

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Fourth Meeting 2014

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8:00 AM – 11:00 AM

Waldorf Ballroom, 2nd Floor, Waldorf Astoria Beijing
Beijing, People's Republic of China

Meeting Paper 7-A

2015 Asia-Pacific Forum on Financial Inclusion, March 16-18, 2015, Tagaytay City, Philippines (Draft Concept and Agenda)

Office of the APFF Chair

- PURPOSE** For consideration.
- ISSUE** Proposed concept and agenda of the 2015 Asia-Pacific Forum on Financial Inclusion
- BACKGROUND** Risk management plays a central role in finance. Where lenders and investors are unable to properly assess and manage risks, access to finance is constrained. Most affected are those who need finance but have neither the physical nor reputational collateral typically required to access loans. In many emerging markets, the lack of tools for financial institutions to assess the risks in serving broad segments of the population, especially the urban and rural poor, minorities, women and young people, has resulted in high levels of financial exclusion.
- Insurance is another important risk management tool that has largely remained beyond the reach of those who need it most – vulnerable low-income households, poor farmers and fishermen exposed to uncertain weather and environmental conditions, and communities living in areas prone to natural disasters. This is a major challenge in developing economies, where fiscally constrained governments must bear most of the costs of responding to these needs.
- PROPOSAL** A major contributor to the lack of financial access for low-income and vulnerable households and micro-, small and medium enterprises, has been the inadequacy of legal, policy and regulatory frameworks in enabling the use

of risk management tools to serve their needs. This year's Forum will seek to bring to the next level work that has been done on a number of issues in previous years' Forums and discussions under the APEC Finance Ministers' Process (FMP).

***DECISION
POINT***

Endorse the proposed concept and agenda.

2015 Asia-Pacific Forum on Financial Inclusion
ENABLING RISK MANAGEMENT FOR GREATER
FINANCIAL INCLUSION

16-18 March 2015
Taal Vista Lodge, Tagaytay City, Philippines

Jointly organized by:
Department of Finance, Republic of the Philippines
Bangko Sentral ng Pilipinas
APEC Business Advisory Council
Asian Development Bank Institute
The Foundation for Development Cooperation

In cooperation with:
Citi Foundation

Risk management plays a central role in finance. Where lenders and investors are unable to properly assess and manage risks, access to finance is constrained. Most affected are those who need finance but have neither the physical nor reputational collateral typically required to access loans. In many emerging markets, the lack of tools for financial institutions to assess the risks in serving broad segments of the population, especially the urban and rural poor, minorities, women and young people, has resulted in high levels of financial exclusion.

Insurance is another important risk management tool that has largely remained beyond the reach of those who need it most – vulnerable low-income households, poor farmers and fishermen exposed to uncertain weather and environmental conditions, and communities living in areas prone to natural disasters. This is a major challenge in developing economies, where fiscally constrained governments must bear most of the costs of responding to these needs.

In most Asia-Pacific economies, the problem is not the lack of capital. In fact, many of these economies are exporting large amounts of capital outside the region. Neither does the problem lie in the inability of those who are financially excluded to fulfill their financial obligations. The experience of microfinance in many economies clearly demonstrates a strong business case for lending to the poor. Operational costs involved in making large numbers of small transactions have also been significantly reduced through new technologies, such as digital finance.

A major contributor to the lack of financial access for low-income and vulnerable households and micro-, small and medium enterprises, has been the inadequacy of legal, policy and regulatory frameworks in enabling the use of risk management tools to serve their needs. While governments will still need to play a major role, especially in caring for those in the lowest-income segments of the population, the private sector can contribute much more, given an enabling environment that can facilitate the effective use of risk management in intermediating domestic and regional savings to meet the needs of these households and enterprises.

This year's Forum will seek to bring to the next level work that has been done on a number of issues in previous years' Forums and discussions under the APEC Finance Ministers' Process (FMP).

The first day will begin with a review of what has been learned and proposed from past discussions in the Forum and the FMP. Participants will also complete the review by discussing the situation in three emerging APEC economies (Mexico, Vietnam and PNG) that were not assessed in last year's Forum. It will conclude with a discussion of digital finance, the opportunities it presents and its implications for the provision of financial services and regulations.

The second day and the morning of the third day will focus on advancing discussions in four important priority issues that have been identified by the Finance Ministers and where the foundations for action have been laid through various discussions in past Forums and FMP workshops and seminars. In these breakout sessions, participants will seek to identify concrete initiatives and measures that will be submitted to APEC Finance Ministers for their endorsement at their 2015 meeting in Cebu. These are:

- the development of ***credit information systems*** to facilitate the use of consumers' transaction data (including both positive and negative data and both financial and non-financial data, e.g., utilities payments) for risk-based lending through a pathfinder initiative among interested economies;
- the development of the ***legal and institutional frameworks for secured transactions*** (including the introduction of reforms to enable the wider use of movable assets as security, improvement of perfection laws to clarify seniority of claims to collateral and development of user-friendly collateral registries); and
- the development of an enabling environment for greater private sector involvement in ***microinsurance*** and ***disaster risk finance*** and expanding their coverage, especially among the most relevant sectors and communities.

The afternoon of the third day will be devoted to (*topic to be developed by BSP*). The Forum will conclude with reports on the outcomes of the various sessions and agreement among participants to progress initiatives and proposals to the APEC Finance Ministers.

A report of the Forum will be drafted, reviewed by participants, published and made available both online and in hard copy to a wide variety of relevant audiences, including APEC Leaders, finance and other ministers, senior finance and other officials, regulators, experts in international and academic organizations, and industry and opinion leaders.

Participants in this Forum will include experts from international organizations, capacity-building agencies, leading representatives from the insurance and micro-insurance industry, banking, consumer finance, microfinance, credit bureaus and credit reference centers, and legal experts. Valuable contributions are expected from experts in the APFF Lending Infrastructure, Insurance and Retirement Income, and Trade and Supply Chain Finance Work Streams. Most importantly, resources will be mobilized to enable the participation of relevant officials from interested APEC economies who are directly responsible for introducing and adopting legal, policy and regulatory reforms and potential participants in proposed pathfinder initiatives. It is hoped that this Forum will attract broad participation from APEC Deputy Finance Ministers and Deputy Central Bank Governors as well as senior finance and central bank officials, who will be holding their own meeting after the conclusion of the Forum.

FORUM AGENDA

DAY 1		
09:00-09:30		Welcome and Opening Session
09:30-10:00		Photo Session and Coffee Break
10:00-12:00	Plenary Session 1	Financial Inclusion: Achievements and Future Challenges (includes a review of past Forum recommendations, as well as past APEC FMP discussions)
12:00-13:30		Lunch
13:30-15:30	Plenary Session 2	Financial Inclusion: Economy Experiences – Mexico, Vietnam and PNG
15:30-16:00		Coffee Break
16:00-18:00	Plenary Session 3	Financial Inclusion: Digital Finance
18:30-20:30		Dinner

DAY 2			
09:00-10:30	Breakout Session 1	Disaster Risk Finance 1	Credit Information Systems 1
10:30-11:00		Coffee Break	
11:00-12:30	Breakout Session 2	Disaster Risk Finance 2	Credit Information Systems 2
12:30-14:00		Lunch	
14:00-15:30	Breakout Session 3	Disaster Risk Finance 3	Credit Information Systems 3
15:30-16:00		Coffee Break	
16:00-17:30	Breakout Session 4	Microinsurance 1	Framework for Secured Transactions 1
18:00-20:00		Dinner	

DAY 3			
08:30-10:00	Breakout Session 5	Microinsurance 2	Framework for Secured Transactions 2
10:00-10:30		Coffee Break	
10:30-12:00	Breakout Session 6	Microinsurance 3	Framework for Secured Transactions 3
12:00-13:30		Lunch	
13:30-15:00	Plenary Session 4	BSP Session (topic to be proposed by BSP)	
15:00-15:30		Coffee Break	
15:30-17:00	Plenary Session 5	BSP Session (topic to be proposed by BSP)	
17:00-17:45	Plenary Session 6	Conclusions and Way Forward (includes reporting on proposed pathfinder initiatives)	
17:45-18:00		Closing Remarks	
18:00-20:00		Dinner	