



GPI SME Finance Subgroup 2016 Work Plan

Objective of the Subgroup:

Implementation of the G20 Financial Inclusion Action Plan

Consistent with the theme of China's G20 Presidency in 2016, "Towards the Innovative, Invigorated, Interconnected and Inclusive World Economy", the GPFI SME Finance Sub-group will work on the implementation of the G20 Financial Inclusion Action Plan with particular focuses on the following Chinese Presidency Priorities in 2016:

1. Digital Financial Inclusion: Innovation, Regulation and Supervision;
2. Data and Indicators;
3. Reaching the Last Mile: Rural Areas, the Poor, the Youth and the Elderly;
4. Financial Consumer Protection and Financial Literacy;
5. SME Finance: Diversified Financing Channels.

The Sub-group will also continue to work on its continued working agenda under the former Presidencies' specifically on the following themes:

- innovation - new instruments and the potential of digital solutions;
- women's economic empowerment;
- financial inclusion of youth –young entrepreneurship
- data and indicators against the agreed SME finance indicators;
- engagement with the private sector;
- agricultural/climate risk insurance; and
- outreach and promotion.

Further, the Sub-group will strengthen the collaboration with other G20 workstreams such as the IIWG but also other relevant workstreams of G20 to support the overall effort to avoid duplication and to enhance efficiency and effectiveness.

Moreover, the Subgroup is going to ensure an effective dialogue with the G20 outreach groups such as B20, T20, Y20, L20 and C20, by taking into consideration their important role to inform the GPFI on the views of various stakeholders and hence enrich and deepen our discussions.

The Sub-group will continue to inform the various stakeholders including interested non-G20 countries and invite them to the meetings and workshops organized in 2016.

Subgroup Structure

- **Co-chairs (countries):** Germany, Turkey ;
- **Countries participating in subgroup work (non-G20 and G20):** Non-G20: Malaysia, The Netherlands, Switzerland, G20: Australia, Argentina, Brazil, Canada, China, France, Italy, India, Indonesia, Japan, Korea, Mexico, Russia, Saudi-Arabia, South Africa, Russia, United Kingdom, United States of America ;
- **Subgroup Implementing partners:** Alliance for Financial Inclusion (AFI), Better Than Cash Alliance (BTCA) Consultative Group to Assist the Poor (CGAP), IFAD, OECD, SME Finance Forum, World Bank/International Finance Cooperation (WBG) ;
- **Affiliated Partners:** Women's World Banking (WWB), Global Banking Alliance for Women (GBA), ILO, Child and Youth Finance International (CYFI), Microinsurance Network.

Key Outcomes

1. Joint Action Plan of GPFi SME Finance Sub-group and IIWG on SMEs

(1) Develop approach for the implementation of the G20 Joint Action Plan on SME Financing announced in 2015:

1. Clarify/ list the indicators to be used in monitoring against best practice, from ICCR for credit information regimes, and from UNCITRAL for collateral regimes and insolvency regimes, and share these within GPFi/G20.

a) WBG will propose select priority indicators.

b) Indicators will be circulated through a consultation process led by the GPFi Troika to the G20 Members to agree on feasibility of self-assessment and timeline.

2. Countries, with support from GPFi implementing partners which possess relevant data (such as the World Bank Group), establish a simple visual baseline assessment (e.g. color coded map representing status/existence of limited/none, some, most of the key indicators). The details will be agreed upon when designing the framework.

3. Initial baseline reporting shared more widely, coupled with restatement of G20 commitment to support non-G20 countries willing to reform in these areas (through implementing partners).

4. GPFi, with countries, agree responsible parties, timetable and format for annual reporting against these indicators.

5. GPFi aggregates the country reports into annual progress report, shared with G20 Finance Ministers and Leaders.

(2) Offer the technical expertise of Implementing Partners (e.g. WBG) to support in the implementation of improvements in financial markets' infrastructure for countries which embark on development plans.

2. SME Finance Compact

In an effort to promote SME finance policies and approaches that spur economic growth, the G20 GPFi announced the SME Finance Compact in 2012 to promote the development of innovative models and approaches to address the specific challenges and constraints faced by low income developing countries (LIDCs) with regard to SME finance.

The G20 GPMI in 2015 has promoted the development of innovative models and approaches to address SME finance challenges faced by Low Income Developing Countries (LIDCs), and provided a platform for countries which are raising the focus on SME access to finance, including through:

In September 2015, a workshop session was held during the GPMI Annual Forum to showcase progress made by G20 and non-G20 countries in line with the SME Finance Compact, including public and private sector representatives.

The event provided an opportunity for G20 and interested non-G20 countries to share knowledge and discuss their national SME finance strategies. The workshop highlighted progress made by countries in line with the SME Finance Compact, invited governments to make new commitments in this regard and provided recommendations to the G20 for scaling up country-level efforts. Among the topics discussed:

Challenges facing SMEs in LIDCs:

- Multiple SME stakeholders at the national level making coordination difficult
- Lack of collective representation of SMEs to voice their constraints, needs, etc.
- Lack of unified definition of SMEs, especially sub-segments
- Poor financial markets' infrastructure e.g. credit reporting, collateral registries and insolvency regimes
- Lack of comprehensive and consistent data on SMEs, including by gender
- Innovation in finance outpacing regulation
- Lack of bank financing alternatives
- Limited capacity of SMEs and that of Financial Institutions
- Lack of financial institutions offering financial and non-financial services for women-led SMEs
- Lack of transparency in credit approval process and pricing

Proposed Solutions:

- Country national strategies to include specific focus on SME finance as part of their financial inclusion roadmap
- Promote SME network and association development
- Country definitions with sector and sub sector of SMEs
- Consistent collection of data at country and global level, propose the implementation of Women's World Banking Gender Performance Indicators
- Capacity building for regulators, FIs and SMEs
- Promote alternative financing tools e.g. capital markets, securitizations, asset backed financing
- Leverage technology and digitalization

Implementation of the SME Finance Compact

The implementation of the SME Finance Compact is ongoing in partnership with the Alliance for Financial Inclusion and the World Bank Group to support peer learning amongst regulators, identify regulatory and policy challenges, develop data indicators for SME finance and document successful policy approaches, as an important initial step and to support further activities under the SME Finance Initiative and the Financial Inclusion Support Framework (FISF). In September 2015 at the Global Policy Forum of the Alliance for Financial Inclusion, members of the Network adopted the "Maptuo Accord" formally recognizing the importance of SME Finance as a critical

component of overall national financial inclusion strategies. Additionally, more than 30 developing and emerging countries within the AFI network signalled their intent to develop specific commitments and establish quantifiable targets for SME Finance under the framework of the Maya Declaration, and in furtherance of the goals of the G20 SME Finance. At the same time, AFI's SME Finance Working Group published a Guideline Note adopting the SME Finance Base Set, whereby AFI member institutions have defined the key principles to develop indicators and have developed a set of access, usage and quality indicators. Members of AFI will collect data consistent with the SME Finance Base Set and report progress towards their SME Finance targets through the AFI Data Portal. The Financial Inclusion Strategy Framework (FISF) of the World Bank Group includes actions to improve SME access to financial services in the design of the 7 initial country programs (Indonesia, Rwanda, Mozambique are launched, and a further 4 are in preparation), which will help accelerate the design and implementation of SME finance initiatives, policy reforms, and regulatory measures.

According to the challenges and recommendations mentioned above, SME Finance Sub-group will review options for scaling-up support for innovation to SME finance and facilitating new partnerships to support developing countries to implement their SME finance commitments in line with the goals of the Maya Declaration and the SME Finance Compact, with a goal of at least 5-10 developing countries, in particular LIDCs, establishing quantified targets for SME finance in 2016.

3. Agricultural Finance

Agricultural finance is crucial to support the growth of the agricultural sector. This is essential for food security, job creation, and overall economic growth. The synthesis report on "New Trends in Agricultural Finance" presents a summary of research studies on five key areas of agricultural finance innovation prepared under the G20 Global Partnership for Financial Inclusion (GPFi) and presented at the Roundtable organised on September 9, 2015 in Antalya, Turkey by the SME Finance Sub-Group.

At the Roundtable, five key research areas were presented: a) Understanding Demand of Smallholder Households, b) Digital Financial Services - Developments in Serving Smallholder Farmers, c) Financing for Women in the Agricultural Sector, d) Value Chain Finance, and e) Agricultural Insurance. Each of these five research areas looks at innovations and trends. The first three focus on the needs of small holder families and women and ways of improving their financial inclusion. The fourth area looks at innovative agricultural lending tools and market inclusion along the agricultural value chain – an area the Sub-Group will continue to work on. The fifth area focuses on agricultural insurance as a tool to address risks that inhibit agricultural finance, especially for smallholder households. The synthesis report ends with key messages on the trends and lessons with recommendations for policy interventions and further research and development.

In 2016, the Sub-Group will continue working on agricultural insurance – a highly relevant and rapidly developing topic. When focussing on agricultural insurances, the Sub-Group will include climate risk insurance solutions. Since climate change poses a threat to the growth of the agricultural sector, insurance can protect farmers and financial institutions from severe losses. Moreover, insurances play an important role in improving access to inputs/technology as well

as finance. Yet, to date agricultural and climate risk insurances have reached scale only in a few countries including China and India.

Outputs:

- (1) A paper- jointly written by GIZ and FAO – focussing on agricultural/climate risk insurances in three G20 countries;
- (2) A session at a GPFI event with a focus on policy recommendations regarding agricultural/climate risk insurances.

4. Financial Inclusion and Youth

The SME Finance Subgroup, together with its Affiliated Partner Child and Youth Finance International (CYFI) launched a Global Platform for young entrepreneurs called *Global Ye! Community* in September 2015.

The Sub-group will continue to promote the new focus on youth entrepreneurship by focusing on:

- i) the creation of a global community for young entrepreneurs and practitioners;
 - Possible output: Launch the Ye! Awards during the GPFI Plenary in July or SMEFF annual meeting in September
- ii) models for the implementation of a national platform for coordinating youth entrepreneurship nationally;
- iii) creating opportunities for capacity building and non-financial support in collaboration with the World SME Forum;
- iv) data collection to map the state of the field, collect best practices, and evaluate effectiveness of policies and programs.

5. Women’s Economic Empowerment

Insurance **plays a significant role in the financial inclusion agenda and contributes to numerous development agendas** such as social protection, agricultural development and food security, disaster risk management and climate change, **small and medium enterprise development**, gender and youth promotion. Possible outputs:

- The subgroup leverages on the outreach opportunity of the high-level conference on promoting women’s financial inclusion to be co-hosted by Alliance for Financial Inclusion (AFI) and the Bank of Tanzania in Dar Es Salaam, in April 2016, which includes a dedicated session on supporting access to financial services for women owned SMEs.
- A toolbox on “Women in Inclusive Insurance”, jointly developed by BMZ/GIZ, Women’s World Banking and IFC. The toolbox intends to orient the various stakeholders by identifying potential entry points for gender-sensitive insurance approaches and proposing ways for implementing those more effectively. It should assess the current state of gender mainstreaming in insurance and develop a “principles and good-practice toolbox” including short case studies.
- Encourage, through Implementing Partners e.g. AFI and WBG FISF, that country diagnostics and strategies include gender dimension in their financial inclusion strategies.

- Build consistent and reliable gender disaggregated data sources on women business and access to finance to measure gap and progress consistently

6. Implementation of Private sector engagement strategy

Realizing the G20's broader goals of restoring growth and creating jobs can only be realized if there is greater private sector engagement in all the GPFIs workstreams. Engagement of financial service providers is critical to policy makers' understanding of financial inclusion, particularly the innovative business models of digital financial inclusion, as recognized in the G20 Principles on Innovative Financial Inclusion.

As requested by the FIAP and the Turkish Presidency, in order to better harness the potential investment, capacity and reach of financial service providers, the SME Finance Sub-group, led by its implementing partner the SME Finance Forum, in coordination with the other sub-groups and the B20 Financing Growth and SMEs and Entrepreneurship working groups, developed a private sector engagement strategy together with its implementing and affiliated partners as a part of the GPFIs Private Sector Engagement Strategy endorsed by the Leaders in 2015.

The GPFIs Private Sector Engagement Strategy aims to advance and showcase the right type of dialogue at the global level. The Strategy seeks to maximize the positive contribution of the private sector to advance financial inclusion.

Sustaining strong public-private collaboration in SME finance requires strong, sustained communications between three key groups: regulators/policymakers, financial services providers and the entrepreneurs themselves. GPFIs and its implementing partners to date have established two platforms related to SME finance which facilitate such exchange and cooperation: the SME Finance Forum, and the AFI Public Private Dialogue (PPD) platform.

SME Finance Forum members (financial institutions, fintechs and development banks) will become key partners for the GPFIs in identifying priorities, collecting/analyzing information, and advocating for reforms to unblock obstacles and open up new opportunities to expand SME finance and close the finance gap. The SME Finance Forum has also been helping build bridges for the subgroup to the regulators in AFI's SME Finance Working Group, to the B20's SME Task Force and to the SME associations to be mobilised through the new World SME Forum (WSF).

The subgroup's affiliated partners offer further channels for private sector collaboration. Women's World Banking and the Global Banking Alliance for Women connect to a large number of financial institutions world-wide and, through their monitoring/research efforts, to the institutions' women entrepreneur clients. Child and Youth Finance International provides a key connection to the important constituency of youth entrepreneurs. The International Labor Organization provides unique insights into informal sector entrepreneurship through its regular surveys and other activities. The newest partner, the Microinsurance Network, has not been involved to date, but should grow in importance as technological innovation, particularly surrounding the "internet of things", makes serving SMEs and small farmers viable for the first time for much of the insurance industry.

Specific outputs/outcomes from public-private collaboration

- The main priority for this year will be to ensure that members from all these key groups have opportunities to participate in the three main workshops on financial inclusion planned by the GPFI.

-Private sector commitments to increase access to finance to SMEs and further “Maya Declaration’ public commitments to SME Finance would be encouraged through Implementing Partners e.g. WWB, GBA and the SME Finance Forum..

Timeline of Events and Outputs

Date	Event	Location	Activities
1-2 March 2016	GPFI Workshop #1 - Financial Inclusion: New Development and Indicators Update	Shanghai, China	
3 March 2016	GPFI Meeting	Shanghai, China	
28 April 2016	AFI and Bank of Tanzania high-level conference: Integrating policies for the financial inclusion of women into national financial inclusion strategies	Dar Es Salaam, Tanzania	Outreach for non-G20 AFI member on frameworks and policies for support of women owned SMEs
19-20 May 2016	The DFI Working Group meeting on SME Finance	Rome, Italy	Agenda to be provided by co-hosts, IFAD and SMEFF
24-26 May 2016	AFI SME Finance Working Group (SMEFWG)	Mongolia	Outreach for non-G20 AFI members for SME Finance Compact
24-25 May, 2016	GPFI Workshop #2 - Financial Consumer Protection and Financial Literacy	Xi’an, China	
26 May, 2016	Responsible Finance Forum VII	Xi’an, China	RFF Team and G20 Chinese Presidency to be featured

13-14 July 2016	GPMI Forum - Digital Financial Inclusion	Chengdu, China	Half a day workshop on digital finance for SMEs Possible Launch of Global Ye! Awards (TBD)
15 July 2016	GPMI Plenary	Chengdu, China	
4-5 September 2016	G20 Leader's Summit	Hangzhou, China	
7-9 September 2016	AFI Global Policy Forum (GPF) <i>(Building the Pillars of Sustainable Inclusion)</i>	Nadi, Fiji	Engagement with the LDICs for SME Finance Compact
19-20 September 2016	SME Finance Forum , Annual Leaders Meeting	Beijing, China	
26-27 October 2016	3rd GPMI SSBs Conference	Basel, Switzerland	Hosted by BIS

Topic / Work Stream	Output	Release date
SME Finance Compact	Review <u>options for G20 support</u> support developing countries to implement their SME Finance commitments in line with the goals of the Maya Declaration and the SME Finance Compact, with a goal of at least 5-10 developing countries, in particular LDICs, establishing quantified targets for SME Finance in 2016.]	End 2016
Joint Action Plan	<ul style="list-style-type: none"> • Clarification of indicators • Baseline assessment and mechanism for reporting on progress established • Timetable and format for annual reporting agreed 	End 2016
Agricultural Finance	<ul style="list-style-type: none"> • Paper focussing on agricultural/climate risk insurances in three G20 countries (BMZ/GIZ, FAO) • Session at a GPMI event with a focus on policy recommendations regarding 	

	agricultural/climate risk insurances (BMZ/GIZ, FAO)	
Financial Inclusion and Youth	<ul style="list-style-type: none"> • Launch the Ye! Awards (CYFI) 	
Women’s Economic Empowerment	<ul style="list-style-type: none"> • High-level conference on promoting women’s financial inclusion - dedicated session on supporting access to financial services for women owned SMEs (AFI) • Toolbox on “Women in Inclusive Insurance” (BMZ/GIZ, IFC) 	28 April 2016
Private Sector Engagement Strategy	<ul style="list-style-type: none"> • The main priority for this year will be to ensure that members from all these key groups participate in the three main workshops on financial inclusion planned by the GPFi. • Private sector commitments 	