



Technical Assistance Report

Project Number: 51336-001
Knowledge and Support Technical Assistance (KSTA)
February 2018

Capacity Building Support for Asia-Pacific Economic Cooperation Financial Regulators Training Initiative (Financed by the People's Republic of China Poverty Reduction and Regional Cooperation Fund)

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
APEC	–	Asia-Pacific Economic Cooperation
APEC FRTI	–	APEC Financial Regulators Training Initiative
DMC	–	developing member country
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51336-001
Project Name	Capacity Building Support for Asia-Pacific Economic Cooperation Financial Regulators Training Initiative	Department/Division ERCD/EROD
Nature of Activity Modality	Capacity Development Regular	Executing Agency Asian Development Bank
Country	Regional	
2. Sector	Subsector(s)	ADB Financing (\$ million)
		Total 0.00
3. Strategic Agenda	Subcomponents	Climate Change Information
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project Low
Regional integration (RCI)	Pillar 3: Money and finance	
4. Drivers of Change	Components	Gender Equity and Mainstreaming
Governance and capacity development (GCD)	Institutional development	No gender elements (NGE) ✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas Knowledge sharing activities	
Partnerships (PAR)	Bilateral institutions (not client government) Implementation Official cofinancing Regional organizations	
5. Poverty and SDG Targeting		Location Impact
Geographic Targeting	Yes	Not Applicable
Household Targeting	No	
SDG Targeting	Yes	
SDG Goals	SDG8	
6. Risk Categorization	Low	
7. Safeguard Categorization	Safeguard Policy Statement does not apply	
8. Financing		
Modality and Sources	Amount (\$ million)	
ADB	0.00	
None	0.00	
Cofinancing	0.60	
People's Republic of China Poverty Reduction and Regional Cooperation Fund (Full ADB Administration)	0.60	
Counterpart	0.00	
None	0.00	
Total	0.60	

I. INTRODUCTION

1. The knowledge and support technical assistance (TA) will continue to support capacity building of the financial supervisors and regulators across Asia and the Pacific under the Asia-Pacific Economic Cooperation (APEC) Financial Regulators Training Initiative (FRTI).¹ The TA provides developing member countries (DMCs) with training programs so that they can improve regulation and supervision of financial institutions and markets, and respond effectively to new developments and emerging issues in the finance sector, thereby helping to prevent financial crises.

2. The TA is included in the management-approved annual work program of the Financial Cooperation and Integration Team under the Economic Research and Regional Cooperation Department. Further, it aligns with Strategy 2020² and Strategy 2020 Midterm Review³ of the Asian Development Bank (ADB) as it aims to strengthen the capacity of regional financial regulators and promote cooperation and collaboration among financial supervisory authorities.⁴ Strategy 2020 identified finance sector development as one of the five focal areas of ADB's operations, and the midterm review set out regional cooperation and integration for financial stability as one of ADB's strategic priorities. The TA is also consistent with the Financial Sector Operation Plan⁵ and its review⁶ as it will provide capacity building programs to address those issues associated with emerging risks from innovative financial products. The TA serves as a platform for regional financial supervisors to discuss regional financial issues and to learn from peer regulators, and thereby promotes finance sector development, stability, and regional cooperation.

II. ISSUES

3. The APEC finance ministers endorsed the establishment of the APEC FRTI in May 1998 in response to the Asian financial crisis that broke out in 1997, based on the recognition of the importance of well-trained financial supervisors on financial stability. Since the APEC FRTI's inception, ADB has provided secretariat and funding support for the implementation of the initiative primarily out of the Technical Assistance Special Fund and Regional Cooperation and Integration Fund. Many supervisory authorities, particularly those of the United States, acted as resource persons with no fee in the spirit of mutual help. Participating financial supervisors have shouldered all their travel-related costs, while host countries have provided the venues for the

¹ Asian Development Bank (ADB). 1997. *Technical Assistance for Collaborative Initiatives for Capital and Financial Market Development*. Manila (TA 5763-REG, \$400,000, approved 22 December); ADB. 1999. *Technical Assistance for Asia-Pacific Economic Cooperation Growth Recovery Initiatives*. Manila (TA 5847-REG, \$2,150,000, approved 2 June); ADB. 2000. *Technical Assistance for Capacity Building for Financial Regulation and Supervision*. Manila (TA 5966-REG, \$800,000, approved 19 December); ADB. 2003. *Technical Assistance for Strengthening the Capacity of Financial Sector Regulations and Supervisors*. Manila (TA 6148-REG, \$480,000, approved 15 December); ADB. 2006. *Support for Asia-Pacific Economic Cooperation Fiscal and Financial Initiatives*. Manila (TA 6330-REG, \$800,000 approved 26 July); ADB. 2009. *Technical Assistance for Support for the Asia-Pacific Economic Cooperation Financial Regulators Initiative*. Manila (TA 7234-REG, \$900,000, approved 10 February); ADB. 2011. *Strengthening Support for the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative*. Manila (TA 7805-REG, \$1,170,000, approved 29 April); ADB. 2015. *Technical Assistance for Enhancing the Capacity of the Asian Financial Sector through the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative*. Manila (TA 8947-REG, \$675,000, approved 25 August).

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

³ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

⁴ The TA first appeared in the business opportunities section of ADB's website on 15 January 2018

⁵ ADB. 2011. *Financial Sector Operational Plan*. Manila.

⁶ ADB. 2017. *Review of 2011 Financial Sector Operational Plan*. Manila.

training courses. With the strong ownership of APEC member countries, ADB has been able to cost-effectively support the initiative.

4. From 2001 to 2017, the APEC FRTI has provided 150 training programs for more than 6,200 financial regulators from 53 economies. The top 10 economies who have actively sent their regulators to APEC FRTI trainings are Cambodia; the People's Republic of China; Hong Kong, China; Indonesia; Malaysia; Nepal; the Philippines; Sri Lanka; Taipei, China; and Thailand. Other participating countries include Bangladesh, Fiji, the Republic of Korea, the Lao People's Democratic Republic, Maldives, Papua New Guinea, and Viet Nam. The APEC FRTI is a strong platform for junior to mid-level regional financial regulators to share supervisory experiences and exchange views on emerging risks and new trends in the financial services industry.

5. Despite the long duration of the initiative, there still exists a strong demand for the continuation of the APEC FRTI by all stakeholders because of continued emergence of new financial risks and given that the initiative is highly effective. Participants rated most of the training seminars under the initiative as either *excellent* or *satisfactory*. In the survey conducted in March 2017, 97% of the 243 respondents agreed that it helped enhance their capacity, and 99% indicated that the initiative should be continued.

6. Two advisory groups—one for bank supervisors and the other for securities regulators—composed of 40 agencies from 24 countries have repeatedly confirmed the crucial need to continue the initiative.⁷ The two advisory groups collectively sent ADB a letter of support for the APEC FRTI in 2012, and reiterated their strong request for the extension of the program at the latest advisory group meeting held in June 2017.

7. At the APEC Senior Financial Officials Meeting held in May 2017 in Ninh Binh, Viet Nam, APEC members emphasized the value of the APEC FRTI and encouraged ADB to find a way to continue the program after the completion of the ongoing TA in December 2017.

8. The APEC FRTI capacity building programs are even more crucial during these times of fast-growing financial and technological innovations. The rapid development of and increasing dependence on new technologies of financial services, such as blockchain and financial technology, creates new risks, which in turn calls for innovative regulation and supervision policies while creating opportunities for better consumer outcomes. It is important that regulators and supervisors can make the necessary regulatory adjustments and ensure that associated risks are well managed. Regional regulators have signaled concerns about the industry's ability to handle technological challenges and regard growing cybersecurity risks as one of the major threats, with implications for the overall stability of the financial system. Also, regulatory policies are crossing international borders because of increasing cross-border financial transactions and data exchanges, creating the need for financial regulators to have regular dialogue with their regional counterparts.

⁷ The consultative groups formed in 1998 at the request of APEC to evaluate the regional training programs have been transformed to advisory groups since the APEC FRTI was endorsed. The advisory groups determine the topic of training programs based on priorities identified by members and seminar participants. The advisory group of bank supervisors comprises members from Australia; Bhutan; Brunei Darussalam; the People's Republic of China; Cook Islands; Fiji; Hong Kong, China; Indonesia; Japan; the Republic of Korea; Malaysia; the Philippines; Singapore; Taipei, China; Thailand; the United States of America; Viet Nam; and the South East Asian Central Banks Research and Training Centre. The advisory group of security regulators comprises representatives from Australia; Bangladesh; Brunei Darussalam; Cambodia; the People's Republic of China; Fiji; Hong Kong, China; India; Indonesia; Japan; the Republic of Korea; Malaysia; Maldives; Mongolia; New Zealand; the Philippines; Singapore; Sri Lanka; Taipei, China; Thailand; the United States of America; and Viet Nam.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The TA is aligned with the following impact: improved financial stability with effective supervision and regulation of participating DMCs. The TA will have the following outcome: enhanced capacity of financial regulators and supervisors and strengthened regional cooperation among participating DMCs in addressing evolving risks and vulnerabilities of the finance sector.

B. Outputs, Methods, and Activities

10. **Output 1: Capacity building programs developed and conducted.** The TA will support at least seven seminars per year in collaboration with DMC government institutions. At least two out of the seven seminars will be conducted in close collaboration with ADB regional departments which are implementing finance sector development programs in countries such as Cambodia, Indonesia, Mongolia, the Philippines, and Viet Nam. The training program in those countries will be customized to take the different stages of finance sector development into account. They will also be coordinated with other existing capacity building programs such as those offered by the South East Asian Central Banks Research and Training Centre, the International Monetary Fund, and the International Organization of Securities Commissions to avoid overlaps.

11. The TA will continue to follow the cost-sharing scheme among stakeholders, with (i) the host economy bearing the venue cost, (ii) participating economies financing the travel expenses of their staff (e.g., airfares, accommodation, and other allowances), and (iii) ADB financing the expenses for resource persons (mostly travel-related costs) and managerial and administrative support (e.g., consultants).

12. **Output 2: Knowledge and information on emerging financial risks effectively disseminated.** More than 15 presentation materials, on average, will be uploaded to k-Learn⁸ and shared with the public, and more than two regional case studies, on average, will be developed and used as learning materials.

13. The TA will support capacity building programs to help DMCs and APEC member countries gain knowledge on emerging risks in the finance sector. The seminar topics will be determined through discussions among member countries. Each participating country will be requested to prioritize their training needs, from which possible host countries may choose seminar/s to conduct. Focus will be given to regulatory issues related to digital financial services, financial technology, financial inclusion, cybersecurity, etc.

14. The training programs will continue to be customized following the needs of DMCs and will include case studies to allow participants to apply their learning to their actual work. Also, in-depth discussion sessions will be conducted where participants will discuss and share their experiences and analyze actual issues.

15. With consent from the resource persons, the learning materials will be uploaded to k-Learn and shared with the public.

⁸ An online repository of knowledge products from ADB learning events. <http://k-learn.adb.org/>

C. Cost and Financing

16. The TA is estimated to cost \$600,000, which will be financed on a grant basis by the People's Republic of China Poverty Reduction and Regional Cooperation Fund and administered by ADB. The key expenditure items are listed in Appendix 2.

D. Implementation Arrangements

17. The TA will be implemented over 23 months from February 2018 to December 2019. ADB will be the executing agency of the TA. The Financial Cooperation and Integration Team in ADB's Economic Research and Regional Cooperation Department will be responsible for implementing and administering the TA, organizing capacity building trainings or events, and engaging consultants.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	February 2018–December 2019		
Executing agency	Economic Research and Regional Cooperation Department, ADB. The TA will be implemented with close coordination among bank supervisors and security regulators of the APEC region. The advisory group meeting will be held once a year to monitor progress of capacity building activities, and this will be reported to the APEC senior finance officials meeting and deputies meeting for further guidance. Strong collaboration with regional departments will be sought to enhance the impact of the TA.		
Consultants	To be selected and engaged by ADB		
	Individual consultants' selection (international)	Finance sector supervision training expert (8 person-months)	\$140,000
		Editor (2 person-months)	\$15,000
		Researcher (2 person-months)	\$15,000
	Individual consultants' selection (national)	Project specialist (24 person-months)	\$50,000
		Website developer and designer (3 person-months)	\$10,000
		Events coordinator (24 person-months)	\$50,000
Resource persons	Seminar, workshop, or conference guest speakers or resource persons (28 person-months)	\$260,000	

ADB = Asian Development Bank, APEC = Asia-Pacific Economic Cooperation, TA = technical assistance.
Source: Asian Development Bank.

18. **Consulting services.** ADB will engage consultants in line with its Procurement Policy (2017, as amended from time to time) and the associated project administration instructions and TA staff instructions. Where applicable, the consultants will be provided with an output-based, lump-sum contract with a provision for fixed out-of-pocket expenditures. Resource persons will be engaged as guest speakers during the customized training programs. The Financial Cooperation and Integration Team in the Economic Research and Regional Cooperation Department will select, supervise, and evaluate the consultants.⁹ Disbursements under the TA will be made in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

⁹ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the Asian Development Bank administering technical assistance not exceeding the equivalent of \$600,000 to be financed on a grant basis by the People's Republic of China Poverty Reduction and Regional Cooperation Fund for Capacity Building Support for the Asia-Pacific Economic Cooperation Financial Regulators Training Initiative, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is aligned with Improved financial stability with effective supervision and regulation of participating DMCs.			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Outcome Enhanced capacity of finance sector regulators and supervisors and strengthened regional cooperation among participating DMCs in addressing evolving risks and vulnerabilities of the finance sector	By 2019, on average, over 90% of the participants of the learning programs agreed that knowledge they gained will likely be used in their workplace Baseline 2017: 90%	Reports on participants' evaluation of the seminars Annual TA progress report	Resource persons are not available to fully meet the training needs of participants.
Outputs 1. Capacity building programs developed and conducted	By 2019, 1a. At least seven seminars per year developed and conducted in collaboration with government institutions Baseline 2017: 7 1b. At least two seminars per year conducted in those countries where ADB implements finance sector development programs in close collaboration with relevant regional departments Baseline 2017: 1	Annual TA progress report	Inadequate number of countries willing to host training programs
2. Knowledge and information on emerging financial risks effectively disseminated	2a. On average, over 90% of participants evaluated effectiveness of training programs as <i>excellent</i> or <i>satisfactory</i> Baseline 2017: 90% 2b. On average, the number of seminar participants maintained at more than 42 Baseline 2017: 42 2c. More than 15 presentation materials, on average, uploaded to k-Learn and shared with the public Baseline 2017: 9	2a. Reports on participants' evaluation of the seminars 2b. List of participants 2c. Seminar agenda	Host institution and participants have different expectations on a seminar topic. Inadequate number of economies willing to participate in training programs Resource persons do not give consent to upload their training materials to k-Learn.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
	2d. More than two regional case studies, on average, developed and used as learning materials Baseline 2017: 0	2d. Seminar agenda	Resource persons are not able to provide case studies with regional perspective.
<p>Key Activities with Milestones</p> <p>1. Capacity building program developed and conducted</p> <p>1.1 Develop the APEC FRTI training plan for 2018 (January–March 2018)</p> <p>1.2 Conduct training programs (March–December 2018)</p> <p>1.3 Submit annual progress report to APEC senior financial officials meeting (May 2018)</p> <p>1.4 Advisory groups conduct performance evaluation of the APEC FRTI and identify the training needs for 2019 (June 2018)</p> <p>1.5 Develop the APEC FRTI training plan for 2019 (December 2018–February 2019)</p> <p>1.6 Conduct training programs (February–December 2019)</p> <p>1.7 Submit annual progress report to APEC senior financial officials meeting (May 2019)</p> <p>1.8 Advisory groups conduct performance evaluation of the APEC FRTI and identify the training needs for 2019 (June 2019)</p> <p>2. Knowledge and information on emerging financial risks effectively disseminated</p> <p>2.1 Conduct survey to measure the effectiveness of the APEC FRTI (November 2018)</p> <p>2.2 Upload presentation materials used in training programs to k-Learn with the consent of resource persons (March 2018–December 2019)</p>			
<p>Inputs</p> <p>The People’s Republic of China Poverty Reduction and Regional Cooperation Fund: \$600,000</p>			
<p>Assumptions for Partner Financing</p> <p>Not applicable</p>			

ADB = Asian Development Bank, APEC = Asia-Pacific Economic Cooperation, APEC FRTI = APEC Financial Regulators Training Initiative, DMC = developing member country, TA = technical assistance.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
People's Republic of China Poverty Reduction and Regional Cooperation Fund ^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	140.0
ii. National consultants	100.0
b. Out-of-pocket expenditures	
i. International and local travel	40.0
2. Surveys	2.0
3. Training, seminars, workshops, forum, and conferences	
a. Resource persons ^b	260.0
b. Venue rental and related facilities	50.0
4. Contingencies	8.0
Total	600.0

^a Administered by the Asian Development Bank.

^b Appropriate Asian Development Bank experts also act as resource persons.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51336-001-TARreport>

1. Terms of Reference for Consultants