



FIRST PLENARY MEETING OF THE GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

15-16 March 2024

CO-CHAIR'S SUMMARY



On 15-16 March 2024, the Global Partnership for Financial Inclusion (GPIFI) met in Brasilia, Brazil, for the first in-person Plenary Meeting under Brazil G20 Presidency.

1. First Plenary Meeting – Day 1: Opening Session

Carolina Barros, the Deputy Governor for Institutional Relations, Citizenship and Conduct Supervision of the Central Bank of Brazil (BCB), opened the Plenary by welcoming all participants and affirming the importance of the GPIFI's work for the objectives of the Brazil G20 Presidency, whose motto is 'building a just world and a sustainable planet.' Financial inclusion not only takes care of the most vulnerable segments of the population but also drives economic growth and contributes to achieving the Sustainable Development Goals (SDGs) and the 2030 Agenda.

Her Majesty Queen Máxima of the Netherlands, the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) and Honorary Patron of the GPIFI, delivered a video keynote address. She emphasized the relationship between financial inclusion and financial health, highlighting that access alone does not guarantee improved financial health. It is necessary to address this crucial challenge in both developing and developed countries.

Subsequently, the two Co-Chairs presented the Annual GPIFI Work Plan, which outlines the FIAP deliverables (including last-mile access and quality inclusion through digital infrastructure including DPI, consumer protection and other FIAP objectives, as well as a New G20 MSMEs action plan), the Presidency priority on a unified and consensual concept of financial well-being (FWB) and measurement tools of FWB, continuing actions (such as monitoring the cost of remittances), and cross-cutting issues as specified in G20 2023 FIAP that will be addressed throughout the GPIFI's work in 2024.

Luis Mansur from the Central Bank of Brazil discussed the Presidency Priority, which focuses on financial well-being. Despite Brazil's positive results in terms of access to finance, over-indebtedness remains a concern, service costs are high, and the overall financial literacy of the population is relatively low. The Central Bank of Brazil has implemented two good practices to enhance financial well-being: guidelines to improve transparency in the bank-client relationship and financial education initiatives in collaboration with the private sector. The Presidency expressed gratitude to all IPs involved in drafting the deliverable on financial well-being and to the

Bill and Melinda Gates Foundation for providing financial support to hire a special consultant for the Presidency.

During the subsequent round-table discussion, representatives from Italy, the USA, Germany, the European Commission, Japan, France, Australia, the UK, Switzerland, and the Netherlands condemned the Russian aggression against Ukraine for its economic consequences also on the financial inclusion of individuals and MSMEs. All members expressed support for the FIAP deliverables and the Presidency Priority, anticipating fruitful discussions. One member emphasized the importance of adhering to the scope of the deliverables as mentioned in FIAP and highlighted the significance of continuing with the work on remittances.

2. Session I – New G20 Action Plan on MSME Finance

At the beginning of the session, Luis Mansur from the Central Bank of Brazil provided a brief summary of the main takeaways from the GPII Side event held on March 14, 2023, in collaboration with International Finance Cooperation (IFC) and the SME Finance Forum (SMEFF). The event focused on ‘Powering Growth: Unlocking Micro, Small, and Medium Enterprises (MSME) Finance through Policies, Innovation, and Partnerships’. Presentations and discussions clearly underscored that MSMEs play a pivotal role in achieving growth and socio-economic transformation. However, there remains a significant gap in MSME financing worldwide, particularly considering the prevalence of informality, especially in Latin America. Digitalization presents new opportunities and solutions, provided that policies are in place to mitigate risks and adequately protect customers. All panellists agreed that information is crucial for designing effective policies and support measures for MSME financing, emphasizing the urgent need to improve the collection of disaggregated data at the country level.

Afterwards, IFC presented the draft outline of the action plan on MSME financing, providing detailed explanations of the proposal that will be jointly developed with the World Bank and the OECD. Specifically, the idea is to establish a framework to guide the design and implementation of targeted interventions by both G20 and non-G20 countries, with ongoing monitoring of progress over time. The proposed framework encompasses five key areas of intervention:

1. **Enhance Financial Market Infrastructure:** This includes improving credit reporting and credit risk assessment systems, secured transactions, insolvency regimes, and payment systems to make them more accessible and efficient for SMEs.
2. **Promote Diverse Financing Products:** The goal is to offer a wide range of debt, equity, and hybrid financing products tailored to the unique needs of SMEs. Digital solutions, such as Fintech platforms, can play a crucial role in achieving this.
3. **Support Responsible Financing:** This includes enhancing SMEs' capabilities to assess different financing options through financial education and introducing basic protection measures.
4. **Promote SME Data collection:** the goal is to enable more effective government intervention, providing accurate and disaggregated data at the country level.
5. **Improve Targeted Interventions:** The focus here is on closing the SME financing gap by also mobilizing private capital for SME financing.

The proposed workflow begins with the drafting of non-binding policy recommendations (Final SME Action Plan 2.0), which is scheduled for finalization in November 2024. Subsequently, an implementation guide will be prepared as a basis for self-assessments and monitoring of the progresses at the country level. Additionally, specific targets were also proposed as an essential tool for measuring impact. SMEFF, the OECD, and the World Bank further complemented the presentation by highlighting their work in this area. They emphasized the need to understand which policies are most effective, extending beyond digitalization, and also considering new challenges such as climate change.

All members generally supported the deliverable; however, they expressed reservations about setting country specific targets and indicated their willingness to provide written comments. Many members appreciated the focus on digitalization, competition, transparency, data, proportionality, and vulnerable groups which were indicated in the outline. Some members suggested that the action plan should also address the challenges of micro enterprises and therefore "SMEs" may be replaced by "MSMEs" as was also indicated in G20 2023 FIAP. Additional policy reforms/initiatives related to digital infrastructure may also be incorporated in the action plan. However, they requested further efforts by the Implementing partners (IPs) to streamlining the plan. The action plan should offer pragmatic guidance to countries, helping them

to choose the right policies to reduce the SMEs finance gap, without setting unnecessary burdens. In this regard, learning from past GPII experiences (e.g. the drafting of the high level principles implementation guide and the related self-assessment exercise) and assessing the impact of the previous plan were deemed crucial. Furthermore, some members emphasized the importance of considering existing documents, such as the UNICITRAL guide on access to credit for MSMEs, and drawing from good practices presented in the GPII living database developed during the Indonesia G20 Presidency. Some members explicitly highlighted the need to address the challenges of the green transition, while others argued that this is the competence of other dedicated fora and therefore such challenges may be better addressed in those dedicated groups and fora. Maintaining alignment with the financial inclusion objectives and the FIAP, and recognizing gender as a cross-cutting issue in MSME financing were also raised as relevant points.

Following a productive discussion, the co-chairs reiterated the importance of leveraging existing work, maintaining focus, and creating an action-oriented plan. Additionally, one of the Co-Chairs suggested considering whether a structured implementation guide – which serves as a basis for the country self-assessment and the drafting of the subsequent report - remains the best approach or if innovative methods are needed to monitor progress in a rapidly changing environment.

3. Session II – Presidency Priority - Financial Well-Being

Luis Mansur from the Central Bank of Brazil initiated the discussion on the Presidency priority, recalling Queen Máxima of the Netherlands' words. The video message of the Honorary Patron emphasized the need to define the concept of financial health (or financial well-being) and analyse the related enabling factors. Then, James Catto from the US Treasury reminded everyone that the Sub-Committee responsible for drafting the Presidency deliverable was established in January 2024, comprising 12 countries and 8 Implementing and Affiliated Partners, along with the Honorary Patron. The Sub-committee's expected output is a report on financial well-being, which will be endorsed by G20 countries. This report will cover two main aspects: a unified and consensual concept of financial well-being and measurement tools. Given the complexity and multifaceted nature of the topic, the draft note currently provides an overview of the motivations for focusing on financial well-being (section 1) and discusses the definition of financial well-being

and its constituent elements (section 2). The note will be refined based on feedback, and a roadmap for further progress will be planned.

The OECD then explained the draft note in detail, highlighting two preliminary remarks. First, financial well-being (FWB) is discussed exclusively in the context of financial services; second, the term financial well-being is used as a synonym for financial health. Countries are at different stages of research on FWB. The aim of the note is to give countries the possibility to follow an approach adapted to their needs in order to integrate FWB into their national policies. Given that financial well-being means different things in different countries, it is crucial to discuss the main elements in order to be able to adjust the definition according to the group's needs and discussions. The current proposed definition includes the ability to manage finances smoothly in the short term, the capacity to absorb a financial shock, cope with unexpected or adverse events, and deal with unforeseen expenses, the ability to pursue financial aspirations and meet future goals as well as feeling confident and satisfied about their financial lives. The focus will be on individuals, but there is also the possibility to develop indicators and methodology to cover the household/family dimension. In particular, the proposal for measurement follows a two-layer approach, allowing for the development of a core set of indicators and a broader set of indicators on certain aspects (e.g., more indicators related to subjective elements) for optional use.

A representative of the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) took the floor, recalling that the GPI has played a key role in advancing financial inclusion by developing globally adopted principles and best practices for financial inclusion, enhancing global collection of data, and informing policy and targeted interventions. It has also influenced global financial inclusion policy, prioritizing financial inclusion in G20 and beyond. Developing key enablers, including DPI, is vital for success, but access and usage may not always result in better financial outcomes. Challenges are changing over time, including high inflation, income volatility, climate change, conflicts, and the digital divide. There is an urgent need to concentrate on financial health as an outcome of financial inclusion, with customer-centricity as a key foundation. Looking beyond basic access and usage, the focus should be on ensuring that individuals possess financial tools that meet their needs and contribute to shaping their financial health. In accordance with these developments, later this year the Special Advocate's mandate will shift to focus on financial health. UNSGSA recognized that, by developing the Brazil Presidency Priority on FWB, the GPI will be at the forefront of advancing the financial

health agenda by establishing a widely accepted definition, adaptable to the specific circumstances of different countries, and developing measurement guidelines that ideally utilize both demand and supply-side data.

In the same vein, Consultative Group to Assist the Poor (CGAP) acknowledged the significant global progress in financial inclusion in terms of access and usage but stated that even with the growth of financial inclusion, FWB may not be ensured. – CGAP also acknowledged the sub-committee work under the co-leadership of Brazil and USA and with the guidance of the GPII Co-Chairs - plays a critical role in gathering the views of countries and implementing partners to arrive at a common definition.

All members engaged extensively in the important discussions of GPII and expressed their willingness to provide comments that contribute concretely to the deliverable. There were concerns about what is achievable within the Presidency's time span, given the complexity of the topic of FWB and the need to accommodate diverse views. In this regard, some members emphasised that the establishment of a specific sub-committee has been crucial. Some members highlighted the connection between quality inclusion and financial well-being (FWB), Additionally, they stressed the relevance of customer protection measures and digital/financial literacy as enabling factors. Some members argued that the work may focus on developing a conceptual framework of FWB rather than a definition of FWB. One member also referred to the February G20 FMCBG Chair Summary wherein the unified and consensual concept of FWB was agreed. Some members urged confining the scope of work within the mandate of GPII and maintaining the focus on financial inclusion. Some members also, emphasized the need to establish the link between financial inclusion and financial well-being. One member also highlighted that the conceptual framework of FWB must be based on the established linkage between financial inclusion and FWB. Some members underlined the importance of creating a framework applicable to all countries, considering their country perspective including diverse cultural and economic characteristics. Rather than a strict definition, the idea should be a conceptual framework that allows different implementations based on individual needs. Avoiding a one-size-fits-all approach is essential, as different countries face unique challenges. In this regard, the deliverable should offer a comprehensive, fair, and adaptable tool. Further, one member also highlighted the need to distinguish between FWB and Financial health.

During discussions about drafting the concept of FWB, subjective versus objective elements of FWB were deliberated. While many countries suggested concentrating more on objective elements, recognizing that subjective aspects depend on individual perspectives and country-specific features, others acknowledged the difficulties of considering only objective elements in both the concept and measurement. One member proposed that the definition should be objective, whereas measurements could also include subjective aspects, this distinction being important to measure the various elements of FWB. Additionally, one member proposed a definition of FWB: “FWB can generally be described as a state where individual’s households can smoothly manage their day to day financial transactions in a fair, trusted and affordable manner, have the financial security to meet any contingency and recover from financial setbacks and exercise financial discipline to have a steady financial future”.

Session 3: Update on SSBs work on financial inclusion

Magda Bianco presented the work done by the GPII with Standard Setting Bodies (SSBs) under the Enhanced Cooperation Agreement. Specifically, three significant events were organized in Basel by the Bank for International Settlements (BIS):

a) a workshop on “Fostering financial inclusion with digital assets” on 29-30 November 2023

During the workshop, discussions covered various topics connected with the digitalisation of finance, focusing on opportunities and challenges for financial inclusion related to the issuance of digital assets. Panellists explored how to integrate financial inclusion objectives into the design of central bank digital currencies (CBDCs) and discussed new developments and projects related to cross-border payments.

b) a check-in meeting on 30 November 2023

The check-in meeting has been the occasion to share experiences and relevant projects. Several presentations took place: CGAP presented a paper on open finance; the BIS innovation hub explained its new projects relevant for financial inclusion; a paper on fast payments and CBDCs was illustrated by the BIS and the World Bank.

c) the Financial Inclusion High-Level Meeting on 12 March 2024

During the Financial Inclusion High-Level Meeting, the Honorary Patron of the GPII highlighted progress and challenges in financial inclusion, while the GPII co-chair outlined the new action

plan for 2024. An in-depth discussion on open finance was held, drawing from country experiences and illustrating the new works on the development of high-level principles for open finance.

Subsequently, Tom Neylan presented two new lines of work of the Financial Action Task Force (FATF), on which the GPII guidance was sought to avoid unintended consequences in terms of financial inclusion. The first topic concerned FATF Recommendation 16, and in particular the new transparency requirements for wire transfers. The public consultation is available on www.fatf-gafi.org and written responses are due by the 3rd of May 2024. The second point was on the foreseen amendments to FATF Recommendation 1, intended to help countries to be more confident in applying the risk-based approach in AML/CTF implementation, that allows to reduce requirements in case of low-risk situations. Between March and October 2024 the FATF will be discussing the issue with the relevant stakeholders, conducting in parallel the revision of the guidance. The related consultation will be launched in October 2024. All members were invited to participate.

Session 4: Last Mile Access and Quality Inclusion

The second day of the first Plenary started with the discussion on the “Guidance Note on Policy Options to Improve Last Mile Access and Quality Inclusion, through digital infrastructure, including Digital Public Infrastructure (DPI), Consumer Protection and other FIAP objectives”.

CGAP recalled that account access has grown substantially over the last decade and is likely to continue as more countries create enabling digital infrastructures; however, there are still gaps especially in gender and rural financial inclusion. It is important to review experiences to address existing barriers and, in doing this, quality is also essential. The WB acknowledged that to tackle the long tail and vulnerable groups it is essential to go beyond digital infrastructures fostering touch points and tailored solutions. BTCA reaffirmed the importance of the last mile, reaching women and ensuring quality inclusion for all.

All members supported the deliverable and appreciated the focus on vulnerable groups and, in particular, those living in rural areas and women. One member also suggested to focus on the non-G20 countries such as Global South. Listing all enablers including DPIs, financial literacy and consumer protection – is essential to give countries the opportunity to choose the best

policies that will suit their needs. However, many Members asked IP to make an effort to draft a more concise, to-the-point and streamlined document. Some members welcomed the review of the 2016 quality principles and highlighted the crucial role played by agents. Digitalisation is key, but some members urged to find solutions also for situations in which connectivity is low. Some members emphasised the existing challenges/gaps in last mile access and also urged to focus on quality inclusion from the perspective of how to improve access and usage for financial inclusion. Some members mentioned the need to involve the private sector in the goal of reaching the last mile and asked to provide clarity on the relationship between the different GPIFI deliverable for 2024 (last mile and quality, FWB, MSME action plan).

Saudi Arabia and Turkey asked for immediate cease-fire in Gaza and safe access to relief and medical supplies for the Gaza residents, underlining the role of the GPIFI in fostering equity and inclusivity.

One of the Co-Chairs requested members to make suggestions keeping in view the specific asks of the deliverable as envisaged in G20 2023 FIAP.

Session 5: Other issues

During the last session, the World Bank delivered two presentations: one on the new Findex data collection and the other on monitoring international remittance costs.

Regarding the Findex, the new data collection will take into account discussions on quality inclusion and will also incorporate questions designed to analyze individuals' financial health, including concerns about their financial situation. There is also an enhanced focus on digital skills and climate vulnerabilities. Once available, data will be very useful for informing GPIFI discussions.

As for remittances, fees for transferring \$200 decreased on average during the period from 2011 to 2023, although they still remain above the target of 3%. Digital channels generally cost less but are not universally available. Remittances to small states continue to be very costly and well above the target.

At the end of the presentations, the Co-chairs specified that slides would be circulated as soon as possible, and members would have until April 7th to send their comments on the draft documents discussed in the plenary. The Co-chairs also mentioned that some members raised the issue that attending all meetings in person could be too demanding and costly, and might not

be respectful of environmental aspects. A possible solution could be to alternate between in-person and virtual meetings, an idea supported by some countries. The Brazil G20 Presidency expressed willingness to explore the possibility of organizing the meeting in Fortaleza online.

Finally, at the conclusion of the meeting, the Co-Chairs expressed gratitude to all Members, IPs, and relevant stakeholders for their effective cooperation and fruitful discussions. Special thanks were extended to the Presidency for hosting such a successful meeting.

Sending written comments and suggestions is crucial for shaping the deliverables and moving forward united toward our goals. It is important to continue discussing, sharing experiences, and maintaining an open mind toward the new developments.

The Brazil G20 Presidency expressed gratitude to all GPI members, GPI co-chairs, IPs, and APs, and welcomed everyone to continue working together under the headline:

“Building a just world and a sustainable planet ”

GPI Co-Chairs - Magda Bianco and Chanchal Sarkar