



financing
sustainable
development
Association of Development Financing Institutions in Asia and the Pacific

**An Operational Dialogue on
Innovative Financial Inclusion Policies:
"Accelerating Financial Inclusion in Asia & the Pacific"**

September 15, 2011
Honolulu, Hawaii

**"Financial Inclusion in Asia-Pacific: The Role of ADFIAP & its
Member-Development Finance Institutions"**

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Secretary General, ADFIAP
www.adfiap.org

09/14/11

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- **ADFIAP...briefly**
- **ADFIAP's 4-pillared Sustainable Development Mission**
- **Financial Inclusion in the context of ADFIAP**
- **ADFIAP-Member's Work on Financial Inclusion**
- **Concluding Remarks**



ADFIAP...briefly

- Asso. of Development Financing Institutions in Asia & the Pacific
- 130 member-institutions in 44 countries & territories
- Founded in 1976 during the 6th ADB conference for DFIs
- Founding member & Secretariat of the World Federation of DFIs
- An NGO in consultative status with the UN ECOSOC
- 2008 Winner of ASAE's *Associations Make a Better World* Award
- Permanent secretariat in Manila, Philippines

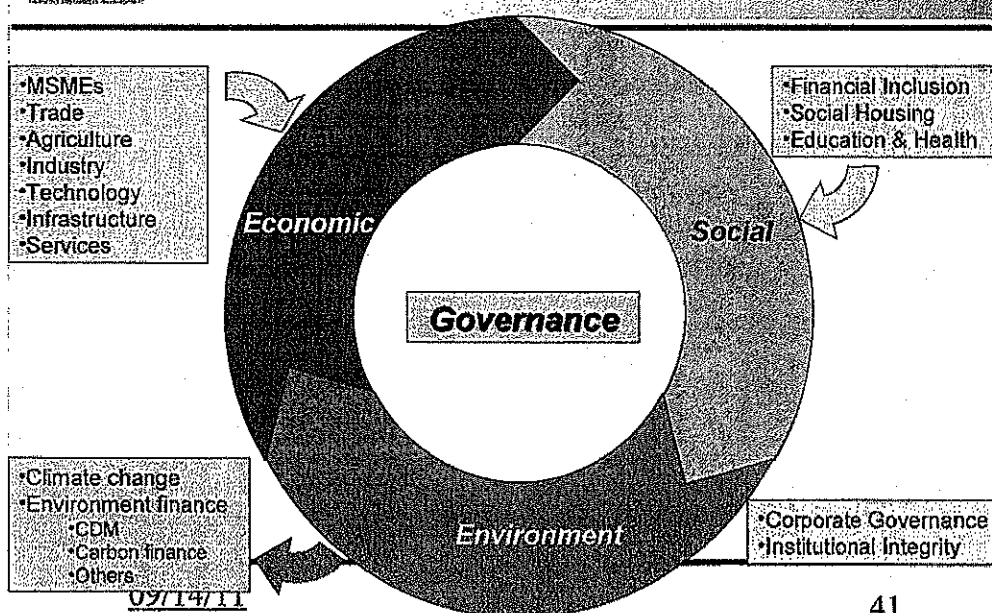
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ADFIAP's Mission & Focus Areas

"Financing Sustainable Development"



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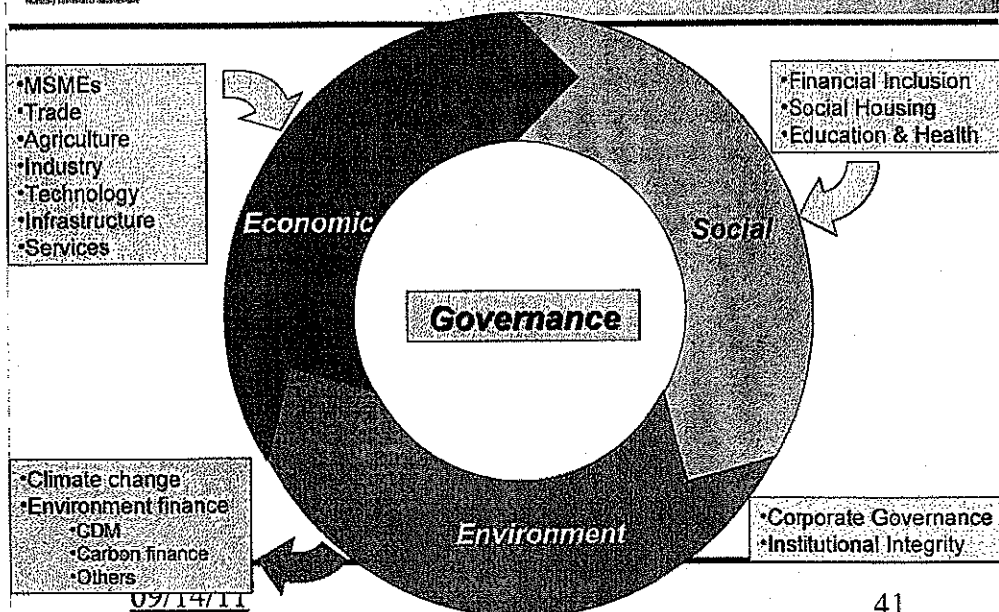
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ADFIAP's Mission & Focus Areas

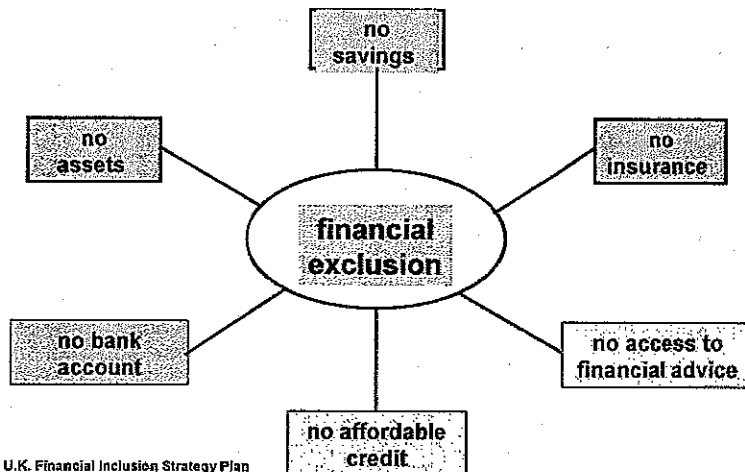
"Financing Sustainable Development"



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Financial Inclusion in the context of ADFIAP



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Financial Inclusion in the context of ADFIAP

- ✓ DFIs provide financing and advisory services to micro and large enterprises/projects
- ✓ Most DFIs do not accept deposits from public
- ✓ DFIs use development finance as a lever to advocate for financial inclusion

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ADFIAP-Members' Work on FI



Small Industries Development Bank
of India

- **SIDBI Foundation for Micro Credit**
 - Launched Jan. 1999 as apex wholesaler for microfinance in India
 - Provides financial & non-financial services such as loans, grant support, equity and institution-building support to retailing MFIs & NGOs
- **SIDBI Marketing Fund for Women**
 - For women entrepreneurs & organizations involved in marketing products manufactured by women to domestic & international markets
 - Loans as well as grants for trade fairs, buyer-seller meets, workshops, etc.
- **Mahila Udyam Nidhi (MUN)**
 - Soft loans for women entrepreneurs setting up new projects in tiny/small scale sector and rehabilitation of viable "sick" small-scale businesses

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ADFIAP-Members' Work on FI



Micro Finance Development Fund

- Established in December 2002 in Ulaanbaatar, Mongolia in the framework of the government's "Sustainable Livelihoods Project"
- Jointly implemented by the Government of Mongolia & the World Bank
- Access to financial services by poor & low income households, individuals and micro-enterprises
- Enabled poor households & individuals to better manage risk, diversify income sources, invest in productive activities, and accumulate livelihood assets
- Provides wholesale loan to commercial banks & non-bank financial institutions in order to improve the sources of livelihoods & to increase income of rural people in Mongolia

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ADFIAP-Members' Work on FI

People's Credit & Finance Corporation

- The PCFC *Micro-Housing Loan Facility* supports the government's effort to improve the quality of life of the poor thru financial assistance for housing improvement such as house repairs, renovation or expansion
- The program is being implemented under the sub-component "*Shelter Finance for Low Income Communities Sector Project*" of the Development of Poor Urban Communities Sector Project (DPUCSP), a government project thru the Housing & Urban Development Coordinating Council (HUDCC), the Development Bank of the Philippines (DBP) and funded by the Asian Development Bank (ADB)

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More ADFIAP-Members' Work on FI

- Export Import Bank of India's "*Rural Grassroot Business Initiative*"
 - poverty reduction through export linkages
- House Building Finance Corporation of Pakistan's "*Khuda Ki Basti*"
 - integrated housing development for the poor
- National Bank of Uzbekistan's "*Mahallah*"
 - microlending for the extremely poor farmers and rural entrepreneurs
- Bank Pembangunan Malaysia's "*Rural Development Financing Scheme*"
 - financing to improve the lives of rural indigenous Malays

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Concluding Remarks

- Development finance institutions (DFIs) are “natural instruments” for financial inclusion programs, particularly in access to credit and financial advice to micro, small & medium enterprises. ADFIAP DFI-members are, in fact, already involved in these initiatives.
- DFIs are used by their State owners as catalysts for financial inclusion programs and ADFIAP members adopt this policy in their respective countries.

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Thank you for your kind attention!

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Asia-Pacific Economic Co-operation

"Accelerating Financial Inclusion in Asia and the Pacific: An Operational Dialogue on Innovative Financial Inclusion Policies"

Hawaii, 15 September, 2011

"Financial Inclusion – A Conceptual Framework"

Ms Ros Grady

Adj. Professor of Law, University of Sydney

Financial Inclusion – Regulatory Design

gradyros@gmail.com

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THE TOPIC

Under the umbrella of the theme *"Financial Inclusion – A Conceptual Framework"*, we will discuss the topic of *"Advancing Financial Inclusion through Integration in the Government's Strategic Plan and Formulation of Innovative Financial Policies"*

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OUTLINE OF PRESENTATION

How to develop an Integrated financial Inclusion (FI) strategy?

How to support innovative FI policies?

Integrating National Strategies with Global Standards and Initiatives

Key FI policy and regulatory principles

Conclusions

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What is a "National Financial Inclusion Strategy"?

- There is no currently accepted definition.
- However the CGAP working definition in a microfinance context is:

"A publicly approved document developed through a consultative process aimed at increasing poor people's access to finance"

1) National Strategy Document usually includes:

- MF Sector Overview
- Vision for the sector
- Strategic Objectives
- Plan for Reforms

2) Elaboration Process:

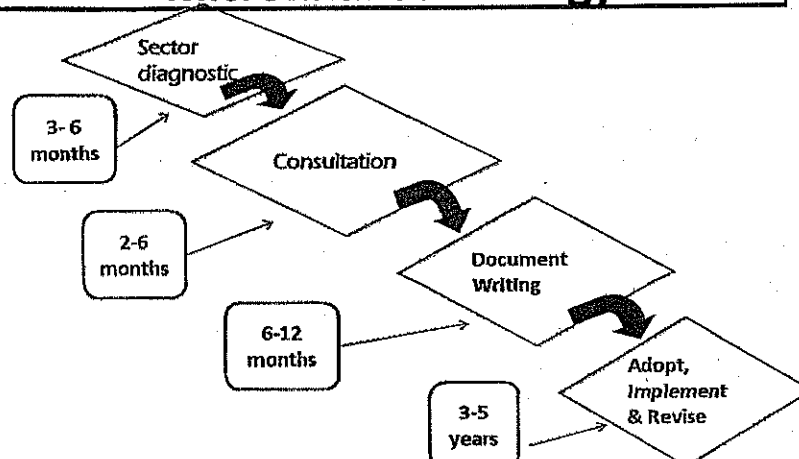
- Diagnostic, consultation, document writing, adoption and implementation"

Source for slides 4,5 and 6: "Lessons learned on National Microfinance Strategies", presentation by Eric Duflos, Senior Microfinance Specialist, CGAP May 2011 for CGAP / Tunisia videoconference.

Countries which have National Microfinance/ FI Strategies

REGION	COUNTRY
ASIA	Cambodia, Indonesia, Lao PDR, Nepal, Pakistan, Philippines, Vietnam
AFRICA	Benin, Burkina Faso, Cameroon, DRC Congo, Congo Brazzaville, Côte d'Ivoire, Ethiopia, Gambia, Liberia, Madagascar, Mali, Malawi, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, Senegal, South Africa, Tanzania, Togo, Uganda, Zimbabwe
EUROPE AND CENTRAL ASIA	Kyrgyz Republic, Russia, Uzbekistan
MENA	Egypt, Jordan, Syria, Yemen

Minimum Timeline for National Microfinance Strategy

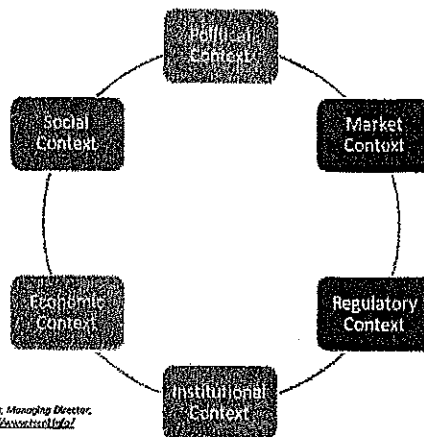


An Integrated Financial Inclusion Policy: who to cover?

- Consider whether the FI strategy is only focussed on the micro end of the market or SMEs as well i.e. the entire "MSME" sector
- There is an increasing focus on the need for SMEs to have access to finance: see, for example, *"Scaling –up SME Access to Financial Services in the Developing World"*, November, 2010 report of the SME Finance Sub-Group of the G-20 Finance Inclusion Experts Group

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An Integrated Financial Inclusion Policy: the Diagnostic



Sources: slides 9-11 by Sonjay Saxena, Managing Director, Total Strategy Consulting at <http://www.totalstrategy.com>

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An Integrated Financial Inclusion Policy: the Diagnostic

Political context: e.g. the level and capacity of government support for financial inclusion, co-ordination of government policies, implementation, consultation with all stakeholders, corruption and strength of democratic institutions

Market context: e.g. financial services supply and demand (measure it!), financial institution types, business sectors, government support, capital markets, competition, geography, market access infrastructure and information, form of enterprises, governance issues

Regulatory context: e.g. legal infrastructure for financial institutions and products, capital markets, contract enforcement, legal entities, securities, credit bureaus, property title, client / investor protection, intermediaries, business start-ups / governance, interest rate / fees controls, AML/CFT, trade, competition, intellectual property, privacy, labour, taxation, insolvency and e-commerce

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An Integrated Financial Inclusion Policy: the Diagnostic

Institutional context: e.g. existence, independence, accessibility and affordability of appropriate courts and alternative dispute resolution systems; adequately resourced, skilled and experienced regulators and supervisors and existence, coverage, operators of credit bureaus and collateral / securities registers

Economic context: e.g. standard economic indicators such as GDP (per capita), by sector, real growth rate, domestic credit stock, remittance flows, industries, resources, labour force (by sector, gender), unemployment rates, inflation rates, exchange rates, foreign investments, budget position, taxation revenue and compare position globally and regionally

Social context: e.g. religion/ culture, women and youth, trust in financial system, business and financial literacy skills and education, law and order situation

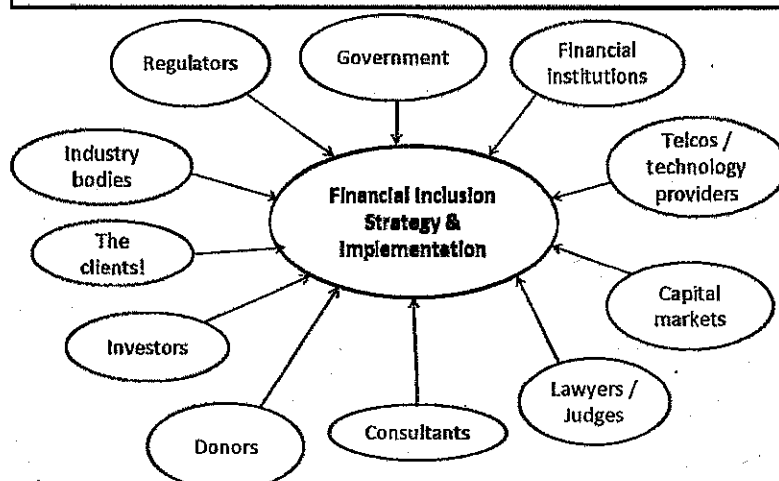
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An Integrated Financial Inclusion Policy: the Consultation Process

- All stakeholders should be involved in the project including:
 - Ministers and their Departments
 - Regulators
 - Government agencies (e.g. post offices in relation to branchless banking)
 - Financial institutions – all types and for all services (e.g. savings, credit, payments, leases, insurance, securities, pensions)
 - Telecommunication companies
 - Technology suppliers
 - Stock exchanges
 - Judiciary
 - Legal profession
 - Industry bodies
 - Commerce associations
 - Sector specific associations (e.g. for women, youth)
 - Consumer and small business associations
 - Donors
 - Investors
 - Consultants who have previously advised on relevant issues
- Consideration could also be given to having a statistically valid survey of household and business demand for financial products and services and to assess levels of financial literacy
- Consider the approach taken in other jurisdictions – but remember all policies should be context specific

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The Project and the Stakeholders



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Innovative Financial Inclusion Policies: the Products, Channels and Identifiers

Consider support / removal of Impediments for:

- **Innovative products:** e.g. group lending, branchless banking, hybrid debt- equity products, venture capital, private equity, bundled products (e.g. credit / Insurance), "green financing" products
- **Innovative channels:** use of third parties for delivery of financial services (e.g. post-offices, air time resellers, small, community based MFIs taking deposits for banks) and delivery of financial services through mobile phones and the Internet)
- **Innovative Identifiers:** bio-metric Identifiers and use of third parties for AML/CFT Identification purposes

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Innovative Financial Inclusion Policies: Development

A possible approach to facilitating financial inclusion through new technologies and channels could apply the following principles:

- Recognise the need for regulators and Industry to collaborate
- Adopt a light – handed "wait and see" approach to regulation
- Encourage multiple regulators to communicate, collaborate and have clearly defined roles
- Regulate by reference to activity and relevant risks rather than the type of Institution performing the activity
- Facilitate the use of third parties / Intermediaries, whilst maintaining the responsibility of financial Institutions
- Provide for flexible means of identifying clients for purposes of AML/CFT laws
- Understand specific demand/ supply microfinance issues
- Pay special attention to financial literacy in this context

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Integrating National Strategies with Global Standards and Initiatives

G20 Principles on Innovative Financial Inclusion

International Standard Setters

Client protection initiatives

AASC / ADFIAP Suggested Best Practice Principles and Objectives to Enhance MSME Access to Finance

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Innovative Financial Inclusion Policies: the G20 Principles

- A key resource is the **G20 Principles on Innovative Financial Inclusion**
- **2009 Pittsburgh Summit:** G20 in effect became the "global financial architect". "We commit to improving access to financial services for the poor. ... promote successful regulatory & policy approaches & elaborate standards on financial access, financial literacy, and consumer protection."
- Financial Inclusion Experts Group (FIEG) formed with two Sub-Groups: SME Finance Challenge and Access Through Innovation. FIEG approached SSBs.

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Innovative Financial Inclusion Policies: the G20 Principles

- **2010 Toronto Summit:** Principles on Innovative Financial Inclusion approved (G20 Principles). Principles about *creating an enabling policy and regulatory environment for innovative financial inclusion*
- **2010 Seoul Summit:** Global Partnership on Financial Inclusion formed to: advance G 20 Principles; encourage SSBs to take account of Principles; Increase access to private financial services; strengthen means of measuring extent of FI
- **GPFI** came out of Multi-Year Action Plan on Development which included as one of its pillars a commitment to "increase access to finance for the poor and small and medium enterprises (SMEs)"

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Innovative Financial Inclusion Policies: the G20 Principles

- **Leadership:** Cultivate a broad-based government commitment to financial inclusion to help alleviate poverty.
- **Diversity:** Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers.
- **Innovation:** Promote technological and institutional innovation as a means to expand financial system access and usage, including by addressing infrastructure weaknesses.
- **Protection:** Encourage a comprehensive approach to consumer protection that recognises the roles of government, providers and consumers.
- **Empowerment:** Develop financial literacy and financial capability.

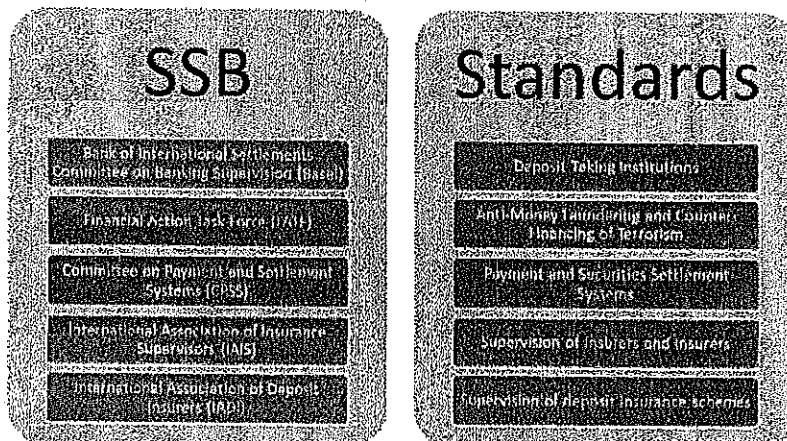
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Innovative Financial Inclusion Policies: the G20 Principles

- **Cooperation:** Create an institutional environment with clear lines of accountability and co-ordination within government; and also encourage partnerships and direct consultation across government, business and other stakeholders.
- **Knowledge:** Utilize improved data to make evidence based policy, measure progress, and consider an incremental "test and learn" approach acceptable to both regulator and service provider.
- **Proportionality:** Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in existing regulation.
- **Framework:** Consider the following in the regulatory framework, reflecting international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

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International Standard Setters and Financial Inclusion



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Client Protection Initiatives

- Why is consumer / small business (client) protection important?
- Global initiatives on consumer protection:
 - CGAP: a suggested starting point for developing countries: transparency, fair treatment and effective recourse: Source: <http://www.cgap.org/p/site/c/template.rc/1.9.42343/>
 - World Bank Good Practices on Financial Consumer Protection: used for consumer protection and financial literacy diagnostics and self-assessments. Consultative draft released for public comment: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTERNALSECTOR/O,contentMDK:22876721~pagePK:148956~pagePK:216618~theSitePK:282885,00.html>
 - SMART Campaign Client Protection Principles: appropriate product design and delivery, transparency, prevention of over-indebtedness, responsible pricing, fair and respectful treatment of clients, privacy, complaint resolution: Source: <http://www.smartcampaign.org/about-the-campaign/smart-microfinance-and-the-client-protection-principles>
- Consumer protection diagnostic work being undertaken by the World Bank and CGAP

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Key Policy Principles

Consider all financial services: savings, credit, payments, leases, insurance, securities, pensions

Open the MSMEs to be served by the financial system

Take a "whole of Government" approach and consider a public / private sector MSME Council

Encourage market based solutions - avoid Government support

Facilitate use of intermediaries (agents / third parties)

Establish and share a database of information about MSMEs

Encourage diverse funding providers and sources

Develop financial literacy to build trust and business skills

Focus on policy, implementation and evaluation as well as design

Measure the impact of policy and policy interventions

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Key Regulatory Principles

Regulate by activity and risk and in a uniform and consistent manner (rather than by institution type)

Establish a national system of prudential supervision - responsible for international financial standards, credit bureaus, collateral registries and use of intermediaries

Allow use of intermediaries / third parties / agents

Provide for client (consumer / small business) protection e.g. re over-indebtedness, transparency and dispute resolution

Pay attention to the work of multilateral agencies, international standard setters

Encourage innovation

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What could go wrong from a regulatory impact perspective?

- Fragmentation of institutions and the regulatory framework resulting in the lack of a coherent and coordinated regulatory system.
- Confusion about division of responsibilities between independent regulatory bodies and the corresponding ministries.
- Different "degrees" of autonomy, or even a lack of autonomy, faced by specific regulatory bodies.
- Loose connection to overall national public policy formulation, especially as a result of the weakness of the ministries and other public policy bodies.
- Multiplicity of organizational and institutional models that differ from one sector to another and hinder a common intersectorial approach.
- Multiplicity of regulatory instruments used at agency level that obstruct the exchange of experiences and the learning process.
- An underdeveloped culture of accountability and precarious use of instruments that would increase transparency.

Source: Alketa Pecl and Filipe Sobral "Regulatory Impact Assessment: How political and organizational forces influence its diffusion in a developing country" (Regulation & Governance (2011) 5, 204-220)

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Conclusions

Diagnose the FI issues in all contexts

Collaborate and communicate with government and all stakeholders

Define the "MSMEs" to be covered by the FI strategy

Ensure the financial system legal framework supports FI

Ensure there are appropriately resourced and skilled regulators with clearly defined responsibilities

Evaluate results and be open to changing course

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RECOMMENDED READING

- The Blue Book: <http://www.unctf.org/english/microfinance/pubs/bluebook/Index.php>
- AASC/ADFIAP Symposium on Regulatory Principles for MSME Access to Finance: <http://www.adfiap.org/news/adfiap-australian-apac-centre-hold-forum-on-msme-access-to-finance/>
- G20 Principles for Innovative Financial Inclusion: <http://www.g20.utoronto.ca/2010/to-principles.html>
- Basel and Microfinance: <http://www.bis.org/cpss/index.htm>
- FATF and Financial Inclusion: http://www.fatf-gafi.org/document/4/O,3746,en_32250379_32285720_48294212_1_1_1_1,00.html
- Financial Inclusion Data: <http://www.afl-global.org/en/news-events/news/252-afl-members-invited-to-use-core-set-of-data-indicators>

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RECOMMENDED READING

- Access to Insurance Initiative: <http://www.access-to-insurance.org/the-initiative.html>
- Deposit Insurance: <http://www.iadi.org/>
- CGAP Publications: <http://www.cgap.org/p/site/c/pubs/>

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CRAFTING FRAMEWORKS FOR EFFECTIVE FINANCIAL INCLUSION The Philippine Experience

Accelerating Financial Inclusion in Asia
and the Pacific
Waikiki Resort Hotel, Honolulu
September 15, 2011

UNDERSECRETARY GIL S. BELTRAN
Department of Finance – National Credit
Council
Philippines



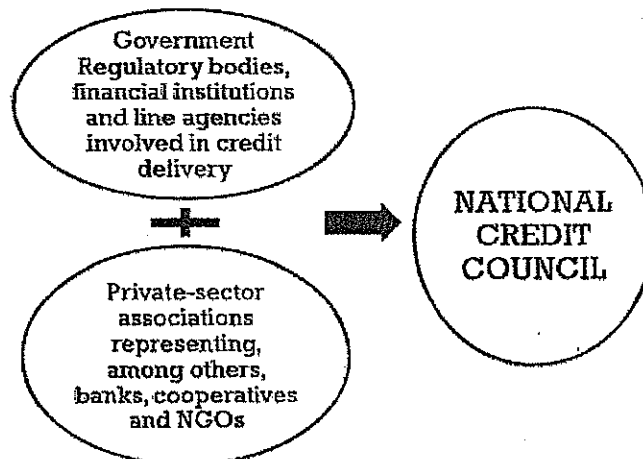
WHERE WERE WE BEFORE

- Absence of financial inclusion policy
- Proliferation of subsidized government credit programs
- Unsustainable private financial institutions dependent on government cheap funds



- Lack of access by the poor from formal financial services
- Low outreach of government credit programs
- Undisciplined borrowers
- Weak private sector participation

MEETING THE CHALLENGE



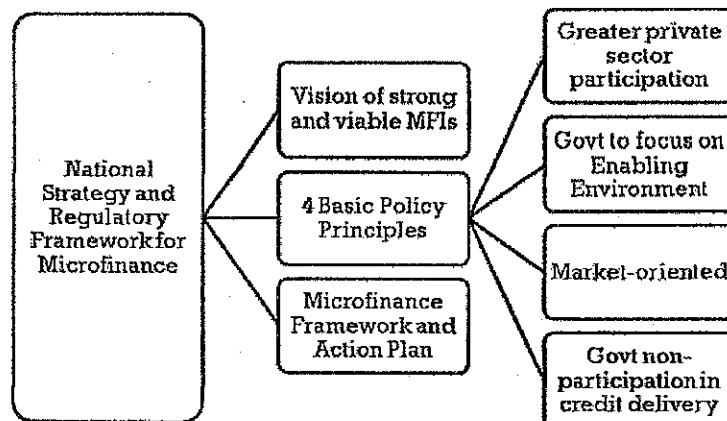
PROCESS UNDERTAKEN

Complete inventory of all credit programs implemented by Government

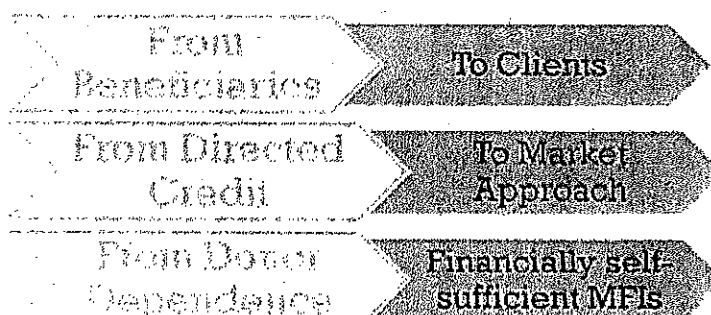
Series of credit policy-related studies including an evaluation of the programs

Workshops and meetings with strong private sector participation

WITH CONSENSUS



THE NEW PARADIGM



TO ENSURE ADOPTION...

A Government body with private sector representatives was created by law to coordinate and monitor all poverty-related programs particularly microfinance

Technical Working Groups (TWGs) were formed to discuss and work on specific tasks

Exposure and study visits on best-fit practices, both foreign and local, were conducted for key officials

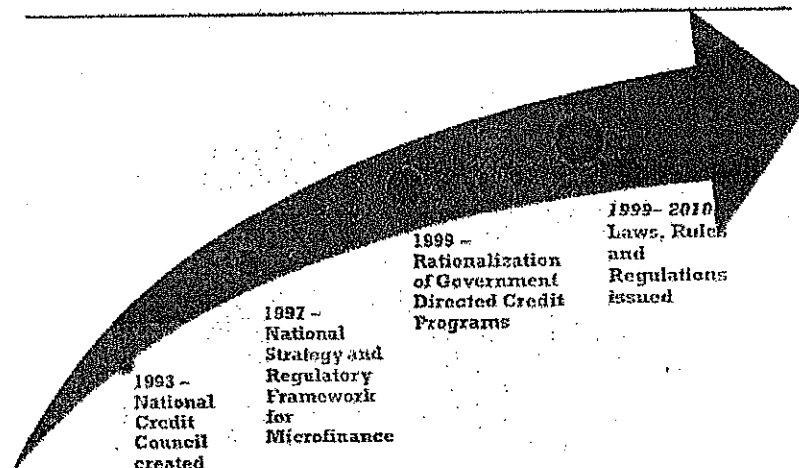
TO ENSURE ADOPTION...

Regional consultations and aggressive advocacy work were conducted

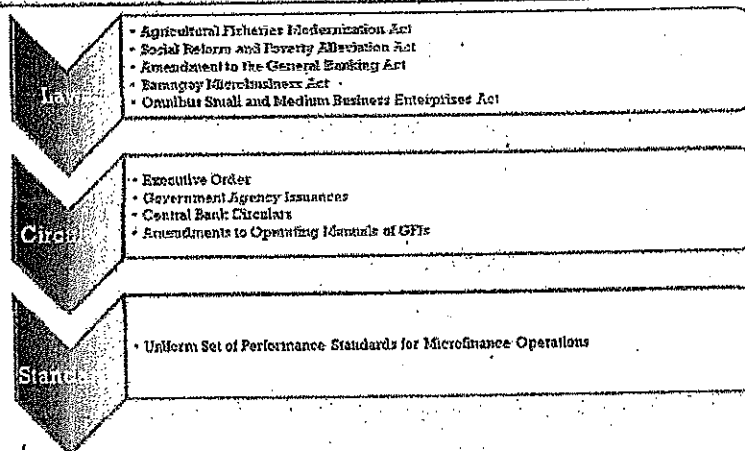
Briefings and presentations to newly elected/appointed officials were held

Government appropriation to Government line agencies for DCPs were stopped

A SNAPSHOT



AS A RESULT . . .



TODAY

From only a few
MFIs with
minimal outreach
in 1997

- More than 1,400 MFIs
all over the country
- 7 million clients
- Commercial banks
and Government
Financial Institutions
providing wholesale
funds to retail MFIs

ECONOMIST INTELLIGENCE UNIT STUDY ON MICROFINANCE 2010

© Ranks the Philippines among 54 countries:

1st in Regulatory
Framework

2nd in overall
microfinance
business
environment

4th in
Institutional
Development

18th in
Investment
climate

WHAT HAVE WE LEARNED

Strong government-private sector collaboration imperative for critical financial inclusion reforms

Private sector ownership of the reforms ensures continuity

An independent body with multi-sector representation is an effective venue/fora for continuous policy dialogues

Institutionalization of the reforms through legislation and executive fiat can mitigate policy reversals

WHAT HAVE WE LEARNED

Capacity building assistance is more important rather than government subsidized credit funds

Less direct government intervention enhances competition, lower interest rates

Setting standards builds and develops strong, effective and sustainable private financial entities

THE CHALLENGES AHEAD



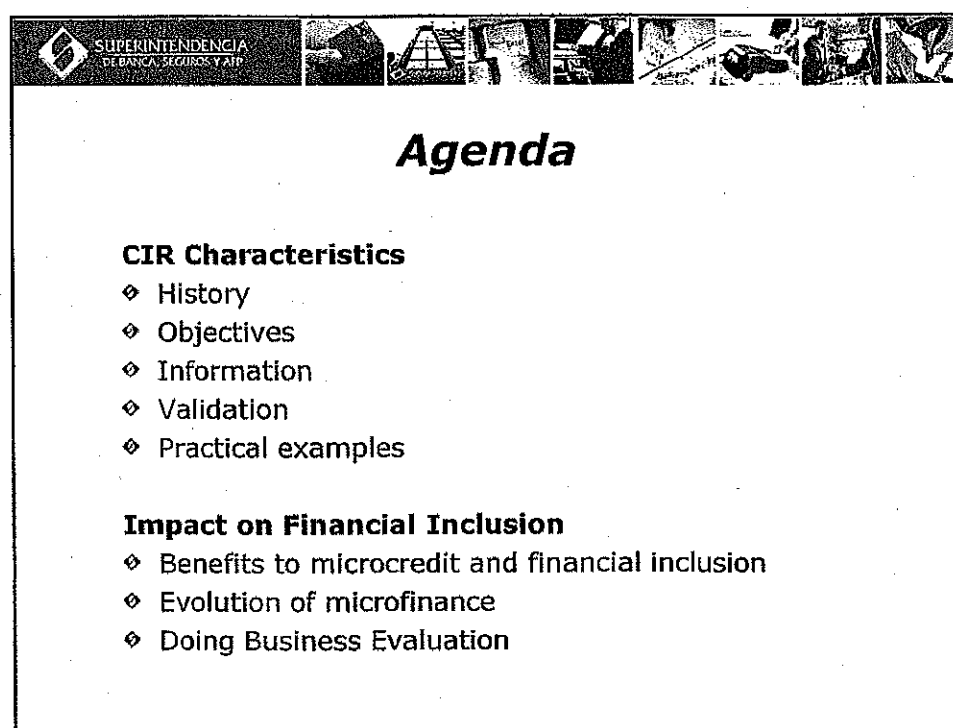
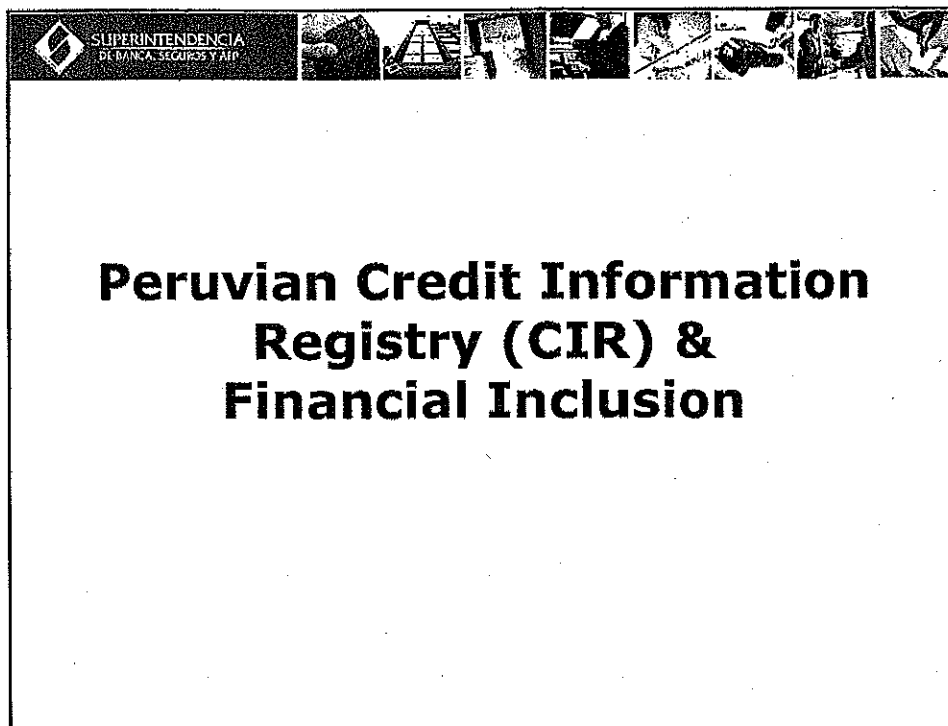
Providing the enabling environment for the "missing middle" (microfinance clients graduating to small enterprises)

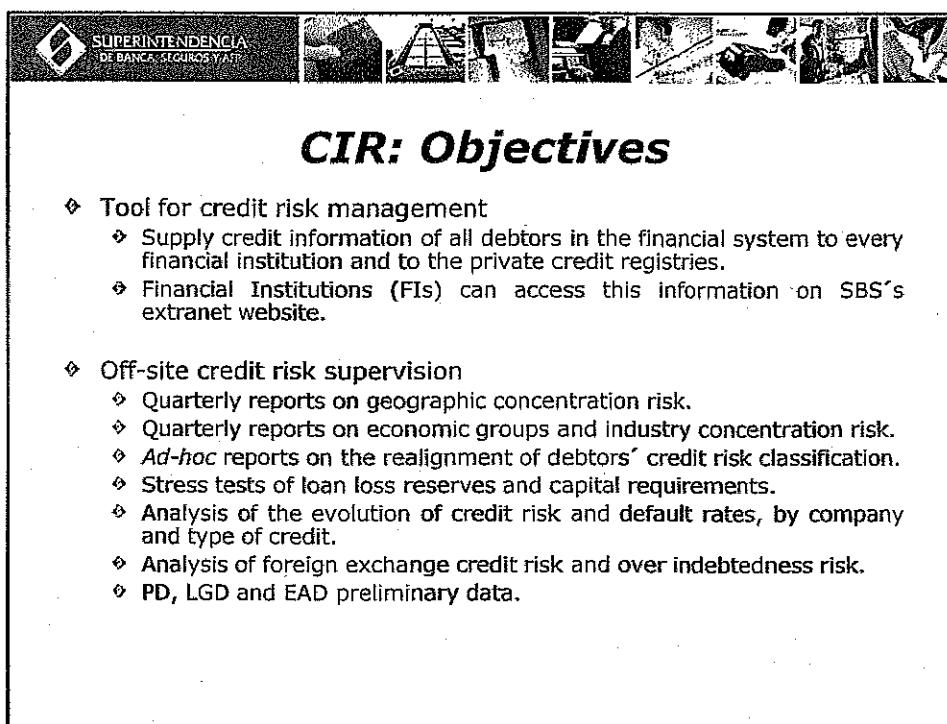
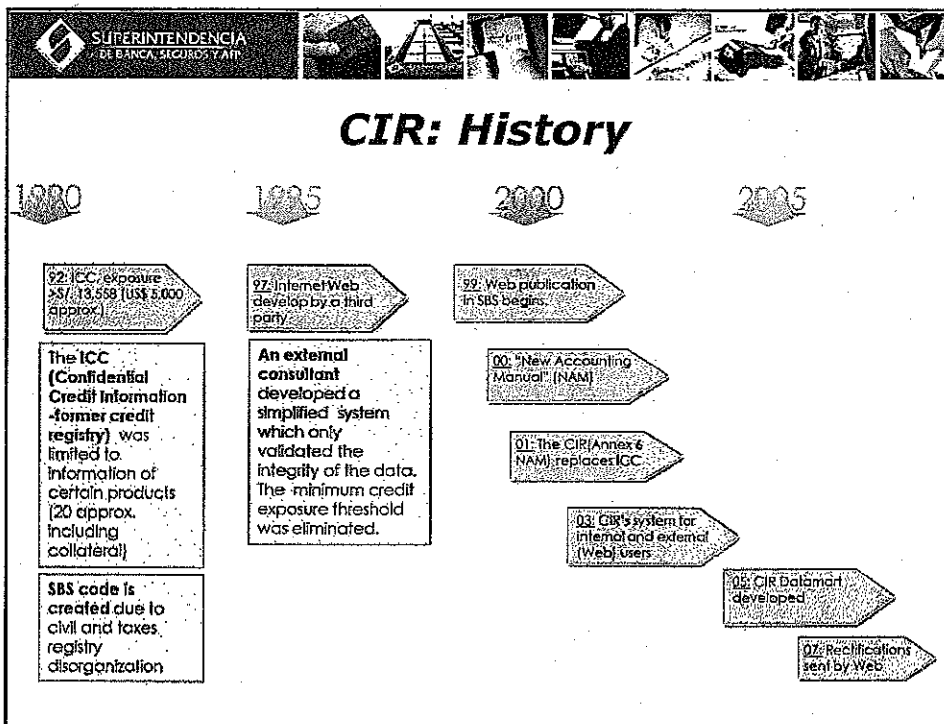
Institutionalization of microinsurance coverage for the informal and low-income sectors

Operationalization of a comprehensive credit information system and a moveable collateral registry system



**Financial Inclusion provides
the poor opportunities for
growth and access to risk
protection against unexpected
and unforeseen events**

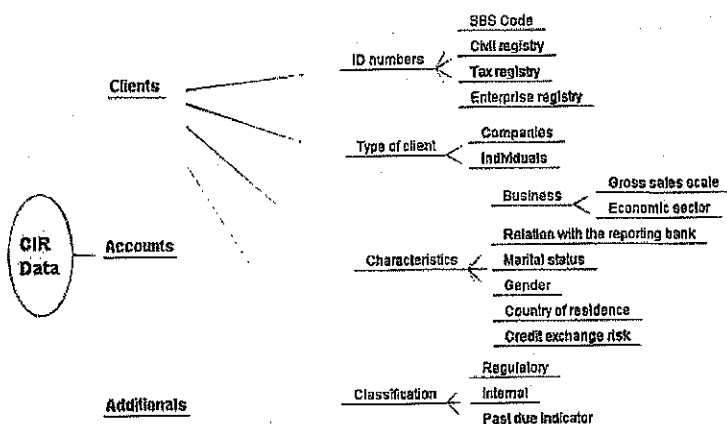


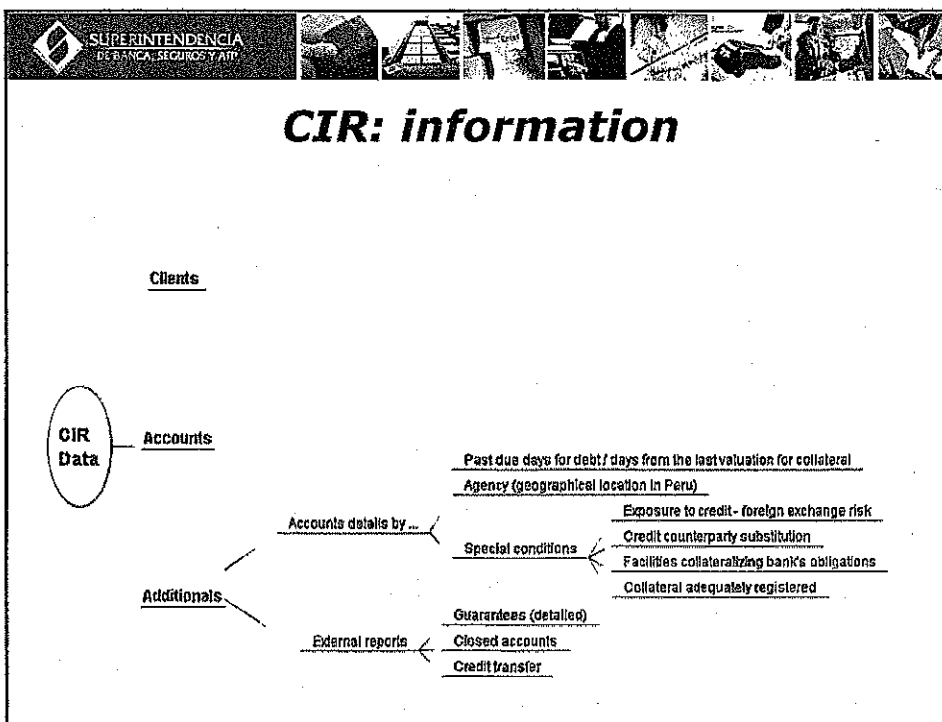
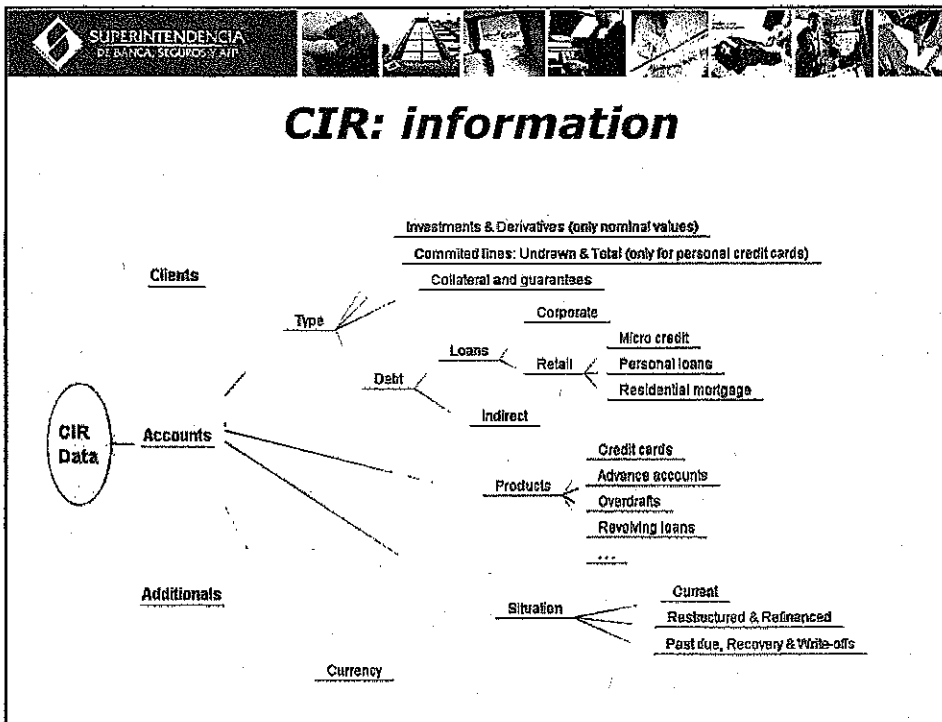


CIR: Information

- ♦ No minimum exposure threshold: The CIR consolidates the information of all debtors of the financial system.
- ♦ Report included as the Annex 6 of the NAM (new accounting manual) and sent (via CD or DVD) on a monthly basis.
- ♦ Includes debtor information (4.8 MM, 5.8 MM including write-offs) and accounting records (40 MM registries). The accounts included are dynamic: they can be added or deleted with few changes on the system. Currently, we have over 1,000 accounts.
- ♦ The information is consolidated and sent to private credit registries and other public sector entities.
- ♦ The CIR also includes information on collateral and closed current accounts (Default on current account payments are published on the web and on an official newspaper).

CIR: information





CIR: Examples

[illegible]

CIR: Examples

[illegible]



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP



Benefits to microcredit and financial inclusion

- ♦ Readily available and reliable source of information on the credit history of potential and current clients.
- ♦ Plays an instrumental part in the credit evaluation process:
 - ♦ Provides up to date information on clients' credit payments.
 - ♦ Assists in analyzing the character of clients and their likelihood to pay.
 - ♦ Includes information on debt written-off, regardless of how long ago it happened.
 - ♦ Enables a better assessment of over-indebtedness risk – one of the main sources of risk microfinance institutions face.
 - ♦ Reveals clients' debt that might have not been disclosed in the application process.
 - ♦ Shows lines of credit and hence potential future credit exposure.



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP



Benefits to microcredit and financial inclusion

- ♦ Necessary for an effective credit monitoring process
 - ♦ Monthly updates allow for the development of early warning systems and subsequent corrective actions to be taken.
 - ♦ Timely identification of late payments at other institutions or a sudden and significant increase in debt levels.
 - ♦ Identification of how the credit composition of a clients' loans changes (consistent increase in cash withdrawals from credit cards and non decreasing loans might reveal a liquidity problem).
- ♦ Allows for the development of internal risk models
 - ♦ Historical data on debt levels by types of loans, debtor risk classification, debtor industrial sector, loan currency, collateral, etc., enables the development of differentiated credit risk models. Certain microfinance institutions have been developing scoring systems to assist them in credit origination and monitoring.
 - ♦ Establishment of preliminary PDs, EADs & LGDs.

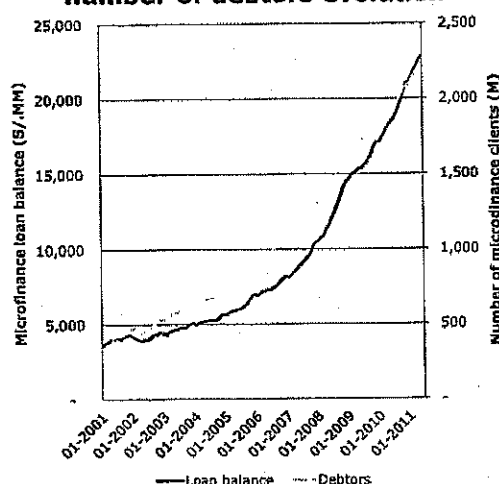


SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

Microfinance evolution

- ♦ The growth of microfinance loans (total commercial loans <\$100,000) has been very dynamic, increasing at an average annual rate of 18.7% in the last ten years compared to the 11.5% of the total credit market.
- ♦ The microfinance loan balance in the Financial System is S/. 22,787MM which accounts for 15% of all loans, compared to 8% in 2001.
- ♦ The microfinance loan portfolio is comprised of credits to 2.2 MM debtors.
- ♦ On the other hand, 8.2% of all loans outstanding were originated by microfinance institutions (CMACs, CRACs, Edpymes).

Microfinance loan balance and number of debtors evolution



SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

Doing Business Evaluation

Depth of credit information (on private or public CIRs):

- ♦ Both positive and negative information
- ♦ Data on both firms and individuals
- ♦ Data from retailers and utility companies as well as financial institutions
- ♦ More than two years of historical data
- ♦ Low (or no) threshold: Data on loan amounts below 1% of income per capita
- ♦ By law, borrowers have the right to access their data in the largest credit registry or bureau in the economy.

Peru scored 6 out of 6 in the Depth of Information Index of the Doing Business Evaluation. This is one of the main reasons why Peru is ranked 15th (out of 183 countries) in the accessibility of funding through the Financial System (Getting a Credit feature). Overall, Peru is ranked 36th in the Doing Business Evaluation.

Registry for Movable Assets: Easing SME Access to Credit

Su Lin Han, Esq.

Movable Assets as Collateral

- SMEs financing constraints
 - Guarantee or pledge of assets critical
 - 92% of US small business loans are secured
 - Movable assets as primary source of collateral owed by SMEs
 - Equipment
 - Inventory
 - Receivables
- Need to develop modern collateral law system to improve access to financing by SMEs

Legal and Institutional Framework Required

- Pledge law traces back to ancient times
 - Possession is key
 - E.g., pawn shop, warehouse bill of lading
- Modern collateral law allows NON-POSSESSORY pledges, opening the door to new types of assets which can be used by SMEs to obtain financing, e.g.
 - Automobiles
 - Changing pool of assets such as inventory
 - Intangible and future-acquired assets such as accounts receivable
 - Intellectual property rights

Pillars of Modern Movable Collateral Law Framework

- Broad scope of permissible collateral
- Ease of Creation
- Centralized publicity system for pledged assets
- Clear priority rules
- Effective enforcement

A well-functioning system requires all four elements to be established. Typically this entails both legal and institutional reforms which require changes to the existing collateral law, registry practice as well judicial enforcement process.

Registry for Movable Collateral: Why We Should Care about Filing

- Registry for movable collateral enables lenders to take non-possessory pledges against all types of movable assets, tangible or intangible, presently-owned or future-acquired.
- Filing reduces risk of lenders by making pledges in movable collateral transparent
- Filed notice tells a prospective pledgee information needed to make lending decisions, such as
 - Whether pledgor's asset may be subject to a prior pledge
 - Contact information for existing pledgee so information can be obtained on prior pledge in the same collateral
- Filed notice establishes benchmark by which priority rules can be applied

Characteristics of Modern Movable Collateral Registries

- Notice filing—Limited Purpose
 - Notice of pledge
 - Securing priority
 - "Filing" vs. "Registration"
- Single, centralized registry archive for pledges of all kinds of movable property
- Web-based filing and searching
- Unique identification of notices
- Maximum transparency—minimum restraints on access to information

Notice Filing Concept

- Relationship of parties established by pledge agreement, which is not filed
- Registration effected by submitting to registry only basic information about a creditor-debtor relationship:
 - Identity and Address of Creditor
 - Identity and Address of Debtor
 - Description of collateral

NO OTHER DETAILS OF THE RELATIONSHIP

Benefits of Modern Movable Collateral Registry

- Accuracy: User enters information
- Speed: Instantaneous filing and searching.
- Accessibility: 24/7 access from any place
- Cost effectiveness: Low cost and fees
- Simplicity: Minimal requirements
- Rule-based decisions: Uniform practices and standards for all users; certainty of results

China Experience: Before 2007

- Collateral legal system prior to 2005 severely inadequate to support SMEs to obtain financing using movable assets as collateral
 - Restrictive scope of permissible collateral
 - Excessive formalities required for creation of pledges
 - Absence of a centralized publicity system
 - Lack of clear priority rules
 - Slow and costly enforcement

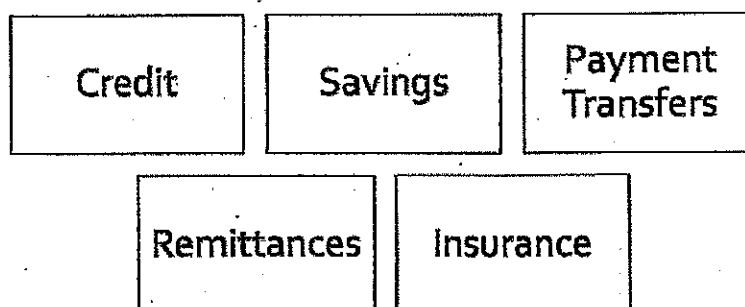
China Experience: Post 2007

- 7
- 2007 Property Law introduces key elements of modern movable collateral law
 - Expansion of permissible collateral to include inventory and receivables
 - Establishment of centralized, modern receivables registries
- Issues not addressed by the Property Law
 - Lack of clear legal guidance on key issues such as effect of registration, priority rules and enforcement mechanism
 - The movable collateral registry system remains highly fragmented

THE PHILIPPINE GOVERNMENT'S RESPONSE
By. Dir. Joselito Almario

FINANCIAL INCLUSION AND MICROINSURANCE

MAJOR FINANCIAL PRODUCTS OF FINANCIAL INCLUSION



POOR INSURANCE PENETRATION IN LOW INCOME SECTOR

ABSENCE OF POLICY AND REGULATORY FRAMEWORK	INAPPROPRIATE PRODUCTS	LACK OF AWARENESS
<ul style="list-style-type: none"> • Vague government policy direction • Unclear regulations and guidelines on microinsurance • Hesitant providers 	<ul style="list-style-type: none"> • Not tailor-fitted • Unaffordable • Complex and complicated contracts • Cumbersome requirements 	<ul style="list-style-type: none"> • Distrust of insurance providers • "Leave it to destiny" mentality • No immediate benefits • Additional financial burden

AFTER MICROCREDIT, NOW MICROINSURANCE

- Work has begun with private sector and technical assistance support from the Asian Development Bank (ADB) and the German International Cooperation (GIZ)

Microinsurance National Strategy and Regulatory Framework launched

Government Circulars on Microinsurance Issued

Performance Standards

Micro-insurance Product Development

Financial Literacy and Advocacy

4

INCREASING SUPPLY

PROVIDERS

Commercial Insurers

Coop Insurance Societies

Mutual Benefit Associations

Pre-Need Companies

HMOs

DELIVERY MECHANISMS

Direct Delivery thru non-traditional means

Partnerships and Tie-ups with MFIs

Microinsurance Agents and Brokers

ENABLING ENVIRONMENT

Lower capitalization requirements

Additional admitted assets

Relaxed licensing requirements for agents

Performance Standards

INCREASING DEMAND

INNOVATIVE PRODUCTS

Affordable

Simple contracts

Tailor-fitted to needs

Relaxed Terms and Conditions

FINANCIAL LITERACY CAMPAIGNS

Comprehensive encompassing all stakeholders

Cover all geographical areas

Learning centers

CLIENT PROTECTION

Formalization of informal insurance providers

Redress and grievance mechanisms

Use of Alternative Dispute Resolution

MOVING FORWARD

PROMOTE PUBLIC-
PRIVATE SECTOR
PARTNERSHIPS BY
CONSENSUS BUILDING

BUILD ON THE
CONDUCTIVE POLICY
AND REGULATORY
ENVIRONMENT

SUPPORT PRODUCT
INNOVATIONS
THROUGH RELAXED
REGULATIONS

BUILD CAPACITIES OF
PROVIDERS AND
DELIVERY CHANNELS

INCREASE PUBLIC
AWARENESS ON
IMPORTANCE OF RISK
PROTECTION

**IF MICROCREDIT PROVIDES
THE UNSERVED AND
UNDERSERVED THEIR PRESENT
FINANCIAL NEEDS,
MICROINSURANCE WILL PROVIDE
FOR THEIR FUTURE UNFORESEEN
AND UNEXPECTED FINANCIAL
NEEDS**



***Magpaseguro para
Protektado!***

microinsurancephil.blogspot.com

FINANCIAL PROTECTION AND CONSUMER PROTECTION – THE CASE OF THE PHILIPPINES

JOSELITO S. ALMARIO
DEPUTY EXECUTIVE DIRECTOR, NATIONAL CREDIT COUNCIL
PHILIPPINE DEPARTMENT OF FINANCE

ACCELERATING FINANCIAL INCLUSION POLICIES IN ASIA AND
PACIFIC: AN OPERATIONAL DIALOGUE
Waikiki Resort Hotel, Honolulu, Hawaii, September 15, 2011

CONSUMER PROTECTION

DUTIES AND RESPONSIBILITIES OF PROVIDERS

- Financial Transparency and Full Disclosure
- Fair business practice
- Open to competition

RIGHTS AND PRIVILEGES OF CLIENTS

- Protection from fraud and unfair business practices
- Education and Awareness
- Redress Mechanisms

THREE-PRONGED APPROACH

LEGAL AND REGULATORY ENVIRONMENT

IMPLEMENTATION AND GRIEVANCE MECHANISMS

FINANCIAL LITERACY AND EDUCATION

THE PHILIPPINE SETTING

Laws and Regulations

- Consumer Act of the Philippines
- Truth in Lending Act
- Law on Secrecy of Deposits
- General Banking Act

Implementation

- Complaints and grievance units within Government Regulatory Agencies
- Mediation and Reconciliation/alternative dispute resolution bodies within FIs

Public Awareness

- Public information desks in government entities
- Financial literacy campaigns by Government and MFIs
- Financial Education part of Business Development Services of MFIs

MOVING FORWARD

- ▶ EXPAND FINANCIAL LITERACY TO ALL STAKEHOLDERS AND NOT ONLY FOCUS ON CLIENTS
- ▶ WIDESPREAD ADOPTION OF ADRs AT THE INSTITUTION AND LOCAL GOVERNMENT LEVELS
- ▶ BASIC FINANCIAL EDUCATION AT THE PRIMARY LEVELS

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FINANCIAL
TRANSPARENCY,
EDUCATION AND LITERACY
NOT ONLY EMPOWER THE
CLIENT, THEY EMPOWER
THE PEOPLE

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