



THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM
CAPACITY-BUILDING
 A Public-Private Sector Initiative

Fourth Meeting 2015
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Meeting Paper 3-A
Report on 2015 Activities and Initiatives

Office of the Advisory Group Chair

PURPOSE	For information.
ISSUE	Report on the outcomes of the 2015 activities and initiatives.
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. The 2015 work program focused on the following areas: (a) inclusive finance; (b) infrastructure investment; (c) valuation practices; (d) Islamic finance; (e) capital markets; and (f) the role of long-term institutions.
PROPOSAL	N/A
DECISION POINT	Note the report.

Review of 2015 Work Program

Advisory Group on APEC Financial System Capacity Building

- **Financial Inclusion Forum (since 2010)**
 - Inclusive finance for households
 - Credit information
 - Secured transactions
 - Digital microfinance
- **Asia-Pacific Infrastructure Partnership (since 2011)**
 - Improving capacity for project preparation
 - Long-term investment in infrastructure
 - Urban infrastructure
- **Asia-Pacific Financial Forum (since 2013)**
 - Capital markets (repo, derivatives, information for investors,)
 - Asia Region Funds Passport
 - Financial market infrastructure and cross-border practices
 - Insurance and retirement income (regulations and accounting issues, longevity solutions, micro-insurance, disaster risk finance)
 - Lending infrastructure (credit information, secured transactions)
 - Trade and supply chain finance
 - Linkages and structural issues
- **Innovative financing mechanisms and Islamic finance**
- **Improving valuation practices**

2015 Activities



Activities in 2015

- ■ **Jan, Tokyo** – Publication of APFF White Paper on ARFP in ClearPath Analysis
- ■ **Jan 27, Hong Kong** – APFF Roundtable on Financial Regulations
- ■ **Mar 3-4, Tagaytay** – Asia-Pacific Forum on Financial Inclusion
- ■ **Mar 4, Tagaytay** – APIP Dialogue with the Philippine Government
- ■ **Mar, Manila** – APFF Presentation on self-assessment templates for information on capital markets to Philippine SEC
- ■ **Apr 9, Manila** – Submitted APFF comments on draft ARFP rules and operational arrangements
- ■ **Apr 20, Mexico City** – APFF Roundtable on Financing MSMEs
- ■ **Apr 29-30, Bacolod City** – FMP Seminar on Microinsurance and Disaster Risk Financing
- ■ **May 15, Toronto** – APFF Roundtable on Long-term Investment in Infrastructure
- ■ **May 19, Beijing** – Conference on Warehousing and Collateral Management
- **May 21, Kuala Lumpur** – Workshop on Innovative Financing Mechanisms
- ■ **Jul 23-24, Iloilo City** – FMP Seminar on Infrastructure and Capital Markets
- ■ **Jul 28, Singapore** – APFF Conference on Trade and Supply Chain Finance
- ■ **Aug 10, Melbourne** – APFF Conference on ARFP and Longevity Solutions and APFF Symposium
- ■ **Aug 12, Melbourne** – Submitted letter to IASB on Conceptual Framework for Financial Reporting and impact on long-term investment
- ■ **Aug 13, Melbourne** – Finalized ABAC, APFF and Advisory Group Reports to APEC Finance Ministers
- ■ **Sep 10-11, Cebu** – Financial Sector Roundtable and Dialogue with APEC Finance Ministers
- ■ **Sep 22, Iloilo City** – APEC SME Finance Forum
- ■ **Sep 23-24, Iloilo City** – APFF Workshop on Lending Infrastructure Development
- ■ **Sep 25, Iloilo City** – Dialogue with SME Ministers
- ■ **Oct 27, Brunei Darussalam** – Workshop on Islamic Infrastructure Investment Platform
- ■ **Nov 12, Manila** – Conference to Launch Financial Infrastructure Development Network
- ■ **Nov 16, Manila** – APFF Workshop on Repo and Derivatives Markets

■ APFF
 ■ APIP
 ■ Financial Inclusion

OUTCOMES



Outcomes: Inclusive Finance

Finance Ministers' JMS:

"To this end, we will promote **trade and supply chain finance** and **alternative financing mechanisms** in APEC to facilitate intra-regional trade and investment activities and greater regional integration, and boost inclusive growth. In particular, we welcome the collaborative efforts of the ABAC, WBG, SME Finance Forum, OECD, and APEC member economies in establishing a **Financial Infrastructure Development Network** as a specialized subgroup in the **Asia-Pacific Financial Forum** to promote the development of effective **credit information systems**, as well as **secured transactions and insolvency frameworks** that would facilitate the use of **movable assets as collaterals** in the credit markets."

"To this end, we reiterate our commitment to further enhance **financial inclusion** in building inclusive economies and a better world for APEC. We agreed to share and exchange our experiences on policy innovations and reforms in financial inclusion and literacy... We commend ABAC and ADB for convening this year's **Asia-Pacific Forum on Financial Inclusion.**"

Outcomes: Inclusive Finance

SME Ministers' Statement:

"We support the Cebu Action Plan (CAP), a roadmap for a more sustainable financial future for the Asia-Pacific region, which aims among others in improving policy frameworks that enable MSMEs to use their transaction records and a broader range of collateral to access loans, and expand trade and supply chain finance."

"We recognize the importance of MSMEs' access to finance as a key enabler of MSME expansion, internationalization, and productivity improvement among MSMEs. In this context, we affirm the policy directions set in the Boracay Action Agenda and Cebu Action Plan to widen various financial options for MSMEs, including non-traditional and innovative financing, as well as public-private financing initiatives."

"We call for greater efforts to promote MSMEs' resilience against unexpected events, disasters, and financial crises in order to improve global supply chain resilience."

"Recognizing that MSMEs' access to finance is a cross-cutting issue, we support efforts for closer collaboration with relevant public and private sector institutions, including ABAC in discussing ways to widen access to finance and business resilience among MSMEs. We thus welcome the outcome of the APEC SME Finance Forum held on 22 September 2015, with the participation of MSME policy makers, business groups, the Asia-Pacific Financial Forum (APFF) and other financial stakeholders."

Outcomes: Infrastructure Investment

Finance Ministers' JMS:

"We look forward to the development of an APEC PPP knowledge portal that will be an online repository of PPP Infrastructure projects undertaken by APEC economies and a content guide for the compendium of standard PPP terms and practices...We will closely collaborate with the Global Infrastructure Hub to establish a PPP knowledge portal with the following possible preliminary contents: (i) PPP infrastructure projects undertaken by APEC economies; (ii) directory of private firms, consultants, and experts involved in PPP infrastructure projects; and (iii) financial and legal, public and private risk mitigation instruments available to infrastructure investors in the region."

"Therefore, we encourage APEC economies to exchange experiences in facilitating long-term investment in infrastructure, through public-private initiatives by promoting the role of pension funds and insurance industries to take a proactive position in infrastructure investment."

"We take note of the rapid urbanization in APEC and we would like to stress its role in promoting innovative growth, inclusive and sustainable development in the region. To this end, we reiterate our commitment to share experiences and best practices in urbanization and sustainable development."

Outcomes: Capital Markets

Finance Ministers' JMS:

“We also recognize the heightened role of capital markets in enhancing financial resiliency through the promotion of risk transfer, financing for MSMEs and infrastructure in the APEC region. To this end, we support the development of a **roadmap to improve regional financial infrastructure** to enhance resilience. We encourage efforts to promote **deep and liquid markets through improved access of participants to hedging instruments and relevant market information**”

“We also note the progress of the **Asia Region Funds Passport (ARFP)** and the signing of the Statement of Understanding by participating APEC Finance Ministers here in Cebu, and we encourage the signing of the Memorandum of Cooperation within this year by participating APEC economies.”

Outcomes: Long-Term Institutions

Finance Ministers' JMS:

“In view of the high costs borne by many APEC economies due to natural disasters, we reiterate the importance of reinforcing our resilience. To this end, we will work collectively in bolstering our regions' financial resilience through the development of **innovative disaster risk financing and insurance mechanisms**, and other **risk transfer instruments** available through the capital markets... We... will work with relevant international organizations to develop the **financial aspects of comprehensive disaster risk management frameworks**, where appropriate.”

“Therefore, we encourage APEC economies to exchange experiences in facilitating long-term investment in infrastructure, through public-private initiatives by **promoting the role of pension funds and insurance industries to take a proactive position in infrastructure investment.**”

Outcomes: Overall Contribution to FMP and Cebu Action Plan

Finance Ministers' JMS:

- “We thank ABAC for its contributions to our work on infrastructure, MSME Finance and capital markets through the **Asia-Pacific Infrastructure Partnership (APIP)** and the **Asia-Pacific Financial Forum (APFF)**. We encourage continued strong private sector engagement in these initiatives. We commend ABAC and ADB for convening this year’s **Asia-Pacific Forum on Financial Inclusion**.
- Strong coordination with the private sector remains an effective feature of the APEC process. We welcome ABAC’s **report and contributions to the CAP on SME finance, financial inclusion, disaster risk finance, and microinsurance**. We commend the private sector’s work on **infrastructure investment, development of the insurance and retirement income industries and capital markets**. We encourage continued work on **investment policies and valuation practices**. We also welcome the convening of the Finance Sector Roundtable held in parallel with our meeting and our subsequent dialogue on how both public and private sectors can support the implementation of the CAP.”

The Cebu Action Plan (CAP) and the Future Work Program



CAP and Future Work Program: Inclusive Finance

1A. Promote an enabling financing environment for MSMEs, including trade, supply chain and alternative financing mechanisms.

Draw the support of ABAC, the SME Finance Forum, the World Bank Group and the OECD and other international organizations by establishing a **Financial Infrastructure Development Network** as a specialized subgroup within the **APFF**. The Network will facilitate workshops, dialogues and studies in consultation with the relevant APEC Working Groups, to support interested APEC economies to:

- Establish **legal frameworks for Credit Information Systems (CIS)** based on the World Bank's General Principles of Credit Reporting
- Develop **model language for regulations** governing the sharing of public data with CIS among participating economies.
- Evaluate the benefits of and pathways to a **common data format/dictionary** for APEC based on the data collected by CIS.
- Evaluate the benefits and challenges of linking the CIS databases of APEC members, forming a **regional credit information network**, and the use of credit information to support cross-border trade and investment.
- Reform and develop **secured transactions systems** and insolvency frameworks.
- Pursue good practices and internationally accepted **principles on secured transactions legislation**.
- Establish and develop effective modern **collateral registries** with single, central, online notice filing systems; and comprehensive coverage of security interests on movable assets within the economy.
- Develop regionally consistent legal, institutional and operational structures to facilitate the financing and expansion of **cross-border trade and supply chain finance**.
- Expand the use of **electronic supply chain management platforms**.
- Facilitate **digital, mobile and innovative working capital management techniques** such as **Bank Payment Obligations**.
- Enable the effective use of **regional currencies** in trade settlement.
- Promote the development of **new financial instruments** for MSMEs
- Address **regulatory barriers to digital, mobile and innovative financing**, including the impact on de-risking
- Develop policy frameworks for **alternative finance**.
- Pursue policy initiatives to spur **equity-based financing** to invest in small businesses and related enabling regulations

1B. Expand Financial Inclusion and Literacy

- Promote financial inclusion and literacy through the **Asia-Pacific Financial Inclusion Forum**.

CAP and Future Work Program: Disaster Risk Financing and Insurance

3B. Disaster Risk Financing and Insurance

Assess needs from private insurance companies, **collect disaster data**, and study the possibility of **constructing disaster risk data base**, including collaboration with other stakeholders, such as **ABAC and APFF**.

- Research on the status of development of disaster risk data and insurance systems among economies, share information about economies' progress and assist capacity building by public sector.
- Encourage APEC economies to establish private disaster insurance systems among economies, based on efforts to consolidate data, as above.
- Development of Disaster Risk Exposure Models and Disaster Risk Insurance Facilities for APEC Economies.
- The Risk Insurance Facilities will cover the various specific arrangements for the central and local government levels as well as for the individual level (i.e. microinsurance).
- Risk Exposure Models and Insurance Protection can help governments anticipate and thereby quickly respond to the effects of disasters. At the same time, these can reduce the need for governments to reallocate/borrow funds to cover the costs of disasters.
 - Fund (Mexico)
 - CAT Bonds
 - Contingent Credit Lines
- Establish and promote private disaster insurance schemes, through the **collaboration and exchange of information and experience** among economies, international organizations, and **private sector** in the medium term.
- **Deepen insurance penetration** within their economies and develop regional risk sharing measures.
- Develop a roadmap and network of experts through the support of **APFF** for expanding the coverage of **microinsurance** and **disaster risk finance** in member economies.

CAP and Future Work Program: Capital Markets

1F. Asia Region Funds Passport (ARFP)

The Passport is a voluntary initiative that will facilitate the cross-border offering of funds across participating economies in the Asia region...

- Increase the number of participating APEC Economies in the Asia Region Funds Passport.

3C. Capital Market Development

- The development of local currency bond markets in APEC economies will promote risk-transfer, financial stability, MSMEs and infrastructure financing.
- The development of a roadmap to improve regional financial infrastructure and assist APEC economies develop their capital markets.
- Support the improvement of capital market depth and liquidity by participating in the work of the Asia-Pacific Financial Forum. This may include workshops and dialogues to promote the development of liquid repo markets, legal and documentation infrastructure facilitating risk mitigation, transparency of capital markets (issuer disclosure, bond market data, investor rights in insolvency), and a regional securities investment ecosystem to promote cross-border investment in capital markets.
- Explore and promote the development of a roadmap to improve regional financial infrastructure to enhance resiliency.

CAP and Future Work Program: Infrastructure Investment - 1

4A. Knowledge Portal

Create of an online repository of infrastructure projects including policy, legal and regulatory framework, tender process and sample contracts, for both public-private partnership (PPP) projects.

- Collaborate with existing APEC FMP bodies such as PPP Experts' Advisory Panel and APIP, as well as, the Global Infrastructure Hub to establish a website housing the PPP Knowledge Portal, with the following possible preliminary contents:
 - Best Practices on PPP;
 - PPP infrastructure projects undertaken by APEC economies;
 - Directory of private firms, managers, consultants and experts involved in PPP infrastructure projects (also as an offshoot to the website); and
 - Financial and legal, public and private risk mitigation instruments available to infrastructure investors in the APEC region.
- Link the Knowledge Portal with other existing PPP portals and collaboration with other relevant initiatives such as the International Infrastructure Support System (IISS), a project preparation and information sharing tool.

4B. Standardization of PPP Terms and Practices

Identify and compile template/standard PPP terms and practices and the development of templates for PPP contracts, taking stock of G20 IIWG/World Bank/OECD identical deliverables. Investment and Infrastructure Working Group.

- Develop a reference guide for member economies to prepare PPP contracts, including templates/standard PPP Terms and Practices.

4C. Maximizing PPP's role in infrastructure investment

- Collaborate with international organizations such as the ADB, OECD, and the World Bank Group, as well as the Global Infrastructure Hub in conducting APEC economy specific reviews of policy frameworks for infrastructure provision and analysis and sharing of best practices.
- Work with organizations, such as the Asian Development Bank, including through its multi-donor Asia-Pacific Project Preparation Facility (AP3F), and the Global Infrastructure Hub to develop a robust pipeline of bankable PPP projects in the region.
- All interested APEC economies, and their respective PPP units or offices, are encouraged to seek advice and assistance from, as well as participate in the meetings of the APEC PPP Experts' Advisory Panel.

CAP and Future Work Program: Infrastructure Investment - 2

4E. Long-term Investment in infrastructure

Improving PPP knowledge, models and expertise will assist in further attracting private capital into infrastructure investment. Developing **infrastructure as an asset class for institutional/long-term investors** will help mobilize regional savings into infrastructure investment.

- Exchange experiences through existing public and private sector forums, including **APFF**, for facilitating long-term investment in infrastructure and encouraging **increased pension and insurance industry investment in infrastructure**.

4F. Urban Development

In 2014, the APEC FMP established the Urban Development Network to strengthen support for Urban Development. The Network comprises three workstreams: (i) Policy and planning for Sustainable Urban Development; (ii) Project Development, Procurement, and Management and Good practice; and (iii) Financing for Sustainable Urban Development.

- Share knowledge on **innovative financing for sustainable Urban Development**.

CAP and Future Work Program

Financial Inclusion

- Convene Financial Inclusion Forum to promote financial inclusion and literacy (CAP 1-B)
- Alternative/digital finance (CAP 1-A) with APFF WSS

APFF FIDN / Trade and Supply Chain Finance

- Credit information (CAP 1-A)
- Secured transactions and insolvency (CAP 1-A)
- Trade/supply chain finance: factoring, e-platforms, BPO (CAP 1-A)
- Alternative/digital finance (CAP 1-A) with other APFF WSS and Financial Inclusion Forum

APFF Capital Markets / FMI and Cross-Border

- ARFP: Increase participants (CAP 1-F)
- Deep and liquid markets: Repo, derivatives, information (CAP 3-C)
- FMI: Roadmap to improve regional FMI (CAP 3-C)
- Alternative/digital finance (CAP 1-A) with other APFF WSS and Financial Inclusion Forum

APFF Linkages and Structural Issues

- Pension and insurance investment in infrastructure (CAP 4-E) with APiP
- Alternative/digital finance (CAP 1-A) with other APFF WSS and Financial Inclusion Forum

APFF Insurance / DRF and Retirement Income

- DRF Development Roadmap (CAP 3-B)
- Microinsurance Development Roadmap (CAP 3-B)
- Pension and insurance investment in infrastructure (CAP 4-E) with APiP

APiP

- Bankability: GIH/ISS, standardized terms and practices, Experts Advisory Panel (CAP 4-A/B/C)
- Urban development (CAP 4-F)
- Pension and insurance investment in infrastructure (CAP 4-E) with APFF Insurance and Retirement Income

Before everything else, getting ready is the secret of success.

-Henry Ford (1863-1947)

