



GPFI

Global Partnership
for Financial Inclusion

Follow Up Report to G20 Leaders

June 19, 2012



INTRODUCTION

Through the creation of the Global Partnership for Financial Inclusion (GPFI) in 2010, the G20 recognized at the highest level the importance of supporting financial inclusion and sought to transform ideas into action in order to achieve the vision of universal access to, and usage of, financial services.

Since its launch as “an inclusive platform for all G-20 countries, interested non-G20 countries and relevant stakeholders” the GPFI has been working to implement the Financial Inclusion Action Plan endorsed by the G20 Leaders in Seoul Summit.

For the Cannes Summit (November 2011), the GPFI delivered to the Leaders the progress report, including five specific and comprehensive recommendations related to the Principles for innovative financial inclusion, the relation with the Standard-Setting Bodies (SSBs), Small and Medium Enterprises (SME) Finance, Financial Inclusion Data and the winners of the 2010 SME Finance Challenge:

In order to further anchor the GPFI vision on universal access to, and usage of financial services, encourage developed and developing countries to commit to further implementation of the nine Principles for Innovative Financial Inclusion, building on lessons learned from successful experiences, and the policy recommendations emerging from the case studies documented;

Call upon the main Standard-Setting Bodies (SSBs), including BCBS, CPSS, FATF, IADI and IAIS, to jointly explore the complementarities among their work and that of the GPFI, and encourage the SSBs to consider the recommendations and lessons learned from the GPFI white paper and country case studies on financial inclusion and the standards and guidance of the SSBs;

Launch the SME Finance forum as a platform, hosted by IFC, to leverage experience on SME Finance; welcome the SME Finance Policy Guide developed by the GPFI, laying down together with the Financial Inclusion Principles the foundation for future engagement at the country level; and acknowledge access to finance for women-owned businesses as well as for SME in the agricultural sector as critical for job creation and sustainable growth;

Welcome the progress made in meeting the G20's commitment to establishing a finance framework that mobilizes grant and risk capital for winning proposals from the SME Finance Challenge and for scaling up successful SME financing models; and

Request the IMF to continue and strengthen its supply-side data collection effort with the support of the IFC and CGAP; and encourage countries to develop and use data sources that are relevant for informing and monitoring policy success, leveraging other complementary supply-side and demand-side data.



The present follow-up report has been elaborated by the GPFI co-chairs and adopted by all members of the Partnership. It summarizes the progress made against the GPFI Recommendations endorsed by G20 Leaders at the Cannes Summit.

The report is structured as follows:

- I. Work undertaken, achievements and prospects
- II. Outcomes and Proposals



I. WORK UNDERTAKEN, ACHIEVEMENTS AND PROSPECTS

Following the 2011 Report to the G20 Leaders, the GPFI through its subgroups has made significant progress in the implementation of the recommendations approved at the Cannes Summit.

a. G20 Principles for Innovative Financial Inclusion and engagement with the Standard-Setting Bodies (Sub-group on Principles and SSBs)

The GPFI Sub-group on Principles and SSBs has been working to demonstrate G20 leadership in implementing the G20 Principles for Innovative Financial Inclusion, and to make the GPFI an inclusive platform for facilitating country commitments to financial inclusion through widespread implementation of the Principles by G20 and non-G20 countries. Actions undertaken towards this include:

1. Promoting country level financial inclusion commitments and action plans that are in line with the nine G20 Principles, and monitoring the commitments made by more than twenty developing and emerging country governments under the Maya Declaration since September 2011.
2. Conducting in-depth policy analysis supporting the implementation of the key principles;
3. Maintaining the G20 Principles for Innovative Financial Inclusion as a “library of good practice”.

At the same time, the GPFI Sub-group on Principles and Standard Setting Bodies has been working to support and catalyze SSBs' progress on financial inclusion within the context of their respective mandates and to strengthen collaboration and engagement with the SSBs to consider the recommendations of the GPFI white paper and country case studies. Actions undertaken towards this include:

1. Focused engagement by the Sub-group with SSBs currently conducting, or recently having adopted, revisions of their normative standards. As part of the process to create an enabling environment for innovative financial inclusion, there has been significant progress by specific SSBs in considering and incorporating financial inclusion in the revision of standards and guidance, and in particular the incorporation or strengthening of the proportionality principle in the revised Basel Core Principles, the Financial Action Task Force (FATF) Recommendations, and the Insurance Core Principles.
2. In order to maintain and strengthen the dialogue between the GPFI and SSBs, the Sub-group launched planning for a multi-stakeholder GPFI Conference on SSBs and Financial Inclusion to be held in late October 2012, hosted by the Financial Stability Institute at the Bank for International Settlements. A primary objective of the conference will be to showcase and advance the financial inclusion-related activities of the SSBs, while offering a forum for dialogue among the SSBs and other key financial inclusion stakeholders, informed by the experience of countries applying SSB standards and guidance at the country level while pursuing a broad financial inclusion agenda.



b. SME Finance

The SME Finance Subgroup continues the work successfully delivered in 2011 to improve the policy environment and identify and scale up successful models of SME financing thereby contributing to the implementation under the GPFI of the G20 Financial Inclusion Action Plan with the following progress:

1. **SME Finance Challenge and SME Finance Framework:** Canada has continued to coordinate with IFC the mobilization of resources committed to implement the winning proposals of the SME Finance Challenge. Canada was the first contributor to the SME Finance Innovation Fund with \$20 million and in 2012 has been joined by the UK (\$3.5 million), the United States (\$4 million), and Korea (\$0.7 million). The Netherlands is also expected to contribute (\$2 million). Out of the thirteen winners requesting grants, a total of twelve grant proposals have been approved, with eight of those committed, for \$21.1 million. All Challenge winners are receiving performance based grants whose disbursements are linked to the achievement of target indicators over two to three year periods. Initial disbursements have been provided to five grantees for \$4.15 million. Grant proposals for the remaining challenge winners are expected to be completed by July 2012. In addition to the SME Finance Innovation Fund grants, a total of \$75 million have been committed as equity, loans, guarantees and technical assistance to the SME Finance Challenge winners and another \$123 million are expected to be committed during 2012. Funding resources are being provided by Germany, United Kingdom and the Netherlands as well as the following institutions: Austria Development Bank (OeEB), Calvert, KfW, DEG, FMO, IADB's Multilateral Investment Fund (MIF) and Inter-American Investment Corporation (IIC), IFC, and OPIC.
2. **SME Finance Initiative:** A catalytic investment and technical assistance platform, the Initiative was launched in March 2012. The Initiative's first phase will cover Sub-Saharan Africa and South Asia, and will provide (1) advisory services for banks targeting SMEs, and for the development of financial infrastructure, and (2) an Investment Facility to provide financing to banks to help them mitigate the risks of moving into more challenging, underserved SME markets. The UK (DfID) is the first contributor to the Initiative with approximately \$64 million for blended finance investments and \$51 million for advisory services. IFC is providing \$200 million to leverage DfID's investment portion, EIB and OFID are also anticipated to contribute by mid-year 2012. Expansion within and beyond the two initial regions with additional partners is expected, such as OPIC. Total funding could reach up to \$1.4 billion.
3. **SME Finance Forum:** The first phase of the website (www.smefinanceforum.org) of the Global SME Finance Forum, an inclusive knowledge sharing web-platform for SME finance data, research, and best practices, was launched at a Joint OECD/GPFI Special Event on SME Finance in Paris on April 19, 2012, followed by a global announcement during the opening session of the GPFI Financial Inclusion event at the WB Spring Meetings on April 22. The website, hosted by IFC, is a global platform for information exchange and discussion. Initial funders of the Forum are DFID (\$1 million committed), Korea (about \$300,000), and the Netherlands (\$1 million expected). Some 520 members have joined the Forum, actively participating through the SME Finance Forum LinkedIn Community & Discussion Forum, and contributing 31 research papers and 12 publications from 15



different institutions. The SMEFF permanent team will be onboard full-time from July 2012.

4. **Innovative and scalable Agrifinance models:** As a complement to the 2011 report on “Scaling Up Access to Finance for Agricultural SMEs Policy Review and Recommendations” that was developed in close cooperation with developing country partners, especially in Africa, the Sub-group and IFC are exploring, in a second report, innovations and public and private interventions that promote financing to the agriculture sector. This second publication is a comprehensive Stocktaking Report of innovative models to finance agricultural SMEs and SME farmers, as well as risk mitigation mechanisms and distribution channels to overcome rural finance challenges. While the prior report targeted policy makers and donors specifically, the primary target audience for this report is bankers in developing countries who are interested in financing the agriculture sector.
5. The SME Finance Compact: The Compact has been developed to provide countries making financial inclusion a priority and SME finance a key focus of their national action plan a way to move from principles and recommendations to actions. The Compact complements the efforts and outreach of the Mexican Presidency to solicit commitments for national financial inclusion strategies, seeks to coordinate support for implementation of the country commitment and to feed into the G20 Financial Inclusion Peer Learning Program.

c. Data and Measurement

Since the Cannes Summit, the Data and Measurement Sub-group has focused on reaching GPFI agreement on a G20 Basic Set of Financial Inclusion Indicators (“the G20 Basic Set”) for adoption by the Los Cabos Summit. The G20 Basic Set will assist in focusing global efforts on measuring and sustainably tracking progress on access to financial services globally.

The G20 Basic Set builds on the AFI Core Set of financial inclusion indicators and includes indicators that:

- Track both access and usage of financial services by households (demand and supply side data);
- Are usable and easy to understand;
- Are relatively easily obtained, either already available or fairly easily accessible and;
- Include the work of both the IMF and World Bank and efforts already advanced on data collection and indicators.

The Data and Measurement Sub-group will be working towards establishing sustainable collection and monitoring processes for tracking progress against the G20 Basic Set. The Data and Measurement Sub-group with their implementing partners (AFI, CGAP, IFC, and the World Bank) will also explore the possibility of establishing methods for developing a more comprehensive set of financial inclusion indicators, including indicators focused on measuring agents, mobile banking units and geographic distribution of basic services as well as access to insurance. This will include (i) the identification of additional indicators most helpful to country-specific policy needs; (ii) agreement on when an indicator is sufficiently harmonized and standardized to ensure cross-country comparability; and (iii) a consultative approach to formally integrate new indicators. There will be country-level feasibility testing and cooperation with the AFI Financial Inclusion Data Working Group, to assess the capacity of developing countries to collect data relevant for the



selected indicators. In this overall process of identifying the comprehensive set, the Data and Measurement Sub-Group is committed to leveraging existing data initiatives at both the country and global levels.

The preferred agent for the collection and monitoring of inclusion indicators is always the country itself, with the rich framework being developed by the G20 and the implementing partners there to guide and harmonize efforts.

In addition, in response to the G20 Leaders' recommendation in Cannes on supply-side data collection, CGAP and IFC have been actively collaborating with the IMF to implement an updated and expanded questionnaire for the 2012 Financial Access Survey (FAS). To help implement this year's FAS, IMF and IFC have received financial support from the Netherlands' Ministry of Foreign Affairs, and CGAP from the Australian Agency for International Development. The updated FAS database is expected to be publicly available in September 2012.

IFC is currently working on the SME Finance Data Harmonization Project. The deliverable will focus on the state of data collection by IFI/DFI on SME lending and harmonization of SME data from financial intermediaries, and will propose solutions for a more streamlined reporting system.

II. OUTCOMES AND PROPOSALS

Financial inclusion is a key element for sustainable economic and social development and promotes integrity for the global and local financial system. In this regard, this GPFI follow up report is presented to the G20 Leaders for their acknowledgement:

Financial Inclusion Principles and SSBs

- In order to advance effective implementation of the G20 Principles for Innovative Financial Inclusion, commitments to concrete actions to promote financial inclusion have been made by developing and emerging country governments under the Maya Declaration, and further such commitments are encouraged.
- The progress of individual SSBs in considering and incorporating financial inclusion in the revision of standards and guidance is acknowledged. The SSBs are encouraged to continue the momentum and explore opportunities to deepen understanding and guidance on financial inclusion through the GPFI Conference on SSBs and Financial Inclusion in October 2012, hosted by the Financial Stability Institute at the Bank for International Settlements, and through other joint activities.

SME Finance

Realizing SME Finance at the Country Level

- Presentation of SME Finance Compact in conjunction with the public commitments of partner countries at the Los Cabos Summit. By November 2012 will be presented a survey of resources available to Compact countries with the objective to provide coordinated support to implement their specific SME finance commitments.



- A progress report on the implementation of the Challenge winners and the setup of the SME Financing Initiative under the SME Finance Framework and a summary of expected impact
- A progress report on the SME finance Challenge.

Deepening the tools supporting country level work. By November 2012 will be presented in particular:

- A report on successful and innovative support mechanisms for agrifinance.
- A fully developed concept for the Women Entrepreneurs Finance Knowledge Hub, including a terms of reference and a progress report on the cataloging project .
- The SME finance impact assessment tool.
- A financial literacy training module for SMEs elaborated by the IFC and World Bank.

In addition, the following item is presented to G20 Leaders for their endorsement:

- The G20 Basic Set of financial inclusion indicators to track global progress against access to financial services, establish sustainable methods for integrating additional indicators into a financial inclusion indicator framework as they become standardized, and encourage G20 and non G20 members to adopt national financial inclusion targets (See Annex).

GPFI will report to Finance Ministers and Central Bank Governors in November 2012 on the first set of data against the financial inclusion indicators.



ANNEX

GPFI FRAMEWORK NOTE FOR THE G20 BASIC SET OF FINANCIAL INCLUSION INDICATORS

1 GPFI Financial Inclusion Data and Measurement - Overview

Better financial inclusion data is critical to inform financial inclusion policy making and advance financial inclusion at global and national levels. At the Cannes Summit in 2011, leaders agreed with the Global Partnership for Financial Inclusion's (GPFI) recommendation to support global and national financial inclusion data efforts. At the GPFI meeting on 29 March 2012, co-chairs agreed to a Basic set of Financial Inclusion indicators ("the Basic Set") for consideration by Finance Ministers as the key financial inclusion data outcome for the Los Cabos Summit. Brought forward by the Data and Measurement Sub-Group¹ and its implementing partners (AFI, CGAP, IFC, and the World Bank), the G20 Basic Set builds on AFI's Core Set of financial inclusion indicators. It then brings together existing robust global data efforts to track global and national financial inclusion progress. The G20 Basic Set lays the foundation for a more comprehensive set of global financial inclusion indicators. This global effort complements a key priority for the Mexican G20 Presidency - the promotion of National Financial Inclusion Strategies. National financial inclusion data is essential to setting country targets as part of a national strategy.

- The priority for the *Los Cabos* Summit, is reaching agreement on the proposed G20 Basic Financial Inclusion Indicators. The G20 Basic Set is built on the AFI Core Set, a series of indicators developed jointly by developing country policymakers and focuses on country-owned data sources.² Although basic, the indicators are selected from *existing* global surveys that meet standards of quality, robustness, sustainability, and continuity. Their adoption will be the first step in bringing coherence and focus across countries and at the global level.
- Post *Los Cabos*, the Data and Measurement Sub-group will focus on developing a process for integrating additional indicators—as they become available and standardized over time—to provide a more detailed picture of financial inclusion at the country-level. This process will address key gaps in the financial inclusion data, such as mobile banking, micro insurance, financial education and consumer protection.

2 Proposed G20 Basic Financial Inclusion Indicators

Financial inclusion involves not only the availability of financial services, but also the usage and quality of those services. Three key dimensions of financial inclusion to be measured are: (i) access to financial services; (ii) usage of services; and, (iii) quality of products and delivery. The G20 Basic Set captures some elements of access and usage and thus is a useful starting point, but recognizes

¹ The other GPFI work streams by Sub-Groups on Standard Setting Bodies and SME Finance also have implications regarding data, and are noted in *Financial Inclusion Data: Assessing the Landscape and Country-Level Target Approaches*, discussion paper prepared by IFC on behalf of the GPFI, October 2011.

² For further details, see "Measuring Financial Inclusion: A Core Set of Indicators" by AFI Financial Inclusion Data Working Group (2011).



there is still much more work needed to deepen the understanding of the state of inclusion, not least of all on the quality dimension.

Table 1 below presents the proposed G20 Basic Set. The preferred route is that every country takes responsibility for the collection and monitoring of its financial inclusion indicators, but the table does list the appropriate data sources if country-level data, particularly on the demand side, is not available. Among the existing global data sources listed in Table 1, the IMF's Financial Access Survey (FAS) data is collected directly from participating governments—mainly central banks. The World Bank's Global Findex is a survey of individuals integrated into the Gallup World Poll (funded by the Bill & Melinda Gates Foundation) and the World Bank's Enterprise Survey is a survey of firms.

Categories	Indicators	Existing Global / Multi-country Source	Dimension of Financial Inclusion Measured
1 Formally banked adults	% of adults with an account at a formal financial institution	Global Findex	Usage
	Number of depositors per 1,000 adults OR number of deposit accounts per 1,000 adults	IMF FAS	
2 Adults with credit by regulated institutions	% of adults with at least one loan outstanding from a regulated financial institution	Global Findex	Usage
	Number of borrowers per 1,000 adults OR number of outstanding loans per 1,000 adults	IMF FAS	
3 Formally banked enterprises	% of SMEs with an account at a formal financial institution	WBG Enterprise Surveys	Usage
	Number of SMEs with deposit accounts/number of deposit accounts OR number of SME depositors/number of depositors	IMF FAS	
4 Enterprises with outstanding loan or line of credit by regulated institutions	% of SMEs with an outstanding loan or line of credit	WBG Enterprise Surveys	Usage
	Number of SMEs with outstanding loans/number of outstanding loans OR number of outstanding loans to SMEs/number of outstanding loans	IMF FAS	
5 Points of service	Number of branches per 100,000 adults	IMF FAS	Access

TABLE 1 – The Proposed G20 Basic Financial Inclusion Indicators



3 Process for the Selection of the Comprehensive Set

Beyond the *Los Cabos* Summit, the Data and Measurement Sub-Group with its implementing partners will initiate a process for developing the comprehensive set of financial inclusion indicators. This will include (i) the identification of additional indicators most helpful to country-specific policy needs;³ (ii) agreement on when an indicator is sufficiently harmonized and standardized to ensure cross-country comparability; and (iii) a consultative approach to formally integrate new indicators. There will be country-level feasibility testing and cooperation with the AFI Financial Inclusion Data Working Group, to assess the capacity of developing countries to collect data relevant for the selected indicators. In this overall process of identifying the comprehensive set, the Data and Measurement Sub-Group is committed to leveraging existing data initiatives at both the country and global levels.

4 Institutional Arrangements

Responsibility for tracking progress against the indicators and developing additional financial inclusion indicators will be agreed at the next Global Partnership for Financial Inclusion meeting in September. The chosen organization will be responsible for collating the data, analyzing it and reporting on the results.

³ For a more detailed discussion of the multi-stage, country tailored journeys and aspirations, and their reflections on indicator selection, see Chapter 4 in *Financial Inclusion Data: Assessing the Landscape and Country-Level Target Approaches*, discussion paper prepared by IFC on behalf of the GPFI, October 2011.