



GPI

Global Partnership
for Financial Inclusion

FIRST PLENARY MEETING OF THE GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

24-25 March 2021
(Virtual Meeting)

CO-CHAIRS' SUMMARY



On 24-25 March, the Global Partnership for Financial Inclusion (GPIFI) met virtually for the first time under the G20 Italian Presidency.

At the opening session, GPIFI Co-Chairs provided an overview of the work plan and timelines for the year based on the Presidency priorities and the 2020 Financial Inclusion Action Plan (FIAP) commitments. The Co-Chairs thanked Saudi Arabia for having led the GPIFI in the difficult time of the outbreak of the COVID-19 pandemic and welcomed Indonesia as a new member of the Troika.

The Plenary agenda focused on three topics: (i) digital financial inclusion (comprising financial literacy and financial consumer protection); (ii) SMEs finance; and (iii) remittances. There was also an outreach session with presentations of invited representatives from the BIS (Financial Stability Institute) and the IMF, who provided further insights on how financial inclusion is increasingly taken into account in their work.

The first session devoted to digital financial inclusion highlighted how the Partnership will analyse the impact of the pandemic on financial inclusion, especially for the most vulnerable and underserved segments of the population. On this topic, GPIFI implementing partners agreed to produce three reports, the outlines of which were presented to GPIFI members. The first one, titled "*COVID-19 and digitalization: impact on financial inclusion, new emerging opportunities and risks*" and delivered by the WB, will identify the gaps in financial inclusion, the channels through which – during the COVID-19 crisis – digital finance could engender greater access to responsible financial services as well as policy approaches and programs able to make these gains possible. A second report, titled "*Supporting financial resilience and transformation through digital financial literacy*" and delivered by the OECD, will focus on the role of digital financial literacy to support financial inclusion and resilience in the long-run, supporting a more pervasive financial awareness in the digital world. As widely reckoned in the literature and by supervisory authorities, the acceleration of the demand and the supply of digital financial services (DFSs) comes also with risks, including market misconduct and product miss-selling. To reflect on these issues, the OECD will conduct a survey among members of the GPIFI and the G20/OECD Task Force on Financial Consumer Protection with the aim to identify effective approaches implemented by countries' authorities to protect financial consumers and support financial inclusion in response to the pandemic. Countries' responses will be collected and showcased in a comprehensive report titled "*Effective approaches and lessons learnt to protect financial consumers and support financial inclusion in the context of COVID-19*".



The second session tackled the issues related to how the pandemic affected micro, small and medium enterprises (MSMEs). MSMEs form the backbone of many economies and represent, including the informal sector, about 90 per cent of all enterprises and about 50 per cent employment worldwide, while accounting for between 60 and 70 per cent of global GDP. The pandemic has hit businesses very hard, also reflecting their greater difficulties to access formal financial services and to build adequate liquidity buffers to compensate for temporary shortfalls in earnings. The reports on this issue offer a complementary perspective, being related to both the supply and the demand side of DFSs. On the supply side, the IFC/SME Finance Forum will deliver a report, titled “*MSMEs digital finance: resilience and innovation during COVID-19*”, which aims to shed light on whether digital financing innovations have been critical to firms in coping with the adverse shock that stemmed from the outbreak of the pandemic. It will also discuss the main benefits and risks related to a wider use of digital financing tools, services and channels due to the crisis, as well as assess the untapped potential of digitalization transformation for MSMEs in the post COVID-19 landscape. On the demand side, low levels of financial literacy and limited digital skills may have compromised the resilience of smaller businesses and their ability to access finance and build buffers. The Italian G20 Presidency proposed to GPIFI's members to carry out a dedicated OECD/INFE survey on MSME's financial and digital literacy, with the aim to get up-to-date information about the existing obstacles and identify the most effective solutions to overcome them. The results of the survey will feed into the report “*Navigating the storm: MSMEs' financial and digital competencies in COVID-19 times*”.

In the third session, the issue of migrants' remittances was addressed. In 2016, the GPIFI was mandated by G20 Leaders to monitor country progresses towards the continued facilitation of the flow of remittances, also by supporting country-led actions to reduce the average remittance transfer costs to below 3 per cent by 2030 compared with the current average global cost of around 7 per cent. The WB gave a picture of the developments of the remittances market during the COVID-19 crisis, highlighting the need to gather harmonized data to advance the analysis. The IFAD, a UN agency, outlined the general features of the revised template for National Remittances Plans, which will form the basis for the realisation of the biennial update as requested by the 2020 FIAP.

In the outreach session, the IMF presented the results of its analysis on the macroeconomic impact of digital financial inclusion. Fintech-related financial inclusion – especially mobile money – appears to have a positive impact on inequality, while also taking into account gender gaps. However, when digital financial deepening outpaces the strength of the supervisory framework, it could lead to increased risk taking and instability. The IMF analysis also suggests that better regulation – not



necessarily more regulation – is needed to reap all the benefits from the accelerated path of digitalization while maintaining financial stability. Then, it was the turn of the BIS that reiterated its commitment, through the FSI, to continue its role as a facilitator of cooperation and discussion between global standard setting bodies (SSBs) and international organizations focused on financial inclusion. In this regard, the FSI is planning to hold two check-in meetings, a high-level meeting and a workshop in 2021 with the participation of GPFI's Co-Chairs.

There were general appreciation and support for the work-plan and the deliverables envisaged by the Italian Presidency. The reports produced by the implementing partners will all be approved by GPFI members and transmitted to Finance Ministers and Central Bank Governors (FMCBGs) in October, and included as background documents in the Annex to the Communiqué. Based on the main conclusions of these reports, the GPFI will elaborate a menu of policy options that will be transmitted for endorsement to both FMCBGs and G20 Leaders in October. The GPFI will send the G20 Leaders the Report and updated national plans on remittances for welcome/endorsement as well.

Member countries discussed the OECD Recommendation on Financial Literacy, adopted by the OECD Council (i.e. by all OECD Governments) during the Ministerial Meeting held on 29 October 2020. The Recommendation represents a voluntary, non-binding instrument for governments in their efforts to design, implement and evaluate financial literacy policies. The Co-Chairs and the Presidency invited GPFI members to adhere to the document and transmit it to the FMCBGs for their approval in the July meeting. Consequently, the Co-Chairs proposed to give all members sufficient time for the consultations and make their final decision through a written procedure of no-objection.

Through the whole Plenary and within individual sessions, members raised many relevant points of attention, which will be adequately taken into account going forward in the implementation of the work-plan:

- ✓ Make sure that all the reports build on past efforts of the GPFI, to ensure consistency with the yearly efforts of past Presidencies and continuous work.
- ✓ Make sure that the reports complement one another to avoid duplication and overlaps.
- ✓ Keep the focus on vulnerable (such as elderly people, migrants and forcibly displaced persons) and underserved groups (including the poor, women, youth and people living in remote rural areas) and, address the risks of exclusion of these segments of the world population from the digital world.



- ✓ Make sure that the geographic range of the analysis is wide enough, going beyond G20 countries to include also least developed and poorest economies.
- ✓ Elaborate a menu of policy options and best practices that are not intended to be prescriptive but to provide countries with advice on the most effective measures to be applied both in the short- and the longer-term to ensure resilience and reinforce the economic recovery.

The Co-Chairs concluded the meeting by thanking all GPIFI members for their active participation and support for the 2021 work plan.