



GPFI

Global Partnership
for Financial Inclusion

GPFI HIGH-LEVEL SYMPOSIUM AND THIRD PLENARY MEETING

4-5-6 October 2021
(Hybrid Events)

CO-CHAIRS' SUMMARY



The work of the Global Partnership for Financial Inclusion (GPFI) under the Italian G20 Presidency concluded successfully, being presented to the international community at the High-level Symposium “Coping with New (and Old) Vulnerabilities in the Post-Pandemic World” (4-5 October) and approved by GPFI members at the Third Plenary Meeting (6 October).

1. The High-Level Symposium "Coping with New (and Old) Vulnerabilities in the Post-Pandemic World" (4-5 October)

On 4-5 October 2021, the GPFI hosted the High-Level Symposium “Coping with New (and Old) Vulnerabilities in the Post-Pandemic World” that – structured along three main Sessions chaired by the GPFI Co-Chairs Magda Bianco and Anna Zelentsova - had the objective to present to the international community the main GPFI deliverables for the current year. Seeing the involvement of G20 member countries, participating non-G20 countries, implementing and affiliated partners – as well as representatives of the private sector and academia – the Symposium focused on a very important question: how to leverage on digitalization to leap forward in terms of financial inclusion and, at the same time, limit the risks of further exclusion related to digitalization itself.

Her Majesty Queen Máxima of the Netherlands, in her capacity as Honorary Patron of GPFI and UN Secretary General's Special Advocate for Inclusive Finance for Development (UNSGSA), delivered the (virtual) opening remarks. She highlighted the impact of digital financial services and digital public goods during COVID-19 recovery efforts, which enabled a rapid and effective rollout of government support programs to favor the most vulnerable and underserved groups of the world population. Responsible innovative solutions can create new opportunities, build financial resilience, empower excluded and support an inclusive recovery. Queen Máxima also underscored the need to address and mitigate the challenges posed by the rapid diffusion of digital financial services – like frauds, cybercrime, identity theft, the possible digital divide. In this regard, digital financial literacy and financial consumer and micro-, small- and medium-sized enterprises (MSMEs) protection policies appear to be key components of public interventions. Finally, Queen Máxima warmly welcomed the results achieved by the GPFI in 2021 and expressed hope that governments and businesses would use the final outputs.

Ignazio Visco, Governor of the Bank of Italy, echoed the importance of avoiding the potential risk of creating new forms of exclusion due to expediting and expanding the digitalization of the economy, finance and society. At the same time, he also reiterated the importance of assuring that



the benefits of digitalization would be widely shared, since an unequal access to finance may deepen the divide between current and future generations. A positive outcome would crucially depend on the development and accessibility of digital infrastructures, the degree of financial and digital literacy and the adequacy of governance, including in the fields of regulation and supervision. A cooperative and collaborative effort – within and across countries, across various authorities, across the public and the private sector – is needed to make the most of the lessons learned from the pandemic crisis and exploit them to bounce forwards towards a more inclusive and resilient post-pandemic world where no-one is actually left behind.

In his keynote speech, Professor Raghuram Rajan (The University of Chicago Booth School of Business) recognized the overall positive contribution that the strong push to digitalization – observed also because of the crisis – provided in terms of bringing a broader set of people into the regulated financial system. He also acknowledged that this process – indeed, one of the most critical structural transformations of recent years – could be not only an opportunity but also a threat, being able to rebound negatively even on the best intentions. Resembling the traits of a typical public good, digitalization clearly calls for careful monitoring and intervention by governments to ensure that it actually enables transformative opportunities to improve the quality of lives and leads to positive development outcomes for all.

The first day of the Symposium continued with the presentation of the main takeaways from the reports realized by the World Bank (represented by Leora Klapper) and the IFC-SME Finance Forum (represented by Matthew Gamser), which dealt with the impact of the pandemic on financial inclusion and resilience of individuals and micro, small and medium-sized enterprises (MSMEs), as well as the new risks of financial exclusion and those linked to cyber fraud due to the increased digitalization of financial services and products.

In the panel discussion that followed, chaired by Andrea Brandolini (Bank of Italy), the invited speakers Professor Thomas Philippon (New York University, Stern School of Business), Ratna Sahay (IMF), Professor Rohini Pande (Yale University) and Jean Pesme (World Bank), touched upon different examples of the pressing issues that an increasingly digitalized economy can bring about, such as: i) data privacy concerns and cyber-crimes (including frauds and scams); ii) risks of undesired customer discrimination from artificial intelligence algorithms; iii) risks of excessive market concentration from digital platforms; iv) the lack of digital skills that may widen the gender gap and the crucial availability of safe and interoperable infrastructure.



Daniele Franco, Italian Minister of Economy and Finance, introduced the second day of the Symposium and welcomed the efforts exerted and the results obtained by the GPIFI in accomplishing a very rich annual work-plan. On the backdrop of digitalization being at the core of Italy's G20 Presidency Agenda, he underscored how digital financial literacy represents one of the key enabling factors to increase the degree of financial inclusion, especially of the most vulnerable and underserved groups. Efforts to enhance digital financial literacy, also by leveraging technological solutions, are therefore critical to assure a more inclusive recovery going forward.

The two sessions of the day were dedicated to the presentation of the main conclusions reached by the three reports realized by the OECD, which offer a perspective of the actions undertaken to increase financial literacy – especially digital – and to provide greater protection for financial customers in the face of new digital risks.

In a first session, Professor Annamaria Lusardi (The George Washington University School of Business) highlighted the urgent need to address households' financial vulnerabilities, both new and old. Particular attention should be devoted to women and youth who, according to data, are particularly fragile in the aftermath of a crisis, even in developed countries. Professor Lusardi underscored the important role of financial literacy for the financial resilience of individuals and firms: fostering financial education and the resilience of individuals and firms appear to be less expensive than supporting families in case of crisis. She also added a note of caution about the use of technology: promoting digital literacy is necessary and important because digitalization and technology are here to stay and the level of digital knowledge is not sufficient to protect vulnerable groups. Flore-Anne Messy (OECD) informed the audience about the key findings of the report drawn up for the GPIFI and focused on the relationship between digital financial literacy and the resilience of individuals and MSMEs.

In a second session, Professor Jonathan Zinman (Dartmouth College) addressed the issue of financial consumer protection. He highlighted the importance of the collection of data, their analysis and interpretation to develop evidence-based policies. The markets for consumer financial services are growing rapidly and being transformed by digital technologies and platforms. With growth and change, nevertheless, come also concerns about protecting consumers. Regulator and academic perspectives need to bridge against each other in order to understand and address potential sources of harm. Over-indebtedness and competition issues have been used as examples of the potential problems that can span both old and new product markets, being still little consensus on how to define, diagnose or treat them. Miles Larbey (OECD) presented the main findings from the report aimed



at uncovering the most effective approaches adopted in both G20 and non-G20 countries to protect financial consumers and support financial inclusion in the context of the COVID-19 pandemic.

The two sessions also saw the participation of the representatives of GPIFI member countries – James Woodsome (US), Diogo Cruz (Brazil), Pawan Kumar (India), Richard Monks (UK), Yunita Resmi Sari (Indonesia) and Katherine Gibson (South Africa) – who provided a thorough description of how these two enabling factors – digital financial literacy and protection for financial customers – have actually been developed domestically.

The third and last session was devoted to the G20 Menu of Policy Options for digital financial literacy and financial consumer and MSME protection entitled “Enhancing digital financial inclusion beyond the COVID-19 crisis”, which was presented by Magda Bianco. The Menu builds on the work carried out by the GPIFI and its implementing partners during the year and reviews the actual measures implemented by countries and presented in their reports that proved successful in tackling the new challenges posed by the pandemic and by the increased digitalization of financial services. Its aim is to recommend viable and operational solutions to effectively increase the awareness of individuals and MSMEs on the opportunities and risks of digital finance, on the one hand, and improve consumers and MSMEs protection so that it becomes increasingly able to foster digital financial inclusion, on the other hand.

The Menu offers three main takeaways. The first is that, when addressing the financial implications of the deep and pervasive economic crisis, policy actions ought to be taken having in mind their long-term consequences and allow making permanent progresses looking forward. Moving beyond the pandemic, it appears to be necessary to design policies that encourage the supply and use of a wider range of responsible digital financial instruments, which are able to appropriately meet final users’ needs. At the same time, it could also be useful to increase financial literacy by directing consumers and MSME-owners towards reliable financial education resources. The second takeaway is that policymakers should strive to make digitalization a springboard to leap forward in financial inclusion, ensuring fair market practices and embedding financial inclusion into financial innovation approaches and strategies, including when designing financial education interventions and financial information campaigns. The third takeaway is the need to address the danger of financial exclusion by carefully identifying groups at risk and reinforcing the capacity to understand and assist the most vulnerable, including by means of technology.



2. *The Third Plenary Meeting (6 October 2021)*

On 6 October 2021, the GPIFI hosted the Third (and last under Italian G20 Presidency) Plenary Meeting, with the objective to provide an overview of the deliverables that have been accomplished under the Italian G20 Presidency and obtain the final approval by GPIFI members.

In particular, Mauro Martini (International Fund for Agricultural Development) and Oya Pinar Ardic (World Bank) provided an in-depth presentation of the impact of the pandemic on the remittances market amid an unprecedented switch to digital channels. Relying on a broad set of country-level experiences, the report distills the main lessons learned on how to ensure continued resilience of remittance flows against the occurrence of adverse shocks.

All the reports and documents produced during the year were formally approved.

The Meeting also represented an occasion to start discussing some relevant issues that will need to be touched upon by the GPIFI going forward. In 2022, the FIAP asks to progress SMEs' data harmonization and improve the availability of disaggregated data for SMEs led by women, youth and other groups. Matthew Gamser and Minerva Kotei (IFC-SME Finance Forum) offered a first picture of all the work that needs to be done to progress in these fields, also putting forward some proposals for collaboration and coordination among the many different institutions and authorities that collect such data. Richard Monks (G20/OECD Task Force on Financial Consumer Protection) updated GPIFI members about the process that will lead to the review and update of the High-Level Principles by end-2022.

The Meeting also served to highlight the next steps to bring forward the G20 2020 Financial Inclusion Action Plan (FIAP). As recalled by the Co-Chairs, the plan for 2022 regarding Action Area 1 (Digital Financial Inclusion) is to develop an implementation framework for the 2016 High-level Principles and the other guidelines and/or policy options issued by the GPIFI under past Presidencies. Regarding Action Area 2 (SME Finance), the initiatives will mainly revolve around MSMEs and will aim to reach two objectives. On the one hand, to dig into the new digital financial products and services available to small business that may increase their productivity and reduce their fragility, concentrating mostly on those that allow overcoming constraints in MSME financing and address sustainability challenges. On the other hand, to develop a toolkit that allows collecting more granular and gender-disaggregated data to inform policymaking in this area (e.g. disaggregated data for MSMEs led by women, youth and other groups).



Finally, Yunita Resmi Sari – representing the incoming Indonesian G20 Presidency – outlined the main features of the program intended to be pursued in 2022. Under the headings of the incoming G20 Presidency “Recover together, recover stronger”, the efforts of the GPIFI community will be directed towards the further promotion of financial inclusion through digitalization, with the aim to increase productivity and support a sustainable and inclusive economic recovery. By means of a deep analysis of both the supply- and demand-side conditions, the incoming G20 Presidency intends to formulate a comprehensive “Financial Inclusion Framework” with the aim to harness digitalization to increase productivity, sustainable and inclusive economy of women, youth and MSMEs. Overall, these objectives appear to be strictly intertwined and coherent with the deliverables contained in the 2020 FIAP.

The Co-Chairs concluded the meeting by thanking all GPIFI members for their active participation and support for the 2021 work-plan and related deliverables, which received the full support of both the G20 Finance Ministers and Central Bank Governors (12 October) as well as by G20 Leaders’ in the Rome Declaration (31 October).

GPIFI Co-chairs - Magda Bianco and Anna Zelentsova