

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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First Meeting 2013

22 January 2013

2:15 PM – 4:15 PM

Manila Room, Makati Shangri-La Manila Hotel
Makati City, Philippines

Meeting Paper 9-A PROPOSED 2013 WORK PROGRAM

Office of the Advisory Group Chair

- PURPOSE** For consideration.
- ISSUE** Proposed 2013 Work Program of the Advisory Group
- BACKGROUND** The Advisory Group was established in 2003, at a meeting jointly organized by the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC). It was created with three major goals in mind: (a) to harness expertise in international public and private sector institutions in collaborating with the APEC Finance Ministers to develop capacity-building programs for the region's financial systems; (b) to promote public-private sector collaboration in capacity-building efforts; and (c) to ensure greater synergy among ongoing capacity-building activities and facilitate identification of capacity-building gaps through exchange of information.
- PROPOSAL** The following draft work program contains proposals on:
Objectives
Activities
Meetings in 2013
Deliverables
- DECISION POINT** Endorse the 2013 Work Program

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

PROPOSED 2013 WORK PROGRAM

Draft as of 18 December 2012

BACKGROUND

The Advisory Group on APEC Financial System Capacity Building was established at the time of the APEC Finance Ministers' Meeting in Phuket, Thailand in 2003, at a meeting jointly organized by the APEC Business Advisory Council (ABAC) and the Pacific Economic Cooperation Council (PECC). The Advisory Group was created with three major goals in mind: (a) to harness expertise in international public and private sector institutions in collaborating with the APEC Finance Ministers to develop capacity-building programs for the region's financial systems; (b) to promote public-private sector collaboration in capacity-building efforts; and (c) to ensure greater synergy among ongoing capacity-building activities and facilitate identification of capacity-building gaps through exchange of information.

OBJECTIVES OF THE 2013 WORK PROGRAM

Following are the objectives of the 2013 Work Program of the Advisory Group:

- To develop specific proposals on capacity-building that can be endorsed to the APEC Finance Ministers, particularly in areas where public-private partnership would be helpful.
- To advance capacity-building efforts through public-private sector dialogues in key areas of the Advisory Group's work.
- To collaborate with relevant APEC fora and participating organizations in successfully undertaking activities, particularly with respect to the implementation of Advisory Group recommendations.

ACTIVITIES IN 2013

A. ADVISORY GROUP PROJECTS

1. Asia-Pacific Financial Forum

In November 2011, APEC Finance Ministers in Honolulu pledged to take coordinated action to strengthen global recovery, reinforce financial stability, maintain open markets and build a foundation for strong, sustainable and balanced growth. Ministers welcomed the Advisory Group's recommendation adopted by ABAC on improving collaboration among financial regulators to help promote regional financial market integration and enhanced efficiency in capital markets.

Taking up that challenge, the Advisory Group convened a forum in March 2012 in Melbourne, Australia, attended by senior representatives from financial authorities, the region's financial industry and key international bodies. The issues identified in the Forum suggested that the region would greatly benefit from an overarching framework for enhanced regional public-private collaboration that can effectively complement various ongoing regional initiatives to help the region develop sound, efficient and integrated financial markets.

This collaborative framework, named the Asia-Pacific Financial Forum (APFF) is envisioned

to be a platform for public-private sector collaboration in:

- the development of robust financial markets across the region; the convergence of financial standards, regulations and practices; and connectivity for facilitating cross-border financial flows, to create dynamic and integrated financial markets that will support the region's sustained rapid growth; and
- shaping global financial regulatory reforms in support of the region's financial development goals, through coordination of views on agreed areas of common regional concern and ensuring that these concerns are adequately reflected in global financial standards and regulations.

The Advisory Group and ABAC proposed the establishment of the APFF to APEC Finance Ministers. In response, the Ministers in their 2012 Joint Statement expressed support for the holding of a symposium in early 2013 to explore its creation. The Australian Government committed to host the symposium, which will be held on 10-11 April 2013. The symposium will seek to develop concrete ideas on the structure, participation and future activities of the Forum, and how these activities can be coordinated with other ongoing regional initiatives. The outcomes of the symposium will serve as the basis for the way forward to be discussed with ABAC at the Finance Ministers' Meeting in Bali in September 2013.

2. Asia-Pacific Infrastructure Partnership

In 2010, the Advisory Group and ABAC proposed the Asia-Pacific Infrastructure Partnership (APIP) as a regional platform for governments and the private sector, with the support of relevant international institutions, to frankly and objectively discuss and consider complex matters facing each economy. The APIP seeks to involve key ministers and officials engaged in infrastructure PPP, private sector experts, and MDBs and ECAs, and utilize the Advisory Group's and ABAC's network of senior private sector experts from a wide range of fields relevant to infrastructure PPP as members of a private sector advisory panel. Coordination is undertaken by the Advisory Group.

In 2011, the Advisory Group undertook activities to demonstrate the effectiveness of this model. Activities included (a) APIP dialogues with the governments of Mexico, Peru and the Philippines, and (b) a forum in Honolulu with APEC Deputy Finance Ministers to discuss the outcomes of the dialogues and the way forward for APIP. The APEC Finance Ministers endorsed the APIP at their meeting in Honolulu. In 2012, APIP dialogues were held with the governments of Vietnam in July and Indonesia in October. As a follow-up to the outcomes of the 2011 dialogues, ABAC funded 5 studies on issues identified by governments as topics where they would welcome additional advice.¹

APIP plans to focus on the following in 2013:

- **Dialogues with interested economies.** A follow-up dialogue with the Philippines and a dialogue with Thailand have been scheduled to take place on 23 January and 22 February, respectively. Discussions will also be held with other interested economies to undertake dialogues in their respective capitals with the APIP private sector panel in collaboration with multilateral institutions (ADB, IDB, IFC and WB).
- **Follow-up on the outcomes of the 2012 and 2013 dialogues.** APIP will discuss with allied institutions how capacity building activities and studies can be developed to address

¹ These were: (a) comparative study of legal frameworks to protect the long-term interests of pension funds investing in PPPs; (b) comparative study of contractual clauses to provide for the smooth adjustment of physical infrastructure and services through the lifecycle of a PPP project; (c) best practice in design of PPPs for social infrastructure, particularly in health care and education. (d) comparative study of best practice taxation measures to support PPPs and (e) ways to evaluate externalities of PPPs.

issues raised during the dialogues with Vietnam and Indonesia in 2012 and with the Philippines, Thailand and other interested economies in 2013.

- **Collaboration with the APEC Finance Ministers' Process.** Depending on needs, APIP plans to collaborate with APEC finance ministries, and particularly with the Ministry of Finance of the Republic of Indonesia in its capacity as APEC FMM Chair, on the development of specific initiatives under the APEC FMP.

3. 2013 Asia-Pacific Financial Inclusion Forum

The first APEC Financial Inclusion Forum convened by the Advisory Group and ABAC in May 2010 focused on how to provide enabling environments to extend the reach of microfinance, improve its commercial viability, and increase private investment in MFIs. In their *Kyoto Report on Growth Strategy and Finance*, APEC Finance Ministers welcomed the outcomes of this Forum and ABAC's initiative to set up subsequent discussions.

The 2nd Asia-Pacific Financial Inclusion Forum, with the theme of *Expanding the Frontiers of Microfinance through Regional Public-Private Cooperation*, focused on new channels to serve the financial needs of the unbanked, and how APEC can harness regional public-private cooperation to promote the sustainability and expansion of undertakings using these new channels. It was hosted by ADB Institute in Tokyo on 6-8 September 2011.

The 3rd Forum was convened in partnership with ADB Institute (ADBI) and the Asia-Pacific Finance and Development Center (AFDC) in Shanghai, People's Republic of China, on 25-27 June. Building on the conclusions of the 2011 Forum, it dealt with the common basic elements of an enabling environment to promote financial inclusion - financial literacy, financial identity, proportionality of regulations and consumer protection. In addition, further discussions on linking microfinance to remittances were undertaken.

The 2013 Forum will be held in Indonesia (date and venue to be confirmed) in collaboration with the Indonesian Government and ADB Institute. Theme and topics will be identified to further build on the results of previous Forums and to contribute to the work of the APEC Finance Ministers.

4. Legal Architecture to Facilitate Finance

Providing attractive environments for lenders and investors requires well-defined legal systems with effective enforcement mechanisms. Such systems provide a highly predictable environment that reduces non-commercial risks faced by lenders and investors and leads to lower financing costs. An important area where reforms can have a major impact on finance is commercial law, which sets the rules governing various stages of the relationship between lenders and investors, on one hand, and borrowers, on the other.

The region's emerging markets stand to greatly benefit from such reforms, particularly in the areas of secured lending and insolvency regimes, which form a single integrated body of law representing the backbone of modern commercial legal systems. The Advisory Group has undertaken work on these issues in recent years, including the formulation of specific recommendations in the areas of secured lending and cross-border insolvency administration and the development of regional guidelines and model agreement for informal workouts.

This year, the Advisory Group will seek to build on and update this previous work and develop concrete and practical recommendations to APEC Leaders, Ministers, Senior Finance Officials and Senior Officials for consideration, adoption and implementation. For this purpose, the Advisory Group will organize a workshop during the ABAC meeting in Kyoto. This workshop will look at the role of APEC in facilitating finance through legal architecture reforms, particularly with respect to the development of model elements for a code of security interest creation, perfection and enforcement and model treatment of

floating charges and accounts receivable financing, as well as an updated regional framework for informal workouts.

5. Venture Capital Finance

In 2012, the Advisory Group initiated work to develop ideas on promoting venture capital finance to spur innovation in the region's emerging economies. A workshop was held in Kuala Lumpur on 21 May 2012, involving experts, investors, fund managers and venture managers to discuss how the policy and regulatory environment affects the development of venture capital in APEC emerging markets and how this might be enhanced. This workshop enabled the Advisory Group to identify several crucial roles that governments can play in promoting a dynamic ecosystem for financing innovation:

- catalyzing angel and venture capital through support programs;
- providing an enabling legal and regulatory environment that will encourage the flow of more private sector resources into venture capital; and
- creating, maintaining and enhancing the fundamental conditions that encourage entrepreneurship and innovation.

In 2013, the Advisory Group will undertake further discussions and activities to build on these outcomes and develop concrete recommendations to Finance Ministers and Leaders.

6. Promoting a Robust Credit Rating Industry for the Development and Regional Integration of Local Currency Bond Markets

Among the previous work done by ABAC and the Advisory Group in the field of finance, the work on credit ratings has been one of the most fruitful. It has resulted in the establishment of the Association of Credit Rating Agencies in Asia (ACRAA), which has successfully gathered together most of the region's domestic credit rating agencies (CRAs) and undertaken much work in collaboration with the ADB to develop best practices, promote convergence of rating practices, and upgrade rating knowledge and skills among its members.

In 2013, the Advisory Group will review the progress achieved in the development of the credit rating industry in the region, particularly with respect to the role of CRAs in promoting the development and integration of the region's local currency bond markets, and identify further measures that need to be taken toward this end. Discussions to be held will draw upon current research and studies, including the ongoing work of the Institute for International Monetary Affairs on this issue.

B. 2013 REPORT ON FINANCIAL SYSTEM CAPACITY-BUILDING

This report, which will be finalized in July 2013, will incorporate the results of the above-mentioned projects as well as of discussions during the meetings of the Advisory Group and present recommendations to APEC Finance Ministers on how to accelerate progress in the following areas: (a) development and integration of the region's financial markets; (b) infrastructure finance; (c) financial inclusion; (d) legal architecture to facilitate finance; (e) angel and venture capital finance; and (f) promoting a robust local currency credit rating industry.

MEETINGS IN 2013

The Advisory Group will have its regular meetings on the following dates and venues:

- **Regular meeting (First): 22 January, Makati City, Philippines**

To finalize the work program; discuss the preparations for activities in 2013; undertake initial discussions of key issues under the work program; identify steps to develop work on these issues until the next regular meeting; discuss the outcomes of the APIP dialogue with Indonesia and the preparations for the APIP dialogue with the Philippines and Thailand.

- **Regular meeting (Second): During the period 3-6 April, Singapore** (*exact date yet to be announced*)

To discuss the outcomes of the APIP Dialogues with the Philippines and Thailand and the preparations for the Sydney Asia-Pacific Financial Forum Symposium, the 2013 Asia-Pacific Financial Inclusion Forum and the Kyoto Workshop on Legal Architecture to Facilitate Finance; as well as ongoing studies on promoting a robust local currency credit rating industry.

- **Regular meeting (Third): During the period 8-11 July, Kyoto, Japan** (*exact date yet to be announced*)

To discuss the results of the Sydney Asia-Pacific Financial Forum Symposium, the 2013 Asia-Pacific Financial Inclusion Forum, the Kyoto Workshop on Legal Architecture to Facilitate Finance and any other dialogue or activity related to infrastructure finance; to finalize the report on completed activities and to finalize proposals on capacity-building to be forwarded to the APEC Finance Ministers.


- **Regular meeting (Fourth): During the period 2-5 October, Bali, Indonesia** (*exact date yet to be announced*)


To discuss the future agenda and arrangements for the Advisory Group.

DELIVERABLES

The above activities are geared toward the following deliverables:

1. Successful completion of (a) the Sydney Asia-Pacific Financial Forum Symposium; (b) APIP Dialogues; (c) the 2013 Asia-Pacific Financial Inclusion Forum; and (d) the Kyoto Workshop on Legal Architecture to Facilitate Finance, as well as other related activities.
2. Complete reports on the conclusions of these activities (*those related to activities completed before the APEC Finance Ministers Meeting to be forwarded to the Finance Ministers beforehand – through ABAC as well as any other relevant channel*).
3. Endorsement of the Asia-Pacific Financial Forum and its activities.
4. Endorsement of the model elements for a code of security interest creation, perfection and enforcement and model treatment of floating charges and accounts receivable financing, as well as an updated regional framework for informal workouts.
5. 2013 Report on Financial System Capacity-Building in APEC (*to be submitted to the APEC Finance Ministers before their 2013 meeting – through ABAC as well as any other relevant channel*).



 Asia-Pacific
Economic Cooperation


THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM

CAPACITY-BUILDING

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Meeting Paper 9-B
2013 Work Program
Office of the Advisory Group Chair



2013 Deliverables

- ✦ Workshops, dialogues and conferences
- ✦ Conference and workshop reports
- ✦ APEC Endorsements
- ✦ 2013 Advisory Group Report to APEC

REGIONAL FINANCIAL INTEGRATION

- Asia-Pacific Financial Forum, *10-11 April 2013, Sydney*

FINANCIAL INCLUSION

- Asia-Pacific Financial Inclusion Forum, *11-12 June 2013, Batam Island*

INFRASTRUCTURE PPP

- APIP Dialogues with Philippines, Thailand and other interested economies
- Follow-ups on the outcomes of the 2012 and 2013 Dialogues

LEGAL ARCHITECTURE

- Workshop on Legal Architecture to Facilitate Finance, *9 July 2013, Kyoto*



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REGIONAL FINANCIAL INTEGRATION

- Asia-Pacific Financial Forum, 10-11 April 2013, Sydney

FINANCIAL INCLUSION

- Asia-Pacific Financial Inclusion Forum, 11-12 June 2013, Batam Island

INFRASTRUCTURE PPP

- APIP Dialogues with Philippines, Thailand and other interested economies

LEGAL ARCHITECTURE

- Workshop on Legal Architecture to Facilitate Finance, 9 July 2013, Kyoto



2013 Deliverables

- ✦ Workshops, dialogues and conferences
- ✦ Conference and workshop reports
- ✦ APEC Endorsements
- ✦ 2013 Advisory Group Report to APEC

• **Asia-Pacific Financial Forum**

- **Model elements for code of security interest creation, perfection and enforcement**

- **Model treatment of floating charges and accounts receivable financing**

- **Regional framework for informal workouts**



2013 Deliverables

- ✦ Workshops, dialogues and conferences
- ✦ Conference and workshop reports
- ✦ APEC Endorsements
- ✦ 2013 Advisory Group Report to APEC

ISSUES:

- Asia-Pacific Financial Forum
- Infrastructure finance
- Financial inclusion
- Legal architecture to facilitate finance
- Angel and venture capital finance
- Robust credit rating industry



2013 Advisory Group Meetings

- ✦ January – Manila
- ✦ April – Singapore
- ✦ July – Kyoto
- ✦ October - Bali