technological capacity in ensuring successful outcomes.

Conclusion

In conclusion, the road to a promising and sustainable future for ASEAN is not one that can be traversed in isolation, especially in a world that is becoming increasingly borderless. As we see our economies prosper, our societies will also mature with our improved growth potential.

We must, however, bear in mind that having good 'genes' does not guarantee successful results until we come together to activate and realise our latent potential. Therefore policymakers, the business community and civil society must collaborate effectively for this better future, together.

SEACEN Conference on Central Bank Cooperation and Mandates "Building Institutions to Support Economic Development" Kuala Lumpur, 14 March 2016

Speech by

Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz
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Introduction

It is my great pleasure and honour to speak at this conference in honour of Dr. Puey Ungphakorn on the subject of "Building Institutions to Support Economic Development." The topic is highly relevant in the current environment which places greater demands on institutions given the significant structural shifts that are taking place in the global landscape and the changing character of the economic cycles that has brought with it a great many new challenges that need to be managed.

Given that building institutions is about creating a positive environment for the economy to function, one that will shape the incentive structure that will drive economic activity and encourage the efficient use of resources, the new evolving environment places an even greater urgency for institutional building. There is thus a great motivation for building effective institutions to serve this purpose. In particular, the urgency is for strong institutions that will transcend the passage of time and will ensure the path towards sustainable economic growth and development. Experience has shown us that institutions are pivotal to any economic success. However, institutional building is in itself an arduous task. And building institutions that are relevant for the future is even more challenging. Nonetheless it is something that needs to be done now if we are to prepare the ground for our future generations.

It is from the legendary Dr. Puey whom we can draw significant inspiration. Dr. Puey had long recognised the importance of institutions to economic development and dedicated a major part of his life to this endeavour. He was a true leader, whose contribution to his country's economic progress extended beyond the Central Banking sphere to several other areas of public service, to education, and to beyond the national borders of Thailand. We are now the beneficiaries of Dr. Puey's efforts which laid the foundation for the greater Central Bank cooperation that we see in the region today. Dr. Puey was a true visionary. He had consistently demonstrated his vision, dedication and foresight and in the process, created highly regarded institutions not only in Thailand but also for the region.

The subject of institutional building has generally referred to institutions that support the functioning of markets. It is maintained that markets allow for the more efficient use of skills and resources to engage in activities with higher productivity. As stated by Douglass North, known for his work on institutional economics, institutions comprise a set of formal rules that provides the framework for interaction and which shapes the incentives for the functioning of the economy. These include the incentives for people to invest in more efficient technology, to increase their skills and to organise efficient markets. Therefore, in strengthening the effectiveness of institutions, it is about putting such institutions in an environment in which they are able to rise to the demands for performance and discipline. This therefore places emphasis on following a certain order, rules and regulations that would bring value to society.

While matured and developed economies have benefitted from effective institutions, the changing global and national landscape that is becoming increasingly more interconnected now demands for new

institutional arrangements for the way in which engagements or interface takes place. Equally important are the arrangements for the management of the new emerging challenges. Experience has shown us that this can be highly challenging when it involves changes in relationships when the structures of institutions have not changed. Such institution building is particularly important for public policy decision making. This is particularly relevant when coordination arrangements become necessary so that inputs from the different parts of the public sector will be taken into consideration. For the economies in the emerging world that are at a different phase of development, the creation of strong and effective institutions is even more pressing. Not only do existing institutions need to be strengthened but new institutions need to be built to facilitate the effective functioning of the economy.

We have heard this morning in the tribute to Dr. Puey, his tremendous role in institution building in Thailand and his role in the Asian region. There are numerous examples in his legacy, in being resolute in pursuing his convictions and about his effective management of the interface with the political process, given that politics is an important part of the ecosystem of institution building. He achieved this without compromise, sustaining always the integrity of the institutions he was associated with. Institutional building therefore needs to be viewed from the broader perspective to include strengthening the institutional arrangements of how economies and financial systems can more effectively function, adding value for greater economic wellbeing. Just as we have seen that with the advances in technology, we need to change the hardware and software. So is the case for institutional building to support economic development. It will also involve changing the institutional “hardware” and the “software”.

Increasingly, emerging economies are in transition towards greater market orientation in which the market has become an important mechanism in generating economic growth. While the market mechanism is generally successful in achieving greater productive efficiency, it does not always result in greater allocative efficiency. As a consequence, disequilibrium conditions and market failures may not only be detrimental to social welfare, but may also weigh on an economy’s growth and development prospects. Strong institutions that provide regulatory and supervisory oversight are therefore necessary, in order to facilitate the effective functioning of markets while having the institutional capability to manage disruptions.

The sustainability and continuity of effective policy management depends on the performance of public institutions that have sound governance processes that are formalised in a clear, structured and well-defined framework. Equally important is the accountability. In this aspect, the institutionalisation of policies and processes, which culminates in sound governance serves to preserve good practices and imposes the necessary discipline for objective policy making. The gaps in the market infrastructure in the emerging economies however increase the vulnerability of our respective economies to external shocks.

Such shocks have increased in frequency and magnitude, with the risk of prolonged implications on our economic growth. With its important role in the management of domestic macroeconomic and financial stability, Central Banks in this changing environment also need to be strengthened in order to enhance its effectiveness in facilitating conditions to support economic development.

My remaining remarks this afternoon will focus on institutional building and economic development from the perspective of Central Banks in emerging economies. In particular, on the role of Central Banks in supporting the development agenda and as an institution building agent. In most emerging market economies, the mandate of the Central Bank is generally broader beyond monetary and financial stability to include development of the financial system to ensure its effective and efficient functioning, financial inclusion to maintain balanced growth and more recently, preserving the environment to secure sustainability of our progress and development.

Special role of Central Banks in emerging economies

Allow me to focus on the special role of Central Banks in emerging economies. Central Banks in most emerging economies are frequently called upon to have a role in the development of the financial system. A well-developed and robust financial system constitutes an essential foundation for sustainable economic growth as it enhances the efficiency of financial intermediation and contributes towards lower transaction costs and increased competitiveness. Many Central Banks have drawn up masterplans and blueprints for this purpose.

The key building blocks are the strengthening of financial infrastructure, such as the payments and settlement system, the development of money and bond markets and the implementation of financial reforms involving the deregulation and greater market orientation and its liberalisation resulting in greater integration with the global financial system. Central Banks in many emerging economies are also tasked with promoting financial inclusion. Greater financial inclusion is a key component for an economy so as to achieve a more balanced growth and thereby increasing the prospect for a more sustainable growth.

What are the factors that have allowed Central Banks in the emerging economies to perform these roles? Honed by international benchmarks, best practices and the scrutiny of a global audience, Central Banks are institutions that over the years, have built a strong reputation for intellectual rigour, credibility and independence. Given this, Central Banks are often called upon to be the institution that drives important and often challenging financial reforms in an economy. Additionally, in most emerging economies, the largest concentration of talent resides in the Central Bank, providing it with the resources and intellectual capacity to undertake multi-faceted developmental roles that extend beyond our core mandates. The fact that Central Banks are often a highly-regarded public institution in a country also lends it to having greater legitimacy in addressing challenging domestic issues. In managing this role effectively, three elements are key: clarity of the outcomes to be achieved, a governance process which gives clarity on the decision making process and accountability, and finally, ensuring the integrity and the independence of the Central Bank is not undermined.

Another recent important element of Central Banking in the emerging economies that contributes to the effectiveness of the Central Banks in policy making is the close collaboration amongst Central Banks in the emerging economies – in particular in the Asian region. The formation of formal regional platforms for collaborative initiatives have facilitated the sharing of information, experience and knowledge which are crucial in driving the national, regional and even international agenda. It also has involved cooperation in not only the areas of surveillance and harmonisation of rules and regulations, but also in the assessment of risks to the region and the building of regional financial safety nets.

Finally, allow me to say something about the current environment. While Asia has not been immune from the effects of the turbulence and upheavals taking place in the different parts of the world, the region has been able to demonstrate time and again the ability to manage a swift rebound. Factors that have contributed to this resilience is not so much what we have done in response to the development but it is what we have done previously that prepared us to manage these developments. We have been better able to absorb and intermediate the financial turmoil and turbulence, while the series of financial reforms we have implemented have also increased our flexibility and produced better price and exchange rate adjustments. This has been reinforced by our sound macroeconomic fundamentals and the policy space we have to manage the implications of these challenging developments.

Looking ahead, there is much to be done by all of us. I have always said that the business of Central Banking is an unfinished business. There will always be new challenges on the horizon. In Asia, while we have successfully prepared ourselves for the current environment, we now need to prepare ourselves for the future. Among the future

challenges that are likely to confront Asia is the sustainability of our prevailing growth model given the consequences arising from the erosion of our demographic advantage, the rising indebtedness, the rising cost of living despite an apparent period of low inflation, the need to meet the massive infrastructure requirements and the need to address the rising income disparities and the environmental challenges. What then are the ways economic management can prepare us for the future? This will involve policies and reforms that will reduce leverage, that will address the widening income disparities, that will effectively manage infrastructure development and urbanisation, and that will accord environmental sustainability. Finally, and equally significant are the policies and reforms that will accord importance to governance, accountability and integrity in the implementation and execution of the many endeavours to achieve such a sustainable advancement. This implies an important role of institutional building that will support the ability to address these challenges.

For most Central Banks in the emerging world, our mandate is broader. Most certainly we are expected to have a role in contributing to addressing many of these challenges both directly and indirectly. Some of these issues include financial inclusion, financing of infrastructure, putting in place financial and social safety nets, and environmental sustainability. As much of these efforts will involve interface with other parts of the public sector, it has been my experience that the participation of the Central Bank in many of these agendas will require careful boundary management and a signing off when it is completed so that it does not remain permanently with the Central Bank. New institutional arrangements will need to be developed to render effective coordination across the public sector. Of great importance in this process is also to carefully safeguard the independence of the Central Bank.

Conclusion

As policy makers in emerging economies, we have the added responsibility of building institutions for the country. Our quest is filled with challenges but we can learn much from each other. Going forward, the transitions that are taking place in the global economy necessitate continuous institutional building at the national, regional and international level. As a regional institution, SEACEN has an important role in enhancing future talent, facilitating the sharing of knowledge, ideas and insights on policy management in the region and from its research on subjects important to the region.

In conclusion, allow me to express my deep gratitude and appreciation to my fellow governors and to all my colleagues at the SEACEN member Central Banks and to the SEACEN Centre for all the cooperation and support that has been extended to me and to Bank Negara Malaysia throughout my career. For the friendship and for the collaboration, it has truly been enriching and special for me. It has been a great privilege for me to be part of this Central Bank community.