

PROMOTING A FAVORABLE POLICY ENVIRONMENT FOR COMMERCIALLY SUSTAINABLE MICROFINANCE

January 23, 2008

Krakatau Room, The Grand Hyatt

Jakarta, Indonesia

Draft as of January 21, 2008

Microfinance is a new industry that could play an important role in the economic empowerment of financially underprivileged households and their integration into the market economy, thus providing a broad and firm base for more dynamic, sustainable and equitable economic growth. Having been driven in its early stages mainly by commitment to social objectives, microfinance is now evolving into an industry that is increasingly responsive to the demands of both private capital and its customers.

The evolution of microfinance is reflected in the transformation of traditional NGOs dedicated to the sector into licensed banks and non-bank financial intermediaries to gain access to funds and deposits, the growing recognition by established commercial banks and finance companies entering the market of its potential to enhance their own product mix and profitability, and more recently, the entry of global commercial and investment banks and the development of financial instruments and vehicles to facilitate the flow of funds to the industry via the mainstream capital markets.

Even as considerable disagreement persist within the industry, in particular over the priority accorded to social versus commercial goals, the demand for funding is great (the potential market is estimated to grow from US\$17 billion today to as much as \$300 billion over the next decade¹), and greater involvement of the financial industry and capital markets would be required for these needs to be met. The challenges are also considerable. While a number of microfinance institutions have succeeded in terms of developing high-quality portfolios, these make up less than 1% of the estimated currently existing 10,000 MFIs worldwide.

Facilitating the development of a commercially sustainable microfinance industry in the region would require improving the environment for the effective and efficient operation of MFIs, increased flow of funds through banks and capital markets, and appropriate provision of public support. This workshop aims to discuss this issue and 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.

¹ "Microfinance: On the Road to Capital Markets," Morgan Stanley Perspectives (March 27, 2007).

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Program

- 8:30 am **Opening Remarks**
Jeffrey L.S. Koo, Chair, Advisory Group on APEC Financial System
Capacity-Building and Chairman, Chinatrust Financial Holding Co Ltd
- 8:35 **Introductory Remarks**
Michael Phillips, Chair, ABAC Finance and Economics Working Group and
Chairman, Russell Investment Group
- 8:40 **Session One: The Evolution and Current Situation of Microfinance**
*Session Chair: Julius Caesar Parreñas, Coordinator, Advisory Group on
APEC Financial System Capacity-Building*

Overview presentation
Brigit Helms, Sector Leader, Access to Finance, East Asia and the Pacific
Department, IFC

Microfinance: The Latin American Experience
Hiroshi Toyoda, Special Advisor for Asia, Inter-American Development
Bank

Beris Gwynne, Advisor, Fundraising, GWP
- 9:50 Coffee break
- 10:10 **Session Two: The Policy and Regulatory Environment**
Session Chair: Ken Waller, Senior Adviser, ABAC Australia

Overview presentation
Alfred Hannig, Director of Sustainable Economic Development Programs in
Indonesia, German Technical Cooperation (GTZ)

Ms. Leny I. Silvestre, Managing Director, Supervision and Examination I and
Microfinance Committee Member, Philippine Central Bank (BSP)

Abdul Salam, Finance Director, Bank Rakyat Indonesia

11:20

Session Three: The Role of APEC in Promoting Microfinance

Session Chair: Twatchai Yongkittikul, Member, ABAC Thailand and Secretary General, Thai Bankers' Association

John Conroy, Special Consultant, The Foundation for Development Cooperation

Mark Johnson, Chairman, Australian Gas Light Company

Rudjito, Chairman of the Board of Commissioners, Indonesia Deposit Insurance Corporation (IDIC)

Jeff Dowle, Executive Vice President, HSBC Bank Canada

12:20

Closing Remarks

Yoshihiro Watanabe, Co-Chair, Advisory Group on APEC Financial System Capacity-Building and Chief Risk Officer, Mitsubishi UFJ Financial Group

12:25

End