



GPI

Global Partnership
for Financial Inclusion



G20 GERMANY 2017
HAMBURG

SME Finance: A Priority for G20/GPI

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Global Partnership for Financial Inclusion (GPFI)

- G20 Working Group to promote inclusive finance worldwide
- Launched at the G20 Summit in Seoul in 2010
- Financial inclusion as key enabler for SDGs
- Platform for knowledge sharing and policy advocacy on financial inclusion
- BMZ is GPFI Co-chair during the 2017 German G20 Presidency
- Four Subgroups, one of them SME Finance Subgroup (Germany

permanent Co-chair)



Federal Ministry
for Economic Cooperation
and Development



Germany's GPI Priorities



**Review and Update
G20 Financial
Inclusion Action Plan**

**Implementation of G20
High-Level Principles
for Digital Financial
Inclusion**

**Implementation of
G20 Action Plan on
SME Financing**

**Financial Inclusion of
Forcibly Displaced
Persons**



**Federal Ministry
for Economic Cooperation
and Development**



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Review and Update G20 Financial Inclusion Action Plan (FIAP)



- Guiding document of the GPFI
- Original FIAP was endorsed at the G20 Seoul Summit in 2010
- FIAP update in 2014 and in 2017
- 2017 FIAP reaffirms the G20 commitment to advance financial inclusion for all, with a focus on underserved and vulnerable groups
- ***SME Finance stays key priority of GPFI under 2017 FIAP***

Implementation of G20 High-Level Principles for Digital Financial Inclusion



- G20 HLP for DFI - endorsed at Hangzhou Summit in 2016
- Promote digital solutions in accelerating financial inclusion and balance risks and opportunities of digital financial inclusion
- 2017: from concept to implementation
- GPI took stock of emerging regulatory and policy approaches
- Conference on “Digitizing Finance, Financial Inclusion and Financial Literacy”, January 2017, Wiesbaden
- 8th Responsible Finance Forum on “Opportunities and Risks in Digital Financial Services”, April 2017, Berlin

Financial Inclusion of Forcibly Displaced Persons



- 65.6 million people forcibly displaced (UNHCR, 2016)
- Collective responsibility of the international community
- Financial inclusion as crucial enabler for inclusive economic development can be part of a smart long-term solution
- With access to financial instruments FDPs are better equipped to become integrated in their host communities
- Topic is anchored in the international debate
- GPI is tasked to develop a G20 Roadmap in 2018

GPFI SME Finance Subgroup

- Germany as Co-chair of the SME Finance Subgroup since it exists
- Objective: SME Finance Subgroup focuses on improving access to finance for SMEs both in G20 and non-G20 countries, including low-income developing countries
- This years' major activities included:
 - ***Implementation of the G20 Action Plan on SME Financing***
 - Stocktaking: ***Financing for SMEs in sustainable global value chains***
 - Policy Paper: ***Climate Smart Financing for rural MSMEs***
 - Report: ***Alternative Data Transforming SME Finance***
 - ***Data Harmonization and Coordination in SME Finance***
 - ***Support youth entrepreneurship***

Implementation of the G20 Action Plan on SME Financing



- G20 Action Plan on SME Financing endorsed in 2015; priority reform measures included three credit infrastructure priority areas:
 - Credit Reporting Systems, Secured Transactions & Collateral Registries, and Insolvency Regimes
- G20 Action Plan on SME Financing Implementation Framework endorsed in 2016
 - Country self-assessment, which benchmarks the current policy and regulatory state in the three priority areas to agreed-upon international standards
 - Initial self-assessment in 2017 as baseline

Stocktaking: Financing for SMEs in sustainable GVCs

- **Sustainability Standards in Global Value Chains: Implications for SME's**
 - Opportunities & challenges for SME's in GVC's; importance sustainability standards in GVCs
- **SME Financing Models for Sustainable Global Value Chains**
 - Overview of survey responses and findings
 - Role for Governments & International DFI's: rules & regulations; LC's to support SME lending; direct loans; risk mitigation services
 - Role for Investors & Lenders: direct loans & equity; sustainable stock market indices
 - Role for Businesses & Buyers: working capital models; TA; supplier diversity
- **Policy Considerations: Expanding Financial Support for SME's in Sustainable GVCs**



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Policy Paper: Climate Smart Financing for rural MSMEs

- Rural MSMEs face extraordinary risks and uncertainties due to climate change.
- Possible action areas: (i) building MSME resilience, (ii) changing farming and agribusiness practices, (iii) transferring risk, (iv) reducing uncertainty, (v) insurance
- The Paper recommends policy options in four areas:
 - Legislative/regulatory (e.g. policies to support financial inclusion)
 - Economic/fiscal (e.g. policies that promote matching grants, blended finance, etc.)
 - Agreement/incentive-based (e.g. adequate rules and tariff regimes in utility pricing, guarantees, etc.)
 - Information/communications-based (e.g. promote awareness and capacity building)

Stocktaking: Alternative Data Transforming SME Finance

- Digitizing SME finance and big data offer opportunities to overcome many of the main challenges SMEs are facing when it comes to access to finance
- The study
 - Provides an overview of the landscape of alternative data
 - Explores some of the new operating models and the new SME digital lending originators
 - Lists potential areas that policymakers and regulators need to understand in order to enhance SME access to finance and to understand the new challenges that go along with it

Data Harmonization and Coordination in SME Finance

- Stocktaking of SME Finance Indicators collected at country and (D)FI levels
- Preliminary macro level results show that only a small number of countries is collecting SME finance related data; even less do so gender/agriculture or youth disaggregated
- Micro level data collection took place recently via the SME Finance Forum team
- Ultimate goal:
 - Improve existing data through better coordination
 - Harmonize different approaches to collect data to provide richer, more meaningful data over the long term

Promoting youth employment and youth entrepreneurship

- Launch of the Global Platform for young entrepreneurs (Global Ye! Community) in 2015, together with Child & Youth Finance International
- Support of 2017 YE! Award (as part of 2017 Global Inclusion Awards in Berlin)
- Mapping of financial products for youth entrepreneurs (ongoing)
- Goal: Identify promising examples and provide policy recommendations

Agenda for 2018: Overview of Argentina's Presidency

Digitization and Informality

1.
Regulation that
promotes the use of
digital financial services

Regulation & SSBs
Subgroup

2.
Promote the use of
digital payments by
informal retailers and
individuals

Markets & Payment
Systems Subgroup

3.
Using alternative data
to enhance the
creditworthiness of
informal individuals and
SMEs

SME Finance Subgroup

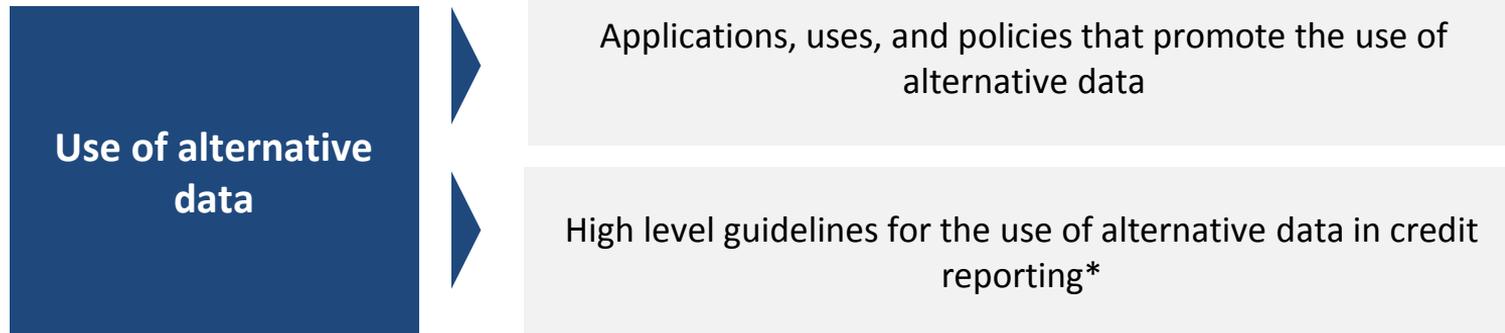
4.
Assessment and
management of new
challenges: privacy
issues, data and
consumer protection

Financial Consumer
Protection & Financial
Literacy Subgroup

POLICY TOOLKIT

SME Finance Subgroup

- What role could alternative data have in improving access to credit?



** Joint work with the International Committee on Credit Reporting*

Thank you!!!

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Further information and Studies are available on:

www.gpfi.org