



GPFI

Global Partnership
for Financial Inclusion

Report to the Leaders

G20 Leaders Summit, Antalya, 15-16 of November, 2015



REPORT OUTLINE

This report summarizes GPFI activities throughout the end of 2014 and nine months of 2015, presents the main achievements under the Turkish Presidency and describes the outlook for the rest of 2015 and into the start of the Chinese Presidency.

The report is structured as follows:

1. Recommendations to the Leaders
2. Executive Summary
3. Why Financial Inclusion remains a priority for the G20
4. Outreach and Communication
5. Work undertaken, achievements and prospects
6. References of deliverables, reports and other relevant documentation



THE GLOBAL PARTERSHIP FOR FINANCIAL INCLUSION RECOMMENDATIONS TO THE LEADERS

- To call upon the Financial Stability Board and the relevant standard-setting bodies to (i) continue their progress to integrate consideration of financial inclusion in their work, consistent with their respective mandates; (ii) participate in relevant activities of the GPFI and engage GPFI representation in relevant activities of the SSBs; and (iii) give attention to emerging issues in financial inclusion of relevance to multiple SSBs, including through engagement in the finalization of the GPFI White Paper, Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape, released as a consultation document in November 2015 and the organization of the October 2016 Third Conference on Standard-Setting Bodies and Financial Inclusion.
- To call upon the Financial Stability Board and the relevant standard-setting bodies to consider and act upon the recommendations in the GPFI White Paper, Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape once finalized under the Chinese G20 Presidency.
- Considering the crucial role of small and medium-sized enterprises (SMEs) for employment, job creation, investment, innovation and economic growth around the world, to endorse the Joint Action Plan of the GPFI SME finance Sub-group and the IIWG which aims to encourage countries to further developments and share information on country level progress and best practices in three key priority reform measures in financial markets infrastructure, as well as to expand the joint knowledge and policy agenda on Drivers and constraints for innovative SME finance policies and instruments, in particular with regard to digital finance, long term finance and addressing the SME finance data gap.
- To consider the role and importance of dealing with the topic of youth entrepreneurship specifically, given global demographic developments and worldwide youth unemployment rates.
- To urge countries to address the recommendations of the new report on innovative approaches in agricultural finance which focuses on agricultural insurance, ICT solutions for agricultural finance, smallholder demand and agri-financing for women to promote access to finance in the agricultural sector, which is essential for food security.
- To stress the central role of private sector in financing smaller companies, including financial institutions, financial markets infrastructure providers, larger firms in



supply/value chains and fintech companies. To welcome the conversion of the SME Finance Forum into a global membership network. And to encourage the creation of strong public-private sector partnerships for setting priorities and implementing reforms to promote SME finance and financial inclusion in G20 and non-G20 countries.

- To call on G20 countries to strengthen their efforts to develop evidence-based policies and practices (based on existing G20 principles, guidelines and tools) aimed at improving the financial literacy of individuals and MSMEs and protecting them in their dealings with financial services in a changing and increasingly digital environment
- Given the critical importance of global remittances in reducing poverty and enabling economic development in societies where it is particularly needed, to call upon all actors, including SSBs, regulatory and policy making authorities, banks, money transfer operators, and other remittances service providers, to ensure that the approach to the provisioning of remittances services is proportionate to the actual risks involved and that remittances are used as an on-ramp for the responsible use of other appropriate financial services.



EXECUTIVE SUMMARY OF THE GPFI WORK

Regulation and Standard-Setting Bodies (SSBs)

The cornerstone of the work of the Subgroup on Regulation and Standard-setting Bodies (SSBs) in 2015 is the Consultation Document for the 2nd edition of the GPFI White Paper: Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape. The framing and drafting of the White Paper Consultation Document have taken place with noteworthy engagement of all the SSBs and other global bodies discussed in the White Paper. The Consultation Document will be released in November 2015 under the Turkish G20 Presidency. Following a public consultation period, the final version is expected to be released during March 2016, under the Chinese G20 Presidency.

The identification and framing of the crosscutting topics address in the 2015 White Paper were informed by the October 2014 Second GPFI Conference on Standard-Setting Bodies and Financial Inclusion: Standard Setting in the Changing Landscape of Digital Financial Inclusion, on the theme of digital financial inclusion, and the October 2014 3rd High-level Meeting on Financial Inclusion convened by the GPFI's Honorary Patron and the United Nations Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA), Her Majesty Queen Máxima of the Netherlands and Dr. Stefan Ingves, the Chair of Basel Committee on Banking Supervision (BCBS).

The Subgroup has showcased, acknowledged and supported the activities of individual SSBs of relevance to financial inclusion. Two examples are the January 2015 BCBS Range of practice in the regulation and supervision of institutions relevant to financial inclusion, prepared by the Basel Consultative Group's Financial Inclusion Workstream, and the Task Force on Payment Aspects of Financial Inclusion, led by the Committee on Payments and Market Infrastructures (CPMI) and the World Bank Group, which released its Consultative report: Payment aspects of financial inclusion in September 2015.

The Subgroup has encouraged the active participation of emerging market and developing economies (EMDEs) in relevant activities of outreach bodies of the SSBs, including the involvement of EMDEs in the BCG Financial Inclusion Workstream, the re-launching of IADI's Subcommittee on Innovation and Financial Inclusion, with EMDE leadership, and the enhanced role taken on by the IAIS Implementation Committee in financial inclusion work, under South African leadership.

Key Subgroup activities and events in 2016 will be the finalization and dissemination of the GPFI SSBs White Paper (March 2016) and the organization of the 3rd GPFI Conference on Standard Setting Bodies and Financial Inclusion, again hosted by the Financial Stability Institute at the Bank for International Settlements (October 2016).



SME Finance

To respond to the Turkish G20 Presidency on SME finance and engagement with the private sector the GPFI SME Finance Sub-group continued to concentrate on two main areas (1) Realizing access to finance for SMEs at the country level: “Innovative SME Finance Workshop was held in Izmir in June 2015. The workshop provided a platform for policy makers, regulators, development finance institutions and private sector to share knowledge on innovations in financing youth, women and start-ups. During an outreach event organized in Antalya in September 2015, options for scaling-up support to SME finance in developing countries were reviewed and new partnerships to implement the SME Finance Compact facilitated. During the same event, as an initiative of the Child & Youth Finance International, the Ye! Community – the online community for and by young entrepreneurs- was officially launched). Furthermore, during Alliance for Financial Inclusion (AFI) Annual General Meeting G20 LDICs outreach session, the challenges faced by LIDCs in improving the enabling environment for SME Finance and the next steps for the G20 were discussed. 2) Scaling up engagement with private sector to deliver innovative financial inclusion solutions to help closing the SME finance gap: Further engagement of the private sector was the main topic of this year's GPFI Forum which was held in Antalya in September 2015, providing an opportunity to discuss the draft private sector engagement strategy for the GPFI.

The key outcomes for the Subgroup during 2015 were: the first GPFI/IIWG Joint Action Plan on SME finance (JAP) providing a framework to facilitate a dialogue between the G20 GPFI SME finance Sub-group and the G20 IIWG, to advance the agenda for SME finance across different G20 work streams with a focus on LIDCs and to report on progress, a new report on innovative approaches in agricultural finance, the “base set” of SME finance indicators adopted by the members of AFI, the commitment, expressed through the “Maputo Accord” of more than 30 developing and emerging countries to develop quantifiable and measurable national targets for SME Finance under the framework of the Maya Declaration, a new Private Sector Engagement Strategy, the SME Finance Forum Conversion and the launch of a Global Platform for young entrepreneurs.

Future work of the Subgroup will include in particular the monitoring and reporting of the Joint Action Plan implementation of the GPFI and the IIWG and country level implementation through the SME Finance Compact, The Subgroup will continue to address the cross-cutting issues of the GPFI such as digital finance, data and women, address long term finance/asset backed finance in coordination with IIWG and on new topics such as insurance or green finance to respond to demands from various stakeholders. The priorities of the incoming G20 Presidency will also be reflected in the work plan for 2016.



Financial Consumer Protection and Financial Literacy

In 2015, the subgroup continued to work on strengthening financial literacy and consumer protection approaches. It first contributed to update and revise the global mapping conducted by the World Bank on financial consumer protection and financial literacy initiatives by international organizations and other global and regional stakeholders. A Technical Note on Institutional Arrangements for Financial Consumer Protection as well as Financial Consumer Protection Aspects of Digital Financial Services: technical note were also developed by the World Bank.

To complement this mapping, a first global survey of financial knowledge worldwide was conducted (the McGraw Hill Global Financial Literacy Index). The survey which covers more than 100 countries shows important gaps in financial knowledge around the world.

In addition to work on data and responding to G20 leaders call in 2013, core competencies on financial literacy for youth were elaborated and completed by the OECD/International Network on Financial Education (INFE). The Core competencies framework offers a first international benchmark on key financial skills for young people. It is meant to be used by policymakers and programme designers to elaborate, evaluate financial education initiatives, as well as identify youth's needs and prioritize action.

Also responding to G20 Leaders call in 2013, a policy handbook on implementing national strategies for financial education was developed through the OECD/INFE. The policy handbook provides a global overview of the development of national strategies to improve financial literacy and identifies solutions to address the most challenging areas of their implementation. Interestingly, the number of national strategies has increased tremendously in the last years showing the impact of international policy work on these issues: almost 60 countries and economies have a national strategy against a handful in 2010. Additional work on financial education conducted through the OECD/INFE focused on key target audience including micro, small and medium enterprises as well as migrants and their families (to complement work on remittances).

On vulnerable groups Women's Financial Inclusion Report (Advancing Women's Economic Participation: How Digital Financial Solutions Can Bring More Women into the Global Economy), was prepared jointly with BMGF, WWB, BTCA, WBG. As part of the capacity building activities training programs for FCPFL supervisors and regulators were conducted by the WBG.

The subgroup also contributed to the VI Responsible Finance Forum “Evidence and Innovation for Scaling Responsible Digital Finance” (IPA & RFF Joint Activity) which was held in



Antalya on 7-9 September 2015. In particular the subgroup supported the Forum's organizers and sponsors in designing the programme providing recommendations on the Forum's topics, content, and subject matter expert participation.

Key subgroups activities in 2016 will include on the data side the OECD/INFE survey on financial literacy and inclusion (building on an update of the toolkit on measurement supported by G20 Leaders in 2013), core competency on financial literacy for adults (responding to G20 Leaders call in 2013), as well as work and report to be conducted by the OECD/INFE on financial education for MSMEs and on the impact of digital finance on financial education. On the financial consumer protection the 3rd Global Consumer Protection survey will be conducted, as part of integrated regulator survey. It will also include a progress report the G20/OECD task force on financial consumer protection activities. As well as technical notes on Financial Consumer Protection Supervision: Risk Assessment Methodology, Disclosure of Pricing and Product Terms.

Key activities will include the two Global conferences on financial education planned back to back with the INFE technical committee meetings in April (20-21) in Amsterdam and October (13-14) in Auckland as well as a regional meeting in Jakarta in June (1-2).

Markets and Payment Systems

The overall goal of the Markets and Payments Systems subgroup is to advance utilization of payment systems, including remittances, in the pursuit of increased and sustainable financial inclusion. During 2015 the subgroup focused on both remittance interventions and on developing greater insight into the financial inclusion potential of innovative payments solutions.

The subgroup provided active support for the further development of the G20 country remittance plans, supporting the implementation of the G20 Plan to Facilitate Remittance Flows. The subgroup developed a monitoring framework to be used in the country assessment of progress towards implementing these plans. In order to develop a better understanding of the impact of banks' de-risking activities on the provision of remittance services, the subgroup commissioned the World Bank to undertake a survey on this phenomenon in G20 countries. The survey obtained input from governments, banks, money transfer operators and other remittances services providers on the scale and scope of account closures of money transfer operators. The survey report has been drafted and finalized for the Leader's Summit.

The subgroup developed a paper in which various components of the effect of payment systems on financial inclusion were identified for further study. The required outputs for the studies into two of these components were defined in two terms of reference documents and the studies were commissioned for completion in 2015. These two studies are: 1) Leveraging remittances



as a means to enhance financial inclusion; and 2) A stocktake of existing innovative approaches to payments in the financial inclusion space. These studies have been completed and will be finalized by the end of October 2015. It is the intention that these studies will be followed up by additional work on the role of the private and public sectors and the definition of issues to be considered in the development of inclusive payment eco-systems.

WHY FINANCIAL INCLUSION REMAINS A PRIORITY FOR THE G20

Increasing financial inclusion and facilitating remittance flows directly support G20 leaders' commitment to achieve strong, sustainable and balanced growth, and their recognition that reducing poverty is integral to that commitment. Expanding the use of formal financial services can help build domestic savings, bolster household and financial sector resilience to shocks, stimulate business growth and provide opportunities for the poor to lift themselves out of poverty. It also helps governments efficiently execute social policies. Despite these benefits, more than 75 per cent of the poor are excluded from the financial sector globally. The estimated \$2.35 trillion credit gap in developing and emerging economies for micro, small and medium enterprises (MSME) also represents a key constraint to business growth.

SMEs play a valuable role in job creation and make significant contributions to economic growth in both developed and developing economies alike. They stimulate domestic demand through job creation, innovation and competition. Small firms have the highest level of employment and highest rate of job creation in developing countries. They account for 4 of 5 formal jobs in emerging markets, and 9 of 10 jobs in lower income developing countries. SMEs also act as a key channel to support other development goals such as food security, gender equality, health and education. A strong SME sector makes an economy more agile, more capable of dealing with market developments and other external shocks. Even so, SMEs are typically much more credit-constrained than large firms in developing economies, impacting their ability to grow and fulfill these important roles. This is why the G20 has made SME finance a key part of its financial inclusion work.

Because of the G20's commitment to financial inclusion, policy makers are beginning to acknowledge that an inclusive global financial system supports the financial policy goals of stability, integrity and consumer protection. Under G20 leadership, a powerful responsible financial market development vision is emerging – a vision that essentially aims at banking the other half of the global working-age adult population.

In order to bring the excluded into the formal financial system, continued product and business model innovation is required, so that more people and businesses can be reached through a broader range of products at lower costs. To achieve this, countries require enabling environments which foster innovation and a private sector that is driving innovative solutions. Targeting approaches to reach those sections of the population where the greatest gains can be



made, including women, youth and migrants will enable greater impacts to be achieved. A variety of financial service providers can create an ecosystem which serves the excluded profitably and in a responsible manner. The GPFI has a strong role to play in facilitating private sector led innovation and the development of such an ecosystem. That's why innovation and engagement with the private sector are key areas where the GPFI focused in 2015 and will continue to do so through its Private sector Engagement Strategy over the next years.

Responsible market development needs a regulatory environment that balances increases in access with stability of the system. Financial systems in developing and emerging economies are influenced by the approaches to financial regulation of G20 countries and SSBs. The GPFI continued to engage with SSBs to progress the implementation of proportionate application of global standards.

Continuing to highlight the integration of financial inclusion with financial education and consumer protection is also important to ensure responsible provision and usage of services and responsible market development.

Gender equity in access to financial services remains a challenge. Worldwide, 55 % of men report having an account at a formal financial institution, while only 47 % of women do. More than one-third of small and medium-sized enterprises (SMEs) in the developing world are owned or partly owned by women, and 40% of the global workforce is female. Access to capital can open up economic opportunities for women, and bank accounts can be a gateway to the use of additional financial services. Nonetheless women entrepreneurs face greater challenges than men in gaining access to financial services. The GPFI has started to address the different aspects of women's economic empowerment. An increased focus will enable further closing of this gap.

As communities and economies around the world move into the digital era, evidence is quickly mounting about the power of digital payments to increase financial inclusion, thereby reducing poverty and driving economic growth. Recognizing this potential, the G20's Financial Inclusion Action Plan (FIAP) considers digital payments and mobile technology as key components to drive real improvements in access to the financial services that people need to participate fully in economic life. The GPFI Works to advance the use of payments, including remittances.

The GPFI has advanced its work in 2015 on its priority areas of FIAP and G20 Turkish Presidency, building on previous outcomes and re-vitalizes the attention of financial inclusion, drawing on past efforts within the G20. These efforts are outlined in more detail in subsequent sections of the Progress Report. The GPFI will continue to monitor and assess G20 financial inclusion commitments and work in an open and transparent manner, consistent with the FIAP.



On the other hand, the G20 through its different workstreams is uniquely positioned to advance the financial inclusion by virtue of its membership, global leadership function, and multi-stakeholder convening power. Future priorities should focus on accelerating action and innovation within the public and the private sector, and on facilitating greater coordination and faster learning in the area of financial inclusion.

WORK UNDERTAKEN, ACHIEVEMENTS AND PROSPECTS

Regulations and SSBs Subgroup

2nd edition of the GPFI White Paper: Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape

The cornerstone of the work of the Subgroup on Regulation and Standard-setting Bodies (SSBs) in 2015 is the **Consultation Document for the 2nd edition of the GPFI White Paper: Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape**. The preparation of a 2nd edition, four years after the preparation of the first GPFI White Paper, *Standard-setting and Financial Inclusion for the Poor – Toward Proportionate Standards and Guidance*, was deemed to be timely, in light of both the high degree of implementation of the recommendations made in the first White Paper, mainstreaming of the work on financial inclusion within the work and thinking of the SSBs, and the need to take into consideration the rapidly evolving landscape of financial inclusion, notably the important role that digitization of financial services is playing in reaching financially excluded and underserved customers, and as to the implications of this evolution for the SSBs. This second GPFI White Paper aims to raise awareness of the changing landscape and frame issues that will inform ongoing work by the SSBs and other global bodies to integrate financial inclusion objectives into standards and guidance that can be applied effectively at the country level.

The framing and drafting of the White Paper Consultation Document have taken place with noteworthy engagement of all the bodies involved: the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI), the Financial Action Task Force (FATF), the International Association of Deposit Insurers (IADI), the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO), all active participants in the GPFI White Paper process, with FSB and IOSCO joining the process for this 2nd edition of the White Paper. It has benefitted from the engagement of the Subgroup, as well as from inputs from the Subgroup on Markets and Payment Systems and the Subgroup on Financial Consumer Protection and Financial Literacy. GPFI Implementing Partners CGAP and World Bank largely carried the drafting work.



The identification and framing of the crosscutting topics addressed in the 2015 White Paper were informed by the **October 2014 Second GPFI Conference on Standard-Setting Bodies and Financial Inclusion: Standard Setting in the Changing Landscape of Digital Financial Inclusion**, on the theme of digital financial inclusion, and the **October 2014 3rd High-level Meeting on Financial Inclusion** (co-chaired by the GPFI's Honorary Patron HM Queen Máxima of the Netherlands, the UN Secretary General's Special Advocate for Inclusive Finance for Development and Dr. Stefan Ingves, Chairman of the BCBS), as well as more recent developments in the financial inclusion landscape.

Following review and sign-off by the GPFI, the Consultation Document will be released for public comment in November 2015 under the Turkish G20 Presidency. The final version is expected to be released in March 2016, under the Chinese G20 Presidency.

The 2015 White Paper process has supported the **mainstreaming of financial inclusion in the work of the SSBs** and other relevant global bodies and increased understanding of the interdependence of financial inclusion, stability, integrity and consumer protection, while addressing the challenges SSBs face in responding to the rapidly changing environment of financial inclusion. It has also opened discussion on **coordination and collaboration among SSBs around financial inclusion issues**.

Development and dissemination of outputs of individual SSBs and other relevant global bodies deepening understanding of the implications of financial inclusion for their work and the implications of their work for financial inclusion.

Both directly and through Implementing Partners, the Subgroup has showcased, acknowledged and supported the activities of individual SSBs of relevance to financial inclusion, dovetailing with and reinforcing the SSBs' respective work plans. Two examples of outputs of individual SSBs, with support given by Subgroup members and Implementing Partners, stand out. First, the Basel Consultative Group's Financial Inclusion Workstream, led by Philippines and CGAP and in which the World Bank also participates, published in January 2015 (under the auspices of the BCBS) *Range of practice in the regulation and supervision of institutions relevant to financial inclusion*. Building on the range of practice report, a BCBS guidance paper applying the revised Basel Core Principles to banks and other deposit-taking institutions engaged in activities relevant to financial inclusion is under development, with expected release by the BCBS as a consultative document in December. Second, the Task Force on Payment Aspects of Financial Inclusion, led by the Committee on Payments and Market Infrastructures (CPMI) and the World Bank Group, released its *Consultative report: Payment aspects of financial inclusion* in September 2015.



Encouragement of the active participation of emerging market and developing economies (EMDEs) in relevant activities of outreach bodies of the SSBs

The Subgroup has encouraged the active participation of emerging market and developing economies (EMDEs) in relevant activities of outreach bodies of the SSBs on a number of fronts. Examples include: the involvement of EMDEs in the BCG Financial Inclusion Workstream, with the participation of several EMDE countries, and the leadership of the Philippines, in the preparation of the financial inclusion range of practice survey and the upcoming (related) Guidance Paper; the re-launching of IADI's Subcommittee on Innovation and Financial Inclusion, with Colombian leadership; and the enhanced role taken on by the IAIS Implementation Committee in financial inclusion work, under South African leadership, supported by the EMDE-led IAIS Working Group on Financial Inclusion and implementing partner the Access to Insurance Initiative.

Further research and analysis on optimizing the linkages among inclusion, stability, integrity and protection (I-SIP) objectives

This work is ongoing, with the launch of the Philippines I-SIP rapid research exercise in May 2015 and an August 2015 research mission there.

Incorporation of financial inclusion into methodologies and tools for financial sector assessments, including under the World Bank/IMF Financial Sector Assessment Program (FSAP)

The incorporation of financial inclusion into methodologies and tools for financial sector assessments is one of the crosscutting topics in the GPFI White Paper on SSBs and financial inclusion, text for which has been developed with active engagement of the World Bank and IMF.

Looking ahead to 2016

Key activities and events in 2016 will be the finalization and dissemination of the GPFI SSBs White Paper (March 2016) and the organization of the 3rd GPFI Conference on SSBs and Financial Inclusion, again hosted by the Financial Stability Institute at the Bank for International Settlements (October 2016).

Other workstreams under the Subgroup work plan will be pursued: engagements with specific SSBs (such as the finalization/dissemination of the guidance paper produced by the BCG Financial Inclusion Workstream), work of the IADI Financial Inclusion and Innovation Subcommittee, work on the linkages among financial inclusion, financial stability, financial integrity and financial consumer protection; assessments work, notably the advancement of the guidance on financial inclusion coverage in FSAPs and the consideration of the further



integration of financial inclusion considerations in IMF Article IV consultations. It is expected that the release of the 2nd edition of the GPFI White Paper will provide additional opportunities to frame and move forward with specific activities in relation to the recommendations contained therein.

SME Finance Subgroup

Access to finance has been a priority for the G20 and continued to be highlighted under the Turkish G20 Presidency. Against this background, the GPFI SME finance Sub-group strengthened the cooperation with other G20 working groups focusing on SMEs and concentrated on two main areas (1) Realizing access to finance for SMEs at the country level: Implementing the SME Finance Compact in particular in LIDCs (2) Scaling up engagement with private sector to deliver innovative financial inclusion solutions to help closing the SME finance gap: Private Sector Engagement Strategy.

The key outcomes for the Subgroup during 2015 were:

1. **First GPFI/IIWG Joint Action Plan on SME finance (JAP)**: The JAP provides a framework to facilitate a dialogue between the G20 GPFI SME finance Sub-group and the G20 IIWG, to advance the agenda for SME finance across different G20 work streams for G20 countries and willing other countries including LIDCs and to report on progress. The Joint Action Plan rests on two pillars (1) moving to country level implementation in selected areas of financial markets infrastructure: credit reporting framework for SMEs, secured collateral transactions and movable collaterals, and insolvency reforms (2) deepening the knowledge agenda in topics such as drivers and constraints for innovative SME finance policies, digital/ technology based models and instruments, addressing the SME data gaps, and SME Long Term Financing – Asset Backed Financing.
2. **New Report on innovative approaches in agricultural finance**: New Issues Papers on selected topics (1) agricultural insurance, (2) value chain finance, (3) financing for women in the agricultural sector, (4) ICT solutions for agricultural finance, and (5) smallholder demand for financial services were prepared and consulted during roundtable workshop in coordination with the DWG work on Food Security and the Agricultural Minister work stream and a synthesis report will be produced for the summit
3. **SME Data**: The Alliance for Financial Inclusion's SME Working Group, in which 50 developing and emerging countries are represented, has agreed a “base set” of SME finance indicators that all members will try to monitor on an annual



basis, or as frequently as possible. These indicators were published in AFI's *Guideline Note No. 16*. The OECD completed the 5th edition of its SME Finance Scoreboard, which has grown to cover 34 countries from 2007-13, using 15 indicators. The SME Finance Forum is working with AFI and the OECD to leverage on the two efforts to include as big a common data pool for as many countries as possible.

4. **New Private Sector Engagement Strategy:** A private sector engagement strategy for the GPFI and its sub-groups is being developed to systematically scale up engagement with the private sector to deliver innovative financial inclusion solutions.
5. **SME Finance Forum Conversion:** During the G20 summit this year, the SME Finance Forum is being launched as a global membership network, which will ensure its sustainability.
6. **New Global Platform for Young Entrepreneurs: The Ye! Community:** During the GPFI meetings in September as an initiative driven by Child & Youth Finance International, a new online platform called "The Ye! Community" was launched: The goal is to create a global community for young entrepreneurs focusing on connecting young entrepreneurs with each other and the support they need to grow their business, including training, mentorship, tools, and connections to funding partners and other opportunities.

Future work of the Subgroup will include follow-up activities initiated in 2015 or before, in particular the monitoring and reporting of the Joint Action Plan implementation of the GPFI and the IIWG. Further country level implementation through the SME Finance Compact and the Subgroup will continue to address the cross-cutting issues of the GPFI, i.e. innovation, data, gender and youth. The SME finance Subgroup will deepen the knowledge agenda on digital finance, long term finance/ asset backed finance in coordination with IIWG and on potential new topics such as insurance and green finance to respond to demands from various stakeholders. The priorities of the incoming G20 Presidency will also be reflected in the work plan for 2016.

Financial Consumer Protection and Financial Literacy Subgroup

The Key actions and outcomes for the Subgroup during 2015 were:

1. **Revised version of global mapping of financial consumer protection and financial literacy activities**



- Updated the original 2014 mapping to provide a general overview of existing activities, data and analysis developed on FL and FCP by various international organizations.
- 2. McGraw Hill Global Financial Literacy Index:** this first ever global index captures and compares adults' financial knowledge in over 100 countries.
- 3. OECD/INFE policy handbook on implementing national strategy for financial education**
- Called for by G20 leaders in 2013,
 - The policy handbook provides policy makers with an overview of main trends in the development of national strategies highlighting the impact of international policy work on these issues (currently almost 60 countries and economies have a national strategy against a handful in 2010), and
 - The handbook also offers case studies, lessons learnt and guidance to address the most challenging areas of the implementation of a national strategy.
- 4. OECD/INFE Core competencies on financial literacy for youth**
- Called for by G20 leaders in 2013 to provide an international benchmark on young people's awareness and proficiency with financial issues.
 - The core competency framework is meant to be used by policymakers and programme designers to elaborate, evaluate financial education initiatives, as well as identify youth's needs and prioritize action.
 - The framework was developed through the OECD/INFE and its dedicated expert subgroup chaired by Canada and Russia.
- 5. OECD/INFE Financial literacy for MSMEs: Progress Report**
- Launched in 2014 to support micro small and medium enterprises in their access to finance through a financial literacy perspective,
 - The progress report highlights relevant activities and preliminary findings (including the OECD/GFLEC Global Symposium on harnessing financial education to spur entrepreneurship and innovation held on 7 May 2015 in Paris), and
 - Presents the roadmap of future work in this area aimed at supporting the GPFI FCPFL and SME Subgroups work plans.



- 6. Technical Note:** Institutional Arrangements for Financial Consumer Protection by the World Bank.
- 7. VI Responsible Finance Forum “Evidence and Innovation for Scaling Responsible Digital Finance” (IPA & RFF Joint Activity)* (7-9 September 2015, Antalya)**

- The FCPFL Subgroup collaborated with the Forum’s organizers and sponsors to provide recommendations on the Forum’s topics, content, and subject matter expert participation.

Further work of the subgroup will include in 2016:

OECD/INFE survey on financial literacy and inclusion. The results of this survey building on an update of the toolkit on measurement supported by G20 Leaders in 2013 will capture adults’ financial knowledge, attitude, behaviors and wellbeing in a wide range of countries.

Core competency on financial literacy for adults responding to G20 Leaders call in 2013 and following up on the core competency framework for youth

Work developed by the OECD/INFE on **financial education for MSMEs** and the **impact of digital finance for financial education and financial consumer protection**

Progress report on the G20/OECD task force on financial consumer protection activities

Future events will include in 2016:

- The 5th OECD/INFE technical committee and back to back conference in Amsterdam, 19-21 April.
- The 6th OECD/INFE technical committee and back to back conference in Auckland, 12-14 October.
- OECD/INFE/Indonesia regional seminar and roundtable on financial literacy and inclusion, 1-2 June.

Markets and Payment Systems Subgroup

The overall goal of the subgroup is to advance utilization of payment systems including remittances in the pursuit of increased and sustainable financial inclusion. During 2015 the subgroup advanced work on remittances, including supporting the implementation of the G20 Plan to Facilitate Remittance Flows. Further work on establishing promising use of remittances



and innovative payment systems to foster increased financial inclusion was also undertaken.

In September 2014, G20 leaders recommitted to reducing the global average cost of transferring remittances and agreed to a plan to facilitate remittance flows. During 2015, the subgroup worked with the Development Working Group (DWG) to provide technical input on individual G20 members' country plans. The subgroup designed an approach for monitoring individual country remittance plans.

The subgroup commissioned the World Bank Group (WBG) to conduct a survey on banks' "de-risking" activities in relation to money transfer operators (MTOs) and other remittances services providers. The findings on money transmitter account closures were based on limited responses (13 governments of 20 contacted, 25 banks of 3,000 contacted, and 82 money remitters of 310 contacted), but they indicate that de-risking is impacting money remitters' ability to access banking services in seven of the twenty G-20 countries and the scale of account closures varies by jurisdictions. Drivers cited by surveyed banks include profitability; pressure from correspondents and law enforcement; lack of confidence in AML/CFT controls of the money remitters; and reputational risk. The survey highlighted a significant disconnect in the perception of supervision of money remitters. Money remitters themselves and governments view the adequacy of supervision as strong, while almost half of surveyed banks do not. In addition, most jurisdictions have not issued guidance to banks on providing services to money remitters, and very few jurisdictions have demonstrated effective supervision by taking AML/CFT enforcement actions against money remitters. Five banks responded to the survey that they no longer provide services to money remitters. However, those five banks declared that they would re-engage in this business if: a) money remitters were better supervised and banks could better rely on government oversight; and b) regulators published new guidance spelling out the requirements for managing risks for money remitters.

The subgroup commissioned the International Fund for Agricultural Development (IFAD) and the WBG to undertake a study to determine models and approaches that successfully leverage remittances to improve levels of financial inclusion. Through considered intervention and policy changes, using remittances as an on-ramp in this process, individuals can be brought into the formal financial system to use an appropriate array of financial instruments to meet their needs.

Regions, especially in rural areas, can utilise improved financial infrastructure to start lifting entire communities out of poverty. This report provides an overview of the relevant general trends in leveraging remittances as a means to enhance financial inclusion and underscores the importance of maximizing the economic impact of remittances towards sustainable development. It defines an analytical framework to understand how the different categories of remittance service providers can better address the financial needs of senders and receivers and provides a series of case studies to illustrate relevant policies, interventions or innovative and



inclusive approaches. It also describes different migration patterns (domestic vs. international, circular settlement), the segmentation of migrants according to region of destination or origin, and the related behaviors in the utilization of remittance services.

The G20's Financial Inclusion Action Plan (FIAP) considers digital payments and mobile technology as key components to drive real improvements in access to the financial services that people need to participate fully in economic life. The subgroup commissioned the WBG and the Better Than Cash Alliance to survey and categorize existing innovative approaches in the payments space, provide an overview of the range of innovative solutions, and offer a framework for further analysis for the use of payment systems to drive financial service usage. The research undertaken suggests that there are three common attributes of innovative payment systems that determines whether such payment systems may deliver large-scale digital financial inclusion: whether it is based on a sustainable business model, to what extent the enabling technology can be scaled and the adaptability of the solution to various markets or segments in the targeted population. The analytical framework suggested in the report offers the GPFI the opportunity to monitor developments and promising innovations in the digital payments market in a structured manner. Through this analytical framework and by describing selected recent promising payment innovations, the report provides a practical tool for policymakers across all sectors in their request to bring the benefits of digital payments to all stakeholders.

The subgroup provided input to the GPFI Regulation & SSB subgroup on drafts of relevant sections of the White Paper on Standard Setting Bodies (SSBs) and Financial Inclusion including on de-risking and the potential impact on financial exclusion.

Future work of the subgroup will build upon the work outlined above, including:

- Ongoing monitoring of the individual G20 Country Remittance Plans.
- Follow-up on the WBG survey on de-risking and undertaking further work as needed, including cooperating with the Financial Stability Board (FSB), the WBG and the Financial Action Task Force (FATF) on financial inclusion effects of de-risking, consistent with the 2014 FATF agreement to make full use of the work being conducted by the GPFI.
- Undertaking work to determine the role that both the government and the private sector could play in the establishment of sustainable and beneficial innovative payment systems.
- Developing policy options and implementation approaches (incorporating a set of principles, policy guidelines and implementation frameworks) for the private sector, regulators, other government agencies and other players in the payment services



environment to guide their efforts in using payment systems to sustainably increase financial inclusion.

- Continuing to work in close cooperation with the other GPFI subgroups, particularly the Regulation & SSB subgroup on policy guidelines and regulatory approaches on cross border remittances issues, and other organizations, including the private sector, as appropriate.

OUTREACH AND COMMUNICATION

SME finance Sub-group increased its outreach to non-G20 countries that wish to make improvements in SME finance and to private sector stakeholders:

- **Innovative SME finance workshop in Izmir:** The workshop provided a platform for policy makers, regulators, development finance institutions and private sector to share knowledge on innovations in financing youth, women and start-ups. The Main outcomes of the workshop are:
 - think beyond fixed collateral to really understand the financial demands and capacity of SMEs.
 - balance promotion of innovation and protection systems, stability/integrity in regulation.
 - Promote partnerships between banks, fintechs and other players to expand scale beyond what either could do on their own
 - use of fintech companies to make non-financial services to SMEs more useful , viable and scalable
 - Improve financial markets infrastructure to lower costs of service and increase competition including secured transactions regimes, insolvency regimes, and comprehensive credit information.
 - support more and more payments switching from cash to electronic via omni-channels (*interoperability is key for payments supply chain and e-commerce platforms*)
 - Get incentives right for large corporate in supply chains to put skin in the game for financing SME sellers/buyers.
- **Enhanced Outreach to Private Sector:** Further engagement of the private sector was the main topic of this year's GPFI Forum providing an opportunity to



discuss the draft private sector engagement strategy for the GPFI, The main challenges and solutions discussed were as follows:

The main challenges are; (i) multiple stakeholders at national level (ii) lack of collective representation (iii) lack of unified definition of SMEs especially in sub-segments (iv) comprehensive and consistent data (v) innovation in finance outpacing regulation (vi) lack of financing alternatives (vii) capacity of SMEs in financial literacy (viii) cumbersome procedures for donors and DFIs (ix) lack of transparency in credit approval process and pricing.

The main solutions are (i) include SMEs in national financial inclusion strategies (ii) promote SME network and association development (iii) country definitions with sector and sub-sects of SMEs (iv) consistent collection of data at country and global level (v) capacity building for regulators, financial institutions and SMEs (vi) promote alternative financing tools (*e.g. capital markets, securitization, asset backed financing...*) (vii) leverage technology and digitization.

- **Expansion of the SME Finance Compact:** During an outreach event options for scaling-up support to SME finance in developing countries were reviewed and new partnerships to implement the SME Finance Compact facilitated.
- **2015 AFI Annual General Meeting (AGM)-SME Finance Compact Outreach with LIDCs:** During the AFI AGM held in Maputo, Mozambique on 2 September 2015, at a specially convened G20 LIDCs outreach session, the challenges faced by LIDCs in improving the enabling environment for SME Finance and the next steps for the G20 were discussed. At the ensuing AFI Global Policy Forum (3-4) September, 32 developing and emerging countries committed, through the “Maputo Accord” to develop quantifiable and measurable national targets for SME Finance, under the framework of the Maya Declaration. Several of these countries then set out their experiences and goals at the SME Compact event in Antalya held on 10 September.
- **The Launch of the Global Platform for Young Entrepreneurs (the Ye! Community):** To address inequalities and tackle female and youth inactivity as part of the inclusive growth, GPFI launched the Global Platform for young entrepreneurs (the Ye! Community – www.yecommunity.com) aiming to promote ethical entrepreneurial culture and stimulate job creation for youth. This platform will provide young entrepreneurs with business knowledge, an online community and social network, a coaching program and links to funding opportunities.
- **IFIs/DFIs SME Working Group Meeting:** The annual meeting for DFIs on



SME Finance topics were help in London in June this year where the SME Finance GPFI work program was shared among all DFIs and IOs. They continue to mobilize resources to engage in advancing the SME finance agenda.



REFERENCES

GPFI productions:

1. G20 Action Plan on SME Financing: Joint Action Plan of G20 GPFI SME Finance Sub-Group and IIWG
2. GPFI Private Sector Engagement Strategy
3. Digital Financial Solutions to Advance Women's Economic Participation
4. Synthesis Report on Innovations in Agricultural Finance
5. OECD/INFE Core Competencies Framework on Financial Literacy for Youth
6. OECD/ INFE Policy Handbook on the Implementation of National Strategies for Financial Education
7. Financial Education for Migrants and Their Families: OECD/INFE Policy Analysis and Practical Tools
8. OECD/INFE Progress Report on Financial Education for MSMEs and Potential Entrepreneurs
9. Consultation Document for Second Edition of GPFI White Paper on Standard-Setting Bodies and Financial Inclusion
10. G20 Survey on De-risking Activities in the Remittance Market
11. The Use of Remittances and Financial Inclusion
12. Innovative Digital Payment Mechanisms Supporting Financial Inclusion Stocktaking Report
13. Report on SME Finance Compact Workshop
14. GPFI Progress Report, 2015

Other important reference

1. BCBS. 2015. *Range of practice in the regulation and supervision of institutions relevant to financial inclusion.* January.
2. CPMI/World Bank Group. 2015. *Consultative report: Payment aspects of financial inclusion.* September.
3. AFI. 2015. *SME Finance Indicators Base Set.* September.