

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Meeting Paper 2-B

PROPOSED 2008 WORK PROGRAM

Office of the Advisory Group Chair

Advisory Group on APEC Financial System Capacity-Building PROPOSED 2008 WORK PROGRAM

Draft as of 14 January 2008

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 to collaborate with the APEC Finance Ministers in developing capacity-building programs to strengthen and develop 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 2008 WORK PROGRAM

Following are the objectives of the 2008 Work Program of the Advisory Group:

- To undertake, as a collaborative project involving participating organizations, the coordination of the Second APEC Public-Private Sector Forum on Bond Market Development
- 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 identify possibilities of collaboration among participating organizations and between public and private sectors
- To exchange information and updates on current initiatives by participating organizations and promote greater synergy among them

MEETINGS IN 2008

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

- **Regular meeting (First): January 22, 2008, Jakarta, Indonesia**

To finalize the work program, prepare the agenda for the Second Forum on Bond Market Development, 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 May 12-14, Moscow, Russian Federation** (*exact date yet to be announced*)

To report on the results of completed activities, discuss preparations for the Second Forum on Bond Market Development and discuss proposals on capacity-building.

- **Regular meeting (Third): During the period August 2-6, Hangzhou, China** (*exact date yet to be announced*)

To finalize the report on completed activities and finalize proposals on capacity-building to be forwarded to the APEC Finance Ministers.

ACTIVITIES IN 2008

A. PROJECTS

1. Workshop on the development of a commercially sustainable microfinance industry, Jakarta, 23 January 2008

The Advisory Group is working with ABAC to organize this workshop, which will be a half-day event to be held in conjunction with the January 21-24 ABAC meeting in Jakarta. The objective of this workshop is to generate proposals for policy reforms and capacity-building measures that can be undertaken by governments, public institutions and regional organizations, particularly APEC, in collaboration with the private sector, to improve the environment for the operation of MFIs, increased flow of funds through banks and capital markets and appropriate provision of public support.

2. Second APEC Public-Private Sector Forum on Bond Market Development, Cusco, July 2008

At their meeting in Hanoi on 7 September 2006, APEC Finance Ministers welcomed a proposal submitted by ABAC that the Advisory Group facilitate in-depth discussions with individual economies on how the public and private sectors can collaborate to develop their respective bond markets (with special attention to corporate bond markets). These discussions will take the form of a series of one-day sessions, each focused on three or four developing member economies' bond markets.

The central objective will be a dialogue among interested economies, private sector market players and experts from international public and private sector organizations, aimed at identifying aspects in the policy and regulatory areas which could be addressed by authorities to enhance the environment for bond market development, and in particular, corporate bond issuance. The dialogues would also aim to identify capacity building initiatives, which might include public/private partnerships to build the environment conducive to bond market development.

The Australian Treasury hosted the first Forum on 8 May 2007 in Melbourne, back-to-back with the Second Senior Finance Officials Meeting (SFOM II), focusing on the bond markets of Indonesia, the Philippines and Vietnam. The Second Forum will be hosted by the Ministry of Finance of Peru in Cusco, with the suggested date of July 2008 (exact dates to be announced), as part of the APEC Senior Finance Officials' Meeting (SFOM). It will focus on the bond markets of Peru, Mexico and Chile, but will also discuss international and regional capacity-building efforts and public-private sector collaboration.

Participants will include the following: (a) participants from the above-mentioned 3 economies; (b) participants from other interested APEC economies, including members of the Senior Finance Officials' Meeting; (c) participants from the Advisory Group; and (d) key experts and representatives from investment banks, institutional investors, fund managers, rating agencies and other relevant private sector organizations, to be selected and invited by the organizers.

Officials or regulators from each of the three economies would make a presentation on (a) the current situation of their respective markets, (b) the measures being planned or undertaken, (c) the challenges, and (d) possible areas of cooperation with the private sector, followed by inputs from the other participants, an open discussion and a summary by the respective session chair. The office of the Advisory Group Chair will be

responsible for drafting the conference report, in collaboration with Advisory Group participants and relevant officials from the three economies.

3. The 4th SEACEN/ABAC/ABA/PECC regional public-private dialogue on Basel II implementation and related banking issues, Kuala Lumpur, July 2008

The Advisory Group, together with ABAC, PECC, ABA and SEACEN, has supported this dialogue over the past three 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 BIS, the Asian financial industry and experts from academe, research and consultancy. Aside from Basel II issues, the dialogue also touches on financial stability, financial consumer protection, and insolvency issues.

4. Enhancing the environment for public-private partnership in infrastructure in developing APEC economies.

The Advisory Group is currently discussing with various institutions the possibility of collaborating on this project, including research and involvement of government officials, private sector experts and representatives of the investor community.

5. Enhancing the quality of financial information available to investors and regulators to promote financial stability in APEC.

The Advisory Group has discussed the results of a study that was commissioned to address lingering concerns in the region about volatile short-term capital flows (especially those associated with HLIs), the growing use of derivatives and the lack of data on these items that are available to emerging market officials and regulators. The Advisory Group agreed with the conclusions of the study, which recommended capacity-building to help governments improve data on the non-bank financial sector; the development of investor relations services units and industry surveillance units for interested economies; and the development of a code of conduct for statistical agencies in the region to promote market confidence. The Advisory Group will consider possible initiatives that would help address challenges in this area.

B. 2008 REPORT ON FINANCIAL SYSTEM CAPACITY-BUILDING

This report, which will be finalized in August 2008, 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 of corporate bond markets; (b) implementation of Basel II within the region; (c) promoting financial stability through enhanced financial information; (d) promoting public-private partnership in infrastructure; and (e) developing robust institutions, legal and regulatory frameworks for microfinance. The Advisory Group will also consider whether there are capacity-building issues related to greenhouse gas emissions trading that need to be included in its report.

DELIVERABLES AND TIMETABLES

The above activities are geared toward the following deliverables:

1. Successful completion of the Second APEC Public-Private Sector Forum on Bond Market Development

2. A complete report on the conclusions of the Forum (*to be submitted to the APEC Finance Ministers before their 2008 meeting – through ABAC as well as any other channel*)
3. 2008 Report on Financial System Capacity-Building in APEC (*to be submitted to the APEC Finance Ministers before their 2008 meeting – through ABAC as well as any other channel*)