



# THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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**Second Meeting 2009**  
14 May 2009  
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The Empire Hotel & Country Club  
Brunei Darussalam

## **Meeting Paper 4-B**

### **Report on the Informal Brainstorming Session on PROMOTING FINANCIAL INCLUSION IN APEC**

Advisory Group

**INFORMAL BRAINSTORMING SESSION  
PROMOTING FINANCIAL INCLUSION IN APEC**

April 1, 2009  
1:30 – 4:30 pm  
Asian Development Bank Institute  
Tokyo, Japan

**MEETING REPORT**

The APEC Business Advisory Council (ABAC) and the Advisory Group on APEC Financial System Capacity-Building held a brainstorming session to develop initial ideas for a possible APEC financial inclusion initiative. The Asian Development Bank Institute (ADBI) hosted the session in its conference facility in Tokyo, Japan on 1 April 2009. The closed-door session was conducted under the Chatham House Rule. In attendance were several senior officials from APEC member economies as well as representatives from ABAC, the Consultative Group to Assist the Poor (CGAP), the Alliance for Financial Inclusion (AFI), International Finance Corporation (IFC), Foundation for Development Cooperation (FDC), Banking with the Poor Network (BWTP), ADBI, Inter-American Development Bank (IDB) and the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

The following are the major conclusions from the presentations and discussions:

1. A huge number of ongoing activities are being undertaken to promote financial inclusion. These activities, which aim to help develop market infrastructure, assist governments and market players, and promote funding, include the following:
  - a. Promotion of technology, credit information, financial identities, effective payment systems, transparency and innovative business models, such as mobile and agent banking.
  - b. Establishment and dissemination of standards of good practice.
  - c. Training of trainers, policy makers, officials and supervisors.
  - d. Provision of policy advisory services related to the development of domestic laws, regulations and strategies.
  - e. Research, data analytics, publication activities and dissemination of information on regulatory regimes.
  - f. Promoting donor effectiveness.
  - g. Maintenance of an international clearing house of ideas to facilitate knowledge pooling and knowledge management from around the globe.
  - h. Providing funds for microfinance, as well as mobilizing capital from the private sector to support lending in developing economies, including through structured finance mechanisms.
  - i. Promoting face-to-face exchanges of ideas and experiences among officials and regulators from developing economies through policy dialogues.

- j. Grant-making to promote policy reform and research.
  - k. Nurturing of regional and international forums dedicated to the development of microfinance.
2. A wide variety of institutions are actively engaged in promoting financial inclusion. These include policy and research organizations supported by development agencies, privately-funded grant-making and knowledge-pooling bodies, international financial institutions, well-networked organizations serving as intermediaries to promote and maintain partnerships, networks and associations of market players and government agencies engaged in microfinance, and development agencies undertaking capacity-building and research activities. Although there are overlaps in their activities, there is very significant potential for complementation among these institutions, given their varying membership, levels and nature of financial and technical resources and geographical reach.
  3. There is much interest among participating institutions in collaborating with an APEC financial inclusion initiative. Collaboration could take various forms, including funding of research, policy dialogues and study tours, provision of technical experts and access to networks, making available meeting and video-conferencing facilities, and rendering of secretariat and coordination services. Participating institutions are keen on being involved at the implementation rather than the political level.
  4. Participants agreed that there is significant value in launching an APEC financial inclusion initiative, especially given the composition of the regional grouping's membership, the active participation of IFIs and an existing infrastructure for policy dialogue, capacity-building and research within APEC. APEC would be an excellent forum for sharing of best practices, as some of these have been established in member economies. The idea is timely, given the importance of using global knowledge to avoid misguided policies that governments, faced with populist pressures arising from the current financial crisis, might be tempted to undertake. Participants also agreed that such an initiative could contribute significantly to the agenda of the APEC finance ministers' process (FMP), particularly with regard to promoting broad-based development and financial deepening.
  5. Participants welcomed the following suggestions regarding the content of an APEC financial inclusion initiative:
    - a. The goal of the initiative would be to increase access to finance while maintaining the safety and soundness of financial systems in APEC economies.
    - b. Objectives would include (1) extending the reach of microfinance to those who currently remain financially excluded; (2) upgrading and strengthening of MFIs; especially through adoption of sound practices, professionalization and commercialization; and (3) the deeper integration of microfinance into the formal financial sector through expanded access to funds from banks and capital markets.
    - c. To achieve its objectives, the initiative would follow a strategy consisting of the following key components: (1) helping identify and disseminate best practices; (2) promoting institutional capacity-building; (3) assisting governments through

- learning and exchange of knowledge; and (4) developing a system to monitor progress.
- d. Activities under the initiative could include (1) policy dialogues focusing on identifying what constitutes an enabling environment; (2) a structured capacity-building program to define and disseminate best practices, assist economies to attain these standards and allow them to demonstrate measurable progress toward agreed goals; (3) advocacy and awareness-raising to promote support among policy-makers, legislators and opinion leaders; and (4) research, monitoring and evaluation activities to clarify definitions, improve the availability and quality of data, monitor progress and evaluate the impact of measures.
  - e. Several examples of activities were presented. (1) A more expanded discussion of one of the six key policy solutions endorsed by ABAC could be undertaken, with the aim of helping APEC develop action plans. (2) The initiative could make a study on financial inclusion in APEC, aimed at developing common criteria for measuring financial inclusion, collecting data on APEC members, providing comparative surveys of domestic policy frameworks and developing case studies. (3) Learning activities could be undertaken, based on demand from member economies, with funding support from interested institutions. An example would be a study tour of officials to the Philippines on mobile phone banking. (4) Cooperation with other ongoing programs could also be considered, which can contribute useful empirical information to support policy reforms and advocacy. This could involve the sharing of findings from ongoing work by international institutions on such areas as credit bureaus, collateral registries, payment systems development and financial literacy. It could also involve endorsement of existing principles, collaboration in identifying entities to be tasked with knowledge management, participation of officials in training programs, and dissemination of best practice guidelines. (5) Capacity-building materials could be developed as one of the outputs from conference activities under the initiative.
  - f. The initiative would be a multi-year effort and involve various institutions with varying levels of commitment depending on their resources, how it fits into their existing programs and how they would prefer to be involved. It should ideally involve major private sector firms that are involved in microfinance, including banks, telecommunications and technology companies, among others.
6. Participants discussed how an APEC financial inclusion initiative might be organized, noting that due to the enormity of tasks involved, the execution model would be an important component. They noted that APEC officials might consider an option with the following components:
- a. The initiative could be open to wide participation, including public and private organizations, international institutions and private foundations.
  - b. It would be championed in the FMP and led by one or several member finance ministries, with the support of ABAC and other interested institutions that participate in the FMP.

- c. It would be helpful to have one institution play a coordinating or secretariat role. Depending on the preferences of APEC finance officials, this may be limited to monitoring and reporting functions within a decentralized structure, or could be given more responsibilities as needed.
  - d. ABAC, interested finance ministries and participating institutions could exercise oversight and regular monitoring through the regular meetings of the Advisory Group on APEC Financial System Capacity-Building. ABAC could take care of submitting progress reports to SFOM and the FMM on a regular basis.
7. Participants noted the importance of ensuring the availability of adequate resources. Participating institutions could share or divide among themselves funding for travel, consultants, publications, hosting, logistics and provision of technical expertise. Public sector international development institutions and IFIs could also provide support for certain activities. APEC finance ministries could make a very important contribution, which is to provide access to data, information and officials (as needed) as well as hosting of activities and meetings. APEC can be a source of funding, although this is very limited.
  8. Participating senior officials from APEC member economies welcomed the idea of an APEC financial inclusion initiative. It was acknowledged that financial market development is a very important issue for emerging economies in the region, and financial inclusion is an integral part of this agenda. Various challenges remain in providing access to financial services, which is important for the growth of micro-enterprises and SMEs, even in developed economies. For developing economies, it is even more important due to the large percentage of the population that remain without access to financial services. As developed economies in the region facing the challenge of an ageing population become more dependent on foreign labor, promoting financial inclusion of migrant workers from developing economies, particularly in connection with cross-border remittance, is also becoming an important issue.
  9. It was also noted that among APEC officials, increasing attention is now being given to social resilience measures in response to the global financial crisis. Thus, while the APEC Senior Finance Officials' Meeting (SFOM) and the APEC Senior Officials' Meeting (SOM) had an extensive discussion on trade finance during their last meeting in February, social resilience will become a focus of discussions at the next meeting in July, which ABAC and the Advisory Group might consider as a possible point of entry with a presentation on financial inclusion to senior officials. Participating APEC senior officials expressed optimism that APEC member economies would support financial inclusion if concerted efforts are now undertaken to develop and obtain consensus on an effective work program.
  10. The proposed initiative was also discussed in light of ongoing efforts to bring the work of APEC in the finance and trade areas closer to each other. It was noted that a financial inclusion initiative may help facilitate this process. Given the nature of financial inclusion as in large part a financial sector issue and the central role that financial regulators play in its development, it was noted that its best entry point would be in the form of a policy initiative under the APEC FMP. Once under way,

depending on the issues being tackled, particular activities could involve collaborative work in certain areas between the financial sector and other industries, such as for example in the development of enabling policies related to mobile phone banking or to consumer protection. ABAC could also play a key role in facilitating the collaboration among APEC fora, market players, industry associations, policy makers and regulators from various industries. It was noted that an explicit acknowledgment by APEC Economic Leaders of the importance of financial inclusion and the work of APEC in this area, with the support of both SOM and SFOM, would be very useful.

11. The session concluded with a consensus view that the launch of an APEC financial inclusion initiative this year is both desirable and doable. As a next step, participants agreed that ABAC work closely with senior finance officials in developing a proposal for a policy initiative under the FMP that will be submitted to and considered at SFOM-6 in July 2009. The proposal should take into consideration the various views expressed during this session as reflected in this meeting report. Through the Advisory Group, ABAC should also coordinate with interested institutions and APEC member economies, in particular the finance ministries of Singapore and Japan as current and next FMP Chair, to develop an adequately supported work program that could be undertaken once the initiative is approved.