

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Meeting Paper 6-A

CONCEPT PAPER ON THE 2011 APEC FINANCIAL INCLUSION FORUM

Office of the Advisory Group Chair

- PURPOSE** For consideration.
- ISSUE** Concept paper on the 2011 APEC Financial Inclusion Forum.
- BACKGROUND** 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. For this year's Forum, it is proposed to 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.
- PROPOSAL** Through the Advisory Group, ABAC will engage international institutions, development assistance agencies, industry organizations and other key institutions as well as academic institutions to hold the Forum, concentrating on the following three areas:
- Consumer and micro/small enterprise lending.
 - Grassroots savings mobilization.
 - Remittances and cross-border microfinance.
- DECISION POINT** Endorse the concept paper and its submission to the SFOM Chair.

2011 APEC Financial Inclusion Forum

Expanding the Frontiers of Microfinance through Regional Public-Private Cooperation

Addressing the needs of the estimated 800 million people living in poverty across the Pacific through improved access to finance remains a major challenge. With growing constraints on public resources in the wake of the Global Financial Crisis, mobilizing private resources to serve these needs has become ever more important. Stronger, more balanced and more inclusive growth also require efforts to further expand financial access through new channels.

The first APEC Financial Inclusion Forum convened by ABAC together with the Advisory Group on APEC Financial System Capacity Building 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.

For this year's Forum, ABAC proposes to 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. In this context, it is proposed that the Forum discuss and develop recommendations to APEC Finance Ministers based on the G20 Principles of Financial Inclusion, concentrating on three areas:

- *Consumer and micro/small enterprise lending.* ECAs can collaborate with banks, firms and communities to offer affordable loans to low-income consumers and expand financing for micro and small enterprises in developing economies. Discussions will focus on actual experiences (JBIC as example) and identifying measures to promote sustainability and support expansion of such undertakings (e.g., measures related to credit information, financial literacy, consumer protection, among others).
- *Grassroots savings mobilization.* Deposits offer low-income households many benefits and enable MFIs to reduce their vulnerability to external shocks. There is great potential for micro-savings, which has proven to be commercially viable with the introduction of innovative approaches and technology. Discussions will focus on the roles that the private sector, government, regulators, apex institutions and technical and development assistance can effectively play in promoting micro-savings in developing economies.
- *Remittances and cross-border microfinance.* Remittances are vital to many economies, and their importance will grow as regional integration advances. Increased financial access both for migrants and remittance recipients (including services such as housing or business loans linked to remittances), measures and innovations to facilitate settlement, and technology (e.g., mobile technologies, prepaid cards) can significantly expand financial inclusion. Discussions will focus on how private sector, government and regulators can collaborate to facilitate innovative business models and address key issues (e.g., transparency, consumer protection, payment system infrastructure, legal and regulatory environment and risk management, among others).

ABAC proposes to hold the Forum sometime in early June 2011 in Tokyo, Japan. ABAC will engage key private sector representatives and invites collaboration from finance ministries and financial regulators. Through the Advisory Group, which will coordinate preparations, ABAC will engage international institutions such as ADB/ADB Institute, IDB, IFC; ECAs; development assistance agencies; industry organizations such as ABA, ADFIAP and WSBI; and key institutions involved in financial inclusion such as AFI, BWIP Network, CGAP and FDC, as well as academic institutions undertaking significant work on financial inclusion.