



FOURTH PLENARY MEETING OF THE GLOBAL PARTNERSHIP FOR FINANCIAL INCLUSION

15-16 September 2023

CO-CHAIR'S SUMMARY



On 15-16 September 2023, the Global Partnership for Financial Inclusion (GPI) met in Mumbai, India, for the fourth in-person Plenary Meeting under India G20 Presidency.

1. Inaugural Session

Mr. Chanchal Sarkar (Ministry of Finance – Department of Economic Affairs), Ms. Sonali Sengupta (Reserve Bank of India) and Ms. Magda Bianco (Bank of Italy and GPI Co-Chair) opened the meeting welcoming all the participants and acknowledging the important deliverables and results achieved by the GPI under the India G20 Presidency, which was also endorsed during the Leaders’ summit. The New Delhi declaration supports strong, sustainable, balanced, and inclusive growth and devotes a specific heading - right at the beginning - to financial inclusion, confirming the commitment of G20 Leaders to advancing the financial inclusion agenda.

Afterwards, Mr. Chanchal Sarkar provided a brief summary of the main takeaways of the symposium “Energizing MSMEs for higher economic growth through Digital Public Infrastructure”, held on September 14, 2023 in collaboration with SME Finance Forum. From the panel discussion, it clearly emerged that MSMEs are key to achieve the 2030 Sustainable Development Goals (SDGs) being a natural engine of growth and socio-economic transformation, contributing to 90% of commercial activities and 50% of global employment. However, there is currently a \$5.2 trillion estimated gap in MSME financing around the world. To increase the financing of MSMEs it is necessary to address some challenges: eliminating the need for physical collateral, replacing paper-based application procedures, reducing the origination cost of loans, increasing trust and competition, lowering administrative costs. Digital Public Infrastructures can play an important role, in developed and developing countries, in order to promote transparency and increase accessibility to digital financial services in an affordable manner.

2. Session I – Digital financial inclusion

At the beginning of the session, Better than Cash Alliance (BtCA) presented the first results of the self-assessment exercise carried out by countries with respect to the G20 GPI High Level Principles (HLP) for Digital Financial Inclusion. At the end of August only nine G20 countries (Brazil, Canada, China, India, Indonesia, Italy, Japan, Russia and Turkey) and six non-G20 countries

(Bangladesh, Colombia, Jordan, the Philippines, Spain and United Arab Emirates) provided their response to the questionnaire (in particular to Section 3) and will therefore be included in the HLP Progress Update Report that will be drafted by BtCA together with the World Bank. BtCA specified that more than 60% of the respondents considered the exercise useful although challenging.

The report will be circulated after the Plenary to give Members the possibility to comment on the same. On a very preliminary basis, four key messages seem to emerge from the analysis: i) importance of digital financial inclusion in achieving SDGs; ii) need to address timely regulatory challenges, adapting consumer protection measures and financial education initiatives to technological developments; iii) urge to develop an holistic approach to monitor developments in digital financial services and measure their impact (also through the collection of disaggregated data), including in jurisdictions where account ownership is near-universal; iv) foster inclusive practices and fruitful dialogue among all stakeholders involved. BtCA also underlined the usefulness of the exercise for the future GPII work, given the aspiration of the GPII to focus on the last mile, while giving emphasis to the quality dimension of financial inclusion.

Afterwards, International Fund for Agricultural Development (IFAD) provided an update on two documents that are being prepared together with the World Bank: a) the Report on the Impact of Digital remittances in reducing costs and b) the Second Update of National Remittance Plans. With regard to the first document, IFAD underlined that only two countries – India and Italy – provided case studies to feed the report. Thus, all Members are urged to contribute, possibly within two weeks after the Plenary. Although the main emphasis of the analysis is on cost containment, IFAD expressed its desire – under the guidance of the co-chair - to also focus on the role of remittances in receiving countries, and in particular in rural areas.

Finally, IFAD presented the Outcomes Report of the Global Forum on Remittances, Investment and Development 2023. Seven actionable objectives are presented in the Report: 1. expand and strengthen the collection of data on remittances; 2. periodically adapt the regulatory framework so that it is consistent with international principles and proportionate to the risks; 3. promote interoperable instant payment systems; 4. improve digital access and the offer of financial products for the receivers of remittances; 5. foster financial and digital literacy among senders and receivers of remittances; 6. recognize the contribution of remittances to climate adaptation, and; 7. strengthen public and private partnerships.



In the roundtable that followed the presentations, some Member Countries (the US, Japan, the European Union, Italy, Germany, Spain, the Netherlands and Australia) condemned the aggression by the Russian Federation against Ukraine that - inter alia - undermines financial inclusion efforts especially in low income countries and affects the most vulnerable segments of the population.

With regard to the HLPs self-assessment Report, most Members underlined the usefulness of the exercise, in some cases requiring more time to send the questionnaire. Many highlighted the crucial role of regulators in ensuring consumer protection in a rapidly changing environment, the importance of monitoring the market and collecting disaggregated data, the need to develop meaningful indicators for measuring the quality of inclusion, Finally, some Members reiterated the importance of financial literacy to accelerate the process of financial inclusion.

Regarding remittances, several Members underlined the fact that the cost of remittances in the last years struggled to reduce. It is important to continue promoting transparency, competition and the cross-border connection of payment systems. In this regard, the G20 roadmap for Enhancing Cross-Border Payment is an important reference point and it is key to ensure that the GPII is constantly updated on its progresses. Many Members showed appreciation for IFAD's initiative to collect case studies from remittance recipient countries, reiterating the importance of information sharing.

The first session of the Plenary concluded with the presentation of the We-fi Code Initiative, created with the aim of bridging the financial and data gap for women-led MSMEs. The initiative is based on three pillars (Leadership, Data and Actions) and identifies a series of activities that will help participants put the We-fi Code into practice. The We-FI Governing Committee has approved the financing of the We-Fi Code Pilot, which is expected to start soon, supporting more than twenty countries. The We-Fi Code plans to provide assistance to the countries participating in the initiative to: a) collect and report gender-disaggregated data; b) develop new financial and non-financial services for female-led MSMEs; c) increase the issuance of bonds and credit lines; and d) promote peer learning and documenting case.

3. Session II – SME finance

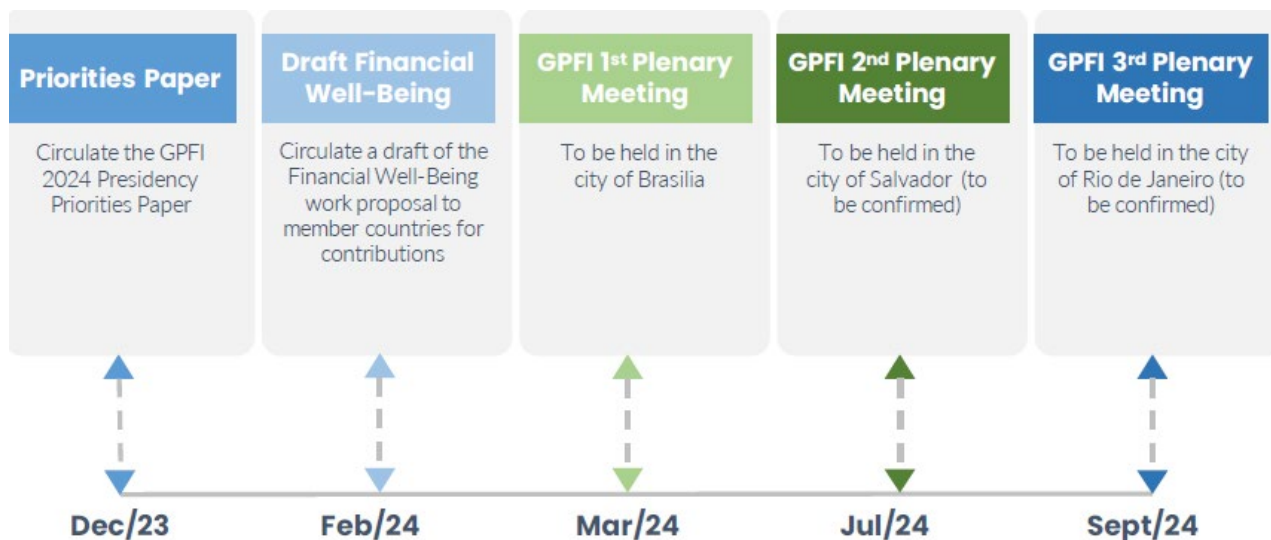
After a Symposium on Advancing Financial Inclusion through Digital Public Infrastructure that delved deeper into the topic of empowering consumers through digital and financial Literacy and consumer protection, the second session of the GPI Plenary started in the afternoon of the 16th of September.

At the beginning of the session, the International Finance Corporation (IFC) presented the final draft of the Report on SME best practices and innovative instruments to overcome common constraints in SME financing. The report bases its analysis on the cases collected in the “living database of successful examples of digital and innovative financial products and services for MSMEs beyond credit” - launched under the Indonesian Presidency - enriched with insights into the different regulatory systems. The identification of the most effective policies and innovative financing solutions made it possible to draft very general, indicative and non-binding guidelines to support SME financing beyond credit: expanding debt and equity platforms, developing regulatory frameworks to support the adoption of asset-based Fintech lending, facilitate public-private dialogue, consider flexible and proportionate risk-based regulatory frameworks, improve financial literacy and regulation relating to consumer protection, data privacy and cybersecurity, strengthen the capacity to monitor and evaluate risks associated with new financing models. Members showed appreciation for the report and highlighted the need to continue to contribute to the database with new cases.

Given that the meeting was the last with Indonesia as G20 Troika, Indonesia took the floor to thank the GPI Co-Chair, India Presidency and all GPI members for the excellent collaboration, and reiterate Indonesia’s continued support for GPI in the forthcoming years.

The Session concluded with the presentation by Brazil of the activities foreseen under the G20 Brazil Presidency. The FIAP deliverables for 2024 are: a) identify policy options for improving “last mile” access and quality inclusion for individuals and MSMEs through digital infrastructure, including DPI, consumer protection and other FIAP objectives; b) New Action Plan for SME Financing (multi-year project). The Presidency Priority will be financial well-being and, in particular, harmonizing terminologies (What do we mean by financial well-being?) and measurement (How can we measure financial well-being? What are the connections between financial inclusion and financial well-being?).

Brazil proposes that, in 2024, the GPI consolidates a conceptual structure and a set of indicators to support public policies and to allow countries to make greater progress in addressing the challenges related to the quality of financial inclusion and financial well-being. Producing greater access, without focusing on the quality of financial inclusion, may not produce greater financial well-being but rather have unintended outcomes. In order to do this, Brazil proposed that the Presidency Priorities Paper draft will be circulated in December 2023 and the draft of the work proposal on financial well-being under the Presidency Priority will be circulated in February 2024 as per the following timelines:



At the end of the session the Co-chair thanked Brazil for the presentation and thanked all Members, the India Presidency and the Troika for the continuous support to the GPI activities. Finally, the Co-chair announced the intention to organize an on-line meeting of GPI Members with the IPs specifically involved in digital financial inclusion, for information sharing on their future works.

Indian Presidency expressed their gratitude to all the GPI members, GPI co-chairs, IPs and APs, for providing continuous support during the Presidency. After the final greetings of the G20 India Presidency the session ended under the headline:

“One Earth. One Family. One Future”

GPI Co-Chair - Magda Bianco