



Global Partnership for Financial Inclusion

Work plan 2011-2012

(This work plan is a living document and will be updated and revised regularly based on the progress made in 2011 and 2012)

G20 SEOUL SUMMIT LEADERS' DECLARATION

Financial Inclusion

55. *We reiterate our strong commitment to financial inclusion and recognize the benefits of improved access to finance to lift the lives of the poor and to support the contribution of SMEs to economic development. We welcome the stock taking report on successful and scalable models of SME financing in developing economies. We have developed the Financial Inclusion Action Plan based on our Principles for Innovative Financial Inclusion as the work program for the coming year.*

56. *Working with the Alliance for Financial Inclusion, the Consultative Group to Assist the Poor and the International Finance Corporation, we **commit to launch the Global Partnership for Financial Inclusion (GPII) as an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward our work on financial inclusion, including implementation of the Financial Inclusion Action Plan.** The GPII's efforts over the next year will include helping countries put into practice the Principles for Innovative Financial Inclusion, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set targets. We agree that the GPII should report to us on its progress at our 2011 Summit in France.*

57. *Recognizing the vital role of SMEs in employment and income generation, we welcome the strong response to the G20 SME Finance Challenge and the innovative models for scaling up private SME finance that have emerged from the competition and congratulate the winners. We have constructed a flexible SME Finance Framework to mobilize grant, risk capital and private financing by using existing funding mechanisms and the new SME Finance Innovation Fund to finance the winning proposals and other successful SME financing models. We welcome the commitment of Canada, Korea, the United States, and the Inter-American Development Bank of \$528 million to the Framework through grants and co-financing.*

(Paragraph 55-57, Main body of the Declaration)

1. Background

At the G20 summit in South Korea in November 2010, the leaders of the G20, recognizing financial inclusion as one of the main pillars of the global development agenda, endorsed a concrete Financial Inclusion Action Plan. Financial Inclusion was not only prominently included in the Leaders' Declaration¹, but was also highlighted as an important component under the Seoul Development Consensus and the financial sector reform agenda. Subsequently the leaders announced the establishment of the Global Partnership for Financial Inclusion (GPMI) to institutionalize and continue the work begun by the Financial Inclusion Experts Group (FIEG) in 2010. The GPMI was officially launched on 10 December 2010 in Seoul, Korea.

The GPMI is the main implementing mechanism of the endorsed action plan by G20 leaders during the Seoul summit and functions as an inclusive platform for G20 countries, non-G20 countries, and relevant stakeholders for peer learning, knowledge sharing, policy advocacy and coordination. It will be a crucial contribution to strengthen coordination and collaboration between various national, regional and international stakeholders as asked for in Action Item 6. Improve national, regional and international coordination, of the G20 Financial Inclusion Action Plan. Spearheading the implementation are the three Key Implementing Partners: the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC).

At the launch meeting of the GPMI² three sub-groups were formed to implement concrete actions:

1. Sub-group on the G20 principles and Standard Setting Bodies (SSBs)

This sub-group supports putting the Principles for Innovative Financial Inclusion into practice through providing information on the Principles and supporting various implementation activities. The group also works to embed financial inclusion in the work of Standard Setting Bodies, as well as the private sector, and explores ways to improve the treatment of financial inclusion in various financial system assessments.

2. Sub-group on SME Finance

This sub-group focuses on identifying, scaling up, and improving the policy environment for successful models of SME financing, funding the winners of the SME Finance Challenge and launching an SME Finance Forum, a platform for knowledge sharing and dissemination of best practices. The sub-group will devote special attention to three focal areas: improving SME access to finance in the poorest countries, improving access to finance for agricultural SMEs, and promoting access to finance for women entrepreneurs.

3. Sub-group on financial inclusion data and target setting

This sub-group engages the different GPMI stakeholders with the goal of forming a general consensus on data and measurement issues, which include common definitions of the components of financial inclusion and consistent methodologies to inform, measure, and set targets. The group also facilitates actions to support countries to implement data initiatives and set their own targets.

¹ See page 1 for the Financial Inclusion part in the 2010 Leaders' Declaration and Annex 1 for the Declaration Annex.

² For more information on the launch meeting, see Annex 2. Chair's Summary of the launch of the G20 Global Partnership for Financial Inclusion, 10 December, 2010

Careful coordination will be required to mitigate the potential for overlap due to the cross-cutting nature of the three sub-groups. Each sub-group will reach out to non- G20 countries with a focus on developing countries that are interested in participating in the work of the sub-groups.

2. Structure of the GPFI

The GPFI follows the successful structure of the G20 Financial Inclusion Experts Group (FIEG) and maintains the G20 troika countries as the overall Co-Chairs. Below is the current structure of the GPFI.

Overall Co-Chairs France, Korea, Mexico			
	Sub-group on Principles and SSBs	Sub-group on SME Finance	Sub-group on Data and Target Setting
Co-Chairs	Korea Indonesia	Germany United Kingdom United States Turkey	Mexico France South Africa
Key Non-G20 partners	Kenya Philippines Peru Nigeria	Malaysia Netherlands	Netherlands Thailand
Key implementing partners	AFI CGAP	IFC	AFI CGAP IFC

The overall GPFI Co-Chairs ensure the continuity of the work of the GPFI under the G20 process and coordinate the work and outcomes between the sub-groups and the different G20 initiatives that are relevant to financial inclusion. In addition, the GPFI Co-Chairs support some of the cross-cutting nature of the GPFI work, such as the outreach to private sector and non-G20 countries and organization of GPFI meetings including the first GPFI Forum. The GPFI Co-Chairs also have the overall responsibility of mobilizing adequate resources for the GPFI activities and reporting on the progress made to the G20 Leaders.

The Co-Chairs of the sub-groups have the leading role in providing strategic direction and implementation of the activities within the sub-group. The non-G20 partners operate in similar capacity as the Co-Chairs of the sub-group and actively participate in the implementation of the sub-group activities³.

The overall GPFI Co-Chairs and Sub-group Co-Chairs make up the GPFI Coordinating Board to reach tentative agreement on the overall direction of the GPFI, the focus areas of the sub-groups, and the main deliverables towards the Leaders Summit. Agreement on the direction, focus and deliverables will be finalized after all the country representatives in the GPFI have had an opportunity to provide

³ The specific roles and activities that the non-G20 partners undertake can be different depend on the activities of the each sub-group

input and are comfortable with the plan for the GPFII. Achieving buy-in from the GPFII country membership is important to establish the legitimacy of work and build ownership of the results.

The key implementing partners, AFI, CGAP and IFC will undertake and coordinate the implementation of the activities of each sub-group together with other relevant stakeholders and the participating G20 and non-G20 countries. The active participation of all relevant stakeholders and the governments are crucial for the success of the GPFII.

3. Work plan of the three sub-groups

A. Sub-group on Principles and Standard Setting Bodies

Related parts from the G20 Financial Inclusion Action Plan:

- *Action (1) Commitment to implement G20 Principles for Innovative Financial Inclusion under a shared vision of universal access*
- *Action (2) Further Encourage Standard Setting Bodies (SSBs)*
- *Action (3) Work with the private sector*
- *Action (5) Support Capacity-building and Training*
- *Action (6) Improve national, regional and international coordination*
- *Action (7) Integrate Financial Inclusion into all types of Financial System Assessments*

Background

The Financial Inclusion Action Plan which was endorsed at Seoul Summit provides the basis for activities of the GPFII sub-groups in 2011. Among the five activities indicated above from the Financial Inclusion Action Plan the three activities below are most relevant to the Sub-group on Principles & Standard Setting Bodies:

- 1) Commitment to implement G20 Principles for Innovative Financial Inclusion under a shared vision of universal access**
- 2) Further encourage standard setting bodies (SSBs) on financial inclusion**
- 3) Integrate financial inclusion into all types of financial system assessments**

These three activities will be the foundation for the three elements of the work stream for this Sub-Group: (i) to promote the G20 Principles for Innovative Financial Inclusion into wider practice; (ii) to support efforts of the relevant standard setting bodies (SSBs) and to provide support and recommendations on the regulation and supervision for financial inclusion; and (iii) to foster the incorporation of financial inclusion in financial system assessments.

The success of this sub-group and its work stream will require close coordination between its participants and its work stream elements. For example, delivery on the commitment of G20 countries to implement at least one of the G20 Principles by the G20 2011 Summit is critical to putting the Principles in practice. Similarly, engagement with SSBs is necessary to promote deeper understanding of the complementarities between financial inclusion and their respective mandates, as well as to foster consideration of financial inclusion in providing general guidance, particularly on issues relevant to the mandates of multiple SSBs. Closer coordination with, and support to, those responsible for

designing and conducting financial system/sector assessments is necessary to foster the incorporation of financial inclusion, in accordance with the G20 Principles, into financial system assessments.

Key activities, Objectives and Action Points⁴

- 1. Commitment to implement G20 Principles for Innovative Financial Inclusion under a shared vision of universal access:** *Each G20 member commits to a concrete step(s) to implement the G20 Principles for Innovative Financial Inclusion under a shared vision of universal access driven by a country-led approach.*

Objective: Demonstrate G20 leadership in implementing the G20 Principles for Innovative Financial Inclusion.

Activities:

- 1) *Provide practical information to a wider audience to raise awareness of the G20 Principles***

Action points:

- Promote the Principles by creating awareness through various mediums such as the creation of an information brochure that simplistically explains the Principles and how countries have demonstrated the spirit of the Principles.
- Introduce and promote the application of the Principles in international forums. (e.g., ADBI high-level development conference, AFI financial integrity conference, Bank Negara-CGAP-AFI seminar on financial consumer protection, AFI high-level meetings and regional events including the Africa campaign, OECD/International Network on Financial Education (INFE) and its subgroup on financial inclusion and other workshops/conferences where the G20 or the key implementing partners are invited)
- Distribute the Principles brochure through various on-line channels (i.e. GPFI website, CGAP and AFI website and its network, OECD website, the International Gateway for Financial Education and its network etc.)

- 2) *Promote and support the application of the Principles for Innovative Financial Inclusion***

Action points:

Identification and documentation

- Seven G20 countries – Mexico, Turkey, the United Kingdom, Russia, Brazil, Indonesia, and South Korea – will document their innovative financial inclusion cases where the Principles are successfully applied in ways to specify their specific commitment(s) and identify the actions they plan to undertake to meet their commitments. This information can be collected using the AFI matrix template for consistency.
- Four non-G20 countries – Kenya, Nigeria, the Philippines, and Peru - will also document their innovative financial inclusion cases where the Principles have been successfully applied.
- Produce a comprehensive report on the application of the Principles building on the above short paper and country cases (G20 and non G20) focusing on the different innovative financial inclusion cases to be released at the GPFI Forum in Mexico on October 1. This report will also identify other countries with potential to implement the Principles and analyze

⁴ For further details on the time table of the actions, see Annex 3

the kind of support these countries might need (demand analysis against implementing the Principles).

- Identify specific projects that will be launched in 2012 to assist non G20 countries in implementing selected Principles, based on the analysis in the above mentioned paper. A number of G20 countries commit to provide assistance either through increased funding or technical assistance.

Dissemination and sharing

- Provide peer learning and knowledge exchange activities on the application of the Principles for Innovative Financial Inclusion through the AFI grant program and other partners' activities (i.e. CGAP, WEF, GSMA, ILO, WSBI, OECD/INFE etc.) relevant to the Principles.
- Present a number of above country cases at the GPFI Forum in Mexico on 1 October.
- Disseminate the Principles Report through various channels (i.e. GPFI website, CGAP and AFI website and its network etc.)
- Present these cases in international/ regional forums.

Replication and monitoring

- Replicate the successful practices in a number of countries via AFI's short and long-term grants, complemented by technical assistance when needed.
- Coordinate with other GPFI partners (i.e. WEF, GSMA, ILO, FIRST, WSBI, UNCDF, OECD/INFE etc.) and their inputs in the implementation process and identify and promote successful partnerships among GPFI partners in the implementation of the Principles.
- Monitor progress over time and collaborate with the Data Sub-group for connecting the application of the Principles with the state of financial inclusion.

3) Coordinate with other financial inclusion efforts, including the recently launched APEC initiative.

Action Points

- Participate at the APEC financial inclusion meetings (San Francisco in February 2011, Bangkok in July 2011) and identify opportunities for synergy.
- Collaborate with non-G20 APEC countries to promote and implement the Principles through the APEC platform.
- Agree on other opportunities for collaboration with APEC as necessary (e.g. documentation of the application of principles in APEC countries).
- Collaborate and coordinate with the FSB and OECD on the work related to financial consumer protection and consumer financial capacity building (Principles 4 and 5, "Protection" and "Empowerment").
- Under the GPFI umbrella, build a system to update, communicate and coordinate with key GPFI partners.

4) Establish a strategy to invite non-G20 countries to join in these efforts and support the application of the Principles especially in developing countries.

Action Points:

- Build on activity (2) to further engage with non-G20 countries.
- AFI to coordinate the convening of the non-G20 countries and channel their inputs into the GPFI work stream, such as the benefits and challenges of implementing the Principles.

- Finalize the practical format of non-G20 partners' role at the GPFI (i.e. creating a technical forum that provides inputs or participating and leading the discussion similar to the sub-group Co-Chairs etc).

2. Further Encourage Standard Setting Bodies (SSBs): *G20 Leaders recognize commitments by SSBs to support financial inclusion and encourage SSBs to further explore coordinated information sharing on the complementarities between financial inclusion and their own mandates.*

For purposes of this Work Plan, the primary relevant SSBs are: the Financial Action Task Force (FATF); the Basel Committee on Banking Supervision (BCBS); the Committee on Payment and Settlement Systems (CPSS); the International Association of Insurance Supervisors (IAIS); and the International Association of Deposit Insurers (IADI). Additionally, the Financial Stability Board (FSB) is relevant to: (i) addressing financial inclusion and related financial stability issues; (ii) work on financial consumer protection; and (iii) overall coordination and the work to foster the incorporation of financial inclusion in financial system/sector assessments generally.⁵

Objectives: To support and catalyze SSBs' progress on financial inclusion within the context of their respective mandates and to share the information with each other and other stakeholders.

Activities:

1) Engage with the relevant SSBs to support their efforts related to financial inclusion by, for example, providing input in developing relevant guidance.

Action Points:

White paper and country case studies on SSBs and financial inclusion:

- Preparation of a white paper, coordinated by CGAP with the participation of relevant experts from the World Bank, entitled: "Global Standard Setting Bodies and Financial Inclusion for the Poor: Towards Proportionate Standards and Guidance," building on the important work of the SSBs and others to embed consideration for financial inclusion into the work of the SSBs and into their standards and guidance at the country level.

Preparation of country case studies, coordinated by AFI, to accompany the white paper on the application of SSB standards and guidance (and prioritization of issues) in five countries: Brazil, Kenya, Mexico, Philippines and South Africa. This involves documenting financial inclusion country cases with examples of concrete country-level challenges applying SSB standards & guidance, cross-cutting challenges, innovative approaches and best practices while implementing the Standards while concomitantly trying to meet their international commitments.

⁵ In the last G20 Leaders' Declaration, the Leaders requested FSB, OECD and other international organizations to prepare a report on options for strengthening financial consumer protection. At their February 2011 meeting, the G20 Finance Ministers and Central Bank Governors requested that OECD, FSB and other international organizations draft high-level 'common principles' for consumer protection in financial services that will be applicable to all countries. An OECD Task Force has prepared a draft of the principles that will be presented at the October 2011 meeting of the G20 Finance Ministers and Central Bank Governors.

Indicative, non-exhaustive list of activities relevant to individual SSBs:

- Engage with BCBS to: (i) encourage BCBS to expand and deepen guidance relevant to financial inclusion beyond microfinance activities, taking stock of risks of financial exclusion, as well as changing risks and benefits for banks and other deposit-taking institutions that accompany increased financial inclusion; and (ii) consider, in the context of revisions to the Basel Core Principles currently underway, whether specific principles warrant adjustment to address the changing risks and benefits that accompany increased financial inclusion.
- Engage with CPSS on activities such as the joint CPSS-World Bank Joint Retail Forum, the Global Remittances Working Group (chaired by the World Bank), as well as the activities of the newly established CPSS Working Group on innovative retail payment systems, which is comprised of several G-20 central banks and the World Bank, in pursuit of the objective of comprehensive payment systems accessible to the population at large, while also allowing space for innovative payment systems and instruments capable of reaching financially excluded and under-served customers.
- Engage with FATF: (i) as it works on its review of FATF 40 + 9 Recommendations and Special Recommendation on AML/CFT and 4th round of FATF/FSRB mutual evaluations to incorporate financial inclusion; (ii) Provide comments on the consultative document provided by FATF on the review of 40 Recommendations and 9 Special Recommendation as well as the challenges developing countries face in meeting the FATF financial inclusion objectives utilizing the AFI Financial Integrity Working Group and other appropriate forums (including FATF gatherings); and (iii) Provide input for FATF guidance paper on financial inclusion by key GPFI implementing partners.
- Engage with IADI's Sub-Committee on Financial Inclusion and with IADI generally to: (i) increase global understanding of applicability of deposit insurance in low-value accounts and prepaid payments instruments, and its potential impact on access, as well as sharing learning on extending deposit insurance schemes to include providers (including nonbanks) and deposit and 'deposit-like' products (such as e-money) capable of reaching poor households; (ii) sensitize member countries to financial inclusion and to strategies for making deposit insurance schemes more inclusive; and (iii) explore how current standards impact financial access and the development of microfinance sectors and issue guidance on applying the Core Principles for Effective Deposit Insurance Systems in an access-sensitive manner.
- Engage with IAIS through the Joint Working Group on Microinsurance and the Access to Insurance Initiative to complete guidance on implementation of the Insurance Core Principles in the context of inclusive insurance markets and thereafter to developing tools and capacity for implementation of such guidance at the country level.

Indicative, non-exhaustive list of cross-cutting activities involving multiple SSBs

- Follow up on the outcomes of the January meeting in Basel convened by HRH Princess Máxima and BCBS Chair Nout Wellink and continue to participate and facilitate dialogue among SSBs on financial inclusion-related issues relevant to the mandates of multiple SSBs (e.g. at the GPFI Forum in Mexico).
- Leverage the AFI Financial Integrity Working group and other appropriate forums to obtain the views of the developing world with regard to the challenges they face in implementing SSB guidance and standards, while also pursuing improved financial inclusion objectives. This would include using these platforms to obtain comments on documents emanating from

discussion with the SSBs and consolidating developing world information to feed back to the SSB to provide country-level perspective and experience. This includes identifying pioneering work (i.e. consumer protection standards) or expand work in currently problematic areas (if any) in order to further promote financial inclusion objectives.

- Coordinate with FSB on the paper on stability issues in emerging market and developing economies to ensure that the paper is harmonized with the work of the Sub-Group.
- Collaborate and coordinate with FSB and OECD on their work related to financial consumer protection with the work related to Principles 4 & 5 ("Protection" and "Empowerment").

Periodic summary reporting on Key Activity 1:

- A summary report will be produced periodically based on the above papers, case studies and activities.

2) Act as a conduit between countries attempting to establish a more financially inclusive, yet also safe and balanced, regulatory framework and the relevant SSBs by, for example, alerting the SSBs to gaps in guidance identified by regulators and forwarding questions regarding the implementation of existing guidance under certain circumstances.

Action Points:

- Encourage SSBs' participation in and convening of events enabling direct engagement with regulatory and supervisory authorities on financial inclusion issues.
- Encourage SSBs to develop informational products to improve understanding of how their rules can be applied to foster financial inclusion, including, but not limited to, the application of Principle 8 (***Proportionality***) and Principle 4 (***Consumer Protection***).
- Encourage enhanced communication between SSBs and other stakeholders, highlighting the complementarity of financial inclusion and their mandates. This could include joint statements, cross references on websites, joint work on issues of cross-cutting relevance, and building consideration of financial inclusion into existing collaboration efforts.
- Promote greater awareness of the SSBs' work on financial inclusion, and the flexibility available in applying guidance, standards and recommendations in varying country circumstances.

3. Integrate Financial Inclusion into all types of Financial System Assessments: *Recognizing the complementarity between financial stability, financial integrity and financial inclusion, G20 Leaders call on governments and relevant national and international bodies to improve the way financial inclusion is built into assessments of financial system performance.*

Objective: Improve financial sector assessments, including national financial system/sector assessments and those of international bodies, to incorporate robust financial inclusion components that yield high quality analysis and practical recommendations.

Action Points:

- Encourage research on the complementarities among financial stability, financial integrity, financial consumer protection and financial inclusion.

- Encourage the WB and the IMF to build robust financial inclusion components into their financial system assessments, including their Financial Sector Assessment Program (FSAPs), and provide specific suggestions.
- Work with the WB and IMF to develop high quality tools for the assessment of financial inclusion, both in the context of broader financial system assessments or as stand-alone diagnostics. In specific, encourage: (i) strengthening and formalizing an approach to financial inclusion; and (ii) the development of more uniform methodologies based on prior experience.
- Work with FATF to better integrate financial inclusion into the mutual evaluation methodology and related evaluator training (in coordination with activities to be undertaken under Key Activity 2. above).
- Produce a report on activities underway that generally improve the way financial inclusion is built in to financial sector/system assessments.

French Summit Deliverables

[To be discussed further by the co-chairs and implementing partners]

- A comprehensive report on the application of the Principles on how G20 countries have met their commitment to advance the Principles, and steps non-G20 countries have taken to implement the Principles, both as an accountability measure and to share good practices to be submitted to the Leaders.
- Informational products of SSBs related to financial inclusion distributed widely (including on SSB websites as well as through CGAP, AFI and IFC/WB).
- A report on SSBs' financial inclusion-related activities (joint and individual), and guidance issued, and to identify gaps in guidance based on case studies on the application of SSBs' guidance in countries pursuing improved financial inclusion.
- The first GPFII Forum and its subsequent report. (The above mentioned reports may be consolidated with the GPFII report into one report, as deemed appropriate).
- Demonstrated progress towards clearer IMF and WB guidance on incorporating financial inclusion in financial system/sector assessments.
- Engagement with FATF on integrating financial inclusion into the mutual evaluation methodology and related evaluator training.
- Commitment of the G20 to support the replication of successful application of the Principles in the country level.

B. Sub-group on SME Finance

Related parts from the G20 Financial Inclusion Action Plan:

- *Main steps for implementation (B) Mobilize Funding for Financial Inclusion*
- *Action (3) Work with the private sector*
- *Action (5) Support Capacity-building and Training*
- *Action (6) Improve national, regional and international coordination*

Background

G-20 Leaders first committed to improving access to financial services for the poor in Pittsburgh in September 2009. A Financial Inclusion Experts Group (FIEG) was convened to expand access to finance for household consumers and micro, small and medium-sized enterprises (MSMEs). The SME Finance sub-group worked to identify and scale-up successful models of small and medium sized enterprise (SME) financing by the completion of a global stocktaking exercise among governments of the most successful models of public intervention and the SME Finance Challenge, which is a competition for the private sector to put forward highly innovative proposals to maximize deployment of private finance on a sustainable and scalable basis.

The SME Finance stocktaking report “Scaling Up SME Financing in the Developing World” included 164 case studies with recommendations in four areas: (1) legislation, regulation, and supervision; (2) financial market infrastructure; (3) public intervention and support mechanisms; and (4) private sector interventions. The SME Finance Challenge received over 350 entries and resulted in 14 winning proposals announced at the Seoul Summit. The sub-group established a flexible financing facility, the SME Finance Framework, to mobilize the public share of financing necessary to implement the winning proposals, and announced commitments to date of over \$500 million to the SME Finance Challenge Initiative. The SME Finance sub-group also supported a working group on SME data collection, established under the honorary chairmanship of Her Royal Highness Princess Maxima of the Netherlands.

The aforementioned accomplishments are only a small step and much work remains ahead, as small firms remain seriously impeded by lack of access to finance. The consequence of which is negative development impact, as SMEs are an engine of economic growth for generating government revenues, employment and income effects, as well as supports positive market and structural effects.

There remains a huge variety of challenges and bottlenecks that impede private sector-led provision of SME Finance, including challenging investment climates; legislative, regulatory, and supervisory barriers; lack of support services, financial infrastructure, capacity of financial institutions to provide financial services sustainably; distortionary public interventions and subsidies; and a lack of management skills within SMEs. The critical role of SMEs in generating employment and opening up economic opportunities has received increased attention given the challenge of youth unemployment and the need to accelerate reform processes in the MENA region. SME Finance is an important tool to enable SMEs to create employment and increase productivity. New World Bank research using data on 99 developing countries indicates that the contribution of SMEs to growth and productivity is inhibited by a lack of access to finance, and other challenges that SMEs face.

Objectives and Activities

The Sub-group on SME Finance under the GPFI in 2011 will continue the work begun by the FIEG in 2010, to identify, scale up, and improve the policy environment for successful models of SME financing, implement the winning proposals of the 2010 G20 SME Finance Challenge and support best practice SME finance models (where appropriate through the flexible G20 SME Financing Framework), thereby contributing to the implementation of the G20 Financial Inclusion Action Plan. In addition, in 2011 to 2012 the sub-group will devote special attention to three focus areas:

(a) Promoting access to finance for women entrepreneurs.

Women start and own many micro businesses in the developing world. In most of the developing world, half or more micro businesses are owned by women. But research shows that a disproportionate share of these businesses fail to grow: an IDB study suggests that only 1 out of 10 firms that reach 15 employees are owned by women. This striking gap between the creation of women's businesses and their growth performance is a major drag on growth in developing countries. Small firm growth is a critical source of job creation.

More research is needed to identify the causes of this poor growth performance, but evidence so far suggests that access to finance is one major constraint. Other barriers include constraints on mobility, competing household responsibilities, risk aversion, lack of training, exclusion from entrepreneurial networks, and social restrictions.

As part of its work within this key area, the SME Finance Sub-Group will focus on the issues which impede access to finance for women entrepreneurs seeking to grow their businesses. This work can proceed along three work streams: (1) research and data, (2) development of policy recommendations, and (3) identification of SME finance models particularly suited to women's businesses.

(b) Improving SME access to finance in the poorest countries.

The poorest countries require special attention in the G-20 development agenda, and the recent crisis has underlined the need for collective action to address the challenges facing entrepreneurs in obtaining access to finance for growth. Particular attention by the G20 to the poorest countries including those affected by conflict in endeavoring to expand SME access to finance will accelerate progress toward reaching G-20 development objectives and lead to an expanded cooperation between G-20 countries and the poorest countries in other policy areas.

The Sub-group will work to: (1) initiate broader consultation on the recommendations for enabling SME finance contained in the global public sector stocktaking report; (2) promote a consensus among selected LICs, in particular Least Developed Countries (LDCs) to commit to overcome the policy challenges that impede access to finance by SMEs; and (3) deepen the outreach to the private sector and IFI/DFIs active in those LICs to improve participation in SME finance initiatives through a consultative process and under the umbrella of the SME Finance Forum.

(c) Improving access to finance for agricultural SMEs.

It is estimated that agricultural production worldwide needs to be doubled by 2050 in order to meet the food needs of a growing population. However, access to financial services is scarce among agricultural entrepreneurs in developing countries. Lack of financial access prevents such entrepreneurs (from small-scale farmers producing for markets-i.e. non subsistence farming,-to small and medium sized agricultural producers) from contributing to economic growth, job creation, food security and food price stability. Enhancing financial access for agricultural entrepreneurs is critical for the overall economic prosperity of developing countries.

The objective of the G-20 Work Stream on Agricultural Finance is to identify appropriate approaches to reduce the main risks and costs that inhibit access to financial services in rural areas, especially for micro, small, and medium enterprises in the agricultural sector in developing countries. The Work Stream will contribute to and generate synergies with other pillars of the G20

development agenda, particularly the pillar on “food security” as well as “private investment and job creation”.

Enhancing the productivity and capacities of agricultural micro, small, and medium enterprises through enhanced access to finance is at the core of this sub-group’s main area of focus. It can proceed along three tracks: (i) research and analysis on best practice models in agricultural SME finance, (ii) development of guidelines on policy and regulatory frameworks conducive to agricultural finance, and (iii) promotion of sustainable and responsible agricultural value chains.

Furthermore, the SME Finance sub-group will continue its work on data and analyses for all of these areas (under the umbrella of the *Sub-group on data and target setting*), the development of the SME finance framework to fund innovative and scalable models (the funding of successful financing models will go beyond the three identified areas indicated above), and outreach to relevant Standard Setting Bodies, impact measurement and harmonizing of reporting. While the sub-group work plan is focused on the above mentioned areas, it will address the cross-cutting nature of the constraint faced by SMEs to enhance the SME access to finance.

The Sub-group welcomes the input of key strategic partners in relevant work streams. Identified supporting contributors already include: interested non-G-20 countries, the WBG, ILO, CGAP, DCED, OECD, ANDE, DFIs, UNCTAD, FAO, IFAD, IFPRI, MFW4A, CABFIN, Global Banking Alliance for Women, Women’s World Banking, the Global Entrepreneurship Monitor, Goldman Sachs 10,000 Women Initiative, ACCION, Small Business Banking Network (SBBN), the IFI/DFI working group, IADB-IIC, EBRD, AsDB, and AfDB.

Deliverables

The Sub-group will produce the following deliverables for the G20 Summits in France in November 2011 and in Mexico in 2012:

G-20 Summit 2011, France:

The subgroup’s deliverables fit into three categories: Policy recommendations, Platforms for knowledge sharing and collaboration, and research reports. In order of priority, the deliverables will be:

1. **Platforms for Implementation:** Two platforms will be launched at the Cannes Summit: The *SME Finance Forum* – an inclusive knowledge sharing platform for SME finance data, research, and best practices; and the *SME Finance Compact* – an initiative to support a pilot set of developing countries committed to implementing the SME Finance Policy Framework. G-20 countries, IFIs, DFIs, and interested private sector and civil society stakeholders in SME finance will be invited to partner with and support the Compact countries implementation of the policy framework. Additionally, a progress report on the implementation of the winning proposals of the *SME Finance Challenge* will be presented to the Leaders.

G-20 Leaders will be asked to announce the launch of the SME Finance Forum and the SME Finance Compact in Cannes. Leaders will call for a roadmap to implement the SME Finance Compact. They will also report progress on the SME Finance Challenge winners.

2. **SME Finance Policy Framework:** The policy framework refines the recommendations made in the 2010 stocktaking report and is one of the underpinnings of the SME Finance Compact. The recommendations that arise from the “Increasing Access to finance for Women SMEs in Developing Countries” report and the subgroup’s work on SME Finance in Agriculture will form part of the framework. The framework will also identify those policy recommendations that are most relevant to the Least Developed Countries (LDCs). Recommendations will focus on: implementing national diagnostics and strategies; developing supportive legal and regulatory frameworks; strengthening financial infrastructure; designing effective government support mechanisms; building consistent and reliable data sources; promoting private sector financing approaches; and improving capacity within financial institutions.

G-20 Leaders will be asked to endorse a policy framework of recommendations that enhances access to finance for SMEs; an appropriate approach to assess impact of SME Finance policies will be presented.

3. **Research Reports:** For 2011, the subgroup has focused on SME Finance for Women Entrepreneurs and Agriculture. IFC and the World Bank are acting as the technical leads in conducting research on these issues. The outcome of the research on SME finance for women will be a report “Increasing Access to finance for Women SMEs in Developing Countries” that will summarize the existing literature, catalogue the challenges faced by women entrepreneurs who want to start and grow businesses, policy recommendations that facilitate the success of women entrepreneurs, and some examples of successful models for increasing women entrepreneurs success. The stock taking exercise of the subgroup on SME Finance in Agriculture will explore existing initiatives, approaches and projects by private and public, national and international institutions, with the objective of deriving international best practices, tools and methods to create guidelines for policy and regulatory frameworks conducive to agricultural finance, consistent with the G-20 Principles for Inclusive Finance. These recommendations shall be used to create a roadmap for implementation.

G20 Leaders will be presented with the “Increasing Access to finance for Women SMEs in Developing Countries” report for their endorsement and will be asked to endorse the policy recommendations in agricultural finance and to call for a roadmap for implementing and scaling-up best practice solutions.

G-20 Summit 2012, Mexico:

Deliverables for the 2012 summit will build upon the outcome of the G20 summit in Cannes and may include:

1. **Showcasing progress on the SME Finance Challenge and the SME Finance Compact:** Members of the SME Finance Compact will showcase their specific strategy for enhancing access to finance for SMEs within their individual countries. Preferably, these strategies should also include progress in the other G-20 fields of special interest for SME Finance (women entrepreneurs, agricultural finance). Selected winners of the 2010 *SME Finance Challenge* will have the opportunity to present the progress they have made over the last 1½ years.

G-20 leaders will be asked to welcome the progress made in developing and implementing SME Finance strategies in partner countries under the SME Finance Compact. Members of the SME Finance Compact will showcase their specific successes at the summit. Progress on implementing the proposals of the SME Finance Challenge winners will also be showcased.

2. **Evaluating impact of SME Finance policies:** The sub-group will review progress made in applying and further refining the approach and methodology provided by ILO to evaluate the impact of SME Finance policies. A report on progress in applying the impact evaluation approach of SME Finance policies will be provided.

G20 leaders will be asked to welcome the progress made on evaluating the impact of public interventions to support SME Finance based on the approach developed for the summit in France.

3. **Report on innovative support mechanisms to implement the policy recommendations for women entrepreneurs and agricultural SMEs:** There may be follow-up to the reports “Increasing Access to finance for Women SMEs in Developing Countries” and “Increasing agricultural finance for MSME” which may consist of further consultations, refinements and development of specific policy recommendations and additional funding models for increasing business growth for and agricultural MSMEs. **The sub-group on agricultural MSME finance will work on two action lines:** (1) Implement specific funding mechanisms, with the objective of scaling up and replicate successful investment models along the agricultural value chain. Contributions to funding mechanism may come from private and public investors on a voluntary basis and may also include resources from the SME Finance Framework (2) Implement the SME Finance Policy Framework in the agricultural sector e.g. under the SME finance compact. This will be done by facilitating the development of concrete national action plans to enhance agricultural SME finance, especially in Least Developed Countries.

G20 leaders will be report on the implementation of Cannes Summit reports. Innovative support mechanisms will be proposed to be showcased as best practice by G-20 leaders.

C. Sub-group on Data and Target Setting

Related parts from the G20 Financial Inclusion Action Plan:

- *Action (4) Improve data*
- *Action (6) Improve national, regional and international coordination*
- *ANNEX 2. Terms of Reference for the Task Force on Data and Measurement*

Background

The G20 recognizes data and measurement as an essential foundation from which to move its initiative forward in improving financial inclusion at a global level. As the importance of financial inclusion has gained momentum, so has interest in better data at both the global and national level with the existence of multiple data sources that can be leveraged. For example, a number of international data initiatives are compiling financial inclusion related data while a handful of countries have also developed high quality statistics at the national level. However, more progress can and must be made, notably in

increasing the availability and quality of data, harmonizing definitions and approaches for data collection, expanding the scope of collection to include all dimensions of inclusion, resolving aggregation challenges, and ensuring better comparability of data.

While setting a global numeric target has been identified as a key action item for the future work of the G20 in financial inclusion, it was agreed during the FIEG meeting in Seoul, 10-11 September 2010 that under the current circumstances there is still insufficient harmonized and easily comparable data, methodologies and definitions to calculate a sound and credible numeric target. While the G20 would still like to move towards setting a global target for financial inclusion, it was agreed that its immediate next step is to focus on consolidating and harmonizing data gathering activities, developing a common understanding on the measurement framework and methodology and determining the key top line indicators to track at the country and global level, supporting the development of new indicators, and supporting countries' national data collection and target setting activities. To accomplish these objectives, the G20 requested that AFI, CGAP / WBG and IFC develop and draft the terms of reference for a G20 Sub-group on Data and Measurement.

To bridge the data gaps, the G20 has created a Financial Inclusion Data and Target Setting sub-group within the GPMI structure. The overall goal of the sub-group is to improve the quantity and quality of measurement and data on financial inclusion (of households/individuals and MSME).

The sub-group will build on the work already developed by the G20 SME Finance Data working group and the AFI Financial inclusion Data Working Group and will cover both individual/household and SME finance. This sub-group will be composed of institutions, and other entities and representatives that are well-positioned to contribute to the goal of improving financial inclusion data and measurement in developing countries, particularly in non-G20 countries, where the deficiencies in both data as well as financial access for the poor are the greatest.

Objectives

1. To strengthen the global and national dialogues and capacity in measuring financial inclusion, including qualitative aspects such as gender, socioeconomic characteristics, financial literacy, and consumer protection.
2. To form a general consensus (among the different stakeholders, including G-20 and non-G-20 countries, and regional and global data efforts in financial inclusion) on definitions of the components of financial inclusion, Key Performance Indicators (KPIs), and consistent methodologies. To this end, the Sub-Group will promote more harmonized data collection across national and international initiatives to allow for greater cross-country comparison, while at the same time minimizing duplication and coordinating efforts. This objective also includes an effort undertaken by DFIs and FIFs to harmonize data collection on SME Finance, optimizing supply side data collection and aggregation by DFIs and IFIs.
3. To provide guidance and good practice example to countries implementing financial inclusion data initiatives.
4. To make informed recommendations to the G-20 on global numeric targets for financial inclusion KPIs and develop the appropriate frameworks and structure to track progress in this area.

Activities and Deliverables



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Figure 1: Data and Measurement Sub-Group Work plan

1) **Stocktaking and planning**

The first step of the sub-group will be a stock-taking exercise of the current financial inclusion measurement initiatives of countries and relevant organizations. This would include identifying the tools, (i.e. household survey tools, analysis tools, regulatory reporting tools, geographic mapping tools, etc.), the identified components of financial inclusion (i.e. access, usage, quality, consumer protection, financial literacy, barriers, etc.), and the key performance indicators (number of bank accounts per 10,000 people, etc.). This exercise will provide awareness on what is currently being done, which will impact all subsequent steps, including defining the broad components of financial inclusion and the key performance indicators that the sub-group will later endorse and implement. The sub-group will not collect the actual data identified in the stocktaking. Based on the findings of the stocktaking, the sub-group will develop a comprehensive strategy to fill identified shortcomings in the existing global data landscape, including the need for globally-recognized key performance indicators, and minimize duplication of efforts.

- a. Complete a comprehensive survey exercise of stakeholders and countries, map existing data initiatives and their corresponding frameworks on financial inclusion and access to finance by households/individuals and MSMEs, including country-specific and country-led initiatives. (by March 15, 2011)
- b. Perform a gap analysis, identifying overlaps in the existing data and areas to expand data. Develop a strategy to improve the consistency in existing and planned international and country-led data initiatives. (by December 15, 2011)

2) **Define the components and indicators of financial inclusion**

Defining the components of financial inclusion entails providing a conceptual framework for organizing and defining the key performance indicators of financial inclusion. The components of financial inclusion are the broad dimensions that constitute a functionally comprehensive picture of the state of financial inclusion in a country (some countries for example have defined these components as access and usage).

The sub-group will focus first on defining the components of financial inclusion, as this will provide a broad-based common understanding that all countries and stakeholders can agree on. Within these components of financial inclusion, the sub-group will work with countries and stakeholders to build consensus on a core set of key performance indicators that adequately measure the performance of a country in each of these components. In addition to the core set of KPIs, the sub-group will also support the development and definition of other indicators that can also be useful in measuring financial inclusion for certain countries due to their specific context, particularly for the purpose of being able to make more informed policy decisions and national

strategies in financial inclusion (for example financial inclusion per different segments of the population or measurement of the impact of financial inclusion on various social indicators). The sub-group will also ensure that the tools to measure the KPIs and other measurements are developed and shared.

- a. Identify and define the components of Financial Inclusion. (by March 2, 2011)
- b. Develop a consensus among developing countries, MDBs, research institutions, knowledge centers, and other relevant stakeholders on components and key performance indicators of financial inclusion for the purpose of comparable measurement across countries.(by March 31, 2011)
- c. Produce a written report on SME Finance data harmonization for participating DFI/IFIs, including the analysis of the current state of IFI /DFI data collection on SME lending and proposed solutions for a more streamlined reporting system (by December, 2011)
- d. Support the development of “new” indicators and measurement techniques to capture the impact financial inclusion has had on economic growth, development, employment, quality of life, poverty reduction other social impact indicators. (Throughout the year)
- e. Coordinate with the Sub-group on SME Finance on the issues related to data and analysis on SME access to finance, especially of the women entrepreneurs.
- f. Facilitate consensus building on the defined components and indicators through promotion and advocacy work. (Throughout the year)
- g. Develop the tools and framework to monitor progress on the global status of financial inclusion. (Throughout the year)

3) Implementation of the financial inclusion measurement strategy and framework

Once the measurement framework and tools have been developed and defined, the sub-group should move toward implementation, which includes providing comprehensive guidelines on the basic measurement methodologies that should be used when applying the framework. These guidelines will be developed and refined through the pilot framework with a subset of countries through September 2011.

- a. Identify countries (a mix of developing and developed countries, focus on G20 countries and AFI financial inclusion data working group members) interested in piloting the financial inclusion KPI measurement framework and methodology (March 15, 2011)
- b. Present draft framework and guidelines on data collection and using the measurement framework (April 2011, at G20 Spring meeting)
- c. Present final methodology (framework and guidelines) and a first set of data from pilot countries (September 2011, at GPFI forum)
- d. Engage and empower countries to collect data consistent with a common global measurement framework, including reviewing how best to build on existing data sources including public registries and commercial credit bureaus and other private data sources to complement and support their respective data collection efforts.(Throughout the year)

4) Set a path to determining a feasible global target informed by national targets

Finally, the sub-group will identify the tools and methodologies currently used for setting national targets for financial inclusion. The sub-group will provide a set of tools to countries for assistance in setting informed national targets based on national strategies and information gained through the data and measurement exercises. This might include identifying principles that countries should consider when setting national targets. These national targets will then be used to develop a global target for financial inclusion. If in the likely case that at the time of the GPFI forum there are still not enough data and/or national targets to compile a rigorously set global target, the sub-group plans to develop a set of recommendations for the G-20 for the global target setting exercise.

- a. Map existing tools and/or methodologies on financial inclusion target setting at national, regional or global levels to guide KPI target setting process. (by April 30)
- b. Use existing or develop tools to assist countries in setting national financial inclusion KPI targets. (May through September)
- c. Identify or develop principles that countries should consider when setting national targets.
- d. Compile the existing set of national targets and provide an analysis regarding a possible global target or methodology for setting a global target. (September 2011, at GPFI forum)
- e. Develop a set of recommendations for the G-20 on setting a reasonable, evidence-based global target informed by national-level strategies and targets for financial inclusion (September 2011, at GPFI forum)

5. Overall GPFI timeline

The GPFI activities and deliverables are planned to follow the overall G20 process. Below is the overview of key related meetings and events.

Time	Event	Place	Notes
17-19 February	FM/CBG Meeting & Deputies Meeting	Paris, France	17-18 Feb. : Deputies 18-19 Feb : FM/CBG
20 March	Work plan validated by all G20 members		GPFI combined work plan to be circulated to all members/partners by email. Phone conference to be arranged for all G20 members.
14-15 April	FM/CBG Meeting & Deputies Meeting	Washington DC, US	14 Apr: Deputies 15 Apr: FM/CBG Back to back with IMF/WB

			Spring Meetings
12 May	GPIFI Coordination Board meeting	Paris, France	Including key implementing partners and non-G20 partners
9-10 July (TBC)	Deputies Meeting	Paris, France	
23 September (TBC)	Deputies Meeting	Washington DC, US	Back to back with IMF/WB Annual Meetings
1 October	1 st GPIFI Forum	Riviera Maya, Mexico	
13-14-15 October (TBC)	FM/CBG Meeting & Deputies Meeting	Paris, France	<u>To be confirmed</u> 13-14 Oct. : Deputies 14-15 Oct. : FM/CBG
3-4 November	G20 Summit	Cannes, France	

ANNEX 1. G20 Seoul Summit Declaration Annex

FINANCIAL INCLUSION

Given that more than two billion adults are excluded from financial services and millions of micro-, small- and medium- sized enterprises (MSMEs) face serious constraints in accessing finance, financial inclusion is fundamental for improving the livelihoods of the poor and in supporting MSMEs, and work as the engines of economic growth and job creation.

ACTION 1: ESTABLISH THE GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

We will launch the Global Partnership for Financial Inclusion (GPIFI) to provide a systematic structure for implementing the G20 Financial Inclusion Action Plan in close collaboration with the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC). (November 2010)

The GPIFI will (i) facilitate an efficient and effective information sharing mechanism; (ii) coordinate the various financial inclusion efforts (iii) provide systematic monitoring of progress over time (iv) mobilize financial support for activities as needed, and (v) launch and coordinate taskforces to address specific financial inclusion issues (e.g. financial inclusion data). The GPIFI will coordinate its work with the APEC initiative and other financial inclusion initiatives.

The progress and annual report of the GPIFI will be submitted to the Summit in France.

ACTION 2: SME FINANCE CHALLENGE AND FINANCE FRAMEWORK FOR FINANCIAL INCLUSION

SME Finance Challenge

We will announce the 14 winning proposals of the SME Finance Challenge that offer innovative models for catalyzing private capital for SME finance. *(November 2010)*

Finance Framework for Financial Inclusion

We commit to establishing a finance framework that mobilizes grant and risk capital for winning proposals from the SME Finance Challenge and for scaling up successful SME financing models. The framework will use existing funding mechanisms and the SME Finance Innovation Fund, a newly created multilateral trust fund.

ACTION 3: IMPLEMENT THE ACTION PLAN FOR FINANCIAL INCLUSION

We will adopt the G20 Financial Inclusion Action Plan to promote the application of the Principles for Innovative Financial Inclusion (the Principles) and the lessons learned from the SME stocktaking exercise. *(November 2010)*

The actions to be implemented include (i) advancing the implementation of the Principles through a commitment by each G20 member to implement at least one of the Principles; (ii) encourage the Standard Setting Bodies to further incorporate financial inclusion objectives into their work; (iii) encouraging further private sector activities to increase access to financial services; (iv) strengthening and expanding data availability for measuring financial inclusion and methodologies for countries that wish to set financial inclusion targets; (v) supporting peer-learning capacity building and training; (vi) improving coordination at the national and international levels; and (vii) integrating financial inclusion into financial assessment programs.

The GPMI will submit a progress report on implementation at the next Summit in France *(November 2011)*.

ANNEX 2.

Chair's summary

The Launch of the G20 Global Partnership for Financial Inclusion

10 December, 2010

Seoul, Korea

Opening and Welcome

Changyong Rhee, Secretary General and Sherpa, Presidential Committee for the G20 Seoul Summit

Changyong Rhee outlined the leaders' commitment towards financial inclusion at the Seoul summit and the need to include non G20 members and partners. He underlined that financial inclusion is not just important for development, but also important for the financial stability and financial markets of all countries, including developed economies. He emphasized that development is not just about aid but sustainability, growth, capacity building, training and attracting new business and that GPFi is a great example of new development model through south-to-south exchange and partnerships with the private sector. It is expected that GPFi will deliver concrete progress and outputs against objectives by the French Summit in 2011, in particular some quantitative measures, and realize the added value of the GPFi as platform where synergies are created.

Bob Christen, Director, Bill & Melinda Gates Foundation

Bob Christen emphasized the importance of all three sub-groups of the GPFII:

- SME: This is often the “missing middle” as micro family businesses develop into formal enterprises
- Data: Powerful to have a global forum to help build consensus on what constitutes access to financial services and consensus on what indicators make the most sense. This requires a coordinated effort.
- Principles and SSBs: GPFII will take a certain “code of conduct” and put some power behind them. He is particularly interested in the role of governments in making Financial Inclusion happen, and asked whether the principles go far enough to encourage access and savings. Balance is required between Financial Inclusion and the goals of SSBs and hopefully this is a healthy tension.

He stressed that the difference between financial inclusion then and now is before it was about building big institutions, now it is about partnerships (between government and banks, between industries, etc). The Bill & Melinda Gates Foundation is taking an approach focusing on how to reduce transaction costs, to make providing services to the poor a viable business. He provided the example of a Kenyan boy that saved on his phone, \$1a day, to become a mechanic. There is no infrastructure to deal with such microsavings at the moment. He also highlighted that governments can take a role by providing core infrastructure essential for economic growth. This should be viewed in the same light as other basic needs such as providing clean water.

Prof. Njuguna Ndung’u, Governor, Central Bank of Kenya

Governor Njuguna Ndung’u welcomed the establishment and the policy directions of the GPFII. The strong support from the G20 and the establishment of the GPFII marks a milestone in the mainstreaming of financial inclusion in the global development agenda. Financial inclusion lies at the core of the Central Bank of Kenya’s reform agenda to support Kenya’s development blueprint, Vision 2030. He shared some experience from Kenya, especially on M-financial services, agent banking and credit reference bureaus. He emphasized that pushing forward the global financial inclusion frontiers requires partnerships on a grand scale and this has been demonstrated by the rapid success of AFI. AFI demonstrated the potency of peer learning and knowledge exchange and is well positioned to play a major role as a facilitator and a clearing house of policy solutions in the GPFII. He welcomed the three work streams, and highlighted the importance of national targets and monitoring through reliable data. He noted that GPFII can be a marketplace of sharing, not just with the G20 countries, but also non-G20 countries.

G20, working together to improve the global financial inclusion

Yongbeom Kim, Director General, Presidential Committee for the G20 Summit, Korea

Yongbeom Kim gave an overview of the financial inclusion agenda in the G20 process and introduced the Global Partnership for Financial Inclusion (GPFII). He explained how financial inclusion agenda has been progressed in the G20 process starting from the launch of the Financial Inclusion Experts Group (FIEG) at the Pittsburg Summit to the launch of the GPFII today. He gave an overview of the three main work streams: (i) the implementation of the principles and engagement with the Standard Setting Bodies, (ii) the financial inclusion data and target setting, and (iii) SME finance and forum. He also introduced the implementation structure of the GPFII, with G20 troika being the GPFII Co-

Chairs and all sub-group Co-Chairs taking part at the GPFi Coordinating Board. He also introduced the three main implementing partners and the concept of non-G20 country partners in the GPFi. He concluded by emphasizing that the GPFi is an open consultative platform for G20, non-G20 and other stakeholders that are committed to improve financial inclusion, and the active participation of these groups is essential for the success of the GPFi and its work⁶.

Christopher Grewe, US Treasury

Christopher Grewe highlighted the importance of having a feasible and focused Work Plan for the three Sub-groups. The work plan should endorse the G20 action plan with the following focus:

- (1) Principles and SSBs:
 - Implement G20 principles and take concrete action
 - Further engage with SSBs
 - Integrate financial inclusion into all Financial Sector assessments
- (2) SME finance
 - Expand on previous work
 - Establish an SME finance Forum to share knowledge and best practices on SME financing and infrastructure
 - Build on SME stock taking exercise.
 - New is the women's entrepreneurship (61 % owned by woman in Africa) vs Latin America (1/10) don't grow.
- (3) Data
 - Expansion of SME WG to include payment and financial sector data.
 - Clear TOR on the financial inclusion data and target setting to be developed and shared.

He emphasized the meaning of “partnership” and that one expected difference between the FIEG and the GPFi is more inclusive and consultative approach among all the G20, participating non-G20 and other stakeholders on decision making and activities of the GPFi.

Alfred Hannig, AFI

Alfred Hannig welcomed the launch of the GPFi and emphasized the role and contribution of the developing countries. He introduced the AFI model and the new development approach that is based on peer learning and knowledge sharing and commended the inclusive partnership approach of the GPFi and provided concrete examples of how these partnerships can look like (i.e. AFI and WEF). He provided some examples on AFI's role and possible contribution to the GPFi, especially through the Principles and SSBs sub-group and the Data sub-group. He noted the accountability of the G20 and encouraged to keep the momentum and commitment towards financial inclusion.

Tilman Ehrbeck, CGAP

Tilman Ehrbeck introduced the work of CGAP and the focus on branchless banking. He gave a brief overview of work that CGAP has done with G20 and contributions to the three work streams. He noted their key contribution in the GPFi would focus on the engagement with the SSBs, including financial inclusion into financial sector assessment, and financial inclusion data.

⁶ For further information on the GPFi and its structure, please see Yongbeom Kim's presentation slides

Peer Stein, IFC

Peer Stein highlighted the importance of the business models for saving, access to finance and credit needs of SMEs, and women entrepreneurship. He also highlighted the big funding gap (USD\$ 2 trillion) and emphasized the importance to collaborate with DFIs and FIFs. In addition he mentioned that other World Bank group should also be involved in the SME sub-group's work.

Key discussions

- There are potential synergies among the three sub-groups, the work streams have overlap, especially with data.
- We need to overcome the silos, but also stay focused in our work. The G20 adds value to the existing efforts, especially to the implementing partners through its convening power of G20; increased visibility; fostering and coordinating institutional collaboration; providing global public goods like common principles and data, and supporting greater outreach to the private sector.
- Possible added value could also include ensuring in-country coordination especially in the G20 countries, providing resources and additional funding, creating a pool of knowledge that the GPFI stakeholders can tap in to.
- AFI sees key value added in shaping a new thinking within the G 20 regarding the role and contributions of developing countries. This new development and cooperation approach would see developing countries as equal discussion partners who provide their knowledge on successful implementation of financial inclusion initiatives rather than recipients of recommendations from developed countries and multilateral organizations.
- AFI has already seen increased interest in financial inclusion strategies and data from member countries; G20 can take on board AFI's flat partnership approach to country engagement.

GPFI Operation and Work Plans of the Sub-Groups

1. Sub-group on the G20 Financial Inclusion Principles and engagement with the Standard Setting Bodies (SSBs)

Key discussions on the Principles:

- The principles are not meant to be imposed and are flexible to the country context.
- Principles are distilled from successful developing countries and could relevantly grouped into themes. For example, leadership and empowerment require a pro- active government role; diversity implies actively promoting the enabling environment for competition; consensus on adopting technology solutions; protection and financial education to balance relationship between institutions and customers; need for accurate meaningful data and evidence based policies.
- AFI offered the use of its existing working groups and an on-line member zone to identify success stories and the documentation of them.
- The application of the principles can progress through (i) identification of cases where the principles are successfully applied; (ii) Dissemination and peer-learning of these successful cases; (iii) replication, and (iv) monitoring and reporting on the progress (the potential activities to be carried out will also depend on capacities/funds being made available).
- AFI, using its network of developing countries, is in a good position to market the G20 principles, populate with information and provide feedback to the GPFI.

Key discussions on the engagement with the SSBs:

- The engagement with the SSBs on financial inclusion front is a great development that GPMI should further pursue. Currently the SSBs work on financial inclusion are in silos.
- At the same time we need to be conscious of the current climate- that in light of the financial crisis the SSBs have greater commitments and pressures coming from the G20's Financial Stability Board.
- We must identify policy issues that fall solidly in the SSB's sphere and contribute to their current work streams. The diversity of the SSBs needs to be accounted for; there are different implications for each of their mandates.
- IAIS is currently working on licensed microinsurance to bring them into the formal sector and protect consumers. Access to Insurance Initiative is their partner on this.

Key discussions on incorporating financial inclusion in to financial sector assessments:

- Other than FSAP, we can also use ROSC type solution to incorporate financial inclusion in to financial sector assessment. IMF and World Bank (including Bank hosted programs such as the FIRST Initiative) can voluntarily agree on such assessments and the implementation of the recommendations.

It was agreed that AFI will prepare a draft work plan of this Sub-group in collaboration with CGAP and submit to the Co-Chairs.

2. Sub-group on SME Finance, SME Forum and Women Entrepreneurship

To facilitate the discussion a short summary of the work carried out by the SME finance Sub-group under the work plan for 2010 was provided:

- SME Finance Stocktaking Report identifying best practices based on 164 case studies collected worldwide and making recommendations focusing on three areas: (1) legislation, regulation, supervision, (2) financial market infrastructure, and (3) public intervention and support mechanisms.
- Establishment of the SME Work Group on Data
- G20 SME Finance Challenge resulting in 14 winning proposals that were announced at the Seoul summit and for which the G20 had committed to mobilize funding for implementation. The coordination efforts under the financing framework for the G20 SME Finance Challenge are being led by Canada and a link of the coordination committee to the SME finance Sub-group will be established.

The following discussion concentrated on the future analytical, data and knowledge management work as well as on further outreach efforts. It was generally emphasized that the work of the SME finance sub group is an important element that should contribute to the overall objective in contributing to developing financial inclusion action plans on the national level. The following key activities were identified:

- Initiate a broader consultation on the set of recommendations to establish a supportive enabling environment for SME access to financial services in the developing world contained in the SME Finance Stocktaking Report.
- Continue and deepen the analytical work on SME finance beyond those topics addressed in the SME Finance Stocktaking Report such as lack of access to financial services by

product/sector, capacity constraints at the SME level. In this context two specific areas were proposed that should be addressed in 2011:

- a. Foster women entrepreneurship by identifying best models for financing growth in women's business, linking women entrepreneurship with the work of the Financial Inclusion Data and Target Sub-group and by connecting women entrepreneurship activities with the SME Finance Challenge. (IFC offered to carry out a short survey of already ongoing work/initiatives related to women entrepreneurship to further concretise the financial sector work that needs to be undertaken).
 - b. Promote agriculture finance as a topic with high degree of interlinkage with other pillars of the G-20 development agenda (eg. food security) by identifying new successful approaches.
- Agree on the terms of reference for the SME Finance Forum as a knowledge management platform including SME Finance Forum meetings (the potential activities to be carried out will also depend on capacities/funds being made available).
 - Continue and expand the work on SME finance data as part of the financial inclusion Data and Target setting work stream and promote harmonization of SME reporting of DFIs/IFIs.
 - Develop methodology to assess the impact of policies in support of SME finance (ILO offered to take the lead).
 - Initiate outreach activities to non G20 countries and particularly include low income countries which may support the SME finance development agenda.
 - Deepen the outreach to the private sector and development finance institutions (eg. through the IFI/DFI SME working group) to ensure broad participation.
 - Promote application of the Financial Inclusion Principles in SME finance and engage with SSBs in collaboration with the Sub- group on Financial Inclusion Principles and engagement with SSBs.

The timelines and deliverables for the G20 Summit in France will have to be spelled out in the final work plan. As potential deliverables were suggested:

- Endorsement of the recommendations on best policies and practices to promote SME finance.
- Announcement of the SME Forum and its TORs/work plan.
- Report on work progress with regards to promote financing for growth in women's business and agricultural finance (to be further identified).

3. *Sub-group on Financial Inclusion Data and Target Setting*

As this sub-group is dealing with a new topic in the G20 process, some background on the data work was first provided.

- Many different efforts in data already exist, i.e. multi-national and national
- The Financial Inclusion Data Working Group (FIDWG) could be an input, particularly in defining what are the components of financial inclusion
 - a. Initial thinking indicates the following components: 1. Access and 2. Usage, (and possibly there are two others: 3. Consumer Protection, 4. Financial Literacy)
 - b. Measuring against these components can be the pillars of the work of this group
- What we aim to do is provide countries with tools to take ownership of their data. This facilitates them in setting their own targets.
- There is also an SME component to this work that may be more challenging. We will try to keep the SME data work stream on the same timeframe as the household financial inclusion data.

- We agree that there are two first steps for this group:
 - a. Identify the different efforts in measurement of financial inclusion, and
 - b. Prepare a framework of the different components and indicators that constitute financial inclusion.

Milestones/outputs of group

- Start building coalition now: Ask for volunteers to pilot the methodology. Mexico will volunteer.
- February: Define components of financial inclusion
- February (later?): Complete a stocktaking of existing data initiatives
- April (Spring meeting in DC): Present a draft guidelines on data collection
- September 2011 (GPII Forum): Agreed upon methodology and a first set of data using the key indicators. We want to start with the G20 countries, which will have an effect on non-G20 countries. We would like a mix of developed and developing countries.
- October (in preparation for November French Summit): Leaders endorse methodology that will be used by countries. Countries begin to implement measurement and target setting tools to set feasible targets by 2012.

Immediate next steps:

- Send an invitation to G20 countries to join this sub group.
- Circulate a first proposal of components and indicators by January (drafted by FIDWG in preparation for next FIDWG meeting in March).
- Piggy back on AFI FIDWG meeting in March, where we will have technical discussions on indicators.

Discussion/comments:

- We should engage with stakeholders, such as regional development banks and other statistical agencies to promote universal buy-in and consensus.
- We do not intend to prescribe a certain set of tools, rather provide countries with just a minimum required standard of measurements and minimum basic steps.
- Three basic steps during coming year regarding the framework:
 - a. Propose a framework
 - b. Gain buy-in
 - c. Countries use framework to measure and set targets
- CGAP offers to make connections with WB initiatives
- This data initiative is one that has serious budget implications. Of the three work streams, this is the most technical and involves a concrete negotiation process among countries and experts, and each proposal costs something to implement.
- The challenge is getting a critical mass. We must get enough countries signed on from the beginning. Therefore this must be a least cost, easiest solution to get quick buy-in. Both countries and experts must be involved in this process
- Regarding SME data, we should include a target and framework for SME as well. We will ask IFC for proposal of what would be the indicators for SME to include in the framework.
- For now, we will assume the same deadlines for both streams (household and SME).

Moving Forward and Closing

The launch of the GPFi was a great success with continued strong commitment from the countries and stakeholders. It also provided a solid basis of the work streams and work plan to be implemented next year. Additional remarks from the participants include:

- WEF: We would be happy to provide a platform to discuss with key private sector players, such as the WEF Regional forums.
- UN: GPFi aligns well with MDGs and we would like it to go well beyond the G20 and become a universal goal and initiative. Collaboration with Princess Maxima, UN Special Advocate for Inclusive Finance for Development and the UN Statistics on the Data sub-group can be strengthen/ further explored for the next year activities.
- New Faces new Voices: We are interested in data, especially data disaggregated by gender and would be happy to contribute to work related to women entrepreneurs.

Announcement of the initial GPFi Forum in 2011, Raúl Hernández- Coss, CNBV, Mexico

Raúl Hernández-Coss announced the first gathering of the GPFi to take place in Mexico on 1 October 2011 (tentative date) with all the G20, interested non-G20 and partners of the GPFi. This will be the first gathering of all the GPFi members and partners to share the progress and lessons learned on the three sub-group activities, some of the countries' financial inclusion status, and specific partnership projects under the GPFi. This event will also be a platform to review the work of GPFi in 2011 and prepare for the report to the Leaders at the French Summit.

Remarks by Cyril Rousseau, Ministry of Finance

Cyril Rousseau commended the great achievement of this group so far and introduced the key areas for the French Summit. New areas for the French summit will include: Reform of the financial system, price reform, and reforming the world governance. Continued 3 areas of interest to the French Summit include: Financial Regulatory Reform, Strong and sustainable growth, and Development. Within the Development Agenda, France will focus on Infrastructure, Food security, and Financial Inclusion for concrete outputs by the French Summit. He appreciated the new approach to development that GPFi is taking and emphasized the importance to outreach to non-G20 and private sector and building innovative partnerships between governments and private sector. In concluding, he encouraged the GPFi to focus on concrete outputs and targets, perhaps starting with the "low hanging fruits".

Remarks by Juan Manuel Valle, Ministry of Finance, Mexico

It is important to establish coordination mechanisms between the different countries to make more efficient and effective exchange of information on measures and initiatives taken to improve financial inclusion level, coordinate working groups on specific issues, and join other financial inclusion initiatives to avoid duplicating efforts. In the case of Mexico, in recent years has favored a policy agenda aimed at increasing levels of financial inclusion ensuring the solvency and soundness of the financial system. He emphasized that the GPFi will continue to engage with the Standard Setters with the deep conviction that Financial Inclusion should be a key element when designing regulation and most importantly on the assessment of the implementation of international standards. Engaging Standards Setters into the current discussion on financial inclusion is an imperative to establish a comprehensive agenda on financial sector development. He highlighted that emerging economies have had a leading role in the use of technology and development of financial products to increase levels of financial inclusion. He reaffirmed Mexico's commitment towards financial inclusion and will push a

comprehensive agenda that allows for the delivery of results in the short and medium terms together with the Co-Chairs from Korea and France.

Immediate next steps

- All sub-groups to finalize the work plan (the time frame can be two years) and first share the draft with the Co-Chairs group before Christmas (23 Dec 2011). This draft will be circulated to all the Sub-group members and relevant stakeholders in early January by the Sub-group Co-Chairs and will be finalized by end of January to be reported to the Deputies in mid February.
- France to circulate the G20 timetable for specific deadlines to the Co-Chairs.
- Korea to finalize the GPFi structure (Co-Chairs, non-G20 partners etc) with the support of the other Co-Chairs and the implementing partners and circulate to all GPFi members/ partners.
- The GPFi Co-Chairs (France, Mexico, Korea) to first decide on the possible timing of the next face-to-face GPFi meeting sometime early May in Paris and consult with the rest of the Co-Chairs. This is to have a progress review of the GPFi activities (including the three sub-groups) among Co-Chairs, non-G20 partners and key GPFi implementing partners.

Annex 3.

Time Table of the Principles and SSBs sub-group

This time table will be revised and updated based on the progress made. The activities and actions for 2012 will be added after the GPFi meeting in May.

Date	Activity	Action	Key responsible partners (*coordinator)
7 Jan	2. Further encourage SSBs	Meeting in Basel with SSBs, convened by HRH Princess Máxima of the Netherlands and BCBS Chair Nout Wellink	Korean co-chair AFI CGAP IFC
18 Jan	1. Application of the Principles	Promote application of the Principles to wider audience at the ADB/ ADBI high-level conference	AFI
26 Jan – 3 Feb	1. Application of the Principles	GPFi collaboration discussion on the Principles with key GPFi partners (OECD, WSBI, FATF etc)	AFI
31 Jan	Overall	Finalize the work plan and specific deliverables by the time of the GPFi Forum and French Summit	Co-Chairs AFI CGAP
7 Feb	Overall	Introduce and discuss the	AFI

		Sub-group work plan with the AFI Steering Committee members (Kenya, Philippines, Nigeria, Thailand, Mexico, Peru) at the AFI Steering Committee meeting	
17-19 Feb	Overall	Progress report at the FM/CBG Meeting & Deputies Meeting	Co-Chairs
20 Feb	1. Application of the Principles	Co-Chairs to send out official letters to Russia and UK (and Korea and Brazil) to agree to document their cases where Principles are successfully applied- AFI to follow-up with the matrix	Co-Chairs AFI* CGAP
28 Feb	2. Further encourage SSBs	Consider amendments to SSB-related work plan elements based on note from meeting in Basel with SSBs, convened by HRH Princess Máxima of the Netherlands and BCBS Chair Nout Wellink	Co-Chairs *CGAP AFI
28 Feb	1. Application of the Principles	AFI to produce first draft information paper on the application of the Principles & distribute to CGAP and other GPMI partners for feedback/comments	AFI* CGAP
March	1. Application of the Principles	Start preparing cases for the principles report :G20 and nonG20 (TBC- Nigeria, Kenya, Philippines, Peru, Malaysia)	AFI* CGAP
2-3 week of March	1. Application of the Principles	Promote application of the Principles during high-level meetings in Latin America	AFI
31 March	2. Further encourage SSBs	Finalize TORs for SSB report (including guidance gaps and barriers cases, subj. to available resources)	CGAP* AFI
31 March	3. Financial System Assessment	Finalize TORs for complementarities report (subj. to available resources)	CGAP* AFI
31 March	1. Application of the Principles	Outreach to FSB & OECD to coordinate work related to	CGAP AFI

	3. Financial System Assessment	financial consumer protection	
31 March	3. Financial System Assessment	Outreach to WB FSAP Team to develop concrete plans for improvements to FSAP tools on financial inclusion	CGAP*
31 March	3. Financial System Assessment	Outreach to FATF to discuss GPFi input to better integrate financial inclusion into mutual evaluation methodology and evaluator training	CGAP* AFI
31 March	1. Application of the Principles	Information paper on the application of the principles finalized	AFI* CGAP
5-6 April	1. Application of the Principles	Promote application of the Principles (especially Principle 4 & 5) at the Financial Inclusion Policymakers Forum in KL, Malaysia (Leverage the AFI Consumer Empowerment and Market Conduct working group)	AFI CGAP
April (TBC)	1. Application of the Principles	Promote application of the Principles in East Africa through AFI Africa Campaign	AFI* [CGAP]
14-15 April	Overall	Progress report at the FM/CBG Meeting & Deputies Meeting	Co-Chairs
16 April (TBC)	1. Application of the Principles	Promote and discuss the application of the principles at the AFI-G24 meeting (back to back with the WB/IMF Spring meeting)	AFI Co-Chairs
28-29 April (TBC)	1. Application of the Principles 2. Further encourage SSBs	AFI Financial Integrity Working Group meeting (promote principles, provide input on the SSBs activities)	AFI* CGAP
Early May	Overall	Progress report on Sub-Group Work Plan to GPFi Co-Chairs and Implementing Partners; agree on deliverables at the French Summit and outline of Mexico Summit outcomes at the Co-Chairs meeting in	Co-Chairs AFI CGAP

		Paris	
Early May (TBC) (possibly right after the Co-Chairs Mtg)	2. Further encourage SSBs	Workshop with the SSBs	Co-Chairs* CGAP AFI
Early May (following Co-Chairs Mtg)	Overall	Update Sub-Group work plan	Co-Chairs AFI CGAP
May (TBC)	1. Application of the Principles	Promote application of the Principles at the Arab Regulators Forum	AFI CGAP
June (TBC)	1. Application of the Principles	Promote application of the Principles in West Africa through AFI Africa Campaign	AFI [CGAP]
1 July	2. Further encourage SSBs	Rough draft of report on SSBs (including guidance gaps and barriers cases, subj. to available resources)	CGAP* AFI
1 July	3. Financial System Assessment	Rough draft preliminary complementarities report (subj. to available resources)	CGAP* AFI
1 Aug	1. Application of the Principles 3. Financial System Assessment	Further outreach to FSB & OECD to coordinate work related to financial consumer protection	CGAP AFI
1 Aug	3. Financial System Assessment	Further outreach to WB FSAP Team to develop concrete plans for improvements to FSAP tools on financial inclusion	CGAP*
1 Aug	3. Financial System Assessment	Further outreach to FATF to discuss GPMI input to better integrate financial inclusion into mutual evaluation methodology and evaluator training	CGAP* AFI
End of Aug	1. Application of the Principles	Comprehensive report on the Application of the Principles finalized	AFI* CGAP
Mid Sept	2. Further encourage SSBs	Report on SSBs (including guidance gaps & barriers cases, subj. to available resources) to be finalized	CGAP* AFI
Mid Sept	3. Financial System Assessment	Preliminary complementarities paper to be finalized (subj. to available resources)	CGAP* AFI

23 Sept	Overall	Progress report at the Deputies Meeting	Co-Chairs
1 Oct	Overall	GPIFI Forum (all the progress, outcomes to be presented)	AFI* Co-Chairs CGAP Other GPIFI partners
13-15 Oct	Overall	Progress report at FM/CBG Meeting & Deputies Meeting	Co-Chairs
20 Oct	Overall	GPIFI Forum report finalized	AFI* CGAP Co-Chairs
Early Nov	2. Further encourage SSBs	Send or facilitate sending invitations to 2 nd annual gathering of SSBs in Basel	Co-Chairs CGAP* AFI
3-4 Nov	Overall	French Summit	Co-Chairs
Dec 15	Overall	Update work plan (based on French Summit outcomes)	Co-Chairs AFI CGAP
Early Jan 2012	2. Further encourage SSBs	2 nd annual gathering of SSBs in Basel	Co-Chairs CGAP* AFI