



Fifth Conference on Financial Sector Development in the Central Asian Countries, Azerbaijan and Mongolia

8-9 March 2001, Paris

PRELIMINARY PROGRAMME

Session I: Review of Banking Sector Reform in the Region

In the last decade, the Central Asian countries as well as Azerbaijan and Mongolia have been trying to reform the banking sector. Considerable efforts have been made to restructure banks so that they can function well in a market economy, though progress varies among the countries. In order to set the stage for effective discussion in the meeting, this session will review the reform efforts in the banking sector in the region and their achievements to date.

Session II: Development of a Sound Banking Sector

The banking sector plays a critical role in the financial intermediation in a market economy. The development of a sound banking sector is of vital importance and urgency for the sustainable development of an economy. The first part of this session focuses on the lending activity of banks. Bank lending in the region has yet to develop sufficiently to provide necessary finance for the corporate and household sectors. The measures to encourage bank lending will be explored, while due attention will be paid to the possible need of further restructuring. The second part will discuss risk management of banks and its supervision. A sound banking sector cannot develop without adequate handling of the various risks that banks face in their business. While risk management is the primary responsibility of individual banks, its effective supervision is indispensable to ensure financial stability. The countries in the region are in need of significant improvement in regards to both aspects.

Possible points for discussion:

Part A: Establishment of an effective financial intermediation mechanism

- Key elements/infrastructures for bank lending activity
- Staff capacity building
- Impact of E-banking

Part B: Risk Management and banking supervision

- Risk management techniques
- Effective banking supervision in transition/developing countries
- Supervision on a consolidated basis

Session III: Crisis Management and Safety Net

In a competitive market economy, the failure of banks is sometimes inevitable. The development of a robust banking sector therefore requires a mechanism to deal with such failures smoothly, without provoking a systemic crisis. The first part of this session will review a variety of regulatory and supervisory systems and techniques to detect problems in the early stage, to handle impaired banks, and to prevent the occurrence of a systemic crisis. Experience in the neighbouring countries as well as advanced market economies may well be referred to in this context. The second part will centre on deposit insurance. Deposit insurance is a regulatory system to protect small depositors in the event of bank failures and/or to avoid a systemic crisis. It is fairly common internationally, but not so among the countries in the region. Participants are expected to discuss the merits and demerits of deposit insurance in the regional context and identify the prerequisites to be established.

Possible points for discussion:

Part A: Crisis Management

- Early warning indicators
- Steps in handling bank failures (e.g. special insolvency proceedings)
- Systemic risk prevention (e.g. RTGS)

Part B: Panel on Deposit insurance system: benefits and risks

- Rationale for introducing deposit insurance
- Risks for transition economies

Session IV: Policy Round Table: Future Steps and the Role of Government

In spite of their efforts to date, the Central Asian countries, Azerbaijan and Mongolia still face considerable challenges for establishing a well-functioning banking sector. This session will explore the strategies and steps for these countries in order to develop an efficient and robust banking sector. Special focus will be placed on the role the government should take in initiating improvement in the banking sector.

Possible points for discussion:

- Steps and strategies for the future
- Role of government
- Assistance activities of international organisations

Concluding Session: Future Work

This forum started in 1995 to discuss financial sector development in the Central Asian countries, Azerbaijan and Mongolia. The issues discussed to date include: overview (1995), the bad loan problem and bank restructuring (1996), SME finance and long-term financing (1997), and capital market development (1998). In this short session, participants are encouraged to identify the major areas for improvement in the development of the financial sector of these countries and to consider the future work of the forum.

PROVISIONAL TIMETABLE

DAY 1

- 09:00-09:30 Opening
- 09:30-10:30 **Session I: Review of Banking Sector Reform in the Region**
- 10:30-11:00 Coffee Break
- 11:00-12:30 Session I - continued
- 12:30-14:30 Lunch Break
- Session II: Development of a Sound Banking Sector**
- 14:30-16:00 *Part A: Establishment of an effective financial intermediation mechanism*
- 16:00-16:30 Coffee Break
- 16:30-18:00 *Part B: Risk Management and banking supervision*
- 19:00- Cocktail

DAY 2

Session III: Crisis Management and Safety Net

- 09:00-10:30 *Part A: Crisis Management*
- 10:30-11:00 Coffee Break
- 11:00-12:30 *Part B: Panel on Deposit insurance system: benefits and risks*
- 12:30-14:30 Lunch Break
- 14:30-16:00 **Session IV: Policy Round Table: Future Steps and the Role of Government**
- 16:00-16:30 Coffee Break
- 16:30-17:30 **Concluding Session: Future Work**