



GPFI

Global Partnership
for Financial Inclusion

2017 Progress Report to the G20 Leaders

G20 Summit, Hamburg, 7-8 July 2017

REPORT OUTLINE

This report summarizes GPFi activities from October¹ 2016 to July 2017, presents the main achievements under the German Presidency and describes the outlook for the rest of 2017 and into the start of the Argentinean Presidency.

The report is structured as follows:

- Recommendations to the G20 Leaders
- Why financial inclusion remains a priority for the G20
- GPFi Priorities in 2017
- Work undertaken, achievements and prospects:
 - Update of the G20 Financial Inclusion Action Plan
 - Financial Inclusion of Forcibly Displaced Persons
 - Implementation of the G20 High-Level Principles for Digital Financial Inclusion
 - Regulation and Standard Setting Bodies Subgroup
 - Markets and Payment Systems Subgroup
 - SME Finance Subgroup
 - Financial Consumer Protection and Financial Literacy Subgroup
- List of GPFi Documents in 2017

¹ Acknowledging activities or main events that took place after the Hangzhou Summit and before the official start of the German Presidency.

RECOMMENDATIONS TO THE G20 LEADERS

- To implement the G20 Financial Inclusion Action Plan (FIAP) as a means to achieve the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs) and to recognize the FIAP as guiding document for the G20 financial inclusion efforts to reach the unbanked and financially excluded.
- To encourage G20 and non-G20 countries, relevant United Nations Organizations (e.g. UNHCR, WFP), standard-setting bodies, other interested international organizations and stakeholders, to jointly develop proposals for a roadmap to enable responsible and sustainable financial inclusion of Forcibly Displaced Persons (FDPs) globally and to strengthen cooperation and collaboration on this topic.
- To further the implementation of the G20 High-Level Principles for Digital Financial Inclusion, in particular through promoting peer exchange and the sharing of good practices.
- To encourage the Financial Stability Board (FSB) and the global standard-setting bodies (SSBs) to keep pace with financial technology (FinTech) developments and their effect on financial sector development, including their contribution (positive or negative) to the linked goals of financial inclusion, financial stability, financial integrity, and financial consumer protection.
- To support the progress made by the FSB and the relevant SSBs in coordinating and collaborating on crosscutting issues that are related to the goal of financial inclusion and are of current relevance to the work of multiple global SSBs.
- To continue the commitment of the Financial Action Task Force (FATF) and the Financial Stability Board (FSB) to work with the G20, the GPF, other SSBs, and other relevant global bodies to explore the impact and drivers of 'de-risking' on remittances and related services, as well as possible measures to address remaining issues relating to remittance providers' access to banking services.
- To reaffirm the need for continued action to reduce the cost of sending remittances, while ensuring the quality of remittance services and their impact on local economic development, and commit to implementing the actions outlined in National Remittance Plans updated in 2017.
- To implement reforms in the three credit infrastructure areas of the G20 Action Plan on SME Financing based on the implementation framework country self-assessment baseline established in 2017 and encourage non-G20 countries to participate in the biennial self-assessments.
- To continue supporting SME access to finance, in particular promoting financing models for SMEs in sustainable Global Value Chains and enabling climate smart financing for rural MSMEs as outlined in the relevant GPF Policy Paper, and SMEs from particularly difficult to reach and/or underserved segments or who face systematic barriers and discrimination to financial inclusion.
- To develop new guidelines for the effective and responsible use of data in SME financing, including sex and age-disaggregated data, reflecting the many new data sources and users now operating globally.
- To call on G20 and Non-G20 economies to highlight financial literacy and consumer protection for digital finance and enable consumers to make effective decisions in this changing environment.

- To take concrete actions based on the results of Responsible Finance Forum VIII on data protection, which was flanked by the GPF, to set minimum standards for G20 and non-G20 countries that make aware of the risks entailed in innovative digital finance solutions, while also taking opportunities into account.

WHY FINANCIAL INCLUSION REMAINS A PRIORITY FOR THE G20

The Global Partnership for Financial Inclusion (GPF) was launched in December 2010 in Seoul with a view to “provide a systematic structure for implementing the G20 Financial Inclusion Action Plan”. Now, seven years later, there is an increasing awareness of financial inclusion as a global priority, since the G20 Leaders recognized the 2030 Agenda for Sustainable Development at the 2016 G20 Summit in Hangzhou, with financial inclusion being a key enabler for its achievement.

Going beyond its role as a financial sector development goal alongside more “traditional” financial sector development goals, financial inclusion is capable of **bolstering sustainable, balanced, inclusive economic growth** at the macro level and **promoting economic and social inclusion** at the household and enterprise level, especially among financially excluded and underserved populations.

Furthermore, there is increasing evidence that financial inclusion has a **positive development impact** by providing access to financial services to the poor (enterprise and household level) while contributing to **sustainable development** at the macro (financial sector) level. Ultimately, an inclusive financial system supports **global financial sector policy goals of stability, integrity and consumer protection**.

Despite the 20 percent increase between 2011 and 2014 in the number of adults with access to formal financial services worldwide, there are still 2 billion people—more than half of the adult population—and 300 million businesses excluded from the formal financial system. The ongoing gap in access to, and usage of formal financial services calls for dynamic international action.

With growing evidence that financial inclusion has a multiplier effect in boosting overall economic output and contributes to **reducing poverty and income inequality** at the national level, the G20’s commitment to expand financial services remains at highest priority.

Financial inclusion of women is particularly important for **gender equality** and women’s economic empowerment. With greater control over their financial lives, women are able to help themselves, their families and communities climb out of poverty; reduce their risk of falling into poverty; eliminate their marginalization to the informal sector; and increase their ability to fully engage in measurable and productive economic activities.

At the G20 Summit in Hangzhou, China, in September 2016, G20 Leaders explicitly recognized the critical importance of financial inclusion and inclusiveness to “ensure that our economic growth serves the needs of everyone and benefits all countries and all people, including in particular women, youth and disadvantaged groups,” reinforcing the GPF’s mission and mandate.

GPMI PRIORITIES IN 2017

Guided by the three pillars of the German G20 Presidency: *'building resilience, improving sustainability, and assuming responsibility'*, in 2017 the GPMI works towards further strengthening the functioning of the GPMI and pursues the implementation of the 2014 G20 FIAP and subsequent 2017 G20 FIAP. This year, the GPMI puts particular focus on:

- Review and Update of the G20 Financial Inclusion Action Plan
- Implementation of the G20 High-Level Principles for Digital Financial Inclusion
- Implementation of the G20 Action Plan on SME Financing
- Increased focus, underpinned by policy work, on the financial inclusion of vulnerable groups, i.e. forcibly displaced persons.

These four priorities, plus action areas, cross-cutting issues, and overarching objectives outlined in the 2014 G20 FIAP, and subsequently in the 2017 G20 FIAP, guide the work of the GPMI in 2017. Special attention is paid to the financial inclusion of underserved groups, notably women and youth, and vulnerable groups, including poor people and people living in remote rural areas.

WORK UNDERTAKEN, ACHIEVEMENTS AND PROSPECTS

Update of the G20 Financial Inclusion Action Plan (FIAP) & GPMI internal organization

The G20 Financial Inclusion Action Plan (FIAP) was first endorsed at the G20 Summit in Seoul in 2010 and was then revised in 2014. In order to reflect current G20 commitments and priorities, the 2017 review and update of the G20 FIAP was announced in the 2014 FIAP and reaffirmed by the leaders in the 2016 Hangzhou Action Plan.

Under the German Presidency, the 2014 FIAP was updated for another three-year period. With an Update Workshop at the first GPMI Meeting in Wiesbaden in January, the update process was kicked off and priorities were discussed and agreed upon, followed by several rounds of comments from GPMI members. Four major trends in the financial inclusion sector were identified and hence covered: the 2030 Agenda for Sustainable Development (a), opportunities and challenges of digital innovations (b), Forcibly Displaced Persons as a new vulnerable group (c) and the mainstreaming of financial inclusion (d).

Further, the updated FIAP comprises three components of highest priority for GPMI members: overarching GPMI objectives (i), nine action areas (ii), and a set of cross-cutting issues (iii). Additionally, a new accountability mechanism and results framework were introduced to better communicate on GPMI achievements and ensure continuity from G20 Presidency to Presidency. The GPMI endorsed the 2017 FIAP in June 2017.

Along with the FIAP update, the G20 FIAP Progress Report 2014-2017 was conducted. In this context, Subgroups reported on their accomplishments in the respective action areas, cross-cutting issues, GPMI contributions to the SDGs and to additional G20 financial inclusion commitments under the 2014 FIAP. All in all, great progress was achieved by each single Subgroup in promoting financial inclusion.

Another priority of the German Presidency was the update of the GPFi Terms of Reference (ToR) and the Subgroups' ToR. Therefore, a Housekeeping Steering Group was set up at the first GPFi Meeting in January who took the work forward. Subsequently, the updated GPFi ToR feature clarification on topics such as the different membership categories, the participation of non-G20 countries and the role and responsibilities of GPFi Co-Chairs. The GPFi ToR were finalized in the aftermath of the GPFi Plenary. In the second half of the German Presidency, the Steering Group will lead the update process of the Subgroups' ToR.

Financial Inclusion of Forcibly Displaced Persons (FDPs)

Forced displacement, in its various forms and whether due to conflict² or natural causes, is a critical and rapidly evolving development issue and displacement is increasingly protracted. For forcibly displaced persons (FDPs), access to affordable, secure and quickly usable financial services such as payments, savings opportunities, credits and insurances is often unavailable or inadequate; this is especially true for women. It reduces their chances of coping with difficult situations, using their economic skills and developing their potential, and thus making a contribution to the economic development of the host community or country. Financial inclusion of FDPs is a long-term policy challenge that concerns G20 countries and many emerging and developing economies. However, FDPs have - as a particularly vulnerable group - so far not featured prominently in international discussions regarding financial inclusion and within the GPFi.

Under the German G20 Presidency, this highly relevant area of development policy was set as one of four priorities. The ultimate goal of the G20-Initiative "Financial Inclusion of Forcibly Displaced Persons" is to improve FDPs' access to a broad range of adequate financial services by

- raising awareness, firmly placing it at the centre of the international debate, and encouraging actors to close persistent data and knowledge gaps,
- strengthening dialogue between relevant actors (policy makers, regulators, financial services providers, GPFi implementing partners, humanitarian organizations, and academia) and promoting consensus, and
- identifying common challenges and promising solutions for appropriate policies and a conducive regulatory framework.

In order to kick start the initiative, a mapping exercise and workshop was carried out by the German Presidency in December 2016 which brought together GPFi implementing partners, humanitarian organizations and other relevant stakeholders active in this field. On 24 January 2017 the GPFi convened a Temporary Steering Committee (TSC) during the GPFi Meeting in Wiesbaden. The TSC – led by the German G20 Presidency – provided guidance and support for the following work streams and outputs:

- Forcibly Displaced Persons were included as a new target group in the 2017 Financial Inclusion Action Plan (FIAP). Subgroups are asked to discuss how they can address the needs of FDPs in their future work.
- A Special Report on Financial Inclusion of Forcibly Displaced Person was prepared by AFI examining current regulatory practices and perspectives based on examples from 13 countries.
- A draft Policy Paper on Financial Inclusion of Forcibly Displaced Persons was consulted within the GPFi. The paper aims to provide policy makers and other relevant stakeholders

² According to UNHCR's Global Trends Report 2016, forcibly displaced persons include refugees, asylum seekers and internally displaced persons.

with information on common regulatory challenges, other beneficial or problematic framework conditions as well as promising solutions to facilitate the financial inclusion of FDPs. The GPFJ agreed with the suggested action areas at the GPFJ Plenary on 04 May 2017.

- On 26 April 2017, GPFJ and AFI hosted a High-Level Forum in Berlin. It convened a wide set of relevant countries and stakeholders in a global dialogue on the issues surrounding the financial inclusion of FDPs. The Forum disseminated the results of the draft GPFJ Policy Paper and the AFI Special Report and participants discussed recent developments in the financial inclusion of FDPs, including the humanitarian response perspective, and showcased new business models for financial inclusion of FDPs.

In general, the work of the GPFJ on this topic and its mandate makes a decisive contribution by facilitating and strengthening the dialogue between various actors and bringing new types of actors to the conversation, particularly humanitarian organizations. This helps accelerating ongoing areas of collaboration like the work on “digital payments in humanitarian response” (e.g. Barcelona Principles).

Implementation of the G20 High-Level Principles for Digital Financial Inclusion

The G20 High-Level Principles (HLP) for Digital Financial Inclusion were endorsed at the Hangzhou Summit in 2016 to promote digital solutions in accelerating financial inclusion and to balance the risks and opportunities of digital financial inclusion. Under the German G20 Presidency, the GPFJ took first steps to implement the HLPs.

At the GPFJ Meeting in January 2017, GPFJ members agreed to address digitization as an overall cross-cutting issue within GPFJ activities, including in the four Subgroups. In 2017, the GPFJ took stock of emerging practices to accelerate the uptake of digital technologies with a view to expand financial inclusion. In this context, the GPFJ Report on Digital Financial Inclusion: Emerging Policy Approaches has been delivered. The report focuses on regulatory and policy approaches to develop an enabling legal and regulatory environment and expand the infrastructure ecosystem for digital financial services (i.e. the initial four core HLP).

Further, the G20 Conference on „Digitizing finance, financial inclusion and financial literacy” was held in January 2017 in Wiesbaden. G20 finance and central bank deputies, policy-makers and prominent speakers from international organizations, academia and the financial industry emphasized opportunities of digitalization in promoting financial inclusion and discussed ways to mitigate associated risks. Two specific workshops dedicated to the topics of digital financial inclusion and financial literacy, respectively, called attention to the benefits of peer exchange on these issues and on the growing importance of financial literacy in a digital financial world.

In April 2017, the GPFJ supported the 8th Responsible Finance Forum “Opportunities and Risks in Digital Financial Services – Protecting Consumer Data and Privacy” that addressed opportunities and risks in digital financial services with a focus on consumer protection and data privacy.

These activities outline the overall coverage of digitization and the implementation of the HLP within the GPFJ. Further, the four Subgroups took forward the work on the implementation of the HLPs more specifically and in detail in their 2017 work plans, e.g. through delivering the GPFJ Guidance Note on Building Inclusive Digital Payments Ecosystems (Markets and Payment Systems Subgroup), the GPFJ Report Alternative Data Transforming SME Finance (SME Finance Subgroup), the OECD/INFE Report Ensuring financial education and consumer protection for all in the digital age (Financial Literacy & Consumer Protection Subgroup).

Regulation and Standard Setting Bodies (SSBs) Subgroup

The GPFi continued to promote the mainstreaming of financial inclusion in the work of the standard-setting bodies (SSBs) and other relevant global bodies and to increase understanding of the interdependence of financial inclusion, stability, integrity and consumer protection.

The Regulation and SSBs Subgroup's work in 2017 built up on the significant groundwork set through the 2016 publication of *Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape* (2016 GPFi White Paper), a collaboration among the secretariats and key leaders of more than ten financial-sector and technical SSBs of relevance to financial inclusion and the GPFi. Multiple GPFi members and Implementing Partners contributed through a drafting group led by experts from CGAP and the World Bank. Implementation of the Recommendations in the 2016 GPFi White Paper is a multi-stakeholder, multiyear process facilitated by the GPFi. Also informing 2017 activities were the outcomes of the October 2016 Conference on SSBs and Financial Inclusion, hosted by the Financial Stability Institute (FSI) at the Bank for International Settlements (BIS) (GPFi/BIS/FSI Conference).

In its engagement with the standard-setting bodies (SSBs) this year, the Subgroup put emphasis on fostering joint work among SSBs, with attention to FinTech as a theme of high interest to SSBs and high potential relevance to financial inclusion, as well as a theme of crosscutting interest to the SSBs. The GPFi worked to broaden and deepen selective engagement with other global bodies, notably the International Telecommunications Union (ITU) and International Financial Consumer Protection Organisation (FinCoNet) (both of which participated in the October 2016 GPFi/BIS/FSI Conference). Work in the area of financial sector assessments remained a priority area during 2017, but without Subgroup engagement.

The reinforcement of focus on coordination among the SSBs in relation to financial inclusion is fostered by the convening in Basel of SSBs/GPFi "check-in" meetings (the first this year took place in January 2017 and a second check-in is anticipated in September 2017), and a rigorous tracking of SSB activities in relation to financial inclusion, focusing particularly on activities in the FinTech arena. This contributed to a better understanding of SSB activities relevant to financial inclusion and to the identification of opportunities for joint work. The Subgroup worked to identify opportunities to enhance the role of the FSI as a co-convenor on financial inclusion-related activities.

The push to encourage joint activities among SSBs played out also in activities such as the organization of special sessions, bringing together SSBs, the public sector and the private sector, on remittances and de-risking at the March 2017 Financial Action Task Force (FATF) Private Sector Consultative Forum, under the joint leadership of FATF and the Financial Stability Board (FSB), with the support of the GPFi and the German G20 Presidency. The events were organized in close cooperation with the Markets and Payment Systems Subgroup, with Co-chairs of both Subgroups participating in the special sessions. (See also the description of the de-risking / correspondent banking activities under the Markets and Payment Systems Subgroup.)

The May 2017 GPFi Forum included a session built around the theme of "Financial Inclusion as Integrally Linked to Financial Sector Stability, Integrity, and the Protection of Customers," with representatives of the secretariats of the Financial Stability Board (FSB), Financial Action Task Force (FATF), and International Association of Insurance Supervisors (IAIS) featured as panelists. This session offered the opportunity to address a particularly important challenge: so-called "de-risking" by banks – the large-scale termination or restriction of relationships and lines of business such as hosting remittance providers and correspondent banking – as well as the financial exclusion risks that result from de-risking among other factors.

The Subgroup, its members, and Implementing Partners supported activities of relevance to financial inclusion of specific SSBs and other relevant global bodies. Examples include: (i) work to disseminate the September 2016 Basel Committee publication of the *Guidance on the application of the Core principles for effective banking supervision to the regulation and supervision of institutions relevant to financial inclusion*, and during the second half of 2017 consideration of future work of the financial inclusion workstream of the Basel Committee's outreach arm, the Basel Consultative Group ; and (ii) updated, supplemented guidance on AML/CFT and financial inclusion, anticipated to be approved at the June FATF Plenary in Valencia.

The Regulation and SSBs Subgroup contributed to regulation and standard-setting dimensions of other GPMI activities (e.g. effective approaches to implementation of *G20 High-Level Principles for Digital Financial Inclusion* and the work of the Temporary Steering Committee on the financial services needs of forcibly displaced persons) and to other Subgroups, in particular the Markets and Payment Systems Subgroup (e.g. regulatory issues around payments and specifically remittances), the Financial Consumer Protection and Financial Literacy Subgroup (e.g. regulatory and supervisory issues around data privacy, customer protection, and cyber security). The Subgroup will continue to explore the regulatory and global standard-setting dimensions of such topics in the future.

The Subgroup followed work on the implementation of the guidance note on financial inclusion under the Financial Sector Assessment Program (FSAP) of the World Bank and International Monetary Fund (IMF) and on the self-assessment process of the IAIS.

Looking ahead to 2018

The Subgroup began the framing and preparation of work to be undertaken during Argentina's G20 presidency, in the context of the revised G20 FIAP. A "check-in" meeting with the SSBs taking place in September 2017 is expected to focus on joint work under the Argentinean G20 Presidency, in particular the preparation of the Fourth GPMI-BIS/FSI Conference (tentatively scheduled for October 2018), jointly with the FSI.

Markets and Payment Systems Subgroup

The overall goal of the Subgroup is to advance utilization of payment systems and services and remittance flows, in the pursuit of increased and sustainable financial inclusion. The Subgroup focuses on emerging technologies and business models and seeks to incorporate strong links to market-based approaches through engagement with financial service providers. The Subgroup also undertakes activities that establish a supportive environment for remittances, focusing on approaches that seek to reduce transaction costs of and improve access to remittance services.

The Markets and Payment Systems Subgroup work plan for 2017 outlined five key areas of work:

1. Update of the Financial Inclusion Action Plan
2. Monitoring progress and update of the G20 National Remittance Plans
3. Delivering a Guidance note on building inclusive digital payments ecosystems
4. Coordinating approaches to improve the environment for remittances
5. Framing and preparing work to be undertaken during Argentina's G20 Presidency

In addition to these five key areas of work, the Subgroup also contributed to the planning and development of a session led by the Regulation and Standard-Setting Bodies Subgroup at the May

2017 GPMI Forum on *Financial Inclusion as Integrally Linked to Financial Sector Stability, Integrity and the Protection of Customers*. The session explored the interconnections between financial inclusion and the stability and integrity of financial sectors, with a particular focus on the drivers and impacts of de-risking in this context.

The Markets and Payment Systems Subgroup contributed to the German Presidency's update of the Financial Inclusion Action Plan. The Subgroup focused on refining its action areas to strengthen the GPMI's approach to reducing remittance transfer costs, on analyzing factors affecting de-risking and Money Transfer Operators (MTOs) bank account closures, and on considering actions in partnership with the private sector to support innovative technologies and digital financial inclusion in accordance with the G20 *High-Level Principles for Digital Financial Inclusion* and other relevant internationally agreed frameworks (e.g. the *CPMI-WB Guiding Principles on Payment Aspects of Financial Inclusion*). The Subgroup also aligned its work with the 2030 Agenda, considering actions to support progress towards achieving targets under the SDGs, including consideration of how the digitalization of payments can drive economic growth and financial inclusion.

In 2011, G20 leaders committed to reducing the global average cost of sending remittances to 5 per cent. In 2016, G20 leaders aligned its work with the 2030 Agenda, including by adopting the target under SDG 10 to reduce to less than 3 per cent the cost of remittances and to eliminate remittance corridors with costs higher than 5 per cent by 2030. As of Q1 2017 the global average cost has reduced to 7.45 per cent; down from more than 9 per cent in 2011 but slightly up from the historic low of 7.37 per cent in Q4 2015. At the Antalya Summit G20 leaders agreed that National Remittance Plans developed in 2015 be reviewed annually and updated every two years. The Subgroup undertakes these monitoring and update processes.

All G20 members finalized reviews of progress on their national remittance plans by the end of May 2017. Since the Plans were finalized in 2015, G20 members have progressed measures to increase remittance market competitiveness, improve financial system infrastructure, pursue policies conducive to harnessing emerging technologies, discourage taxes on migrant remittance transfers, use remittances to expand responsible financial inclusion, address the drivers of de-risking, improve data on diaspora and remittance transfer dynamics, and improve the transparency and consumer protection of remittance transfers.

In 2017, G20 countries are updating National Remittance Plans to encompass key G20 commitments since the finalization of the plans under Turkey's 2015 G20 Presidency. This will include alignment with the 2030 Agenda and Addis Ababa Action Agenda, consideration of the impact of de-risking activities on remittance flows and costs, and application of the 2016 G20 High Level Principles for Digital Financial Inclusion. The updated National Remittance Plans will be finalized by the end of the German G20 Presidency. Non-G20 GPMI countries being a large source of remittance outflows worldwide will be encouraged to share information on their national remittance measures.

The *Guidance Note on Building Inclusive Digital Payment Ecosystems* builds on the G20 GPMI 2015 stocktaking report on *Innovative Digital Payment Mechanisms Supporting Financial Inclusion* and the G20 *High Level Principles for Digital Financial Inclusion*. It provides a summary of G20 GPMI and related guidance on building inclusive digital payment ecosystems (IPDE) which highlights the importance of a collaborative approach between businesses (FSP, PSPs, corporates, SMEs etc.) and the different institutions within governments (including regulators), in building relevant infrastructure and driving adoption. The note provides policy-makers and other government officials with an overview of the major practical issues to consider when planning the expansion of financial inclusion through the use of digital payments ecosystems. It briefly describes the potential of such ecosystems to advance financial inclusion, and outlines how to address four key

challenges when implementing the principles and policy recommendations of the G20, its Implementing Partners and of global financial system standard setters.

Through the development of the Guidance Note, it was identified that further advice on addressing the four key challenges – (i) managing multiple and diverse stakeholders; (ii) balancing innovation, market protection and system integrity; (iii) building trust in digital payments; and (iv) establishing an appropriate regulatory environment – would be beneficial in supporting policy-makers and government officials in establishing inclusive digital payment ecosystems. The Subgroup will take this work forward in 2018.

In 2017, at the request of the G20 Presidency, the Subgroup, in collaboration with the Regulation and Standard-Setting Bodies Subgroup, are working together with the Financial Action Task Force (FATF) and the Financial Stability Board (FSB) to explore the impact and drivers of ‘de-risking’ on remittances and related services. Workshops with Money Value Transfer Operators and Banks were held at the FATF Private Sector Consultative Forum in Vienna on 22 March, which identified a key drivers and impacts. The FSB and FATF are currently considering the findings of these workshops. The FSB will submit a progress report to the G20 Hamburg Summit in July.

Looking ahead to 2018

In 2018 the Subgroup will focus on building upon the continued implementation of the High Level Principles for Digital Financial Inclusion, supporting the G20’s commitment to the 2030 Agenda and focusing attention on improving the environment for remittances. To achieve this, the Subgroup’s work will include:

- highlighting the important role of remittances in supporting financial inclusion, including evaluation of the linkages between the remittances and other financial products (for example insurance, credit, and savings) to support risk mitigation;
- continued assessment of the factors that create a supportive environment for remittances;
- exploration of the ability of innovative digital payments to support achievement of the Sustainable Development Goals; and
- building upon the 2017 Guidance Note on *Building Inclusive Digital Payment Ecosystems*, developing further advice focused on the key challenges in developing inclusive digital payment ecosystems.

The Markets and Payment Systems Subgroup will also assess the potential contribution on the ongoing work of the GPMI on the Financial Inclusion of Forcibly Displaced Persons through its work on payment systems and remittances, and will continue to work closely with Argentina as 2018 G20 President to contribute to their priorities and the broader GPMI work plan for 2018.

SME Finance Subgroup

The overall goal of the SME Finance Subgroup is to improve SMEs access to finance both in G20 and non-G20 countries, including low-income developing countries, by devoting special attention to women and young entrepreneurs, rural/agricultural SMEs and SMEs linked to sustainable Global Value Chains.

During the German Presidency, the SME Finance Subgroup continued its collaboration with all other GPMI subgroups, non-G20 members (including LIDCs), as well as with the private sector and civil society in order to facilitate greater policy coordination across different G20 work streams. Further, there has been a fruitful cooperation of the SME Finance Subgroup with the Business20

and Women20. The G20 Workshop “Helping SMEs go global – moving forward in SME Finance” was held in Frankfurt in February 2017. It brought together more than 150 experts from G20 countries, development finance institutions, and the private sector. Topics of the workshop included festering SME participation in sustainable global value chains, the role of fintechs in SME development, the role of development banks in enabling SME access to finance as well as the role of the policy environment for SME finance. The outcome of this workshop feeds into discussions in the G20 going forward.

At the 2016 Hangzhou Summit the Implementation Framework of the G20 Action Plan on SME Financing was adopted. Under the German Presidency, G20 member countries reported in a self-assessment on the status of their credit infrastructure in the key areas credit reporting, secured transactions & collateral regimes and insolvency and the GPMI Baseline Report on the SME Finance Action Plan Implementation Framework: Credit Infrastructure Country Self-Assessment Consolidated Report was delivered. The report will be updated every two years and will show progress on the reform measures implemented. The Implementation Framework has been presented at the AFI SME Finance Working Group meeting in March as non-G20 countries are highly encouraged to participate. A follow up discussion is expected in September to move towards roll out in willing non-G20 countries.

Building up on the Hangzhou Summit where G20 reaffirmed their intention to support SMEs and the generation of quality employment in global value chains (GVC), the German Presidency launched a stocktaking study on Leveraging Financial Services for SMEs in Sustainable Global Value Chains. To take stock of the available financing options that incentivize SMEs to integrate in GVC in line with sustainability standards, an online survey to governments, businesses, financial institutions and IT platforms was launched. Nearly 100 survey responses were received, with the majority coming from businesses and financial institutions in G20 economies, both high-income and emerging. On this basis the study will formulate policy recommendations to G20 leaders to promote better access to finance for SMEs to help SMEs integrate in global value chains in line with internationally recognized labour, social and environmental sustainability standards. A first draft of the stocktaking study was shared with the GPMI in May 2017 and is currently under discussion. A dialogue with the B20 and G20 countries through GPMI is considered as part of the private sector engagement strategy to advance, replicate and scale up these models.

The GPMI report Alternative Data transforming SME Finance builds on the High-Level Principles for Digital Financial Inclusion and explores some of the new operating models and the new breed of SME digital lending originators, as well as collaborative partnerships that are harnessing alternative and transactional data. It concludes by listing potential areas that policy makers and regulators need to understand to strike the appropriate balance between encouraging innovation and protecting the stability and integrity of financial systems. As a next step, the Subgroup will work with the International Committee on Credit Reporting (ICCR), the standard setter for credit reporting, to develop high level guidelines for the use of alternative data in credit reporting.

Climate change increases risks and presents significant challenges as well as potential opportunities for MSMEs. Entrepreneurs 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. The GPMI Policy Paper “Climate Smart Financing for Rural MSMEs: Enabling Policy Frameworks” presents a synthesis of the key lessons and implications of climate change needs and solutions for MSMEs in developing countries and elaborates policy options for governments and development agencies to enable MSME’s access to climate smart financing. The paper has been prepared based on the discussions at a respective GPMI workshop in February 2017.

The SME Finance Subgroup started working on an overview of existing and planned multilateral initiatives in data collection on SME finance. This will serve as a starting point to stimulate 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. The efforts in data harmonization are seen as a long-term goal of the SME Finance Subgroup and shall ultimately lead to a better data harmonization across countries. An important aspect of the stocktaking will be how gender, youth and other key cross-cutting factors can be better appreciated through data coordination and harmonization.

At the Global Inclusion Awards, hosted by the German Presidency in May in Berlin, young entrepreneurs have been recognized with the YE! Awards. Further, work has started on a mapping of *Financial Products for Youth-Led SMEs*: This mapping shall give an overview of different types of financial products which are available to youth entrepreneurs, including recommendations, based on feedback from young entrepreneurs, on which different types of products should be further developed or provided.

The SME Finance Subgroup contributed to the update of the FIAP and focused on promoting and supporting the implementation of national and global policy reforms that facilitate the expansion of financial services to SMEs in G20 and non-G20 countries as well as on measures to specifically target SMEs from vulnerable and underserved segments.

In November 2017, the Global SME Finance Forum will take place in Berlin and once again present interesting debates, case studies and demonstrations and a marketplace for investors and firms operating in the SME finance space.

Looking ahead to 2018

The Subgroup will continue to address cross-cutting issues of the GPFi such as digital finance, the empowerment of women and the work with forcibly displaced persons as well as address issues related to long term finance/asset backed finance and new topics such as insurance or green finance. It will continue its work on SME finance data, seeking to identify specific opportunities for coordination in broadening the country coverage and scope of regularly collected data (including specific data on women entrepreneurs finance, agro-enterprise finance, and youth finance). The group is interested in contributing to country level action recommendations for how the digitization of SME finance can assist in the transition of informal enterprises to formality, and how it can assist the improvement of financial inclusion for employees in both formal and informal enterprises. The Subgroup will continue the outreach to non-G20 countries, i.e. intensify its cooperation with the AFI SME Working Group. The group will work with the ICCR on expanding standards and guidance to promote the responsible use of alternative data for improving SME access to finance. It will continue to support the private sector engagement of GPFi through serving as a bridge to the B20's SME and Financing Growth and Investment task forces.

The priorities of the upcoming G20 Presidency will also be reflected in the Subgroup's work plan for 2018.

Financial Consumer Protection and Financial Literacy Subgroup

The overall goal of the FCPFL Subgroup is to build the capacity of developing and emerging economies to implement audience-appropriate, evidence-based financial consumer protection and financial literacy programs. The Subgroup also focuses on the identification of public, private, and NGO sectors' best practices in consumer protection and financial education policies that support the use of traditional and digital financial products and services.

Identifying the specific needs of particular consumers, existing resources and stakeholders and understanding how financial education can be delivered to the relevant consumer audiences, and identifying the most appropriate methods for evaluating financial education programs are key components of a successful national strategy for financial education that is meant to be conducive to improved financial inclusion and financial wellbeing. The 2015 OECD/INFE Toolkit for measuring financial literacy and financial inclusion levels is a powerful tool to achieve better understanding and to derive future policy actions needed towards effective and conducive financial literacy programs. The Subgroup successfully encouraged all G20 countries to conduct the survey and collect data which will be presented in a report released under the German G20 Presidency. Together with data from other countries that have implemented the OECD/INFE survey, these data are a first step for measuring adult financial literacy competencies and identifying effective financial education strategies on a harmonized basis. To complement this process, the OECD/ INFE, with inputs from its G20 and non-G20 members, research committee and other interested implementing partners is developing a global database of evaluated financial literacy initiatives to serve as a reference for public authorities and other stakeholders to improve the quality of financial education.

Furthering the collection and evaluation of data on students, the Subgroup supported the launch of the new PISA 2015 volume (on 24 May 2017) which assesses the financial literacy competencies of 15-year-old students in 15 countries and economies. The Programme for International Student Assessment (PISA) is a triennial international survey managed by the OECD since 2000 which aims to evaluate education systems worldwide by testing the applied knowledge of 15-year-old students in science, reading and mathematics. For the first time in 2012 it included an assessment of financial literacy, which was repeated in 2015 and will be again in 2018. Around 48 000 students were assessed in financial literacy in 2015, representing about 12 million 15-year-olds in the schools of the 15 participating countries.

With the 2017 G20/OECD INFE report “Ensuring financial education and consumer protection for all in the digital age” the Subgroup contributed to advancing the implementation of the G20 High-Level Principles for Digital Financial Inclusion and particularly principle 6. The report discusses the implications of the digitalisation of finance for financial education and relevant consumer protection issues and explores challenges and opportunities resulting from today’s digital revolution for consumers, small businesses and particularly disadvantaged groups. The report also identifies financial literacy initiatives and policy options that can help consumers better manage any potential digital risks and benefits.

To further support the implementation of the *G20 High-Level Principles on Financial Consumer Protection* and the *G20 High-Level Principles for Digital Financial Inclusion*, the Subgroup supported the 8th Responsible Finance Forum on “*Opportunities and Risks in Digital Financial Services-How do we best Protect Consumers and their Privacy?*” in Berlin on April 27-28. The first-ever global forum on this topic explored the issues and the roles and responsibilities of the diverse stakeholders in developing, promoting and enforcing public or private good practices and standards. The RFF identified action areas to further advance the discussion on risk-proportionate minimum standards on data protection in the context of digital financial services. The RFF report includes recommendations towards the public and private sector as well as recommendations towards the GPF.

The Financial Consumer Protection and Financial Literacy Subgroup contributed to the German Presidency’s update of the FIAP. The Subgroup focused on refining its key outcomes to include an explicit focus on rigorous evaluation to support capacity building for effective policy making, and a broader focus on financial services including new services and products due to technological innovations thereby aligning with the digital dimension of financial inclusion

supportive to achieving the 2030 Agenda and the Sustainable Development Goals while also maintaining a focus on traditional approaches, services and products.

Looking Ahead to 2018

Building on the evidence supporting financial literacy, the Subgroup will focus on implementation and evaluation issues and on further advancing the implementation of the High-Level Principles for Digital Financial Inclusion, especially principles 5 and 6.

On the financial literacy side, this will include the consolidation by the OECD/INFE of existing principles and tools on financial literacy endorsed and supported by G20 leaders in recent years, the establishment of a global database of evaluated financial literacy initiatives, the preparation -as a follow up to the 2017 report- of guidance on digital financial literacy and work on core competencies on financial literacy of micro and small entrepreneurs. It will also involve the direct support to the implementation and evaluation of financial literacy programs in non-G20 countries, especially in CIS, Latin America and the Caribbean and Asian and African countries.

On the financial consumer protection side, it will entail work on the implications of the digitalisation of finance for consumer protection through the G20/OECD Task Force on Financial consumer protection and FinCoNet based on the 2011 G20/OECD Principles, as well as work on the identification of financial consumer protection indicators to monitor risks. It will also encompass sharing best practices as well as capacity building activities for regulators and supervisors faced with the challenges of the digital era and encourage international cooperation. The Subgroup will advance discussions towards the formulation of minimum standards on data protection in the context of digital financial services. First steps will be the further promotion of understanding of the evidence base and of the industry's business cases to formulate standards that address the regulatory gaps.

LIST OF GPMI DOCUMENTS IN 2017

- G20 2017 Financial Inclusion Action Plan (FIAP)
- GPMI 2017 Annual Report to the G20 Leaders
- G20 Financial Inclusion Action Plan Progress Report 2014-2017
- G20 Action Plan on SME Financing Implementation Framework: Credit Infrastructure Country Self-Assessment Consolidated Report
- GPMI Report 2017 Update to Leaders on Progress Towards the G20 Remittance Target
- GPMI Report Digital Financial Inclusion: Emerging Policy Approaches
- GPMI Guidance Note on Building Inclusive Digital Ecosystems
- GPMI Report Alternative Data transforming SME Finance
- GPMI Policy Paper Financing Climate Smart Rural MSMEs: Enabling Policy Frameworks
- G20/OECD INFE Report Ensuring financial education and consumer protection for all in a digital age
- AFI Special Report Financial Inclusion of Forcibly Displaced Persons: Perspectives of financial regulators