



# SECOND PLENARY MEETING OF THE GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

6-7 March 2023

## CO-CHAIR'S SUMMARY



On 6-7 March 2023, the Global Partnership for Financial Inclusion (GPI) met in Hyderabad for the second in-person Plenary Meeting under Indian G20 Presidency.

Mr. Chanchal Sarkar (Ministry of Finance – Department of Economic Affairs), Ms. Sonali Sen Gupta (Reserve Bank of India) and Ms. Magda Bianco (Bank of Italy and GPI Co-Chair) opened the meeting warmly welcoming all the participants and thanking them for the continuous support to the GPI agenda.

## 1. Opening Session

In the opening session, titled “**Leveraging Digital Public Infrastructure for Financial Inclusion and Productivity Gains**” and chaired by the Indian G20 Presidency, Mr. Chanchal Sarkar provided a brief summary of the main takeaways of two important events: one, the “High-Level Symposium on Digital Public Infrastructure”, held on 23 February 2023 in Bengaluru as a side event of the First G20 Finance Ministers and Central Bank Governors Meeting; second, the “Knowledge and Experience Exchange Programme for the Emerging Economies of the Global South”, held on 4-6 March 2023 in Hyderabad as a side event of the Second GPI Plenary Meeting.

Against the backdrop of the discussions that took place during these two events, **digital public infrastructures (DPIs)** – defined as interoperable, open and inclusive systems supported by technology and aimed to provide a multiplicity of essential public and private services – provide substantial benefits in terms of innovation, competition and productivity, thus having a great potential to significantly increase financial inclusion as well as the resilience of households and MSMEs against the occurrence of unexpected adverse shocks. Evidence during the pandemic outbreak, for instance, clearly shows that countries that adopted DPI were able to rapidly reach large segments of the vulnerable population with relatively contained costs as compared to countries that did not have a DPI in place. To unfold its benefits, nevertheless, DPI should be supported by an **enabling legal, regulatory, and policy environment** and accompanied by **widespread internet access** and a reduction of the still large differences in terms of access by gender and area (urban vs. rural). At the same time, the need to guarantee an adequate level of **digital financial literacy and an effective regulation aimed at protecting final customers**, as well



as the **interoperability among systems** especially from a cross-border perspective, appear to be key for the success of DPis.

Afterwards, Mr. Harish Natarajan (WB) provided an update about the main features of the **Report on DPis** that will be prepared by the implementing partner (IP). The outcome will be represented by a **set of action-oriented policy recommendations** aimed to help all interested countries to foster the adoption of certain design principles for an **open, modular, scalable, extensible and resilient DPI** that would be truly able to overcome the existing constraints to further advance financial inclusion and productivity gains. The set of policy recommendations will provide a systematization of both the extensive existing guidance – based on past works of G20 and GPII, as well as SSBs and other international agencies – and the emerging “best practices” – from both country experiences and individual case studies – to clearly identify the key considerations that may help interested policy makers to formulate **effective strategies** in line with their specific country contexts. He also provided a glimpse of a set of preliminary and non-exhaustive policy recommendations regarding: i) public and private sector collaboration and coordination; ii) effective regulation, supervision and oversight; iii) sound governance arrangements; iv) sound institutional arrangements; and v) the need to protect customers and leave no one behind. GPII Members were invited to provide comments on the outline of the deliverable and the overall approach to DPis by no later than **16 March 2023**.

In a first roundtable that followed the presentation, many member countries (Japan, the European Union, France, the US, the UK, Italy, Germany, Spain, the Netherlands and Australia) took the floor and condemned the aggression by the Russian Federation against Ukraine. They emphasised how, beyond economic damages, the war risks further exacerbating inequalities – especially among the most vulnerable groups of the world population – and impairing the progresses obtained in the recent past in terms of poverty eradication and financial inclusion.

In a second roundtable of the same opening session, all GPII Members expressed their appreciation and support for this deliverable, the breadth of the proposed structure and its final objective. They reiterated their willingness to contribute to its realization by providing examples of how the development of DPis has been able to bring about benefits in terms of the provision of digital financial services, the compression in their overall costs and the increased access by individuals, households and MSMEs. The leveraging on past G20 and GPII work, as well as the



explicit intention not to replace existing standards and regulation, were also particularly welcomed as valuable features of the deliverable.

Some Members underlined the need to adequately address the challenges that may arise around DPIs too. Specifically, the risks of exclusions for people that cannot be reached by the infrastructure, or people that cannot access the infrastructure because of a lack of (digital) financial literacy. At the same time, the importance of an adequate regulatory and supervisory framework, as well as an effective consumer protection system, were mentioned. Some members also underlined how important issues related to data privacy, data protection and cybersecurity should be adequately tackled as well. Members also suggested that the role of private sector in developing and leveraging the DPI should be clearly articulated. It was also recognised that the set of policy recommendations should reflect the experiences of a heterogeneous set of countries, hence the invitation to participate as widely as possible to this exercise. Finally, it has been shared the need to coordinate GPII's work on this priority with other relevant work streams and past GPII work to ensure that the related impact on financial inclusion is duly taken into account.

## **2. Workshop on “Building Pathways for Advancing Financial Inclusion through the New FIAP”**

At the opening of the session, Brazil and Indonesia announced that India (in the person of Mr. Chanchal Sarkar) and Italy (in the person of Ms. Magda Bianco) were appointed as the new GPII Co-Chairs with the support from all the G20 Member Countries for a duration of three years commencing from 2024. As per the GPII ToR, 2020, in addition to the implementation of the new FIAP, the new Co-Chairs will also participate in the updating of the FIAP.

Afterwards, Ms Sonali Sen Gupta (Indian G20 Presidency) took the floor highlighting the existing gaps in digital financial inclusion and SME finance and emphasizing the importance of the workshop to guide the process towards the formulation of the new FIAP, which is expected to be action-oriented and flexible enough to allow space for the annual priorities of the rotating G20 Presidencies. The Presidency also underlined that despite the indisputable successes achieved in the recent past in terms of financial inclusion – also thanks to the actions implemented and the results accomplished by the GPII – still much remains to be done to assure a fair and equitable access to financial instruments – especially the digital and innovative ones – for all. The

new FIAP, therefore, should lead the GPII to **fast pace progress on those unfinished goals with the aim of filling the remaining gaps** while being able to utilise advancements in digital financial ecosystems to progress on access, usage and quality of financial inclusion.

In this regard, it has been acknowledged that the preliminary survey has been a useful tool to start discussing the matter and exchanging views and opinions among GPII Members. In the next months, the GPII will continue to develop the process via written comments and the organization of on-line workshops to be sure that the new FIAP would be the result of a shared process reflecting the main priorities to foster financial inclusion. Also its structure would be discussed and framed.

At this point, the GPII Co-Chair presented the preliminary indicative results based on inputs provided by GPII Members in connection with the survey to start the discussions in the Workshop. The GPII Co-Chair also underlined that the work on remittances, although not present in the survey, remains a commitment of the GPII as well as an area of work of the new FIAP.

In terms of *remaining gaps*, three items – namely, (i) data on vulnerable groups and MSMEs; (ii) technology and innovation; and (iii) infrastructure – were ranked higher by member countries and IPs from the survey circulated by the Co-Chair.

In terms of *future challenges*, climate change and new technologies were identified as the major ones in the preliminary assessment. On both of them, some Members underlined the importance to keep the focus on financial inclusion and to establish collaborations with other G20 working groups and SSBs that work on this issues to bring the financial inclusion perspective in their agenda, hence avoiding duplications while enhancing synergies and complementarities. Some Members also highlighted that issues related to green finance and climate transition are being dealt in separate G20 Working Groups.

GPII Members also suggested that some items in the survey related to both *remaining gaps* and *future challenges* would require further discussions going forward as some of them – such as infrastructures and technology – may appear more as opportunities than actual challenges; moreover, in some proposed areas the comparative advantage of the GPII may need to be properly assessed. Some of them also opined that despite impressive progresses on the financial inclusion front, much remains to be done to further include vulnerable individuals and

MSMEs; therefore, the focus of new FIAP on digital financial inclusion and MSME financing should continue.

In the brainstorming roundtable that followed the presentation, GPI Members proposed the following considerations:

- in terms of method:
  - to identify a limited number of actionable and flexible objectives;
  - to organise future discussion items in terms of goals (e.g. financial inclusion) and tools (e.g. technology);
  - to better define the meaning of economic empowerment, financial well-being and financial health as well as their relationship with financial inclusion;
- in terms of content:
  - to keep the focus on the most vulnerable segments of the population that are still excluded (i.e. the “last mile”) and on how to reach them by means of, for example, better infrastructures; in this regard, it appeared important to emphasise not just the need for access to but also for usage and quality of financial services for both individuals and MSMEs;
  - to address the issue of the new challenges posed by innovative technologies (i.e. big tech, artificial intelligence, cryptocurrencies, DLT and CBDCs, green transition) – while also capitalizing on the new opportunities offered (i.e. new technologies, digital infrastructures) – by focusing specifically on their financial inclusion implications;
- to reinforce the GPI engagement with other G20 Working Groups and SSBs to bring the inclusion perspective in their Agenda (rather than proceed autonomously);
- to identify the most effective ways to keep high in the agenda of the GPI and other international financial institutions the need for quality disaggregated data, especially on MSMEs and for some impact evaluation of GPI work over the years;
- to find the most effective way to include non-G20 Countries in the discussions regarding financial inclusion.

- to consider adding new elements and features to remittances to reach the desired goal of reducing their costs and maximize their impact on local communities.

At the end of the session, the GPI Co-Chair and the Indian G20 Presidency strongly invited GPI Members to continue providing useful preliminary feed-backs by **18 March**, in preparation for a first on-line brainstorming meeting that could be arranged immediately afterwards.

### 3. Digital Financial Inclusion

The first session on 7 March, chaired by Ms Sonali Sen Gupta (Indian G20 Presidency), was devoted to the deliverables contained in the G202020 FIAP under the headings of “Digital Financial Inclusion”.

In a first intervention of the session, Ms. Magda Bianco updated the audience about the deliverable “**Assessing Progresses in the Implementation of the High-Level Principles (HLPs)**”. She acknowledged that the IPs working on it – i.e. the WB and the BTCA – have been confronted with unexpected constraints and have cited difficulties in accomplishing the objective in the form and within the timeline originally anticipated during the First GPI Plenary Meeting in January. To face the need to revisit the overall scope of the planned deliverable – while striking a difficult balance among keeping the quality standard of GPI outcomes, meeting the timing of Indian G20 Presidency and working within the capacity of the IPs given additional G20 priorities – three possible options for the way forward were formulated in agreement with the IPs and presented to GPI Members along with the respective pros and cons.

The first option (extended timeline; full deliverable covering a range of country responses) would require IPs to complete the implementation framework for the HLPs in 2023 – which would envisage the update of both the guide and the tool with HLP#7 and HLP#8, the provision of a pilot/pre-testing period phase, the realization of a guiding briefing note and a report template for countries – while the actual completion of both the self-assessment by countries and the ensuing Global Report by IPs – as actually foreseen in the current G20 2020 FIAP – would be postponed in 2024. This option would provide the highest quality results and allow non-G20 countries both the time and the resources to undertake the self-assessment. At the same time, the deliverable will not be completed as scheduled in the current FIAP and the realization of the global report will need to be included in the next FIAP.



The second option (flexible timeline; individual self-assessment reports by countries; limited responses) would still require IPs to complete the implementation framework for the HLPs in 2023 (HLPs #7 and #8 plus the pilot test plus the guide and report template) but there will be no Global Report, and countries finalizing their own self-assessment in the current year would have simply to decide whether to publish the results as country-owned reports (as it is currently the case for the National Remittance Plans). Although this option would provide a certain degree of flexibility – the deliverable could be completed in either 2023 or 2024 depending on the number and the timing of countries completing their self-assessment – it could not guarantee the quality of the final product, which would largely depend on those countries completing the self-assessment in a robust and timely manner. At the same time, it will not give resources or time to IPs to deliver a Global Report based on best practices.

The third and final option would require IPs to complete the implementation framework for the HLPs (HLPs #7 and #8; pilot test; report template) and countries to finalize autonomously the self-assessment in 2023, the outcome of which may be made public or not at their discretion. Countries would be invited to provide a very short summary of the main results stemming from their self-assessment, while there would be no Global Report. This option would make the FIAP deliverable completed in the current year although with a restricted scope. It will not need to be included in the new FIAP.

In the roundtable that followed the presentation, some countries reaffirmed their **commitment to finalize their self-assessment during the current year and make the results public**. Some Members also highlighted that since the current G20 2020 FIAP was endorsed by the G20 Leaders, and carrying forward any deliverable to the next FIAP will not be fair for the incoming G20 Presidency, it should be a collective endeavour of the GPI to ensure that the current G20 2020 FIAP (including the Global Report on HLPs) be completed within the deadlines therein contained. According to the timeline circulated after the Plenary, GPI Members were invited to provide feedbacks on the three hypotheses, but also suggestions for other possible lines of action, by no later than **16 March**.

The focus of the session then shifted to the issue of **international remittances**. Ms Sonali Sen Gupta (Indian G20 Presidency) – while highlighting the significant progresses made by the GPI in monitoring the process of reduction of the cost of cross-border remittances – also urged



for continued emphasis on having a focussed approach to reach the internationally agreed goals. Subsequently, Mr. Harish Natarajan (WB) provided an update about the new deliverable on “digital” remittances. Beyond the annual *Progress Report* that traditionally leads to the *Update to Leaders Report* (deliverable 1) and the *Biennial Update* of NRPs (deliverable 2), the WB and IFAD will work on a short report focused on the impact of innovative payment systems (deliverable 3). Following the version of the template related to the annual monitoring –and modified to clearly highlight the parts that would be insightful for this deliverable (as distributed by email on 15 February) – GPI Member countries are invited to provide evidence of the domestic uptake of “digital” remittances and the ensuing impact on the relative costs. Mr. Pedro de Vasconcelos (IFAD) informed the audience about the forthcoming Global Forum on Remittances, Investment and Development, which will be held on 14-16 June 2023 in Nairobi. In this regard, he invited the GPI Members to provide an official statement about the relevance that remittances have in the agenda of the GPI and the G20 from both a cost and a financial inclusion perspective.

#### 4. SME Finance

The second session on 7 March, chaired by the GPI Co-Chair, was devoted to the deliverables contained in the G202020 FIAP under the headings of “SME Finance”.

In a first intervention of the session, Mr. Robin Newnham (AFI) provided a brief recap of the steps taken in the realization of the “**Regulatory Toolkit for Enhanced Digital Financial Inclusion of MSMEs**”. The toolkit builds upon four main pillars (MSME access to digital financial service; digitalized credit infrastructure; market efficiency; special considerations for underserved populations) as well as many country cases that, in the meantime, have been offered as evidence of emerging best practices also thanks to the collaboration with the AFI SME Finance Working Group. A set of nine policy recommendations are drawn from this evidence to provide countries with a practical reference that can help them build an inclusive regulatory environment that is effective in fostering access to finance for small enterprises, especially the most vulnerable ones. In view of finalizing a ready-to-use instrument in compliance with the G20 2020 FIAP, he agreed to submit the current draft version of the toolkit to another round of comments from GPI Members by no later than **18 March** and, based on them, proceed to circulate a third draft of the toolkit by the end of the same month.

In a second intervention of the same session, Ms. Ghada Teima (IFC-SMEFF) provided a description of the deliverable on “**Digital and Innovative Financial Products and Services for MSMEs**”. The Report – focused on innovative and responsible access to (digital) financing in both advanced and emerging markets beyond credit – will serve as a stocktaking exercise of those effective approaches that have successfully facilitated and promoted MSMEs financing beyond traditional means. A whole range of innovative digital financial products and services, in fact, will be thoroughly evaluated in the Report, based on desk research, previous GPI work, publicly available cases and, above all, the case studies collected by means of the G20 Living Database, completed under Indonesian G20 Presidency. The database, which can be accessed through this [web address](#), is now live featuring about 60 case studies from different countries. Although some more than others have contributed with several examples (particularly, UAE, Türkiye and Indonesia), the database – which features a wide range of financial products (like savings, cash management and payments, credit guarantees, factoring and insurance) – has indeed a huge potential to showcase meaningful examples of impactful innovations that would benefit the global community. Hence, the GPI Co-Chair has reiterated the invitation made to G20 and non-G20 countries to continue populating the database with new cases (ideally, at least 10 each) and GPI implementing and affiliated partners to equally contribute to the database through their networks. The larger the evidence provided the easier it will be to draw sound and robust policy considerations.

## 5. Data harmonization

In the last session of the Plenary, Ms. Kazuko Shirono (IMF) provided the audience with information about the IMF’s Financial Access Survey (FAS) and the development of **a new strategy aimed to expand the coverage for gender-disaggregated data and innovative digital financial services**. The FAS is a unique supply-side dataset that enables policymakers to measure and monitor financial inclusion and benchmark progress against peers. The FAS is based on administrative data collected by central banks or financial regulators from financial institutions and service providers; it covers 189 economies spanning the period 2004 to 2021 and contains highly granular data (121 time series) on both access to and use of financial services. Since its launch, the FAS has evolved over time to meet emerging data needs and to adapt to new



conditions; its coverage has expanded to include gender-disaggregated data and digital financial services (like mobile money and mobile and internet banking). Within the new G20 Data Gaps Initiative (DGI-3) – specifically, under *Recommendation 12: Fintech-enabled Financial Inclusion* – the IMF is now coordinating a pilot data collection to assess the feasibility of expanding further the supply-side data coverage of both digital financial services (mobile wallets and fintech credit) and gender-disaggregated information (by income group, SME, mortgage loans, credit and debit cards and mobile money). Against this backdrop, Ms. Shirono showed to GPI Members a list of possible new indicators on fintech lending and gender-disaggregation on which it would be useful to focus going forward.

The Indian G20 Presidency and the GPI Co-Chair concluded the Plenary by thanking all the participants for their continuous support and active participation for a successful 2023 Agenda. At the same time, they announced that the Third GPI Plenary Meeting will be held in Indonesia.

*“One Earth. One Family. One Future”*

GPI Co-Chair - Magda Bianco