



GPFI

Global Partnership
for Financial Inclusion

2016 Progress Report to G20 Leaders

G20 Summit, Hangzhou, 4-5 September 2016

OUTLINE

This report summarizes GPFi activities from December 2015 to July 2016, presents the main achievements under the Chinese Presidency and describes the outlook for the rest of 2016 and into the start of the German Presidency.

The report is structured as follows:

- Recommendations to G20 Leaders
- Executive Summary of the GPFi work
- Work undertaken, achievements and prospects
- References of deliverables, reports and other relevant documentation

RECOMMENDATIONS TO G20 LEADERS

- To take concrete actions based on the G20 High-level Principles for Digital Financial Inclusion and tailored to the specific situation of each G20 country to promote digital financial inclusion, and help low income developing countries (LIDCs) to reach the “last mile” of excluded and underserved groups.

- To call on G20 economies to consider the financial literacy and consumer protection implications of digital financial inclusion and take appropriate measures to evenly protect consumers and small businesses and enable them to make effective decisions in this changing environment, as set out in the new High Level Principles for Digital Financial Inclusion.

- To update the G20 Financial Inclusion Indicators on a regular basis to reflect new trends and developments in financial inclusion and support international organizations to collect high quality country-level data from both the supply-side (from financial services providers) and the demand-side (from the perspective of users), disaggregated by income, sex, age, and other market segments.

- To emphasize the crucial role of small and medium-sized enterprises (SMEs) for employment, job creation, investment, innovation and sustainable economic growth around the world by highlighting the G20 Action Plan on SME Financing Implementation Framework and committing to implement reforms and report on progress, in order to accelerate and replicate successful policy reforms in credit infrastructure that facilitate the expansion of financial services to SMEs.

- To highlight GPFi’s strengths as an international forum for economic cooperation which facilitates and supports coherent and coordinated approaches for financial inclusion in order to efficiently contribute to the implementation of the 2030 Agenda.

- To call on the Financial Stability Board (FSB) and the relevant standard-setting bodies (SSBs) to act upon the Observations and Recommendations set out in the GPFi White Paper, Global Standard-Setting Bodies and Financial Inclusion: The Evolving Landscape (GPFi White Paper), approved in March 2016.

- To encourage the FSB and the relevant SSBs to seize the opportunity provided by the organization of the Third GPFi Conference on Standard-Setting Bodies and Innovative Financial Inclusion to advance dialogue on issues related to the supervision and oversight of the fast-changing landscape of digital financial inclusion.

- To motivate the FSB and the relevant SSBs to consider steps towards a standing platform to pursue joint work on crosscutting issues of current relevance to the work of multiple global bodies stemming from the shifting risk picture described in the GPFi White Paper.

- To consider the role and importance of dealing with the topics of financial inclusion of youth (young entrepreneurship) and access to appropriate financial services for women owned

SMEs, stressing the central role of private sector in financing smaller companies, including financial institutions, financial markets infrastructure providers, larger firms in supply/value chains and fintech companies.

- To encourage the creation of strong public-private sector partnerships for setting priorities and implementing reforms to promote SME finance and financial inclusion in G20 and willing non-G20 countries.

- To encourage G20 and non-G20 countries to implement surveys on financial literacy in their country (using G20-acknowledged tools such as the OECD/INFE methodology and the complementary World Bank methodology) to develop cross-country comparable data and pave the way to the preparation of a dedicated G20 report on financial literacy in G20 economies by the OECD/INFE for the German G20 Presidency.

- To reaffirm the need for continued action to reduce the cost of remittances and align our efforts with the 2030 Agenda for Sustainable Development target to reduce the average transaction cost to less than 3 percent by 2030 and ensure that no individual remittance corridor requires charges higher than 5%.

- To continue to monitor the collaborative work of the FSB and relevant SSBs, the World Bank and the IMF to deepen understanding of the drivers of banks “de-risking” their operations and address the unintended consequences for developing countries.

- To encourage financial institutions and supervisors to apply a risk-based approach to the provision of remittance services balancing the remitters needs for better access at lower cost with the need to effectively fight money laundering and terrorist financing commensurate with guidance from the FSB’s Correspondent Banking Coordination Group and the Financial Action Task Force.

EXECUTIVE SUMMARY OF THE GPFI WORK

GPFI Priorities in 2016

- Digital Financial Inclusion: Innovation, Regulation and Supervision
- Data and Indicators
- Reaching the Last Mile: Rural Areas, the Poor, the Youth and the Elderly
- Financial Consumer Protection and Financial Literacy
- SME Finance: Diversified Financing Channels

Crosscutting Work

As requested by Finance Ministers and Central Bank Governors in February and April 2016, the GPFI drafted the G20 High-Level Principles for Digital Financial Inclusion and an updated version of the G20 Financial Inclusion Indicators.

G20 High-Level Principles for Digital Financial Inclusion

The G20 High-Level Principles for Digital Financial Inclusion will serve as a catalyst for G20 to adopt digital approaches to promote financial inclusion. The GPFI established a technical team to do the drafting work. These principles are designed to be action-oriented. Along with each principle, several examples of action are also listed for each country’s consideration.

Update of G20 Financial Inclusion Indicators

Given the rapid development of new digital models as well as the availability of new data on both the demand and supply side of digital financial services, new indicators are proposed

to be added to the existing G20 Basic Set of Financial Inclusion Indicators established in 2012 to measure the development of digital financial services. These indicators measure both use of digital payments and access to digital infrastructure, covering a wide range of payment instruments, transmission methods and use cases.

“We endorse the G20 High-level Principles for Digital Financial Inclusion, the updated version of the G20 Financial Inclusion Indicators, and the implementation framework of the G20 Action Plan on SME Financing, developed by the Global Partnership for Financial Inclusion (GPII). We encourage countries to consider these principles in devising their broader financial inclusion plans, particularly in the area of digital financial inclusion.”

“We ask the Global Partnership for Financial Inclusion, working with relevant organizations, to report back to us in 2017 on the actions being taken to promote digital financial inclusion at the country level.”

—Communiqué of the G20 Finance Ministers and Central Bank Governors Meeting
23–24 July 2016, Chengdu, China

Regulation and Standard Setting Bodies (SSBs) Subgroup

The focus of the Subgroup’s work in 2016 has been the promotion of joint exploration of financial inclusion topics of relevance to multiple SSBs and other global bodies.

The two main activities that the Subgroup carried out in 2016 are the publication of the GPII White Paper, *Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape* and the organisation of the Third GPII Conference on SSBs and Innovative Financial Inclusion (Third GPII SSBs Conference), to be held on 26-27 October 2016 at the Bank for International Settlements in Basel, Switzerland.

The GPII White Paper was finalised in early March 2016. Recommendations framed in the GPII White Paper of particular importance to multiple SSBs relate to the enhancement of coordination and collaboration among SSBs on financial inclusion, deeper consideration of country contexts in the application of global standards and guidance, guidance on the practical application of the concept of proportionality to financial inclusion, deeper understanding of the changing risks and benefits of financial inclusion, and deeper understanding of financial exclusion risks.

The implementation of the Recommendations in the GPII White Paper will be a multi-stakeholder, multiyear process. In 2016 and beyond, the GPII will continue to support the concerned SSBs in prioritising action points and determining where the engagement of multiple SSBs is most appropriate and possible, and within what timeframe.

The aim of the Third GPII SSBs Conference is to bring together leaders from the SSBs and other relevant global bodies engaged at a working-party level on emerging issues of relevance to financial inclusion. Building on the successful format of the Second GPII Conference on SSBs and Financial Inclusion: Standard Setting in the Changing Landscape of Digital Financial Inclusion in October 2014, the 2016 conference will focus on crosscutting frontier issues within the sphere of supervision and oversight of interest to multiple SSBs triggered by developments in digital financial inclusion, as discussed in the GPII White Paper.

The Subgroup has continued to showcase, acknowledge and support, both directly and through its members and Implementing Partners, the activities of individual SSBs and other global bodies of relevance to financial inclusion, with an emphasis on promoting joint exploration of topics of relevance to multiple SSBs and other global bodies. Country-level work recognises the two-way relationship between developing standards and guidance at the

global level and learning from their application at the country level, including the challenge of simultaneously addressing multiple policy goals.

SME Finance Subgroup

Small and medium-sized enterprises (SMEs) are crucial for inclusive and sustainable economic development. SMEs account for more than 50% of employment worldwide and are the driver for job creation, investment and innovation, especially in developing countries. Following the priorities of the G20 Chinese Presidency and consistent with the Presidency's theme "Towards the Innovative, Invigorated, Interconnected and Inclusive World Economy", the GPMI SME Finance Sub-Group focused on various topics, e.g. the potential of digital solutions and new innovative instruments and the further alignment of the G20's work with the 2030 Agenda.

One of the key outcomes for the Subgroup during 2016 was the development of the G20 Action Plan on SME Financing Implementation Framework to advance the agenda for SME finance across G20 countries and willing non-G20 countries, including LIDCs. The newly developed G20 Implementation Framework leverages on recognized international standards in credit infrastructure, focusing on measuring the state of development of countries' credit infrastructure; namely, credit reporting systems, secured transactions and moveable collateral registries and insolvency regimes. Through a self-assessment tool, countries are able to benchmark themselves against international good practices and monitor their own progress in implementing reforms in these areas. This helps accelerate and replicate successful policy reforms that facilitate the expansion of finance to SMEs.

Moreover, the SME Finance Sub-Group continued to support developing countries to implement their SME finance commitments through SME Finance Compact. The Subgroup also continued its work on the topic of women's economic empowerment (toolbox "Women in Inclusive Insurance"), financial inclusion of youth, agricultural insurances, and private sector engagement strategy.

The SME Finance subgroup continued its close collaboration with the IIWG, 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 and to support a holistic understanding of the impact of G20 work on development, especially as it relates to SME finance.

During the GPMI Workshop in March (Shanghai) and the GPMI Forum in July (Chengdu), options for scaling-up support to SME finance in developing countries were reviewed and diversified financing channels discussed. The GPMI Forum in Chengdu provided a platform for further engagement of the private sector.

Future work of the Subgroup will include in particular the roll out and implementation of the G20 SME Finance Action Plan Implementation Framework at country level with support from IPs, as needed. The Subgroup will continue to address the cross-cutting issues of the GPMI such as digital finance, access to finance for women-owned SMEs and young entrepreneurs, address issues related to long term finance/asset backed finance and new topics such as insurance or green finance to respond to demands from various stakeholders. The priorities of the upcoming G20 Presidency will also be reflected in the Subgroup's work plan for 2017.

Financial Consumer Protection and Financial Literacy Subgroup

In 2016, the Subgroup continued to work on strengthening financial literacy and consumer protection approaches while also contributing to GPMI work on the development of indicators and on digital financial inclusion.

Concerning data and indicators, the Subgroup, with the impulse of the G20 Chinese presidency, encouraged G20 and non G20 countries to implement G20 acknowledged tools (in

particular the OECD/International Network on Financial Education (INFE) 2015 toolkit) to measure and compare levels and needs for financial literacy of individuals and small businesses across countries. These will result in a first worldwide survey on financial literacy¹ to be released in October 2016 and to a dedicated G20 survey report in G20 economies to be elaborated by the OECD/INFE in 2017 under German G20 Presidency.

In addition responding to G20 leaders call in 2013 and complementing the core competencies on financial literacy for youth delivered in 2015, core competencies on financial literacy for adults were elaborated and completed by the OECD/International Network on Financial Education (INFE). The core competencies framework offers a first international benchmark on key financial skills for adults. It is a useful policy and practical guidance tool to be used alongside survey measures to elaborate and evaluate financial education initiatives, as well as identify adults' needs and prioritize action.

The Subgroup also contributed to GPFi work on digital financial inclusion by participating in the drafting of the High-level Principles from a financial consumer protection and financial literacy point of view. The G20/OECD Task force on financial consumer protection was also consulted on the early outline of the principles. The OECD and its INFE also contributed to this work stream by completing a first high-level summary of the implications of digital finance from a financial literacy perspective based on a comprehensive report to be finalised in 2016. It is also worth mentioning that FinCoNet (new GPFi affiliated partner in 2016) finalised a report on online and mobile payments and their implications from a financial consumer protection supervisory perspective.

Subgroup members contributed to the GPFi workshop on financial consumer protection and financial literacy held in May in Xian City. The Subgroup and its implementing partners also organized global meetings to support the development of key GPFi deliverables. These included the 5th INFE technical Committee and the OECD/Netherlands Global Symposium on Financial Resilience Throughout life opened by HM Queen Máxima and the OECD Secretary General Angel Gurría in Amsterdam on 19-21 April.

Key subgroup activities in 2017 will include on the data side the G20 survey report on financial literacy and inclusion to be developed by the OECD/INFE. On the financial literacy side, the consolidation of recommendations and policy instruments on financial literacy as well as dedicated reports on financial education for MSMEs and on the impact of digital finance for financial education and literacy (including guidance) by the OECD/INFE. On the financial consumer protection side, the G20/OECD Task force on financial consumer protection activities will pursue its activities with respect to consumer risks and digital finance and will deliver a progress report on its activities. The World Bank will be finalizing the 2nd edition of the Good Practices for Financial Consumer Protection, in particular incorporating new good practices on supervision, disclosure, digital finance, and retail payments products, as well as conducting the Global Financial Inclusion and Consumer Protection Survey in over 150 countries.

Key activities will include the two Global conferences on financial education back-to-back with the INFE technical committee meetings in Paris on 17-18 May (including the launch of the PISA financial literacy exercise in 2015) and in New Delhi on 8-9 November as well as a series of regional meetings in Asia, Latin America and Commonwealth Independent States (CIS).

Markets and Payment Systems Subgroup

The overall goal of the Subgroup is to advance utilisation of payment systems and remittance flows, in the pursuit of increased and sustainable financial inclusion. The Subgroup

¹ Defined as "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing".

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 responds to the call in the G20's St. Petersburg Development Outlook for the GPFi to explore "targeted actions to...harness emerging mechanisms such as electronic payments and mobile technology that can significantly improve access".

In 2016, the Subgroup carried out two main activities – delivering a monitoring and review process for the G20 National Remittance Plans agreed in 2015 and contributing to the development of new indicators on digital financial inclusion.

At the Antalya Summit G20 leaders agreed that National Remittances Plans developed in 2015 be reviewed annually, with updates every two years until 2019. The Subgroup undertakes this monitoring process. In 2016, G20 members reviewed progress on measures in their 2015 National Remittances Plans and provided this review to other members to promote peer learning and mutual accountability. Drawing on information contained in these reviews, the Subgroup developed an update for Sherpas on progress towards the G20 goal of reducing the global average cost of sending remittances. As of Q1 2016 the global average cost has reduced to 7.53 per cent; this is down from more than 9 per cent in 2011 but up slightly from the historic low of 7.37 per cent achieved in Q4 2015. Continued focus on reducing remittance costs and the connected issue of global de-risking is therefore required if G20 remittance cost targets are to be met by 2030.

WORK UNDERTAKEN, ACHIEVEMENTS AND PROSPECTS

Regulation and Standard Setting Bodies (SSBs) Subgroup

In accordance with the Subgroup Terms of Reference and 2016 Work Plan, and in line with the anticipated outcomes under the GPFi Financial Inclusion Action Plan, the Subgroup undertook in 2016 the activities outlined below. Periodic consultations between the Subgroup and the SSB secretariats across the range of Subgroup activities continued throughout 2016.

Increased understanding of the interdependence of financial inclusion, stability, integrity and consumer protection reflected in greater collaboration among the SSBs and other relevant global bodies

The two main activities of the Subgroup in 2016 are the finalisation of the GPFi White Paper, *Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape* (GPFi White Paper), and the organisation of the Third GPFi Conference on SSBs and Innovative Financial Inclusion (Third GPFi SSBs Conference), to be held on 26-27 October 2016 in Basel, Switzerland, hosted by the Financial Stability Institute.

The GPFi White Paper, released as a Consultation Document in November 2015, was finalised and approved by the GPFi in early March 2016 and published in May. Recommendations framed in the GPFi White Paper of particular importance relate to the enhancement of coordination and collaboration among SSBs on financial inclusion, deeper consideration of country contexts in the application of global standards and guidance, guidance on the practical application of the concept of proportionality to financial inclusion, deeper understanding of the changing risks and benefits of financial inclusion, and deeper understanding of financial exclusion risks.

The implementation of the Recommendations in the GPFi White Paper will be a multi-stakeholder, multiyear process. In 2016 and beyond, the GPFi will continue to support the concerned SSBs in prioritising action points and determining where the engagement of multiple SSBs is most appropriate and possible, and within what timeframe. A key platform for dissemination of the Recommendations in 2016 is the Third GPFi SSBs Conference.

Subgroup members and Implementing Partners have been encouraged to share the Recommendations via channels such as blogs, webinars, targeted presentations, and briefs, as

appropriate. A number of activities downstream from the publication of the GPFi White Paper, based on issues of joint relevance and opportunities for collective action, have occurred already, and more are to take place before the end of 2016. These included presentations of findings included in the GPFi White Paper and recommendations at the GPFi Workshop that took place in Shanghai, China, in early March 2016. A series of blog posts have been posted on the websites of GPFi Implementing Partners the Consultative Group to Assist the Poor (CGAP) and the World Bank. In addition, the Subgroup plans to use content of the GPFi White Paper to support the preparation of the Fourth High-Level Meeting of SSB Chairs and Secretaries General (Fourth High-Level Meeting), convened by the UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) and the Chair of the Basel Committee on Banking Supervision (BCBS), which is scheduled to take place on 30 September, 2016.

The aim of the Third GPFi SSBs Conference is to bring together leaders from the SSBs and other relevant global bodies engaged at a working-party level on emerging issues of relevance to financial inclusion. Building on the successful format of the Second GPFi Conference on SSBs and Financial Inclusion: Standard Setting in the Changing Landscape of Digital Financial Inclusion in October 2014, the 2016 conference will focus on frontier issues within the sphere of supervision and oversight of crosscutting interest to multiple SSBs triggered by developments in digital financial inclusion, as discussed in the GPFi White Paper.

The central theme of the conference—*new frontiers in supervision and oversight of digital financial services*—addresses numerous crosscutting issues of current relevance to the work of multiple participating bodies. These issues stem from the shifting risk picture described in the GPFi White Paper. The conference will serve to meet the following objectives:

- Identify and raise awareness among the participating SSBs and other global bodies of recent developments in digital financial inclusion relevant to the conference's supervision and oversight theme;
- Deepen understanding of the interdependence that exists among digital financial inclusion, financial stability, financial integrity and financial consumer protection;
- Provide a platform for the discussion of key Observations and Recommendations from the GPFi White Paper of crosscutting relevance to multiple SSBs and other global bodies; and
- Identify issues regarding the supervision and oversight of digital financial inclusion meriting further attention from the SSBs and the GPFi (including issues relevant to multiple SSBs), driving toward concrete ideas for joint engagement among the SSBs and between the GPFi and SSBs over the next two years.

Demonstration in SSB standards and guidance of increased understanding of financial inclusion

The Subgroup has continued to showcase, acknowledge and support, both directly and through its members and Implementing Partners, the activities of individual SSBs and other global bodies of relevance to financial inclusion, with an emphasis on promoting joint exploration of topics of relevance to multiple SSBs and other global bodies. The GPFi role vis-à-vis the SSBs continues to be informed by the identification of opportunities to monitor, showcase, acknowledge and support the implementation of the Recommendations set out in the GPFi White Paper, with an emphasis on the themes identified as topics for the Third SSBs Conference and the Fourth High-Level Meeting. The following examples are indicative:

- The Basel Committee on Banking Supervision's (BCBS) draft *Guidance On The Application Of The Core Principles For Effective Banking Supervision To The Regulation And Supervision Of Institutions Relevant To Financial Inclusion* (BCBS Guidance Paper) was prepared by the Basel Consultative Group's (BCG) Financial Inclusion Workstream. The BCBS is expected to formally approve the BCBS Guidance Paper in September 2016.

- A report by the Payment Aspects of Financial Inclusion (PAFI) Taskforce (led by the Committee on Payments and Market Infrastructures and the World Bank), *Payment aspects of financial inclusion*, was finalised in April 2016.
- Guidance developed by the Financial Action Task Force (FATF) aims to help money remitters identify and manage risks and to help banks evaluate and manage the risks associated with providing financial services to money remitters. Guidance to be released later this year by FATF will address proper identification and management of risk in the context of correspondent banking and remittances.
- Support for the work of the Financial Inclusion Working Group of the International Association of Insurance Supervisors (IAIS) covers projects such as an application paper for mutuals, cooperatives and community-based organisations, and an application guidance on digital financial inclusion; support extends to the treatment of proportionality issues in the ongoing revision of the Insurance Core Principles.
- Support for the work of the International Organisation of Securities Commissions (IOSCO) includes areas of financial inclusion relevance such as crowdfunding at the base of the pyramid, social media and automated advice in the digital financial inclusion context, investor protection with digitally marketed securities, and financial inclusion-relevant issues in the revision of the IOSCO Objectives and Principles.
- Monitoring of the work of the Financial Stability Board (FSB) relevant to financial inclusion includes work on the effects of agreed regulatory reforms in emerging market and developing economies (EMDEs), effective resolution regimes for financial institutions, shadow banking and misconduct risks.

Improved understanding of linkages among financial inclusion, stability, integrity and consumer protection reflected in country-level policymaking

Subgroup activities in 2016 in this area draw upon country-level work, for example in China and Tanzania, on policymaking, regulation and supervision in the domain of digital financial services to underpin the preparation of the Third GPFIs SSBs Conference. This work recognises the two-way relationship between developing standards and guidance at the global level and learning from their application at the country level, including the challenge of simultaneously addressing multiple policy goals. EMDEs have participated in work of the SSBs and other global bodies, such as the BCG Financial Inclusion Workstream, the IAIS Financial Inclusion Working Group, the IOSCO Growth and Emerging Markets Committee, and the FATF-style regional bodies, as well as their active participation in the GPFIs Subgroup on Regulation and SSBs.

Improved coordination among SSBs and other relevant international bodies including banks, banking associations, law enforcement agencies and governments to address perceived risk in cross-border payments

Two interrelated areas of Subgroup activity in 2016, both ongoing, are expected to contribute in this area: (1) action on GPFIs White Paper Recommendations regarding “de-risking”; and (2) action on GPFIs White Paper Recommendations regarding risks associated with financial exclusion.

Increased understanding of the interdependence of financial inclusion, stability, integrity and consumer protection reflected in the methodologies and other tools employed in financial sector assessments

Three areas of Subgroup activity in 2016 are contributing to, and spurring progress on, the integration of financial inclusion considerations in financial sector assessments:

- Follow closely the development of the Financial Sector Assessment Program (FSAP) Guidance Note on financial inclusion, which has been the object of internal World Bank peer review and consultations with the IMF and which is currently being piloted

in selected FSAP exercises; opportunities will be sought in the future to involve SSBs in further work on FSAP guidance on financial inclusion.

- Support for SSB-specific self-assessments, such as the adaptation of its peer review and self-assessment methodology for use with the IAIS Application Paper on Regulation and Supervision of Inclusive Insurance Markets.
- Deeper engagement with regard to proposed changes to FSAP implementation affecting financial inclusion assessments.

Increased understanding of financial inclusion by financial sector assessors reflected in more consistent incorporation of financial inclusion in assessment reports and findings

Before the end of 2016, the Subgroup will consider how to work more closely with the World Bank Group and the IMF to identify ways in which the GPMI can contribute to improving the understanding of financial inclusion by FSAP assessors, as well as contribute to a stocktaking of the integration of financial inclusion considerations in IMF Article IV consultations.

Looking ahead to 2017

Key activities next year will focus on support for the implementation of the Recommendations set out in the GPMI White Paper, taking into account the current, and likely future, rapid evolution of the digital finance inclusion landscape. This will entail further GPMI White Paper dissemination work and specific engagements with the SSBs. Beyond the workstreams currently underway, the Subgroup will seize new opportunities to advance its agenda, adding topics as the result of the periodic consultations with the SSBs. The GPMI will continue to play a supporting role in fostering greater coordination and collaboration among SSBs, providing a platform for engagement as appropriate, while remaining attentive to the longer-term objective of the establishment of a standing platform to pursue joint work on crosscutting issues of current relevance to the work of multiple global bodies stemming from the shifting risk picture described in the GPMI White Paper.

SME Finance Subgroup

Financial inclusion of both households and SMEs has been a priority for the G20 and continued to be highlighted under the Chinese G20 Presidency. The key outcomes for the Subgroup during 2016 were:

G20 Action Plan on SME Financing Implementation Framework: The Action Plan itself provides a framework to facilitate the dialogue between the G20 GPMI SME Finance Subgroup and the G20 IIRWG, to advance the agenda for SME finance across different G20 work streams for G20 countries and willing non-G20 countries including LIDCs. The developed Implementation Framework is a self-assessment tool leveraging on internationally agreed on indicators which allow for baseline assessments of market development stages in credit infrastructure (credit reporting, secured transactions and moveable collateral registries and insolvency regimes) and serves as a mechanism for reporting on progress in implementing reform in these areas.

SME Finance Compact: The options for G20 support for developing countries to implement their SME finance commitments were reviewed. In keeping with the objectives of the SME Finance Compact, members of the Alliance for Financial Inclusion have made commitments, and set specific goals and targets for the financial inclusion of SMEs, within the framework of the Maya Declaration. To date 27 specific SME Finance goals have been set by 11 Member Institutions of AFI. Examples of new goals set in 2016 under this framework include:

- Commitment by the National Reserve Bank of Tonga to develop and improve access to finance by 20% over the next 5 years with a focus on agricultural SMEs and SMEs for women and youth;

- Commitment by Central Bank of Surinam to train at least 100 trainers for SMEs to enhance access to finance for entrepreneurs;
- Commitment by Banco Central do Brasil to allow SMEs access to Registrato, a Central Bank run credit information sharing system;
- Commitment by Bank Negara Malaysia to ensure at least 40% of financially distressed SMEs accessing its Small Debt Resolution Scheme are assisted to remain viable.

Agricultural Finance: The Subgroup continued working on agricultural insurance. A study on innovations and emerging trends in agricultural insurance including case studies and policy recommendations was consulted with the GPF members. The sub-group organized a panel on crowdfunding and P2P lending for the May 2016 GPF workshop, it also organized two panels on SME digital finance and on digital innovation in rural finance for the GPF Forum in Chengdu.

Women’s Economic Empowerment: The sub-group has started to develop a toolbox on “Women in Inclusive Insurance”, jointly developed by GIZ, Women’s World Banking and IFC. The toolbox intends to orient the various stakeholders by identifying potential entry points for gender-sensitive insurance approaches and proposing ways for implementing those more effectively.

Private Sector Engagement: The sub-group continued to engage with the private sector, especially with the B20. The sub-group invited the private sector to the meetings of the SME Finance sub-group. The SME Finance Forum has continued its work in its first year of independence and has increased the number of members from the private sector.

Looking ahead to 2017

The Subgroup will continue advancing its existing agenda, in particular monitoring and reporting on the G20 SME Finance Action Plan Implementation Framework, deploying the potential of new instruments and digital solutions, and efficiently contributing to the implementation of the 2030 Agenda. The Subgroup will continue to address the cross-cutting issues of the GPF, i.e. digital financial inclusion, data, gender and youth. The SME Finance Subgroup will deepen the knowledge on potential new topics such as insurance, green finance, and the use of alternative data for SME finance to respond to demands from various stakeholders. The priorities of the incoming G20 Presidency will also be reflected in the Subgroup’s work plan for 2017.

Financial Consumer Protection and Financial Literacy Subgroup

Key actions and outcomes during 2016

Support to the participation in the OECD/INFE survey on financial literacy G20 countries (see [OECD/INFE 2015 toolkit](#)) to develop cross comparable data on financial literacy. Based on the OECD/INFE instrument recognised by G20 leaders in 2013 and updated in 2015, the OECD/INFE instrument was endorsed by the INFE and successfully tested in over 40 countries covering key financial literacy aspects (i.e. financial knowledge but also self-assessed knowledge, behaviours, attitudes and aspects of financial wellbeing).

The Subgroup successfully encouraged the participation in the survey which will result in the development by the OECD/INFE of a first worldwide report on financial literacy to be released in October 2016 (covering countries which have implemented the survey in 2014/March 2016); a G20 report on financial literacy to be released under German G20 Presidency covering G20 economies which will have implemented the OECD/INFE survey in 2015/2016 (currently 15 G20 countries have already or are doing so; partial data is available for one other country) and a worldwide database on financial literacy.

G20 OECD/INFE Core competencies on financial literacy for adults was called for by G20 leaders in 2013 to provide an international benchmark on young people’s awareness and proficiency with financial issue and complements the core competencies on financial literacy

for youth delivered in 2015 under G20 Turkey Presidency. The core competency framework is meant to be used by policymakers and programme designers to elaborate, evaluate financial education initiatives, as well as identify adults' needs and prioritize action. The framework was developed through the OECD/INFE and its dedicated expert subgroup chaired by Canada and Russia.

Work on Financial Consumer Protection includes a progress report from the G20/OECD task Force on financial consumer protection on its key activities including a report on behavioral findings and its application to Financial Consumer Protection policies.

Contribution to digital financial inclusion by the Subgroup includes an executive summary on the implication of digital financial services for financial education from the OECD/INFE (the report and guidance will be completed in 2017).

Contribution on financial education for MSMEs includes a first analytical report on financial education for MSMEs was developed by the OECD/INFE. It should lead to the development of a final report in 2017 including guidance and work on core competencies on financial literacy of entrepreneurs.

The Subgroup through its implementing partners also supported the sharing of experience and the implementation of effective financial literacy and consumer protection policies in G20 and non G20 economies through a range of activities, which notably included:

- Contribution of subgroup members to the GPMI workshop on financial consumer protection and financial literacy held in May in Xian City.
- The 5th INFE technical Committee and the OECD/Netherlands Global Symposium on Financial Resilience Throughout Life opened by HRH Queen Máxima and the OECD Secretary General Angel Gurría in Amsterdam on 19-21 April 2016, gathering over 400 participants from over 70 countries.
- Two new initiatives launched by the OECD/INFE to more directly support the implementation of effective financial education initiatives and strategies in non G20 countries are a technical assistance project on financial literacy in Commonwealth Independent States (CIS) supported by the Ministry of Finance of the Russian Federation; and a Regional Centre on Financial literacy and Education in Latin America and the Caribbean in collaboration with the Securities Commission of Brazil (CVM).

Looking ahead to 2017

- OECD/INFE survey on financial literacy in G20 countries. The results of this survey building on an update of the toolkit on measurement supported by G20 Leaders in 2013 will capture adults' financial knowledge, attitude, behaviors and wellbeing² in G20 countries which will have implemented the survey in 2015-2016.
- Consolidation of OECD/INFE recommendations and policy instruments on financial literacy and education.
- OECD/INFE report and guidance on financial education for MSMEs (and progress report on core competency on financial literacy for entrepreneurs) and the impact of digital finance for financial education and literacy (with a view to supporting the implementation of the high-level principles on digital financial inclusion) as well as possible follow-up work on financial literacy for migrants and refugees.
- Progress report on the G20/OECD task force on financial consumer protection activities (covering particularly research and digital finance aspects).

² A growing consensus is emerging that the ultimate measure of success for financial education/financial literacy efforts should be improvement in individual financial well-being, wherein a person can fully meet current and ongoing financial obligations, feel secure in their financial future, make choices that allow them to enjoy life. G20 country efforts help people attain financial well-being by improving the key drivers for financial well-being (key knowledge, attitudes, behavior). <http://www.consumerfinance.gov/data-research/research-reports/financial-well-being/>

- 2nd Edition of WB's Good Practices for Financial Consumer Protection (with expanded coverage on supervision, disclosure, digital finance, and retail payments products and services).
- WB Global Financial Inclusion and Consumer Protection Survey (tracking key metrics in financial inclusion and consumer protection in over 150 countries).
- The 7th OECD/INFE technical committee and back to back conference in Paris (launch of the 2nd Programme on International Students Assessment), 22-24 May.
- The 8th OECD/INFE technical committee and back to back conference in New Delhi, 7-9 November.
- Regional meetings on financial literacy includes OECD/INFE/India regional roundtable on financial literacy and inclusion in Asia, 9 November; 2nd meeting of the Centre on financial literacy and education in Latin America and the Caribbean; 1st meetings of the technical assistance project on financial literacy in CIS.

Markets and Payment Systems Subgroup

The Markets and Payment Systems subgroup work plan for 2016 outlined three areas of work: monitoring of national remittance plans, developing indicators on the existence and use of payment eco-systems, and undertaking analysis of the roles of the public and private sector in the establishment and development of sustainable and payment eco-systems.

In addition to the outcomes below on items contained in the 2016 work plan, the Subgroup also contributed to the planning and development of sessions at the July 2016 GPMI Forum on de-risking and innovations in digital payment systems.

The de-risking panel explored the impacts of de-risking on the global remittance market and linkages with digital financial inclusion. It looked at the opportunities and challenges digital financial inclusion presents in addressing anti-money laundering and countering the financing of terrorism (AML/CFT) concerns, one of the significant drivers of the de-risking phenomenon. The panel also explored how de-risking activity can undermine efforts to expand digital financial inclusion, making it more difficult for new services to establish a sustainable business model.

The panel on innovations in digital payment systems outlined the framework used to categorize innovations and highlighted select promising payment innovations across various markets contained in the *Innovative Digital Payment Mechanisms Supporting Financial Inclusion* report produced by the Markets and Payment Systems subgroup in November 2015. The findings of this report are expected to serve as the basis for a complementary report in 2017 discussing the role of the public and private sectors in leveraging the identified innovations in order to boost responsible digital financial inclusion.

Monitoring of National Remittance Plans

In 2011, G20 leaders committed to reducing the global average cost of sending remittances to 5 per cent (from 9.30 per cent in mid-2011). Leaders recommitted to this target in 2014 and as of Q1 2016 the global average cost has reduced to 7.53 per cent, up slightly from the historic low of 7.37 per cent in Q4 2015. At the Antalya Summit G20 leaders agreed that the national remittances plans developed in 2015 be reviewed annually, with updates to take place every two years until 2019. The GPMI's Markets and Payment Systems subgroup undertakes this monitoring process.

Fourteen G20 members have finalised reviews of progress on their national remittance plans by the end of July 2016, with the remainder expected to be completed before the G20 Summit on 4-5 September. In 2016, 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 and improve the transparency and consumer protection of remittance transfers.

The G20's work on remittances is targeted and supports global efforts to reduce remittance costs, including the implementation of the 2030 Agenda for Sustainable Development which seeks to reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent by 2030. Through national remittance plans, G20 members have implemented a wide range of measures, appropriate to each member's circumstances and the needs of different remittance corridors, including: price comparison websites, consultative forums, changes to financial infrastructure, initiatives to address structural issues in receiving countries, promoting access to digital services, studies into solutions for particular corridors, and new legal frameworks and regulatory reform. To promote peer learning and mutual accountability members are sharing with each other their progress and implementation successes along with challenges encountered.

The G20 continues to monitor the collaborative work of financial standard-setting bodies, the World Bank and the IMF to deepen the understanding of the extent and drivers of banks 'de-risking' their operations. De-risking is often defined as the termination or restriction of business relationships with broad categories of customers to avoid, rather than manage, risk on a case-by-case basis. It will be important to understand the potential negative impacts that this global phenomenon has on remittance services providers, particularly noting recent upwards movement in remittances costs for Q1 2016.

The G20 continues to encourage financial institutions and supervisors to apply a risk-based approach commensurate with the guidance from the Financial Action Task Force (FATF) including its 2016 guidance for money or value transfer services. FATF is preparing risk-based guidance on correspondent banking, which will be relevant to cross-border remittances. The GPMI will also take into account further work in the Financial Stability Board's Correspondent Banking Coordination Group as it relates to issues surrounding remittances.

Development of additional indicators to monitor the existence and use of payment eco-systems

The Markets and Payment Systems subgroup contributed to the Chinese Presidency's new Digital Financial Inclusion Indicators through the development of additional indicators to monitor the existence and use of payment eco-systems. The Subgroup's work this year focused on indicators on the usage of digital payments, disaggregated by key sectors including women, rural and youth. Over the longer term, the Subgroup will seek to develop further indicators that cover access to, usage of and infrastructural enablement of payments for low-income market segments. The agreed indicators will enable a common approach to assessing and monitoring progress of developing inclusive payments, for use by individual countries. This work will include a focus on the use of payments by women both at individual and enterprise level.

Analysis of the roles of the public and private sector in the establishment and development of sustainable and payment eco-systems

In 2015 terms of reference were agreed for the Markets and Payment Systems subgroup to undertake analysis of the roles of the public and private sector in the establishment and development of sustainable and payment eco-systems. The analysis will involve identifying policy options and implementation approaches (incorporating a set of principles, policy guidelines, implementation frameworks and practical guidelines) for the private sector, government agencies and other players in the payment services environment to guide their efforts in using payment systems to sustainably increase financial inclusion.

Given implementing partners' existing commitments in developing deliverables for 2016 such as the High-Level Principles on Digital Financial Inclusion, the Markets and Payment Systems subgroup agreed to take this work forward following the Hangzhou Summit in September 2016. The work will include a guidance note for government agencies and private sector actors on establishing, developing and accessing sustainable and inclusive payment eco-systems. This note will also draw on insight gained from the 2015 stocktaking report on payment systems.

Looking Ahead to 2017

Key activities for the Subgroup in 2017 will include: facilitating a process for G20 members to update their National Remittance Plans in line with the G20 leaders' commitment in 2015; developing further indicators on the existence and use of payment eco-systems; and developing policy options and guidelines for the private sector, government agencies and others to guide their efforts in using payment systems to sustainably increase financial inclusion. The Markets and Payment Systems subgroup will also work closely with Germany as 2017 G20 President to contribute where we can to their priorities and the broader GFPI work plan for 2017.

REFERENCES OF DELIVERABLES, REPORTS AND OTHER RELEVANT DOCUMENTATION

GFPI Productions

- G20 High-level Principles for Digital Financial Inclusion
- G20 Financial Inclusion Indicators (2016 Update)
- G20 Action Plan on SME Financing Implementation Framework
- GFPI White Paper: Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape
- G20/OECD INFE Core Competencies Framework on Financial Literacy for Adults
- G20/OECD INFE Ensuring Financial Education and Consumer Protection for All in the Digital Age
- Update to Leaders on Progress Towards the G20 Remittance Target
- GFPI 2016 Progress Report to G20 Leaders