



GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

TURKISH 2015 PRIORITIES PAPER



GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION (GPFI)

Turkish 2015 Priorities Paper

This document aims to highlight the Turkey's G20 Presidency priorities on financial inclusion and remittances for 2015.

BACKGROUND

Under G20 leadership, financial exclusion is globally perceived as a risk factor which triggers political instability and obstructs economic advancement. This emerging consciousness to improve access to finance for the excluded part of the population is crucial in reducing extreme poverty, boosting prosperity, supporting inclusive and sustainable development and social cohesion.

Inclusive financial systems provide all actors of the economy - both the individuals and the firms - with access finance to meet their needs, such as investing in education, saving for retirement, capitalizing on business opportunities and facing shocks. However, level of financial inclusion varies widely around the world.

Globally, over half of the world's population-2.5 billion people-lacks access to formal financial services.¹ Similarly, among firms, in developing countries 35 percent of small firms report that access to finance is a major obstacle to their operations.²

On the other hand, remittances, which are a less costly, more transparent and more efficient way of money transfer, have a significant role in elevating financial inclusion and access to finance for the poor. It also directly contributes to household income, enables higher investment in business and facilitates buying more goods.

G20 leaders have highlighted frequently the importance of enabling more efficient remittance flows and decreasing costs. Remittances to and from G20 countries account for almost 80 percent of global remittances flows.³ In fact, if the cost of sending remittances could be reduced by 5 percentage points relative to the value sent, in developing countries the recipients would receive over \$16 billion dollars more each year.⁴

¹ Global Financial Inclusion (Global Findex) Database, World Bank, Washington, DC,
<http://www.worldbank.org/globalindex>

² Global Financial Development Report 2014, World Bank, Washington D.C.

³ G20 Plan to Facilitate Remittances

⁴ Remittances Prices Worldwide, World Bank, Washington D.C.
<http://remittanceprices.worldbank.org/en>



THE FINANCIAL INCLUSION ACTION PLAN

The 2014 Financial Inclusion Action Plan (FIAP) was approved by the leaders at the Brisbane Summit in November 2014. Within the context of the FIAP, the cross-cutting issues will be;

- innovation;
- women's economic empowerment;
- data harmonization;
- cooperation with the private sector; and
- outreach and promotion.

Building on the existing works done under the GPFI, the Presidency will place utmost importance on the implementation steps to address the issues under the FIAP approved by the Leaders in Brisbane.

TURKISH PRIORITIES FOR FINANCIAL INCLUSION AND REMITTANCES IN 2015

The Turkey's G20 Presidency in 2015 will be structured in three key themes: ***Inclusiveness, Implementation and Investment*** for growth.

In the light of these themes, Presidency will put a firm emphasis on financial inclusion as a powerful driver of inclusive growth.

Building on substantial and concrete progress on financial inclusion that GPFI has achieved since 2010, the focus now should turn to how to convert this extensive knowledge base into action. Hence, 2015 will be a year of *implementation* for GPFI as well.

In 2015, Turkey will continue to work on former Presidencies' agenda items and kick off the implementation of the FIAP with particular focus on;

Financial Inclusion and Youth

The ILO's Global Employment Trends Report 2014 points out that 74.5 million young people are unemployed around the world. In Brisbane, G20 Leaders declared that *they are committed to reduce youth unemployment, which unacceptably high, by acting to ensure young people are in education, training or employment.* Young people face difficulties in finding a job while employers struggle to find people with the skills they need. In this context, the school-to-work transition requires in depth discussions over: how to overcome skill mismatch; and ensure the ability to continuously develop skills through lifelong learning



while increasing productivity and lifting inclusive growth. On the other hand, new technologies and approaches to financing will provide the opportunities for young entrepreneurship.

In the wake of the global economic and financial crisis, expanding the opportunities of entrepreneurship to young people, in particular becomes even more critical to sustainable growth and social development.

Vulnerable groups such as women and migrants have been taken into GPFIs agenda by the former Presidencies. In addition, Turkey aims to work on youth related issues by accepting the next generations as the big assets in which to invest. Both G20 and non-G20 countries search for successful models to bring youth and other disadvantaged groups into formal financial services. However, information on successful and sustainable business models remains scarce.

Together with the aim to remove the barriers for youth in access to finance, it is also crucial to promote financial literacy for youth and encourage personal financial responsibility.

In response to this necessity for financial inclusion and financial education of youth; (i) collecting data and developing impact indicators for youth, (ii) supporting innovative solutions, (iii) enhancing access to finance for youth, and (iv) promoting youth entrepreneurship will be the areas of concentration of the GPFIs under the Turkish Presidency in 2015.

Access to Finance by SMEs

Turkey, in 2015, will focus on better integration of Small and Medium Sized Enterprises (SMEs) into the global economy. This is very important to create more jobs and enhance the competitiveness of all economies. In this regard, the focus will be on the needs of SMEs for overcoming the challenges they face.

The Turkish Presidency would ask the GPFIs and other G20 related workstreams to look at ways to promote SMEs as a source of growth.

The challenges that SMEs face are twofold: Their inherent riskiness and their difficulty accessing finance. When we talk about financing, we mostly think about credits and loans. However, promoting other modes of financing, especially those that are equity-based for SMEs is an important subject.

With regard to financial intermediation, the Turkish Presidency will put utmost importance to non-traditional sources of lending. Asset-based financing could be an area well worth of



exploration. In 2015, Turkey will aim to ensure coordination between the GPFI and the Investment and Infrastructure Working Group (IIWG) in that respect.

At the same time, the year 2015 also provides an opportunity to conclude some of the GPFI work through the other subgroups, such as on financial education and financial consumer protection started at the level of SMEs. We will also continue to work on innovation and technology as promising initiatives for SMEs as well as individuals, plus the relevant regulatory issues.

Turkey will also give emphasis through relevant G20 workstreams to the better integration of SMEs, especially in the developing countries, to global value chains.

Increasing Private Sector's Role in Financial Inclusion

Under the Turkish Presidency, engagement with the private sector will be further deepened, specifically by taking into account the G20-B20 cooperation and exploring public-private partnership.

Strong private sector engagement in knowledge sharing and promotion of good practice in closing the finance gap for both the individuals and SMEs will be promoted in 2015.

The GPFI will scale-up engagement with the private sector, globally and nationally, and will develop a private sector engagement strategy.

As a central instrument for this engagement, the SME Finance Forum, will evolve into a global membership body for private and public financial institutions (banks, non-bank finance companies, development banks, fintech companies, etc.) and the re-launch of the Forum will take place in 2015 under the G20 Turkish Presidency. This will provide both a lasting legacy and a permanent platform for public-private engagement in SME Finance knowledge sharing and good practice promotion.

The Presidency intends to organize a workshop on private sector engagement as a cross-cutting issue for all GPFI sub-groups in September, 2015, which should attract widespread private sector interest and participation. The outcomes of this event will feed into our private sector engagement strategy.

Women's Economic Empowerment

Gender equality is critical and essential for better development outcomes in terms of inclusive growth. Under-investment in women and girls are missed opportunities to correct gender disparities and to harness the economic and human capital potential of women.



The GPFII has launched a number of collaborative platforms and support initiatives with respect to women. We will continue to build on previous Presidencies' agenda on women related issues and ensure a seamless continuity within the GPFII.

In 2015, determining best practices to increase women entrepreneurship, financial education for women entrepreneurs and encouraging policies to create new tools for women's access to finance will remain important items in our agenda.

Access to Non-G20 Countries (Specifically Low Income Developing Countries – LIDCs)

In 2015, Turkey will ensure that a Low Income Developing Country (LIDC) perspective is present in all relevant aspects of the G20 agenda. This is essential for global growth to be more inclusive.

To this end, in the area financial inclusion, outreach to LIDCs and addressing their specific needs through the GPFII Sub-groups' work plans for 2015 and beyond will be an important item in our agenda.

Since the GPFII is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders, Turkey will further encourage the active participation of interested non-G20 countries to the GPFII meetings and related events in 2015.

Data

As the GPFII, we must maximize our commitment to public transparency, information sharing, participatory monitoring, and open data. We must significantly scale up support to G20 and non-G20 countries that critically need for further capacity development to produce, collect, disaggregate, analyze and share data critical to the global agenda.

Consistent with the FIAP, the GPFII through its sub-groups will continue to work on the relevant data on financial inclusion, including women and youth.

Coordination and Outreach

Coordination and outreach will be an important element of the Turkish Presidency's agenda.

Over the course of the year we will strive to ensure effective coordination among G20 workstreams to achieve concrete outcomes for the Leaders' Summit in Antalya.

In order to strengthen policy coherence between development and other work streams, GPFII will establish stronger links with the IIWG and other relevant workstreams. We will also



inform the GPMI Sub-groups about relevant workstreams' agenda and work on a regular basis through Co-chairs meetings and monthly/quarterly teleconferences.

The G20 outreach groups such as Business-20, Think-20, Civil-20, Labor-20 and Youth-20 also have an important role to inform the GPMI of the views of different sections of the society and hence enrich and deepen our discussions. With this in mind, we are going to continue to feed and support each other with respect to GPMI issues in the upcoming period.

We will also raise the voice of the GPMI in relevant events organized with varying degrees of engagement by Presidency in different platforms.

Remittances

Remittance flows have an important potential on reducing poverty and contributing to financial inclusion. However challenges remain for the G20 countries to reach their target of reducing the global average costs of sending remittances to 5%. Particularly, closure of banks accounts of Money Transfer Operators (MTOs), inadequate market competition, lack of transparency, weak coordination between sending and receiving countries are still significant issues to be further discussed and resolved.

The collective G20 effort to make remittance transfers cheaper has proven to be successful in decreasing the cost of remittances since 2011⁵. The momentum of the progress needs to be preserved by commitment to reduce the cost of remittances to 5% which eventually will contribute to create an effective remittance system around the world and enhance financial inclusion.

The monitoring activities on countries' responses to G20 Call to Action on Remittances will be sustained while further commitments by members are encouraged.

Furthermore, analytical studies on; (i) innovative technological solutions, (ii) increased participation of stakeholders in the creation of an inclusive remittance system, (iii) relationship between lowered cost of remittances and financial inclusion, (iv) regulatory concerns as well as (v) solutions to MTOs bank accounts closure will substantially contribute to our discussions.

⁵ Report on the Remittance Agenda of the G20, 2014, World Bank, Washington, DC



KEY DATES

During Turkey's G20 Presidency, four formal meetings of the DWG will be held. The first one will be in Istanbul on February 2-3, 2015. GPFi will continue to report to the Leaders through DWG and Sherpas, while keeping the Finance Track informed in relevant issues.

Turkey will host two formal GPFi meetings in 2015. In addition to the regular meetings of the GPFi, teleconferences, seminars by the GPFi subgroups and, if required, side events in the margins of other meetings will also take place throughout the year.

- **GPFi Workshop: SME Finance**, 1-3 June 2015, Izmir

The SME Finance workshop will focus on both successful business models and the cross-cutting enabling environment factors that encourage or discourage innovation. Opportunities and innovations surrounding financing new enterprise formation, particularly for young and women entrepreneurs, will be highlighted and successful and promising approaches will be discussed.

It will bring bankers, investors and fintech companies, mostly from the private sector, together with policymakers to discuss the hands-on practices and enabling environment reforms that overcome obstacles to success in this area.

The workshop will be followed by the GPFi meeting to discuss the GPFi work and how to report to DWG.

- **GPFi Forum and Plenary Meeting**, 10-11 September 2015, Antalya

Day one will be an open forum for G20 and non-G20 countries, GPFi implementing partners and other stakeholders. The focus of the Forum will be on Private Sector Engagement.

The plenary meeting will take place in the second day and will only be open to GPFi members and implementing partners. The meeting will evaluate the work done by the subgroups and discuss the status of the documents to be sent to the Leaders and propose priorities for the GPFi in 2016.