

# FDC | APEC BUSINESS ADVISORY COUNCIL

## PROGRESS REPORT

JULY 2019



## INTRODUCTION

The Asia-Pacific Financial Inclusion Forum (APFIF) is a multilateral policy initiative of the APEC Finance Ministers' Process, housed within the APEC Business Advisory Council (ABAC) and entrusted to FDC since the Forum's inception in 2010. Comprised of multiple programs run over the APEC calendar year, the Forum provides a unique platform for senior government officials, policy makers and industry experts to formulate policy recommendations relevant to achieving inclusive growth and development outcomes. Its focus is to deliver the objectives of the relevant Sustainable Development Goals, and increasing the economic and financial inclusion targets for the APEC economies, and by extension to all economies for whom these issues are vital priorities. The purpose of the work of the Forum throughout the year is the identification of concrete actions policy makers and regulators can take to address inclusion for the region's circa 1.5-2 billion unbanked and/or financially and economically underserved.

The annual policy dialogue of the same name is structured as a facilitated discussion amongst delegates, with contributions from development and other industry experts. The Forum provides a platform for all delegates to take an active role in identifying recommendations for policy reform and strengthening and achieving consensus for effective pathways for progress.

As such, the dialogue puts focus on developing viable action plans needed to progress inclusive growth in the region. The policy recommendations developed through the APFIF program of work are distributed through official APEC channels to support the work of the APEC Finance Ministers' Process and their Financial Inclusion Policy Initiative.

The 2019 Asia-Pacific Financial Inclusion Forum will be hosted by FDC, the Asian Development Bank Institute (ADBI), the APEC Business Advisory Council (ABAC) and Banking with the Poor (BWTP). Additional support for the Forum is provided by the Inclusive Growth and Development Caucus whose members represent several prominent industry stakeholders including ADBI, Bank Mandiri, Bloomberg, EY, Lanka Impact Investing Network (LIIN), MicroSave, and PayPal.

### The Inclusive Growth and Development Caucus Members



## ALIGNMENT WITH APEC PRIORITIES

The activities implemented as part of the APFIF initiative align with the resolutions and objectives of the Cebu Action Plan (CAP), the priority issues declared by Chile as the APEC Host of 2019, 10 of the 17 UN Sustainable Development Goals and with the APEC Action Agenda on Advancing Economic, Financial and Social Inclusion in the APEC Region 2018, as shown below:

### Pillars and Initiatives of the Cebu Action Plan being progressed through the APFIF initiative

Cebu Action Plan Pillar	Initiative
<b>Pillar 1:</b> Promoting Financial Integration	<b>1A:</b> Promote and Enabling Environment for MSMEs <b>1B:</b> Expand Financial Inclusion and Literacy <b>1C:</b> Facilitate Remittance Flows
<b>Pillar 2:</b> Advancing Fiscal Reforms and Transparency	<b>2B:</b> Open Data Initiative (enhancing capacity in data collection and dissemination)
<b>Pillar 3:</b> Enhancing Financial Resiliency	<b>3B:</b> Disaster Risk Financing and Insurance <b>3C:</b> Capital Market Development
<b>Pillar 4:</b> Accelerating Infrastructure Development & Financing	<b>4G:</b> Regional Connectivity

### APEC 2019 Chile priorities being progressed through the APFIF initiative

APEC 2019 Priorities	Targets
<b>Digital Society</b>	Identification of best-practice regulatory practices that enable inclusive digital economies, improve statistical conditions and raise consumer confidence in the use of digital tools
<b>Integration</b>	Boosting development of connectivity to respond to new market needs and promote the integration of global marketplaces for inclusive commerce
<b>Women, SMES and Inclusive Growth</b>	Increasing the participation of women in the economy and international commerce as a driver for economic growth and reduction in gender gaps

UN Sustainable Development Goals being progressed through the APFIF initiative

# THE GLOBAL GOALS

For Sustainable Development



## POLICY RECOMMENDATIONS

The following table outlines 11 policy recommendations which have been developed as part of the current APFIF Initiative within 5 priority themes. The table also provides further insights into:

- The scale or importance of the opportunity
- Specific actions APEC's Finance Officials can take to progress each recommendation
- How each recommendation (and associated actions) align with the CAP, APEC 2019 priorities and the SDGs
- FDC's response through various ongoing activities of the APFIF initiative to support and progress the recommendations

The recommendations were formed through the active participation of 129 delegates representing 21 Asia-Pacific economies at policy forums including:

- 40 senior government officials representing Central Banks, Finance Ministries or other relevant agencies
- 89 experts and industry leaders including representatives from prominent private sector and development organisations (i.e. PayPal, EY, Visa, Asian Development Bank, IMF, MicroSave, UNCDF and the World Bank)

The full APFIF 2018 report, titled '*The Inclusion Imperative: A Call to Action*', summarises the dialogue and recommendations. This report has been widely disseminated to stakeholders across the region including:

- Over 180 participants of the APEC Finance Ministers' Process from all APEC economies including Finance Ministers, Senior Officials and six external partners: The APEC Business Advisory Council (ABAC), Asian Development Bank (ADB), International Monetary Fund (IMF), Inter-American Development Bank (IADB), Organization for Economic Co-operation and Development (OECD), and the World Bank Group
- Over 3,000 inclusive finance stakeholders through the networks of FDC and Banking with the Poor (BWTP)
- Promotion through the Consultative Group to Assist the Poor (CGAP) FinDev Gateway website and additional circulation through FDC's partners including the United Nations Capital Development Fund (UNCDF), Appui au Développement Autonome (ADA) and the Asian Development Bank Institute (ADBI)

***'The Inclusion Imperative: A Call to Action'* report is available from the FDC website [here](#).**

## Recommendations #1 and 2: Realising the Full Potential of Financial Inclusion

OPPORTUNITY	POLICY RECOMMENDATIONS	KEY ACTIONS	ALIGNMENT WITH PRIORITIES	FDC'S RESPONSE Visit <a href="http://www.fdc.org.au">www.fdc.org.au</a> for more information
<ul style="list-style-type: none"> <li>• <b>1.5-2 billion unbanked</b> and financially underserved individuals across Asia-Pacific</li> <li>• <b>1% increase</b> in financial inclusion equals an average <b>3.6% increase in GDP</b> in growth economies (Apis Partners 2014)</li> <li>• <b>USD 380 billion</b> pa revenue opportunity providing financial services to the unbanked (Accenture 2015)</li> </ul>	<ol style="list-style-type: none"> <li>1. Progress financial inclusion within a broader inclusive growth agenda</li> <li>2. Enact reforms which promote the proliferation of a broader suite of products and services available to the underserved (i.e. savings, pensions, insurance, etc.)</li> </ol>	<ul style="list-style-type: none"> <li>• Include measures of social and economic inclusion as part of national financial inclusion strategies</li> <li>• Promote financial education, and its role in developing financial health, to increase demand for financial products and services</li> <li>• Create incentives or a more enabling regulatory environment to encourage the supply of a broader array of financial products and services</li> <li>• Work with the private sector to enable remittance flows to be combined with other services (i.e. savings, insurance, payments, etc.)</li> </ul>	<p><b>CAP:</b> 1A Promote an Enabling Environment for MSMEs 1B Expand Financial Inclusion and Literacy 1C Facilitate Remittance Flows 3B Disaster Risk Financing and Insurance</p> <p><b>APEC 2020:</b> Digital Society, Women, SMES and Inclusive Growth</p> <p><b>SDGs:</b> No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Reduced Inequalities, Climate Action</p>	<p>Providing access to a broad range of digitally enabled financial products and services to the poor/underserved through our commercial initiative FYXA Global</p> <p>Policy dialogue to explore the viability of establishing a transitional inclusive finance system designed to meet the needs of the poor/underserved</p> <p>Increasing understanding of the financial behaviours of successful women entrepreneurs</p> <p>Increasing understanding of the unique financial needs of nano and micro entrepreneurs</p> <p>Showcasing practical solutions to enhance the availability of financial products and services to the micro merchant segment</p>

## Recommendations #3 and 4: Women as Drivers of Economic Growth

OPPORTUNITY	POLICY RECOMMENDATIONS	KEY ACTIONS	ALIGNMENT WITH PRIORITIES	FDC'S RESPONSE <small>Visit <a href="http://www.fdc.org.au">www.fdc.org.au</a> for more information</small>
<ul style="list-style-type: none"> <li>Bridging the current gender gap in economic opportunity could increase global GDP by <b>USD 28 trillion</b> by 2025 (Woetzel et al. 2015)</li> <li>Over <b>80% of women</b> in South Asia are employed in the informal sector (Vanek et al. 2014)</li> </ul>	<p><b>3.</b> Incorporate gender issues across all national development strategies</p> <p><b>4.</b> Enact reforms which support the promotion and enforcement of the rights and entitlements of women</p>	<ul style="list-style-type: none"> <li>Collect and analyse sex-disaggregated data to inform and improve development policies</li> <li>Engage women as part of the design and ongoing implementation of development strategies</li> <li>Prioritise reforms which reduce inequalities and support the ability of women to actively and meaningfully engage in economic activity</li> <li>Review legal frameworks, infrastructure and economic structures and identify factors which may be creating inequalities and limiting women's access to economic opportunity</li> <li>Identify cultural elements which deepen inequalities and work with the private and civil society sectors to promote attitude changes through media campaigns and community-based interventions</li> <li>Promote financial literacy and education to increase levels of financial health among women and enhance their economic empowerment</li> </ul>	<p><b>CAP:</b> 1A Promote an Enabling Environment for MSMEs, 1B Expand Financial Inclusion and Literacy, 2B Open Data Initiative, 3B: Disaster Risk Financing and Insurance</p> <p><b>APEC 2020:</b> Women, SMES and Inclusive Growth</p> <p><b>SDGs:</b> No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Reduced Inequalities, Partnerships for the Goals</p>	<p>Giving women more control over their finances and generating data on their financial behaviours</p> <p>Helping policy makers and regulators understand and realise the economic opportunity of increasing equality</p> <p>Generating insights into the barriers which women entrepreneurs face in the development of their enterprises</p> <p>Establishing pathways for nano and micro entrepreneurs (the majority of which are women) to become participants in the formal economy</p> <p>Enhancing opportunities for women's economic empowerment through entrepreneurship</p>

## Recommendations # 5, 6 and 7: Harnessing the Potential of the Digital Revolution

OPPORTUNITY	POLICY RECOMMENDATIONS	KEY ACTIONS	ALIGNMENT WITH PRIORITIES	FDC'S RESPONSE <small>Visit <a href="http://www.fdc.org.au">www.fdc.org.au</a> for more information</small>
<ul style="list-style-type: none"> <li>Over <b>70%</b> of the world's population is expected to be <b>connected to a mobile service</b> by 2025 (GSMA 2018)</li> <li>Significantly lower transaction costs, increased transparency and e-KYC being made possible through <b>distributed ledger technology</b></li> </ul>	<p>5. Align national development strategies with national digital strategies</p>	<ul style="list-style-type: none"> <li>Acquire relevant talent to enhance internal capabilities (i.e. technology experts within central banks or other government ministries)</li> <li>Enact cross-ministry/agency coordination to enhance cooperation on common goals and objectives</li> <li>Engage with the private sector and civil society representatives to help inform strategies and identify strategy alignment opportunities</li> <li>Explore opportunities for data analytics and data supervision platforms to enhance the effectiveness of regulation and enable more focused inclusive development interventions</li> </ul>	<p><b>CAP:</b> 1A Promote an Enabling Environment for MSMEs, 1B Expand Financial Inclusion and Literacy, 1C: Facilitate Remittance Flows, 2B Open Data Initiative, 3B: Disaster Risk Financing and Insurance, 3C: Capital Market Development, 4G: Regional Connectivity</p> <p><b>APEC 2020:</b> Digital Society, Integration, Women, SMES and Inclusive Growth</p> <p><b>SDGs:</b> No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequalities, Climate Action, Partnerships for the Goals</p>	<p>Bringing technology implementation to the forefront of advancing financial inclusion</p> <p>Exploring opportunities for digital technology to enable non-traditional products and services designed for the poor</p> <p>Identifying opportunities for technology solutions to have a more significant impact on the unique needs and characteristics of women entrepreneurs</p> <p>Examining the viability of digital finance to enhance the growth and development potential of nano and micro merchants</p> <p>Bringing the region's estimated 200 million micro merchants into a digital/cash-less ecosystem</p>
	<p>6. Establish regulatory sandboxes to enable innovations to be tested</p>	<ul style="list-style-type: none"> <li>Coordinate with other governments which have implemented successful regulatory sandboxes to acquire best-practice</li> <li>Explore opportunities to collaborate with other governments to establish multi-economy regulatory sandboxes to leverage infrastructure and support cross-border issues such as trade or remittances more effectively</li> </ul>		
	<p>7. Prioritise government investments to achieve maximum impact</p>	<ul style="list-style-type: none"> <li>Identify the infrastructure needs (hard and soft) to develop digital finance solutions which enable the underserved to access digitally-enabled products and services (i.e. pensions, remittances, savings, insurance, etc.)</li> <li>Explore opportunities to digitise social transfers, including payments and ID systems, as one of the most effective opportunities to bring the underserved into a digital ecosystem</li> <li>Enact regulation which allows the creation of digital identification systems that are secure and reliable</li> </ul>		

## Recommendations # 8 and 9: Driving Growth through Nano, Micro and Small Enterprises (NMSEs) and Cross-border Trade

OPPORTUNITY	POLICY RECOMMENDATIONS	KEY ACTIONS	ALIGNMENT WITH PRIORITIES	FDC'S RESPONSE <small>Visit <a href="http://www.fdc.org.au">www.fdc.org.au</a> for more information</small>
<ul style="list-style-type: none"> <li>Over <b>60%</b> of the world's adult population currently <b>work informally</b> (ILO 2018)</li> <li>A projected increase of <b>USD 30 trillion</b> in growth markets by 2025 through the <b>1 billion</b> increase in people entering the formal 'consumer class' (Atsmon et al. 2012)</li> <li>Potential <b>increase in GDP by as much as 30%</b> through <b>NMSEs</b> participating in the formal economy</li> </ul>	<p><b>8.</b> Develop policy frameworks which address the needs of the informal economy</p> <p><b>9.</b> Progress reforms which support the facilitation of cross-border trade and finance for NMSEs</p>	<ul style="list-style-type: none"> <li>Take a more official approach in recognising the informal economy and the economic opportunity which it represents</li> <li>Work with the private and civil society sectors to develop an understanding of the needs of informal enterprises (i.e. lack of credit history or formal identification, lack of customised financial products and services or lack of access to non-financial services (i.e. financial education, vocational training, etc.)</li> <li>Establish common protocols on a regional or global level to support cross-border management practices and further enable trade conditions</li> <li>Identify local commodities which have the potential for cross-border movement and prioritise infrastructure development to support supply chains resulting in more stable income for NSMEs and farmers</li> <li>Enact or relax policies to enable NMSEs to settle cross-border payments in local currency</li> </ul>	<p><b>CAP:</b> 1A Promote an Enabling Environment for MSMEs, 1B Expand Financial Inclusion and Literacy, 1C: Facilitate Remittance Flows, 3B: Disaster Risk Financing and Insurance, 3C: Capital Market Development, 4G: Regional Connectivity</p> <p><b>APEC 2020:</b> Digital Society, Integration, Women, SMES and Inclusive Growth</p> <p><b>SDGs:</b> No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequalities, Climate Action, Partnerships for the Goals</p>	<p>Enabling digital marketplaces for NMSEs to expand opportunities through cross-border trade</p> <p>Working with policy makers and regulators to increase understanding of the informal economy and the potential for a transitional financial system to enhance economic growth</p> <p>Increasing understanding of how women influence the economic inclusion of their families and communities</p> <p>Deepening understanding of the nano and micro enterprise segment and opportunities to digitise supply chains</p> <p>Formulating action plans and partnerships to drive economic growth through the development of the NMSE segment</p>

## Recommendations # 10 and 11: Regional Integration and Cooperation

OPPORTUNITY	POLICY RECOMMENDATIONS	KEY ACTIONS	ALIGNMENT WITH PRIORITIES	FDC'S RESPONSE <small>Visit <a href="http://www.fdc.org.au">www.fdc.org.au</a> for more information</small>
<ul style="list-style-type: none"> <li>Potential for a more developed and regionally integrated banking and financial market to improve efficiency in channelling regional savings into real, productive investment</li> <li><b>USD 1.7 trillion</b> needed each year to finance Asia's regional infrastructure developments and maintain growth momentum, however, currently only USD 881 billion is being invested (ADB 2017)</li> </ul>	<p><b>10.</b> Prioritise reforms to support financing mechanisms for the region's infrastructure needs</p> <p><b>11.</b> Promote and engage in regional cooperation efforts to enhance cross-border functions</p>	<ul style="list-style-type: none"> <li>Improve the foreign direct investment (FDI) landscape by ensuring clear and transparent regulation and legislation, including the true identification of investors</li> <li>Develop local currency bond markets to strengthen the region's financial market infrastructure and financial resilience</li> <li>Explore the potential of establishing regional funding mechanisms to meet the investment shortfall and increase regional integration and connectivity</li> <li>Establish regional KYC/eKYC standards to enable access to formal remittance channels</li> <li>Establish regional standards for data security</li> <li>Formulate policies which encourage greater linkages in payment systems to encourage the use of local currencies and reduce reliance on foreign currencies</li> <li>Review and strengthen current financial safety nets to mitigate the risk of increased vulnerability to external shocks in an increasingly integrated financial system</li> </ul>	<p><b>CAP:</b> 1A Promote an Enabling Environment for MSMEs, 1B Expand Financial Inclusion and Literacy, 1C: Facilitate Remittance Flows, 3B: Disaster Risk Financing and Insurance, 3C: Capital Market Development, 4G: Regional Connectivity</p> <p><b>APEC 2020:</b> Digital Society, Integration, Women, SMES and Inclusive Growth</p> <p><b>SDGs:</b> No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequalities, Climate Action, Partnerships for the Goals</p>	<p>Providing digital identities for the region's 1.5 billion unbanked or underserved</p> <p>Promoting multi-lateral dialogue and cooperation to enhance inclusive growth and development</p> <p>Findings to help inform regional approaches to women's economic empowerment and inclusion</p> <p>Increasing understanding of KYC challenges faced by NMSEs including cross-border implications</p> <p>Identifying opportunities for multi-lateral responses and achieving consensus on programs and targets</p>

# Overview of the FDC Group Programs Supporting the APFIF Initiative

## Unparalleled Channels

### GOVERNMENTS, POLICY-MAKERS, FINANCIAL SERVICE PROVIDERS, CONSUMERS

#### Asia's largest membership of inclusive finance stakeholders



Access to:  
**Governments and regulators** across 17 economies  
**13,000 +** microfinance providers  
**130M +** low income or financially excluded/ underserved  
**100M +** nano and micro enterprises

#### The annual formation of policy recommendations for APEC's Finance Ministers and other Senior Officials



Policy Initiative of the APEC Finance Ministers' Process, part of the **APEC Financial Agenda**, hosted within the APEC Business Advisory Council (ABAC)

## Commercial Ventures

### CREATING A VIBRANT, REGIONAL, DIGITAL MARKETPLACE FOR THE POOR

#### A digital financial services marketplace for the 1.5 – 2B financially underserved



**1% increase** in financial inclusion = **3.6% increase** in GDP in growth economies  
**\$380 billion** pa revenue opportunity providing financial services to the unbanked  
**\$28 trillion** projected increase in consumption in growth markets by **2025** by a projected **1B** people entering the formal 'consumer class'

## Generating Insight

### RESEARCH THAT PROVIDES NEW INSIGHTS INTO THE INCLUSIVE GROWTH AND DEVELOPMENT DIALOGUE

#### The Role of Women in Economic Inclusion



Developing key insights into **successful women entrepreneurs** and the role they play in increasing economic inclusion for themselves, their families and their communities and ultimately contribute to the inclusive growth and development of their economies

#### Digitising Nano and Micro Merchants



Our research sample of **36.7 million nano and micro merchants** across 9 economies to understand the pathways towards digital payments and access to more and better commerce value chains

## Increasing Development Outcomes

### BRINGING TOGETHER A GLOBAL ECOSYSTEM OF STAKEHOLDERS

#### Micro Merchant Summit 2020

Major regional platform bringing together **500 industry leaders, experts and senior officials** to advance solutions that will bring the region's estimated **200 million micro merchants** into a digital financial ecosystem

#### Asia-Pacific Financial Inclusion Forum

**Accelerating relationships with governments** through this exclusive high-level dialogue with senior government officials and industry leaders to execute policy reform

#### Inclusive Growth and Development Caucus

Combines the expertise and capabilities of **prominent private sector and development agencies.**



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