



GPFI SME Finance Subgroup: 2017 Work Plan

Objective of the Subgroup:

Germany commenced its term as President of the G20 under the motto: "Shaping an interconnected world". As outlined in "G20 Germany 2017: Priorities of the 2017 Summit", Germany will structure leaders' discussion around the key themes of 1) Building Resilience; 2) Improving Sustainability; and 3) Assuming Responsibility.

Important priority areas of the German G20 Presidency in the GPFI are:

1. Review and Update of the Financial Inclusion Action Plan: 2030 Agenda and Digitisation
2. Implementation of the High Level Principles for Digital Financial Inclusion: Opportunities and Risks of Digital Financial Inclusion
3. Implementation of the G20 Action Plan on SME Financing
4. Financial Inclusion of Vulnerable Groups: Forcibly Displaced Persons

Within the GPFI, the SME Finance Sub-group will work on the implementation of the following priorities in 2017:

- a. Review and update of the G20 Financial Inclusion Action Plan;
- b. Roll out of the G20 Implementation Framework on SME financing;
- c. Financial Services for SMEs in Sustainable Global Value Chains;
- d. Climate smart financing for rural MSMEs - enabling policy frameworks;
- e. Implementation of the High Level Principles for Digital Financial Inclusion: Alternative Data and SME Finance; and
- f. Data Harmonisation.

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

- innovation - new instruments and the potential of digital solutions, also taking into account the risks of digitization;
- women's economic empowerment;
- financial inclusion of youth/ young entrepreneurship;
- data and indicators against the agreed SME finance indicators;
- engagement with the private sector;
- agricultural finance; and

- outreach and promotion.

Further, the Sub-group will strengthen the collaboration with other G20 workstreams to support the overall effort to avoid duplication and to enhance efficiency and effectiveness.

Moreover, the Subgroup is going to ensure an effective dialogue with the G20 outreach groups such as B20, W20, T20, Y20, L20 and C20, by taking into consideration their important role to inform the GPFI on the views of various stakeholders and hence enrich and deepen our discussions.

The Sub-group will continue to inform the various stakeholders including interested non-G20 countries and invite them to the meetings and workshops organized in 2017.

Subgroup Structure

- **Co-chairs (countries):** Germany, Turkey.
- **Countries participating in subgroup work (non-G20 and G20):** Argentina, Brazil, Canada, Indonesia, Italy, Netherlands, Switzerland, USA.
- **Subgroup Implementing partners:** Alliance for Financial Inclusion (AFI), IFAD, OECD, SME Finance Forum, World Bank/International Finance Cooperation (WBG).
- **Affiliated Partners:** Women's World Banking (WWB), Global Banking Alliance for Women (GBA), Child and Youth Finance International (CYFI), Microinsurance Network.

I. **CURRENT PRIORITY AREAS OF THE GPFI SME FINANCE SUB GROUP**

Under the German Presidency we will continue working on the implementation of the **G20 Action Plan on SME Financing**. One important cornerstone will be the G20 Workshop "*Helping SMEs Go Global – Moving Forward in SME Finance*". During this workshop, policy makers, private sector actors, DFIs, Fintechs, etc. will discuss in four different sessions on how to bridge the SME financing gap.

a. Review and update of the G20 Financial Inclusion Action Plan

In 2017, a process to update and review the Financial Inclusion Action Plan (FIAP) will take place. The subgroup will provide input on the stocktaking of the 2014 FIAP and will work on a set of SME Finance related action areas and indicators to be included in the 2017 FIAP. The action areas will serve as the guiding principles for the SME Finance Subgroup for the next 3-5 years.

b. Roll out of the G20 Implementation Framework on SME financing:

Under the German Presidency, the first baseline report based on the G20 SME Finance Action Plan Implementation Framework will be delivered. This is a self-assessment by all G20 countries regarding the status of their credit infrastructure compared to international standards in three areas. These areas are: a) improving framework conditions for credit reporting for SMEs; b) reform measures meant to facilitate borrowing by broadening the range

of acceptable collateral to include movable assets; c) reforming the legal framework for insolvency. The Implementation Framework of the G20 Action Plan on SME Financing adopted at the 2016 Hangzhou Summit will be rolled out in 2017. The WBG as IP will consolidate the country self-assessments in one baseline report and deliver it under the German Presidency. This report will be updated every two years and will show progress on the reform measures implemented by the G20 countries. The promotion of implementing the Action Plan in willing non G20 countries will also be explored.

c. Financial Services for SMEs in Sustainable Global Value Chains

At the G20 Summit in Hangzhou the G20 representatives reaffirmed that promoting SMEs and integrating them into global supply chains is an important driver for sustainable development and therefore enjoys a high priority. This can be achieved not only through cost efficiency, but also through the improvement of social and environmental conditions in the production processes of SMEs. However, the improvement of and shift towards sustainable production processes requires additional funding. The lack of sufficient financial services in most developing and emerging markets was identified as one of the main challenges for SMEs to overcome. According to the IFC and its Enterprise Finance Gap Database, formal and informal SMEs in developing countries face an estimated financing gap of USD 2.1 to 2.6 trillion.

Although several new financing models and initiatives have been developed in recent years to expand SME financing for more sustainable GVCs (e.g. governments and public sector initiatives, lending and advisory programs, innovative financing platforms), it is not yet clear which of them are most conducive to enabling SMEs to take part in sustainable GVCs.

Under the German Presidency of the G20, the GPFI SME Finance Sub Group will conduct a stocktaking study to identify, map and analyse existing financing models, good practices and policies and partnerships with regard to SME integration into sustainable GVCs. It will highlight models which have demonstrated success and have potential for replication. It is foreseen that the study will offer options and recommendations for the different stakeholders: G20 policy makers, IFIs and DFIs as well as for other global value chain actors.

d. Climate smart financing for rural MSMEs - enabling policy frameworks

Climate Smart rural micro, small and medium enterprises (MSMEs) investment is needed to adapt and build resilience of rural communities and food security systems as well as to reduce greenhouse gas emissions from rural areas. The MSMEs, individually and collectively face increasing asset loss risks due to more frequent extreme weather disasters. The systemic effects of climate are felt across communities and producers and within the affected value chains. At the same time, new cost saving opportunities and business models arise for rural MSMEs thanks to more and more accessible renewable energy sources and technological advances in the adaptation area (such as water recycling and irrigation systems). MSMEs need to acquire these efficient technologies and risk reducing practices and products that increase the resilience of their assets and livelihoods to climate change. G20 policy makers face the challenge of designing policies and regulations that help MSMEs to adapt to and thrive in a context of a changing climate, and access the financing required to adapt business models and make their businesses more resilient. In order to provide assistance for policy makers, the GPFI SME Finance Subgroup supports the development of a policy paper that will provide recommendations for evidence based climate smart MSME policy options. The paper reviews existing policies incentivizing and regulating rural MSME climate smart financing and analyze evidence regarding performance and results of these policies. Based on this analysis, evidence

from case studies and the modeling of climate smart MSMEs, the policy paper will elaborate policy options for G20 policy makers.

e. Alternative Data and SME Finance

Every time SMEs and their customers use cloud-based services, conduct banking transactions, make or accept digital payments, browse the internet, use their mobile phones, engage in social media, buy or sell electronically, ship packages, or manage their receivables, payables, and recordkeeping online, they create digital footprints. This real-time, and verified data can be mined to determine both capacity and willingness to repay loans.

A rapidly growing crop of technology-focused SME lenders are putting the use of SME digital data, customer needs, and advanced analytics at the center of their business models, setting forth new blueprints for disrupting the SME lending status quo. They offer more trusted, faster, easier, and better-fitted financing solutions today's increasingly tech-savvy SMEs seek.

The subgroup will conduct a review of new practices which will include:

- A stocktaking of the types of institutions using new, digital-oriented approaches to SME lending.
- A review of the types of data they collect, from which market segments, identifying patterns and trends.
- A consideration of the opportunities and risks as well as new policy issues raised, with reference to the G20 High Level Principles for Digital Financial Inclusion.

The review will result in a stocktaking report which will be presented to the GPFI leadership, with the main finding shared with the public during the GPFI Forum in May. The SME Finance Forum will undertake additional dissemination of these findings.

f. Data Harmonisation

At both the national and financial institution levels, there are a number of data collection exercises on SME finance that would benefit from better coordination, with a view to a process of harmonization of definitions and methodologies at the national and DFI levels. As a first step in this effort, the subgroup could provide an overview/stocktaking of existing and planned multilateral initiatives in data collection on SME finance. This stocktaking exercise would include information on the purpose, objectives and scope of each initiative, in addition to methodological aspects. This exercise would serve to inform a discussion among relevant stakeholders with the aim of reducing redundancies, improving the compatibility of different statistical initiatives and lightening the administrative burden on reporting countries. This effort aims to pave the way for better data harmonisation across countries.

Based on the results of the stocktaking, the G20, led by its Global Partnership for Financial Inclusion, will produce an Action Plan for review and approval during the Argentine presidency, similar to that developed for SME Financing, to promote data coordination/harmonization at both the macro- and micro- levels.

As the OECD Scoreboard on SME finance and similar exercises illustrate, there are wide cross-country differences in how SME finance indicators are defined, collected and categorised. Improving comparability of data will increase its usefulness in guiding policy discussions. The subgroup will examine how gender, youth and other key cross-cutting factors can be better appreciated through data coordination and harmonization.

II. ON-GOING ACTIVITIES OF THE GPFI SME FINANCE SUB GROUP:

i. SME Finance Compact

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

The implementation of the SME Finance Compact is ongoing in partnership with the Alliance for Financial Inclusion and the World Bank Group to support peer learning amongst regulators, identify regulatory and policy challenges, develop data indicators for SME finance and document successful policy approaches, as an important initial step and to support further activities under the SME Finance Initiative and the Financial Inclusion Support Framework (FISF).

In September 2015 at the Global Policy Forum of the Alliance for Financial Inclusion, members of the Network adopted the “Maputo Accord” formally recognizing the importance of SME Finance as a critical component of overall national financial inclusion strategies. Additionally, more than 30 developing and emerging countries within the AFI network signalled their intent to develop specific commitments and establish quantifiable targets for SME Finance under the framework of the Maya Declaration, and in furtherance of the goals of the G20 SME Finance. Individual country commitments, and progress against targets can be accessed in the AFI Data Portal, www.afi-dataportal.org, which was publicly launched at the September 2016 AFI Global Policy Forum in Fiji. AFI is creating a strategy to increase the level of reporting and data collection. Also, AFI’s SME Finance Working Group has published a survey that sets the role of financial regulators in promoting access to financing for MSMEs. Additional surveys with information about the role of regulator on fostering access to finance for MSMEs owned by women and women entrepreneurs along with a case study on Bangladesh are currently worked.

The [Financial Inclusion Support Framework \(FISF\)](#), a flagship initiative of the World Bank Group (WBG), aims to accelerate and increase the effectiveness of reforms and other country-led actions to achieve national financial inclusion goals. [Launched](#) in April 2013 and welcomed by the G20 Finance Ministers and the Alliance for Financial Inclusion, FISF helps scale up and leverage the WBG’s policy dialogue, analytical work and financing for financial inclusion.

FISF has two main components: country support programs (CSPs) and global knowledge activities. Technical assistance provided under the CSPs build on and contribute to public and private sector commitment to financial inclusion. They support the design and implementation of key policy and regulatory reforms, financial infrastructure development, the increased effectiveness of programs in strategic areas such as Government-to-Person payments, and help improve the financial capability of key population segments. FISF currently has eight active Country Support Programs (CSPs) in implementation in Rwanda, Indonesia, Mozambique, Ethiopia, Zambia, Pakistan, Cote d’Ivoire, and Vietnam. All of the eight FISF country programs include actions to support country priorities for SME finance. The knowledge component supports analysis, synthesis, and knowledge sharing in key underserved areas, such as the financial inclusion of women and individuals engaged in agriculture, and efforts to leverage digital payments to provide access to a broader set of financial services including to SMEs.

ii. Financial Inclusion and Youth

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

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

- i) the growth of a global community for young entrepreneurs and practitioners through the online Ye! community;
- ii) Hold Global Inclusion awards including Ye! youth entrepreneurship award to highlight exemplary youth entrepreneurs
- iii) models for the implementation of a national platform for coordinating youth entrepreneurship nationally;
- iv) creating opportunities for capacity building and non-financial support in collaboration with the World SME Forum;
- v) data collection to map the state of the field, collect best practices, and evaluate effectiveness of policies, financial products and programs related to you youth entrepreneurship.

In July 2017, CYFI plans to prepare a short report which contains a mapping of some of the different types of financial products which are available to youth entrepreneurs to help them finance their SMEs. This will include recommendations, based on feedback from young entrepreneurs, on which different types of products should be further developed or provided.

iii. Implementation of Private sector engagement strategy

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

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

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

SME Finance Forum members (financial institutions, fintechs and development banks) will become key partners for the GPFI in identifying priorities, collecting/analyzing information, and advocating for reforms to unblock obstacles and open up new opportunities to expand SME finance and close the finance gap. The SME Finance Forum has helped promote private sector participation in GPFI workshops, its annual Forum, and the Responsible Finance Forum. This year it is helping attract key private sector opinion leaders to the G20's SME Finance workshop in Frankfurt in February, and to the GPFI Forum 2-3 May. It will host its annual Global SME Finance Forum in Berlin 30-31 October, which will involve presentations, debates,

demonstrations and a marketplace for investors and firms. The meeting will be immediately preceded by study tours of innovative financial institutions and fintechs from the area. Last year's event in Beijing attracted over 400 registrants from the industry and policymaking institutions from more than 50 countries, and it is hoped that this year's meeting will be even larger. The meeting also will debut the annual SME Finance Awards program, which will showcase outstanding institutions working in the field.

The SME Finance Forum also has been helping build bridges for the subgroup to the regulators in AFI's SME Finance Working Group, to the SME associations to be mobilised through the new World SME Forum (WSF), and to the B20's SME and Financing Growth and Infrastructure Task Forces. AFI through its Public Private Dialogue platform has opened a new channel for consultation between national regulators and the global financial services industry. In 2017, dialogue with the B20 will continue, with B20 representatives invited to all major GPFI events.

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

iv. Women's Economic Empowerment

Women-led SMEs require a variety of financial and non-financial services in order to build and grow their business, as well as save for the future. Credit is one key component but insurance, savings, non-financial services are what will provide a foundation for greater women's economic empowerment. Policy plays a critical role in this as well.

- Encourage, through Implementing Partners e.g AFI and WBG FISF, that country diagnostics and strategies include gender dimension in their financial inclusion strategies.
- The Denarau Action Plan for Gender and Women's Financial Inclusion was adopted by the AFI membership at the 2016 AFI GPF in Nadi, Fiji, and sets out a 10-point action agenda to contribute to closing and eventually eradicating the financial inclusion gender gap. Under the action plan, each working group of AFI, including the SME Finance Working Group, has appointed a gender champion, to coordinate production of specific knowledge products on promoting women's financial inclusion relevant to their mandates. Progress in implementing the action plan is overseen by the Deputy Governor level AFI Gender and Women's Financial Inclusion Committee, chaired by the Bank of Zambia.
- In support of the Denarau Action plan, in 2016, the AFI SME Finance Working Group has devoted efforts to prioritizing in its policy agenda: financial inclusion of women MSMEs and women entrepreneurs. In this regard, the group finalized two knowledge products: (i) a case study on Bangladesh policies to broaden access to financing for MSMEs owned by women, and (ii) a Survey report on the current

status of SME Finance policies to enhance access to finance owned by women and women entrepreneurs. These papers are going to be published and presented for the AFI SME Finance WG meeting in Seychelles next march.

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

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

- A compendium on “Women in Inclusive Insurance”, jointly developed by BMZ/GIZ, Women’s World Banking and IFC. The compendium intends to orient the various stakeholders by identifying potential entry points for gender-sensitive insurance approaches and proposing ways for implementing those more effectively. It should assess the current state of gender mainstreaming in insurance and develop a “good-practice toolbox” including short case studies.
- GBA is in process of coordinating a gender Insurance working group with its members that will yield substantive insights and best practice in a research document.

Furthermore, the GPFI SME Finance Subgroup will reach out to the W20, who is focusing on financial inclusion for women in 2017 with a focus on “Promoting female entrepreneurship and access to finance for women”.

v. Support for country level actions to implement the High Level Principles for Digital Financial Inclusion

The Subgroup will continue to support this work, to ensure that the SME dimensions are considered in guiding country-level actions implementing the principles. This will include examining good practice lessons in moving SMEs from cash-based to electronic transactions, building on the work presented during the Chinese presidency on this topic. This will lead into considerations of how digitalisation of business life may relate to the formalisation of informal business activities and firms. In turn, this may raise questions as to tax and other systems might be reformed to reduce barriers to firms’ conversion to digital commerce, requiring coordination not only with the other GPFI subgroups, but also with other aspects of the G20’s work in the Finance and other tracks. Work on the SME dimensions of digital financial inclusion also will include identifying what may be different in financial literacy and consumer protection consideration when SMEs, not individuals, are the customers for the new financial products and services. The SG’s inputs will be included in the overall product of the GPFI.

Annex I: Timeline of Events (as of January 2017)

| Date | Event | Location | Activities |
|-------------------|---|-------------------------|--|
| 23 January 2017 | GPFI Workshop: Review and Update of the Financial Inclusion Action Plan | Wiesbaden, Germany | <ul style="list-style-type: none"> Review and update of the SME Finance relevant objectives and activities of the FIAP |
| 24 January 2017 | GPFI Meeting incl. SG Meeting | Wiesbaden, Germany | <ul style="list-style-type: none"> Discussing and finalising SME Finance SubGroup Work Plan 2017 |
| 23 February 2017 | GPFI Workshop "Climate smart financing for rural MSMEs" (tbc) | Eschborn, Germany | <ul style="list-style-type: none"> Discuss Policy options on climate smart financing for rural MSMEs |
| 24 February 2017 | G20 Workshop: Helping SMEs go global – Moving forward in SME Finance | Frankfurt, Germany | <ul style="list-style-type: none"> Focus on SME Finance |
| 11 -16 March 2017 | 8th SME Finance Working Group and 13th CEMC WG Joint Meeting | Victoria, Seychelles | <ul style="list-style-type: none"> SME Finance Meeting expecting to discuss a closer implementing role of AFI and the GPFI. |
| 27-28 April 2017 | Responsible Finance Forum: Opportunities and Risks in Digital Financial Services – How do we best protect Consumers and their Privacy? | Berlin, Germany | <ul style="list-style-type: none"> Discussion of FinTech business models, also w.r. to SME Finance |
| 2-3 May 2017 | GPFI Forum | Berlin, Germany | <ul style="list-style-type: none"> Presentation of SME Finance Subgroup work |
| 03 May 2017 | Global Inclusion Awards | Berlin, Germany | <ul style="list-style-type: none"> Including the Youth Entrepreneurship (YE!) Award |
| 4 May 2017 | GPFI Plenary | Berlin, Germany | <ul style="list-style-type: none"> Presenting final outcome documents to GPFI members for |

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| | | | approval |
| 30-31 May 2017 | IFI/DFI working Group Meeting on SME Finance | London, UK | Emerging trends in SME finance, exploring partnerships and coordination with other peer institutions, sharing good practices |
| 7-8 July 2017 | G20 Leader's Summit | Hamburg, Germany | |
| 02-03 November (with study tours on 01 Nov.) | Global SME Finance Forum | Berlin, Germany | |

Annex II: Timeline of Outputs (as of January 2017)

| Topic / Work Stream | Output | Release date |
|---|--|----------------------------------|
| Review and update of the G20 Financial Inclusion Action Plan | <ul style="list-style-type: none"> Updated 2017 Financial Inclusion Action Plan Stocktaking Report | July 2017 |
| Implementation of the G20 Action Plan on SME Financing | <ul style="list-style-type: none"> Baseline Study Helping SMEs Go Global – Moving Forward in SME Finance G20 Workshop and Workshop Report | July 2017 March 2017 |
| Financial Services for SMEs in Sustainable Global Value Chains | <ul style="list-style-type: none"> Session (<i>Fostering SME Finance in Sustainable Global Value Chains</i>) on the G20 Workshop in Frankfurt: Helping SMEs Go Global – Moving Forward in SME Finance Stocktaking Report | 24.02.2017 September 2017 |
| Climate smart financing for rural MSMEs - enabling policy frameworks | <ul style="list-style-type: none"> Workshop in Eschborn (Frankfurt) to discuss MSME climate smart financing concept and discuss policy options Policy Paper on “Climate smart financing for rural MSMEs” | 23.02.2017 July 2017 |
| Alternative Data and SME Finance | <ul style="list-style-type: none"> Report on alternative data models and policy considerations | May 2017 |
| Data Harmonisation | <ul style="list-style-type: none"> Stocktaking report | May 2017 |
| Financial Inclusion and Youth | <ul style="list-style-type: none"> Global Inclusion Awards, including Ye! Awards (BMZ and CYFI) | 03.05.2017 |
| Women’s Economic Empowerment | <ul style="list-style-type: none"> Side Event “Access to insurance for women” at WB Spring Meeting GPFI Input at W20 Summit | 19.04.2017 26.04.2017 |