

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

Document: AGFSCB 31-011
Draft: **FIRST**
Source: AGFSCB Chair
Date: 9 February 2011
Meeting: Guangzhou, China

First Meeting 2011

14 February 2011

Shangri-La Hotel, Guangzhou Ballroom
Guangzhou, People's Republic of China

Meeting Paper 9-A

PROPOSED 2011 WORK PROGRAM

Office of the Advisory Group Chair

- PURPOSE** For consideration.
- ISSUE** Proposed 2011 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 2011
 - Deliverables
- DECISION POINT** Endorse the 2011 Work Program

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PROPOSED 2011 WORK PROGRAM

Draft as of 9 February 2011

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 2011 WORK PROGRAM

Following are the objectives of the 2011 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 2011

A. ADVISORY GROUP PROJECTS

1. 2nd APEC Financial Inclusion Forum

The first APEC Financial Inclusion Forum convened by the Advisory Group and ABAC in 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 APEC Financial Inclusion Forum, with the theme of *Expanding the Frontiers of Microfinance through Regional Public-Private Cooperation*, will focus 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.

The Forum will be held sometime in mid-2011 in Tokyo, Japan. It will be undertaken in collaboration with APEC finance ministries and financial regulators; international institutions; development assistance agencies; industry organizations, key institutions involved in financial inclusion and academic institutions.

2. Asia-Pacific Infrastructure Partnership: Asian and Latin American Infrastructure PPP Dialogues and Infrastructure Forum

In 2010, the Advisory Group and ABAC proposed the Asia-Pacific Infrastructure Partnership (APIP) as a model for a regional structure enabling parties to frankly and objectively discuss and consider complex matters facing each economy. This model, which will involve key officials engaged in infrastructure PPP, private sector experts, and MDBs and ECAs, will utilize ABAC's network of senior private sector experts from a wide range of fields relevant to infrastructure PPP as members of an ABAC private sector advisory panel. Coordination will be undertaken by the Advisory Group.

The Advisory Group will undertake activities to demonstrate the effectiveness of this model. Activities will involve the following:

- Dialogues focused on selected interested individual developing economies (one economy per session). These would be closed-door dialogues among relevant high-level officials, the ABAC advisory panel and experts from MDBs and ECAs. Each session will be tailored to maximize value for participants; session agenda will be determined after consultations with concerned ministries/agencies. Two dialogues are envisioned:
 - an Asian dialogue focused on 3 or 4 economies, proposed to be held in Tokyo, Japan sometime in early June, and
 - a Latin American dialogue to be hosted by ABAC in Lima, Peru in late August. Outcomes from the dialogues will be reported to SFOM.
- A Forum in Honolulu to discuss the outcomes of the Dialogues and the way forward for public-private collaboration to promote infrastructure PPP in each of the key infrastructure sectors relevant for the region. It is proposed to be held close to the date of the AFMM in November to enable interested finance ministers, deputies and senior finance officials to participate.

3. The 7th ABAC/ABA/PECC/SEACEN regional public-private dialogue on strengthening financial systems, Colombo, 5-6 July 2011

The Advisory Group, together with ABAC, PECC, ABA and SEACEN, has supported this dialogue over the past five years by providing suggestions on the program and speakers from within its network. Participants in this dialogue will include senior representatives from SEACEN member central banks and banking supervisory bodies, key regulatory bodies in the wider Asia-Pacific, international and regional financial institutions, the IMF, the Asian financial industry and experts from academe, research and consultancy. This year's dialogue comes at a time when the G20, FSB, BCBS and other relevant institutions are seeking regional inputs to help in crafting effective measures that will strengthen financial stability and promote growth. As in previous years, the report of the dialogue will be made publicly available and submitted to relevant officials.

4. Collaboration on SMME Finance with APEC Senior Officials

The Advisory Group will collaborate with APEC Senior Officials, particularly through the Japan Ministry of Economy, Trade and Industry (which is charged by APEC to lead work on this topic as part of its Ease of Doing Business initiative), to progress APEC's work on SMME Finance. This will build on the Advisory Group's active collaboration with APEC Senior Officials in the holding of the 21 September 2010 APEC Seminar on *Getting Credit for Small and Medium Enterprises* held in Sendai, Japan. Details will be worked out with METI and relevant ministries from other participating economies during the course of the year.

5. Collaboration on Asia Region Funds Management Passport (ARFMP) Initiative with APEC Senior Finance Officials

This initiative, which was proposed by the Advisory Group and ABAC in 2010, was launched by the APEC Finance Ministers in November 2010 in Kyoto as a vehicle for discussions that can lead to an APEC pathfinder initiative to establish a regional funds management passport scheme. The Advisory Group will collaborate with APEC Senior Finance Officials, particularly through the Australian Treasury (which is charged by APEC to lead work on this topic). Details will be worked out with the Australian Treasury and other participating finance ministries during the course of the year.

6. Collaboration on the APEC Financial Inclusion Initiative with APEC Senior Finance Officials

This initiative, which was proposed by the Advisory Group and ABAC in 2009 and 2010, was launched by the APEC Finance Ministers in November 2010 in Kyoto. The Advisory Group will collaborate with APEC Senior Finance Officials, particularly through the US Treasury (which leads APEC work on this topic) on activities, in addition to the APEC Financial Inclusion Forum. Details will be worked out with the US Treasury and other participating finance ministries during the inaugural workshop of the initiative, which will be held on 23-24 February 2011 in San Francisco.

7. Collaboration on regulations to support MSME Financing with the Australian APEC Study Centre at RMIT University and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP)

AASC is working with ADFIAP in collaboration with other groups to support APEC's work on Financial Inclusion in 2011 including the work of the Advisory Group. The focus of the work will be on promoting best practice principles for enabling regulatory and supervisory approaches directed toward enhancing MSMEs access to finance through banking, equity and debt capital markets and thereby to widen financial inclusion.

A two-day symposium is proposed in the Philippines in the 2nd Qtr 2011, followed by an intensive training course in Melbourne in the 4th Qtr 2011. Representatives of regional policy and regulatory agencies, banks and financial institutions and capital markets and international organizations and standard setting bodies will be invited to the symposium to consider policy and regulatory challenges faced by MSMEs (and their financiers face) in accessing finance. The results of the symposium will be considered as inputs to Advisory Group discussions in 2011. The Advisory Group will collaborate with AASC and ADFIAP to promote wide private and international participation in these activities.

8. Collaboration on a symposium on enhancing financial policy and regulatory cooperation with the Australian APEC Study Centre at RMIT University

The symposium will bring together specialist speakers and moderators drawn from international financial regulatory standard setting bodies, regional financial system policy makers and regulators, major private sector financial institutions and financial system academics to consider and exchange views on major reforms as they are emanating from international standard setting bodies in response to the global financial crisis. The symposium will consider the impact of reforms on regional economies. A report of the Forum will be made available to APEC Finance Ministers. The results of the symposium will be considered as inputs to Advisory Group discussions in 2011. The Advisory Group will collaborate with AASC to promote wide private and international participation in these activities.

9. Collaboration with other Advisory Group participating institutions

Several participating institutions in the Advisory Group have indicated that they intend to undertake activities that may be of interest for the Advisory Group to be directly involved in. The ADB is currently undertaking work on capital market development and integration in Asia that relates to several recommendations made in 2010 by the Advisory Group and ABAC. The ADB Institute is planning a joint activity on financial inclusion with the Asia-Pacific Finance and Development Center (AFDC) to be held in China sometime this year. As the Advisory Group had collaborated with these two institutions' financial inclusion conference in Shanghai in 2010, both have indicated that they would welcome the Advisory Group's continued collaboration in 2011.

The Advisory Group will consider how it may collaborate with these institutions in subsequent meetings this year.

B. 2011 REPORT ON FINANCIAL SYSTEM CAPACITY-BUILDING

This report, which will be finalized in August 2011, 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) infrastructure public-private partnership; (b) financial inclusion; (c) promoting capital market development; (d) capacity-building for regulatory reforms in the region's developing economies; and (e) SMME finance.

MEETINGS IN 2011

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

- **Regular meeting (First): February 14, 2011, Guangzhou, People's Republic of China**

To finalize the work program; discuss the preparations for activities in 2011; undertake initial discussions of key issues under the work program and identify steps to develop work on these issues until the next regular meeting.

- **Regular meeting (Second): During the period April 27-29, Seoul, Republic of Korea**
(exact date yet to be announced)

To discuss preparations for the financial inclusion forum, the Asian and Latin American Infrastructure PPP Dialogues and the public-private dialogue on financial systems and discuss proposals on capacity-building.

- **Regular meeting (Third): During the period August 22-25, Lima, Peru** *(exact date yet to be announced)*

To discuss the results of the financial inclusion forum, the Asian and Latin American Infrastructure PPP Dialogues, the public-private dialogue on financial systems and other activities; 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 November 7-9, Honolulu, USA** *(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 2nd APEC Financial Inclusion Forum; (b) the Asian Infrastructure PPP Dialogue; (c) the Latin American Infrastructure PPP Dialogue; (d) the Honolulu Infrastructure PPP Forum; and (e) the 7th Asia-Pacific public-private dialogue on strengthening financial systems

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. Successful completion of (a) collaboration on SMME Finance with APEC Senior Officials; (b) collaboration on Asia Region Funds Management Passport (ARFMP) Initiative with APEC Senior Finance Officials; (c) collaboration on the APEC Financial Inclusion Initiative with APEC Senior Finance Officials; (d) collaboration on regulations to support MSME Financing with AASC and ADFIAP; and (e) collaboration on a symposium on enhancing financial policy and regulatory cooperation with AASC.

4. The launch of the Asia-Pacific Infrastructure Partnership (APIP)

5. 2011 Report on Financial System Capacity-Building in APEC (*to be submitted to the APEC Finance Ministers before their 2011 meeting – through ABAC as well as any other relevant channel*).