

19th APEC FINANCE MINISTERS' MEETING

JOINT MINISTERIAL STATEMENT

1. We, the finance ministers of the APEC economies, convened our 19th annual meeting in Moscow, Russian Federation, on August 30, 2012 under the Chairmanship of Mr. Anton Siluanov, Minister of Finance of the Russian Federation. The meeting was also attended by the President of the Asian Development Bank (ADB), the Managing Director of the World Bank Group, the Deputy Managing Director of the International Monetary Fund, the Deputy Secretary General of the Organization of Economic Cooperation and Development (OECD), Pacific Economic Cooperation Council (PECC) and the APEC Business Advisory Council (ABAC).
2. We gathered at a time of high uncertainty and significant downside risks for the global economy. Financial markets continue to be fragile, while some advanced economies globally face challenges associated with high public deficits and debts. The events in Europe are adversely affecting growth in the region. Economic activity in a number of advanced economies has weakened and there are clear signs of slowing growth in the emerging economies that remain heavily dependent on external demand. In such circumstances, we reaffirm our strong commitment to support growth and foster financial stability. Specifically, we are committed to strengthening domestic demand where appropriate and restoring confidence, facilitating job creation, reducing high public deficits and debts, and implementing structural reforms to boost growth and reduce external imbalances. We welcome recent policy measures that support demand and are generating some positive outcome.
3. APEC members remain vigilant of the substantial risks posed by elevated oil prices and welcome appropriate action by the International Energy Agency to ensure that the market is fully and timely supplied. We will also remain vigilant of other commodity prices, highlighting the need to avoid export bans, and other restrictions that are inconsistent with WTO rules in response to rapid increases in agricultural commodity prices.
4. We support the conclusions of the recent G-20 Leaders Summit in Los Cabos on 18-19 June 2012 and will act together to strengthen the global recovery and ensure strong, sustainable and balanced growth. We welcome European Leaders' commitment to take all necessary measures to safeguard the integrity and stability of the Euro area. We agree to intensify our efforts to implement reforms to bolster financial sector stability. We remain committed to reducing imbalances by strengthening deficit economies' public finances with sound and sustainable policies that take into account evolving economic conditions and, in economies with large current account surpluses, by strengthening domestic demand and moving toward greater exchange rate flexibility. We reaffirm our commitment to move more rapidly toward market-determined exchange rate systems and enhance exchange rate flexibility to reflect underlying fundamentals, avoid persistent exchange rate misalignments, and refrain from competitive devaluation of currencies. While capital flows can be beneficial to recipient economies, we reiterate that excess volatility of financial flows and disorderly movements in exchange rates have adverse implications for economic and financial stability. We are firmly adhered to open trade and investment, expanding markets and resisting protectionism in all its forms.
5. Fiscal sustainability remains an important element of sustained economic growth. Good governance in public finance enhances the credibility of budgetary policy and promotes economic recovery. Recent financial crises resulted in a substantial deterioration of fiscal accounts in many of the world's economies. Under these difficult circumstances, we remain committed to ensuring the long-term fiscal sustainability of our economies while recognizing that short-term fiscal stimuli may be warranted to support growth and job creation in economies with available fiscal space. Advanced APEC economies will ensure that the pace of fiscal consolidation is appropriate to support the recovery in their economies while also addressing concerns about medium term fiscal sustainability. APEC emerging market economies with sufficient fiscal space stand ready to implement discretionary fiscal actions to support domestic demand, as appropriate.
6. We recognize the importance of closely monitoring vulnerabilities stemming from the build-up of excessive private debt. During crises, the liabilities of the private sector, including distressed financial institutions, may turn into increased liabilities of the public sector, increasing risks to

fiscal sustainability. Expenditures related to population aging should also be taken into account in fiscal projections.

7. APEC remains a valuable forum for discussion of practical measures to advance issues of mutual concern to member economies. Our discussions this year have increased our understanding of three important topics: financial inclusion, in particular financial literacy, financial policy measures to address the impact of natural disasters, and treasury systems.
8. We recognize the importance of financial literacy as a critical life skill in the 21st century that can contribute to individual and families' wellbeing as well as to financial stability in our economies. Financial education is also an essential complement to consumer protection and financial inclusion in any economies' efforts to support economic growth. Taking these factors into account we adopt today the Policy Statement on Financial Literacy and Education (Annex). We welcome the endorsement of the OECD/INFE High-level Principles on National Strategies for Financial Education by G20 Leaders at their Summit in Los Cabos and welcome the OECD/INFE, the World Bank and ADB's cooperation with the Global Partnership for Financial Inclusion (GPFI). We also welcome the development of members' policies that integrate financial literacy, consumer protection and financial inclusion objectives. We support the development and implementation of member economies strategies for financial education and encourage them to take into consideration the methodologies and tools developed by the World Bank and the OECD/INFE.
9. We especially recognize the importance of financial education for the young and welcome the OECD/INFE Guidelines for Financial Education in Schools. We encourage their implementation in APEC economies, taking into account economy-wide, regional and local circumstances. We also encourage the APEC economies to consider the participation in the financial literacy measurement in the Programme for International Student Assessment (PISA).
10. We note the APEC-sponsored workshop organized in May by the Philippines and the United-States in Manila on incorporating financial inclusion objectives in electronic government-to-persons payments.
11. In view of high economic costs incurred by many APEC economies due to natural catastrophes in recent years, we reiterate the importance of strengthening our resilience against disasters. The development and adoption of coordinated disaster risk management (DRM) strategies are important in this regard. We look forward to the "Sendai Dialogue", a special event on mainstreaming DRM for sustainable growth, to be co-hosted by Japan and the World Bank in October. We recognize that integrated disaster risk financing policies are part of overall disaster response preparedness. In developing these policies, attention should be given to advance planning and preparation by financial authorities, including the maintenance of effective and resilient payment systems and, where appropriate, the introduction or expansion of risk sharing and risk transfer market products.
12. We note innovations introduced in disaster response policies and practices over the last years. In this regard we support the exchange of knowledge and best practices about such practices within the international financial institutions (IFIs) and look forward to the presentation next year of guidelines for financial authorities' responses to natural disasters developed in collaboration with the World Bank, the OECD, the ADB and other bodies, which will complement the work undertaken by the G20. We consider that such syntheses of best practices will assist our economies in designing and implementing both comprehensive DRM strategies and specific policy measures tailored to specific country circumstances.
13. Treasury systems are an indispensable element of public financial management and we welcome the exchange of experience on this topic by our finance and treasury officials. Treasury systems' broad modernization is of high practical importance, and collaboration on this issue necessitates new levels of cooperation. We welcome voluntary bilateral and multilateral exchanges or co-operation on technical issues between finance and treasury authorities of APEC economies. These exchanges engender a constructive dialogue to identify common principles and effective mechanisms for treasury systems development and modernization.

14. We welcome intensive public-private collaboration in developing our region's financial systems. We support ABAC's proposal to explore the creation of an Asia-Pacific Financial Forum through a symposium in early 2013 and welcome the Australian Government's commitment to hold the event.
15. We encourage the public and private sectors to work closely together to further expand the Asia-Pacific Infrastructure Partnership Dialogues in 2013. We took note of the results of this year's Asia-Pacific Financial Inclusion Forum and welcome ABAC's continued work on APEC's financial inclusion agenda.
16. We note the technical work that is underway to gradually progress the development of an Asia Region Funds Passport (ARFP). Taking into account this progress and the different regulatory, economic and market conditions of economies in the region, as well as efforts by ASEAN to better integrate capital markets, we look forward to further development of the proposed model, governing arrangements and policies for a pilot ARFP.
17. We thank the Russian Federation for its 2012 Presidency and for hosting the successful Moscow meeting. We will meet again for our 20th meeting in Nusa Dua Bali, Indonesia, on September 20, 2013.

Policy Statement
APEC Ministers of Finance
Financial Literacy and Education

We, the Finance Ministers of the APEC economies, recognise financial literacy to be an essential skill for everyone in the 21st century and an important component of any economy's efforts that will effectively support economic and financial stability, inclusive development and individual and families wellbeing. We thank the Russian APEC Presidency for raising this issues on APEC agenda and for promoting them globally through the Russian Financial Literacy and Education Trust Fund.

We recognize that ongoing social, economic and financial system developments and the growing complexity of financial products require enhancing financial literacy as they involve increased engagement of consumers with financial products and services and greater transfer of financial risks and responsibilities to individuals. These have resulted in an increased number of households that have difficulty in understanding the risks and obligations they assume and managing their financial arrangements. Important developments in financial systems that have a significant influence on people's behaviour include:

- Greater use of consumer credit, investment and insurance products that offer new opportunities but also lead to potentially higher risks.
- Reforms to ensure the sustainability of pension systems as the result of an aging population. These reforms require an increase in the responsibility of the members of the social insurance systems and greater financial literacy to understand their implications and how to best manage these changes.
- Increasing diversity and complexity of financial products with a growing access to them - use of technologies such as the internet and mobile phone - that allow a new and growing segment of consumers to access and potentially benefit from financial services and tools that could help them make better financial decisions. These products, however, may not be fully covered by existing financial consumer protection framework, making consumers with no prior experience in dealing with financial issues more likely to make mistakes and more vulnerable to potential abuse.

Most financial literacy surveys conducted worldwide and particularly in APEC economies, show that large segments of the population have insufficient knowledge to understand even basic financial products, underestimate their risks, and plan for the future and often do not make optimal decisions on managing their finances.

We are of the view that financial education supported by effective consumer protection cannot, by itself, prevent possible future problems, but it can lessen the risk of crises occurring by enabling individuals to effectively use financial products and services and to make sound choices to protect themselves and fruitfully participate in financial and economic activities. Such steps can also help in promoting recovery and economic growth in the wake of financial challenges, at the individual, local and economy-wide levels. Financial literacy has therefore become a life skill that is essential for every economy to foster safe and sound, efficient, transparent and inclusive financial systems.

For financial education initiatives to be effective and sustainable, they need to be appropriately integrated in a comprehensive economy-wide strategy. This will avoid duplication of efforts and ensure efficient use of resources. We also recognise that financial education efforts should be tailored to each economy's circumstances, priorities and needs.

We therefore welcome the development of such economy-wide strategies among APEC economies. We also recognize the importance of the OECD/INFE High-level Principles on National Strategies for Financial Education endorsed by G-20 Leaders at their Summit in Los Cabos, which can serve as a benchmark for these strategies.

In particular, we acknowledge the importance of evidence-based economy-wide strategies for financial education and support measures that would involve:

- the measurement of financial literacy at an economy-wide level to determine needs and gaps with respect to financial knowledge and capability in order to identify priority areas and target groups for the strategy to address;
- the mapping and evaluation of existing initiatives to establish what works;
- a clearly articulated financial education mandate for a leading public authority or body of authorities, and the involvement and co-operation of key stakeholders;
- a targeted and flexible roadmap that includes an overall vision with realistic, measurable and time-bound objectives and action plans, the definition of relevant target audiences and policy priorities and; the roadmap will chart priority areas and also include an overall impact assessment and identify appropriate resources; and
- the design of efficient delivery mechanisms based on identified good practices and ongoing research that involves rigorous monitoring and evaluation of programmes.

We encourage the implementation of economy-wide strategies for financial education by APEC economies and the monitoring of related developments. We encourage that in the course of the implementation of economy-wide strategies and when assessing financial literacy and evaluating financial education programmes, APEC economies consider using the methodologies and tools developed by the World Bank and the OECD/INFE. We also encourage APEC economies to continue working with international financial institutions, as appropriate, in implementing financial education, financial inclusion and consumer rights protection programmes.

As one of the first priorities, we encourage the development of appropriate programmes to enhance the financial knowledge and skills of future generations through financial education in schools. We recognize that in the future young people will increasingly bear the burden of financial decisions and will require more financial skills than prior generations to cope with the complex financial environment in which they will live.

In this light, APEC Finance Ministers, recognize financial education in schools as a critically important part of education in the 21st century. We welcome the OECD/INFE Guidelines for Financial Education in Schools and encourage their use in APEC economies, taking into account economy-wide, regional and local circumstances. In particular, we recognize the importance of financial education for the young through the establishment of tailored and dedicated learning frameworks adapted to their needs and assessing and expanding approaches proven effective. Towards this end, we encourage the APEC economies to consider the participation in the Financial Literacy Measurement Programme for International Students Assessments (PISA) in 2015.

We recognize the importance of harnessing private sector resources and expertise in promoting economical, effective and sustainable delivery of financial education, to keep pace with the continuing evolution of financial services. We welcome ABAC's inputs on public-private sector collaboration to develop innovative models of financial education based on new modes of access, as well as effective policy frameworks and guidelines for voluntary, fair, transparent and unbiased private sector engagement in financial education.