Objective of the Subgroup:
Implementation of the FIAP

The Financial Inclusion Action Plan was approved by the G20 Leaders in 2014 to advance financial inclusion through 10 areas of action over and sets out the following key actions to increase access to finance for formal and informal micro, small and medium enterprises in emerging and developing economies to stimulate business and entrepreneurial activity for income, job creation and poverty reduction:

1. Accelerate and replicate successful policy reforms that facilitate the expansion of financial services to SMEs
2. Establish the SME Finance Forum as global center for good practice knowledge exchange and promotion
3. Improve financial access through the SME Finance Compact, SME Finance Initiative, and key development achievements

It further asks to integrate the following cross-cutting themes
- innovation;
- women’s economic empowerment;
- data harmonization;
- cooperation with the private sector; and
- outreach and promotion

into the yearly work plan building upon the previous activities.

Further, the Sub-groups will strengthen the collaboration with other G20 workstreams such as the IIWG but also other relevant initiatives in particular the G7 Deauville Partnership and its 2015 work on financial inclusion 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.

Subgroup Structure

- Co-chairs (countries): Germany, Turkey, Korea
- 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, Mexico, Russia, Saudi-Arabia, South Africa, Russia, United Kingdom, United States of America.

- Subgroup Implementing partners: Alliance for Financial Inclusion (AFI), Consultative Group to Assist the Poor (CGAP), World Bank/International Finance Cooperation (IFC), OECD, IFAD,
- Affiliated Partners: Women’s World Banking (WWB), Global Banking Alliance for Women (GBA), Better Than Cash Alliance (BTCA, ILO, Child and Youth Finance International (CYFI), Microinsurance Network.

Key Outcomes

1. Realizing access to finance for SMEs at the country level: Implementing the SME Finance Compact in particular in LICs

**SME Finance Compact**

The implementation of the SME Finance Compact launched in 2012 is ongoing with the Alliance for Financial Inclusion SME Finance Working Group established in 2013 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. The Financial Inclusion Support 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. The sub-group continued expansion of the SME Finance Initiative in 2014 which will seek to add at least one new investment partner and expand its geographic range of activity during 2015.

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

A **September workshop session during the GPFI 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.

A **workshop report** would be prepared as an SME Finance Compact output, synthesizing the models and lessons shared by countries for the workshop. This could also draw from previous analytical work carried out in cooperation with IFC, MFW4A and G20 partners.

A **Review of options for scaling-up support** to innovative support to SME finance and facilitating new partnerships to implement the SME Finance Compact in 5-10 further developing countries, in particular LIDCs.

**Joint Action Plan of GPFI SME Finance Sub-group and IIWG on SMEs**
The G20 Investment and Infrastructure Working Group (IIWG) and the G20 GPFI SME finance Sub-
group have both been working on topics related to the promotion of SME in emerging and developing
countries that are ranging from supporting improvements in investment climate, facilitating financial
intermediation, building stable financial systems in countries providing access to finance for SMEs in
accordance with responsible finance principles and deepening and sharing knowledge in specific
areas.

In order to avoid duplication of efforts and increase cooperation of G20 workstreams the SME finance
Sub-group will work together with the IIWG to identify topics that should be addressed in joint effort
combining the relevant expertise and develop a joint action plan which tables agreed topics and joint
activities to be carried out and the respective timeline. It will become part of the work plan of both
IIWG and SME Sub Group.

The Joint Action Plan will provide a framework to (a) facilitate a dialogue between the G20 GPFI
SME finance Sub-group and the G20 IIWG, (b) extend successful G20 endorsed reforms and policy
measures in G20 and non G20 countries in order to increase the availability of finance for
SMEs to grow and create jobs, and (c) advance the agenda for SME finance across different
G20 work streams with a focus on LIDCs, including additional work from implementing
partners and International Organizations (IOs), with the aim of leveraging the G20 for greater
investments in and by SMEs. It will be supported by IOs currently active in supporting the
work of the IIWG and the GPFI, such as AFI, IFC, the OECD and other relevant implementing
partners.

The Joint Action Plan will rest on two pillars (1) moving to country level implementation on the basis
of previous diagnostics against international best practices in selected areas of financial markets
infrastructure (2) deepening the knowledge and policy agenda in topics with strong potential
for improving SME access to finance in LIDCs such as closing the SME finance data gaps;
accelerating SME finance through digital finance

Timelines and process for reporting on progress against the activities will be spelt out in the Joint
Action Plan.

**Innovation in Agricultural Finance**

The SME finance Sub-group will prepare Issues Papers on selected topics for the roundtable workshop
in September Istanbul preceding the GPFI Annual Forum. The Issues paper will address (i) agricultural
insurance, (ii) value chain finance, (iii) financing for women in the agricultural sector, (iv) ICT solutions
for agricultural finance, and (v) smallholder demand for financial services. Following -up to the
conference: the issues papers will be revised to reflect the outcome of the discussions. Based on this
a synthesis report will be produced that links the five thematic topics to previous work on agricultural
finance by the G20, namely the 2011 and 2012 reports.
Financial Inclusion and Youth

CYFI will promote the new focus on youth entrepreneurship within the SME Finance Subgroup agenda in coordination with the other Subgroups, and leveraging the various events in the pipeline culminating with the GPFI Forum.

CYFI aims to contribute to the SME Finance Subgroup, and GPFI Forum, by launching a Global Platform for young entrepreneurs during the September meetings.

The launch and related topics addressed at the event will build on outcomes from Izmir’s workshop in June. The event will gather together young entrepreneurs, public and private sector representatives from GPFI member countries and other countries, with a particular focus on LIDCs to ensure alignment with the SME Finance Compact agenda.

The event will focus on: i) the creation of a global community for young entrepreneurs and practitioners; ii) its relevance for creating opportunities on access to finance, capacity building and data collection; iii) models for the implementation of a national platform for coordinating youth entrepreneurship nationally; iv) connect young entrepreneurs with potential funding partners and opportunities.

2. Scaling up engagement with private sector to deliver innovative financial inclusion solutions to help closing the SME finance gap

Private sector engagement strategy

As asked for by the FiAP and the Turkish Presidency the SME Finance Sub-group will lead and scale-up engagement with the private sector, in order to better harness the potential investment, capacity and reach of financial service providers. Led by the SME Finance Forum, in coordination with the other sub-groups and the B20 Financing Growth and SMEs and Entrepreneurship working groups, the SME finance Sub-group will, in 2015, develop a private sector engagement strategy together with its implementing and affiliated partners which will be presented at the GPFI Forum in September and lay the ground for future action. Lessons learned from the SME Finance Challenge and impact reached by the winning proposals will also be presented at the GPFI Forum.

Additionally, the SME Finance Sub-group will initiate and help structuring a close cooperation of the GPFI with the AFI Global Public-Private Dialogue Platform (PPD) to facilitate a systematic dialogue and inputs from the private sector in the key areas of its focus.

Against this background AFI leaders will hold at its 2015 GPF in Maputo, Mozambique a high-level public-private consultation on SME Finance together with senior private sector executives and representatives from the GPFI. Following that session, a representative from AFI (a member), together with the AFI ED and a senior representative from the private sector (one of AFI’s private sector strategic partners) will be invited to report back at the GPFI Annual Forum in September the key outcomes of the GPF SME Finance session, which will then be discussed and incorporated where appropriate into the GPFI’s SME strategy and work stream.
**SME Finance Forum conversion**

The sub-group will also assist over this and the coming presidencies, the transformation of the SME Finance Forum into a global membership body for private and public financial institutions (banks, non-bank finance companies, development banks, fintech companies, etc). This will provide both a sustainable legacy for the Sub-group’s work and a permanent platform for public-private collaboration in SME Finance knowledge sharing, networking and good practice promotion.

**SME Finance Innovation workshop**

Workshop to be held June 1-2, 2015 in Izmir to focus on:

Financing start-ups, women or youth owned enterprises, non-traditional models for financing entrepreneurship bank financial services providers, alternative data sources, crowdfunding e-commerce and supply chain, long term financing and regulatory perspectives on promoting innovation for SME finance.

It will bring bankers, investors and fintech companies, mostly from private sector, together with policy makers to discuss the hands-on practices and enabling environment reforms that overcome previous obstacles to success in this area.

**Timeline of Events and Outputs**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Location</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 9-17, 2015</td>
<td>Global Money Week</td>
<td>Global – advocacy and social media campaigns in all participating countries</td>
<td>CYFI proposal to coordinate a world-wide awareness initiative at the Global Money Week</td>
</tr>
<tr>
<td>April 2015</td>
<td>Spring Meetings – Financial Inclusion Seminar</td>
<td>Washington DC</td>
<td>G20 Turkish Presidency to be featured</td>
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<tr>
<td>April 28, 2015</td>
<td>G7 Deauville Partnership High Level Conference on Responsible Financial Inclusion for Social Inclusion and Stability</td>
<td>Berlin, Germany</td>
<td>Discussion and Action Plan on Responsible Finance, SME finance and digital finance in the region, outreach to G20</td>
</tr>
<tr>
<td>June 1-2, 2015</td>
<td>GPFI Workshop: SME Finance</td>
<td>Izmir</td>
<td>Focus on “Financing Entrepreneurship-Innovative Solutions”</td>
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<tr>
<td>Date</td>
<td>Event</td>
<td>Location</td>
<td>Notes</td>
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<tr>
<td>June 3, 2015</td>
<td>GPFI Meeting</td>
<td>Izmir</td>
<td>Outcomes of the workshop, review of the Subgroups’ work and the way forward</td>
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<tr>
<td>June 24-26</td>
<td>IFI – DFI SME Working Group / SME Innovation Challenge</td>
<td>London</td>
<td>IFC-EBRD co-hosted</td>
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<tr>
<td>September 1-4, 2015</td>
<td>AFI Global Policy Forum (GPF)</td>
<td>Maputo, Mozambique</td>
<td>G20 Turkish Presidency will also organize a “Side Event on SME Finance” Engagement with the LDICs for SME Finance Compact</td>
</tr>
<tr>
<td>September 7-9, 2015</td>
<td>Responsible Finance Forum VI Evidence and Innovation for Scaling Responsible Digital Finance</td>
<td>Antalya</td>
<td>Engagement with policymakers, financial service providers, and researchers in an evidence-based discussion on consumer protection measures, financial education approaches, the design and delivery of financial products and services, and regulatory frameworks and codes of conduct</td>
</tr>
<tr>
<td>September 9, 2015</td>
<td>SMEs and Agrifinance Roundtable</td>
<td>Antalya</td>
<td>Roundtable to build upon and update on the agrifinance work produced for the G20 in 2011 and 2012 – to present findings of new issues notes that are part of the 2015 workplan.</td>
</tr>
<tr>
<td>September 10, 2015</td>
<td>SME Finance Compact Showcase / Progress Workshop</td>
<td>Antalya</td>
<td>Showcase progress made by G20 and non-G20 countries in line with the SME Finance Compact. Produce recommendations for further G20/GPFI support for country-level work.</td>
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<tr>
<td>September 10, 2015 -</td>
<td>Ye! Global Launch</td>
<td>Antalya</td>
<td>Event’s concept note and proposal attached</td>
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<td>along the SME Finance</td>
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<td>Compact</td>
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<tr>
<td>September 11-12, 2015</td>
<td>GPFI Forum and Plenary</td>
<td>Antalya</td>
<td>Main theme is Private Sector Engagement</td>
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</table>
November 2015 | SME Finance Forum, Global Membership launch | Antalya | SME Finance Forum Global Membership launch

<table>
<thead>
<tr>
<th>Output</th>
<th>Release date</th>
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<tbody>
<tr>
<td>Agrifinance roundtable workshop including issues papers/synthesis report</td>
<td>September/November</td>
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<tr>
<td>Joint Action Plan of GPFI SME Finance Sub-Group and IIWG on SMEs</td>
<td>For Finance Ministers’ Meeting (final)</td>
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<tr>
<td>GPFI Private Sector Engagement Strategy</td>
<td>GPFI Forum</td>
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<tr>
<td>Partnerships / Programs linked to the SME Finance Compact</td>
<td>GPFI Forum</td>
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<tr>
<td>Youth Entrepreneurship Mapping (regulation, practices)</td>
<td>GPFI Forum</td>
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<tr>
<td>Alternative data in SME finance</td>
<td>Izmir for presentation and GPFI Forum for final paper</td>
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Annex / Attachments (To be provided):

1) Note on Ye! Global Launch
2) CYFI’s proposal of contribution to GPFI in promoting financial inclusion for Youth
3) National Financial Inclusion Strategies and the SME Finance Compact (WB) and Annex
4) G20 GPFI SME Finance Sub-Group – Agricultural Finance – Proposed Work for the Turkish Presidency
5) Concept Note SME Finance Compact
6) SME Finance Forum Annual Report 2014
7) Draft IIWG-GPFI Joint Action Plan on SME finance