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present

## **2013 St. Petersburg G20 Summit Interim Compliance Report**

7 September 2013 to 16 June 2014

Prepared by  
Stacey Bocknek, Vera V. Gavrilova, Krystal Montpetit, Theodora Mladenova, Taylor Grott  
and Antonia Tsapralis  
G20 Research Group, Toronto,  
and  
Andrei Sakharov, Andrey Shelepov and Mark Rakhmangulov  
International Organisations Research Institute, Moscow

18 September 2014

[www.g20.utoronto.ca](http://www.g20.utoronto.ca)  
[g20@utoronto.ca](mailto:g20@utoronto.ca)

## 2. Macroeconomics: Credit Access

“[Members have committed to a wide range of reforms to strengthen the foundations for strong, sustainable and balanced growth over the long term by improving] credit access.”

*G20 St. Petersburg Leaders' Declaration*

### Assessment

	Lack of Compliance	Partial Compliance	Full Compliance
Argentina		0	
Australia		0	
Brazil		0	
Canada		0	
China		0	
France		0	
Germany	-1		
India		0	
Indonesia		0	
Italy		0	
Japan		0	
Korea		0	
Mexico		0	
Russia			+1
Saudi Arabia		0	
South Africa		0	
Turkey		0	
United Kingdom			+1
United States			+1
European Union		0	
Average		+0.10	

### Background

The G20 first addressed financial inclusion at the Pittsburgh Summit in September 2009, where G20 members committed to “improving access to financial services for the poor.”<sup>134</sup> They created the Financial Inclusion Experts Group (FIEG) to increase access to financial services, such as credit, to the poor<sup>135</sup> and scaling-up models of small and medium enterprises financing.<sup>136</sup>

On 11-12 November 2010, in Seoul, G20 members delivered the Financial Inclusion Action Plan, which provides a set of practical recommendations for policymakers worldwide, called the G20 Principles for Innovative Financial Inclusion (Principles).<sup>137</sup> Moreover, following the 2010 Seoul

<sup>134</sup> Leaders' Statement, the Pittsburgh Summit (Pittsburgh). 24-25 September 2009. Access Date: 3 February 2014.

<sup>135</sup> G-20 Financial Inclusion Initiative: SME Finance Challenge. US Department of the Treasury website (Washington). 2009. Access Date: 2 February 2014. <http://www.treasury.gov/resource-center/international/g7-g20/Documents/G20%20Financial%20Inclusion%20Fact%20Sheet%20for%20posting.pdf>

<sup>136</sup> Scaling-Up SME Access to Financial Services in the Developing World, FIEG, SME Finance Sub-Group. GPFI Website. Access Date: 5 February 2014. [http://www.gpfi.org/sites/default/files/documents/G20\\_Stocktaking\\_Report\\_0.pdf](http://www.gpfi.org/sites/default/files/documents/G20_Stocktaking_Report_0.pdf)

<sup>137</sup> G20 Principles for Innovative Financial Inclusion. GPFI. GPFI Website. Access Date: 2 February 2014. <http://www.gpfi.org/sites/default/files/documents/G20%20Principles%20for%20Innovative%20Financial%20Inclusion%20-%20AFI%20brochure.pdf>.

Summit, the Global Partnership for Financial Inclusion (GPFI) was launched. GPFI, a platform for G20 members and other stakeholders, while supporting financial inclusion generally, was also created to implement the Financial Inclusion Action Plan.<sup>138</sup> The lack of financial inclusion may contribute to slower economic growth and tenacious income inequality while economies with a better access to financial services tend to grow faster.<sup>139</sup>

On 19 April 2012, the Organization for Economic Cooperation and Development (OECD) and the G20 organized a joint event to address and find solutions to tackle the major challenge of access to finance for Small and Medium-sized Enterprises.<sup>140</sup>

On 5-6 September 2013, during the G20 Summit in St. Petersburg, G20 members recognized the need to “increase the momentum of the global recovery, generate higher growth and better jobs, while strengthening the foundations for long-term growth.”<sup>141</sup>

### **Commitment Features**

For the purpose of this compliance report, credit access will be defined as “improving the degree to which financial services are available to all at a fair price ... Access essentially refers to the supply of services.”<sup>142</sup>

These actions can include but are not limited to: (1) taking advantage of the technological advances in developing financial infrastructure to lower transaction costs, (2) encouraging transparency, openness and competition to incentivize current institutions to expand service coverage, (3) and enforcing prudential regulations in order to provide the private sector with the right incentives.<sup>143</sup>

Financial infrastructure supports every formal financial transaction from paying a bill, to buying a house, to saving for retirement. Credit bureaus, collateral registries, and payment, remittance, and securities settlement systems are all vital parts of a country’s financial infrastructure. Technological support for financing may be including leasing and factoring, electronic finance, and mobile finance. For instance, in the case of an automated payments system supported by a strong legal and regulatory framework, lower operating costs gained from reducing manual processes translates to lower transaction costs.<sup>144</sup>

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<sup>138</sup> About GPFI, GPFI website. Date of Access: 2 February 2014. <http://www.gpfi.org/about>.

<sup>139</sup> Why Financial Inclusion? GPFI. GPFI website. Access Date: 2 February 2014. <http://www.gpfi.org/about/why-financial-inclusion>

<sup>140</sup> A Joint OECD / G20 GPFI Special Event on SME Finance. (Paris) 19 April 2012. OECD website. Access Date: 4 February 2014. <http://www.oecd.org/cfe/smes/50105000.pdf>

<sup>141</sup> G20 Leaders Declaration, St Petersburg Summit (St. Petersburg). 5-6 September 2013. Access Date: 3 February 2014.

<sup>142</sup> Finance for All?: Policies and Pitfalls in Expanding Access. Demirgüç-Kunt, Beck and Honohan. (Washington DC) 2008. The World Bank website. Access Date: 5 February 2014  
[http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA\\_book.pdf](http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA_book.pdf)

<sup>143</sup> Finance for All?: Policies and Pitfalls in Expanding Access. Demirgüç-Kunt, Beck and Honohan. (Washington DC) 2008. The World Bank website. Access Date: 5 February 2014  
[http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA\\_book.pdf](http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA_book.pdf)

<sup>144</sup> Finance for All?: Policies and Pitfalls in Expanding Access. Demirgüç-Kunt, Beck and Honohan. (Washington DC) 2008. The World Bank website. Access Date: 5 February 2014  
[http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA\\_book.pdf](http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA_book.pdf)

Boosting openness and competition is also an important part of widening access, because they spur incumbent institutions to pursue profitable ways of providing services to beforehand excluded segments of the population and increase the speed with which access-improving new technologies are adopted.<sup>145</sup>

Finally, proper regulations and a supervisory framework are mandatory to avoid reckless or improper expansion of the private sector.

As the commitment does not specify a target population to increase credit access, for the purpose of this report, compliance will be based on the G20 member taking a wide range of reforms to increase credit access for individuals and for firms.

**Scoring Guidelines**

-1	Member does NOT (1) take advantage of the technological advances in developing financial infrastructure to lower transaction costs, NOR (2) encourage transparency, openness and competition to incentivize current institutions to expand service coverage, NOR (3) enforce prudential regulations in order to provide the private sector with the right incentives
0	Member does one or two of the following: (1) takes advantage of the technological advances in developing financial infrastructure to lower transaction costs; (2) encourages transparency, openness and competition to incentivize current institutions to expand service coverage; OR (3) enforces prudential regulations in order to provide the private sector with the right incentives
+1	Member does (1) take advantage of the technological advances in developing financial infrastructure to lower transaction costs, AND (2) encourage transparency, openness and competition to incentivize current institutions to expand service coverage, AND (3) enforce prudential regulations in order to provide the private sector with the right incentives

*Lead Analyst: Jessica Cooper*

**Argentina: 0**

Argentina has partially complied with its commitment to undertake reforms to improve credit access.

In 2013, the use of electronic means of payment including transfers of funds through home banking, mobile banking, business e-banking, and ATMs has increased. From September 2012 to September 2013 instant transactions increased by 47 per cent in frequency and 78.5 per cent in total amount.<sup>146</sup>

On 24 January 2014 a report by the Wall Street Journal outlined Argentina’s measures to ease limits on the purchase of dollars after restricting the sales of dollars to businesses since October 2011. The measures are an attempt to stabilize a loose money policy that has caused one of the world’s highest rates of inflation. Large inflationary pressures have influenced the development of a large black market for currency. The lack of regulation and controls over the black market may impede the transparency and overall competitiveness of Argentina’s Financial Infrastructure.<sup>147</sup>

Argentina has taken the regulatory steps to improve credit access through technological advances in developing financial infrastructure to lower transaction costs while addressing the need for expanded

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<sup>145</sup> Finance for All?: Policies and Pitfalls in Expanding Access. Demirgüç-Kunt, Beck and Honohan. (Washington DC) 2008. The World Bank website. Access Date: 5 February 2014

[http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA\\_book.pdf](http://siteresources.worldbank.org/INTFINFORALL/Resources/4099583-1194373512632/FFA_book.pdf)

<sup>146</sup> Financial Stability Report, Central Bank of Argentina September 2013. Access Date: 1 March 2014.

<http://www.bcra.gov.ar/pdfs/polmon/bef0213i.pdf>

<sup>147</sup> Argentina Eases Restrictions on Dollar Purchases, After Devaluation, Wall Street Journal, 24 January 2014. Access Date: 17 June 2014. <http://online.wsj.com/news/articles/SB10001424052702303448204579340283199790264>

service coverage of financial institutions. The Central Bank of Argentina has introduced several new measures to increase credit access, some of which have yet to come into force. Argentina has therefore been awarded a score of 0.

*Analyst: Jonathan Francis Rybicki*

### **Australia: 0**

Australia has partially complied with its commitment to improve credit access.

A broad range of programs provide credit access in Australia. They often involve partnerships between banks and non-profits. The Commonwealth and state governments provide a mix of financial support as well.<sup>148</sup>

On 12 March 2014, Australia implemented the new Part IIIA of the Privacy Act 1988, which allows for more comprehensive (or “positive”) credit reporting.<sup>149</sup> “With positive information now available, consumers will be empowered with a clearer picture of their ability to borrow, manage and repay credit.”<sup>150</sup>

For these reasons, Australia has been awarded a score of 0.

*Analyst: Jessica Coper*

### **Brazil: 0**

Brazil has partially complied with its commitment to improve credit access.

On 24 September 2013, Brazilian Finance Minister Guido Mantega met with international investors during his visit to New York to discuss infrastructure projects in his country. The minister emphasized that Brazilian banks have shown interest in participating in financing investment opportunities in Brazil, noting that these steps are necessary in order to facilitate long-term investment by the private sector in the country.<sup>151</sup>

On 11 December 2013, Mantega announced that the Investment Support Programme (PSI) will be extended into 2014 in order to maintain the evolution of investment in the country. Although the minister advised that rates would be adjusted slightly, they would remain very attractive. He explained that the line rate of the PSI for capital goods will go from 4 per cent to 6 per cent, and the rate of export financing line goes from 5.5 per cent to 8 per cent.<sup>152</sup>

On 4 June 2014, finance minister Guido Mantega announced that the government has decided to reduce Tax on Financial Transactions (IOF) levied on foreign loans taken by companies and banks.

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<sup>148</sup> Measuring Financial Exclusion in Australia, The Centre for Social Impact for National Australia Bank (Sydney) June 2013. Access Date: 22 March 2014.

[http://www.financialliteracy.gov.au/media/465159/nab\\_csi\\_measuring\\_financial\\_exclusion\\_in\\_australia\\_2013.pdf](http://www.financialliteracy.gov.au/media/465159/nab_csi_measuring_financial_exclusion_in_australia_2013.pdf)

<sup>149</sup> Credit Reporting Reform, Office of the Australian Information Commissioner (Sydney) 12 March 2014. Access Date: 22 March 2014. <http://www.oaic.gov.au/privacy/privacy-law-reform/credit-reporting-reform>

<sup>150</sup> Financial inclusion to improve with new laws, Dun & Bradstreet (Sydney) 12 March 2014. Access Date: 22 March 2014. [http://dnb.com.au/Header/News/Financial\\_inclusion\\_to\\_improve\\_with\\_new\\_laws/indexdl\\_10767.aspx](http://dnb.com.au/Header/News/Financial_inclusion_to_improve_with_new_laws/indexdl_10767.aspx)

<sup>151</sup> “Modelo de Concessões é Atrativo e Lucrativo”, Diz Mantega, Ministerio da Fazenda (New York) 24 September 2014. Access Date: 10 June 2014. <http://www.fazenda.gov.br/divulgacao/noticias/2013/setembro/201cmodelo-de-concessoes-e-atrativo-e-lucrativo201d-diz-mantega>.

<sup>152</sup> Mantega Announces Extension of the Investment Support Program for 2014, Ministerio de Fazenda (Brasilia) 4 June 2014. Access Date: 10 June 2014. <http://www.fazenda.gov.br/divulgacao/noticias/2013/dezembro/mantega-anuncia-prorrogaao-do-programa-de-sustentacao-do-investimento-para-2014>.

Such actions will encourage borrowing abroad and the entry of foreign investment. The measures from 360 days to 180 days minimum average maturity of external funding that will have zero incidence rate of IOF. For an operation of less than six months, IOF will follow at 6% according to Decree No. 8263. In his announcement the minister stated “the measure is an additional credit opportunity” as it will help smaller banks and businesses with immediate liquidity problem by allowing them to access credit abroad with stabilized rates.<sup>153</sup>

On 5 June 2014, finance minister, Guido Mantega, defended the government’s decision to increase the share of public banks on credit. “Public banks are profitable, efficient, and have lower default levels than private banks [and] have quite reasonable yields,” said the minister during the meeting of Council for Economic and Social Development (CDES). The minister went on to say that Brazil has experienced a “true revolution in credit,” as the amount of credit in the country has nearly doubled in the last 14 years and now accounts for over 55 per cent of GDP. However, minister Mantega also stressed that the National Bank for Economic and Social Development (BNDES) remains important for the development of the country, as 75 per cent of companies have some sort of bank funding. He also discussed the PSI, which finances the acquisition of capital goods with lower interest rates.<sup>154</sup>

On 9 June 2014, representatives of the Bank of Brazil, Caixa Econômica Federal, Eletrobras and Itaipu, signed a term of commitment to the guidelines of business conduct for multinationals recommended by the Organisation for Economic Co-operation and Development (OECD). Implementing and promoting the OECD Guidelines was aimed at multinational companies to establish basic parameters for multinationals in areas such as labour, environment, tax and human rights, among others.<sup>155</sup>

Although Brazil has undertaken several measures to improve credit access, it has not fulfilled all three requirements for this commitment. Brazil has not taken advantage of technological advances in developing financial infrastructure to lower transaction costs or enforce prudential regulations. Brazil has therefore been awarded a score of 0.

*Analyst: Antonia Tsapralis*

## **Canada: 0**

Canada has partially complied with its commitment to improve credit access and financial inclusivity.

On 11 February 2014, Canadian minister of finance Jim Flaherty tabled the 2014 budget in the House of Commons. The 2014 budget included several measures designed to expand the financial services and credit access available to Canadians.<sup>156</sup>

As part of the 2014 Budget, the Canadian government announced that it would be increasing the support it provided to smaller banks by improving their access to funding and appointing advisors to

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<sup>153</sup> Government reduces IOF External Lending, Ministerio de Fazenda (Brasilia) 4 June 2014. Access Date: 10 June 2014. <http://translate.google.fr/translate?hl=en&sl=pt&u=http://www.fazenda.gov.br/&prev=/search%3Fq%3Dbrazil%2Bministr+y%2Bof%2Bfinance%26espv%3D2%26biw%3D1280%26bih%3D899>.

<sup>154</sup> Mantega Highlights the Performance of Public Banks In Developing, Ministerio de Fazenda (Brasilia) 5 June 2014. Access Date: 10 June 2014.

<http://translate.google.fr/translate?hl=en&sl=pt&u=http://www.fazenda.gov.br/&prev=/search%3Fq%3Dbrazil%2Bministr+y%2Bof%2Bfinance%26espv%3D2%26biw%3D1280%26bih%3D899>.

<sup>155</sup> State Sign an Undertaking Responsible Business Conduct, Ministerio de Fazenda (Brasilia) 9 June 2014. Access Date: 10 June 2014. <http://www.fazenda.gov.br/divulgacao/noticias/2014-1/junho/estatais-assinam-termo-de-compromisso-de-conduta-empresarial-responsavel>.

<sup>156</sup> Federal Budget 2014: Ottawa Plans Boost for Small Banks, Financial Post (Ottawa) 11 February 2014. Access Date: 18 February 2014. <http://business.financialpost.com/2014/02/11/federal-budget-2014-ottawa-plans-boost-for-small-banks/>.

help mentor newer financial institutions. The government expects this move to increase the competition in the financial services market for Canadians, resulting in lower borrowing rates and greater access to credit.<sup>157</sup>

The government of Canada also announced that it would provide greater support for provincial credit unions, in order to expand or merge, to enter nationwide credit markets. The government expects that the creation of several credit providers on a federal level would further improve Canadians' access to credit.<sup>158</sup>

As a part of the 2014 Budget, the government of Canada also strengthened consumer protection regulations in regards to credit cards. New protections include a mandatory 21-day interest free grace period for credit card charges consent for any credit limit increases.<sup>159</sup>

Canada has announced measures to increase the opportunities open to Canadians seeking access to credit and increasing the competitiveness of the financial services market by helping support smaller firms.

Canada therefore receives a score of 0.

*Analyst: D. Reid Dobell*

### **China: 0**

China has partially complied with its commitment to a wide range of reforms to strengthen the foundations for strong, sustainable and balanced growth over the long term by improving credit access.

On 22 November 2013, the People's Bank of China (PBC) hosted the finance IC card public services application experience exchange and enhancement symposium. The symposium shed light on the success of finance IC card application in public services, communicated the pilot city program experience, analyzed current challenges, and proposed 2014's requirement of increasing application of finance IC cards. PBC Party committee member, PBC vice-governor Li Dongrong urged listeners to learn from the success of the pilot cities finance IC card program in public services areas, to enhance the usage rate and usability of finance IC cards, and to promote financial services development through the application of finance IC cards.<sup>160</sup>

On 22 November 2013, the China Banking Regulatory Commission (CBRC) issued a presidential decree of revision on the "Pilot Administrative Measures for Consumer Finance Companies." This change is intended to gradually expand the geographic regions that Consumer Finance Company could operate in and fulfill the requirement of pilot establishment of private sector consumer finance companies bearing their own risks. The change includes more number of recognized shareholder's types; less restriction on geographic regions of operations (10 additional cities such as Shenyang, Nanjing, and Wuhan are able to launch the pilot program of consumer finance companies. Additionally, according to CEPA relevant

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<sup>157</sup> Federal Budget 2014: Ottawa Plans Boost for Small Banks, Financial Post (Ottawa) 11 February 2014. Access Date: 18 February 2014. <http://business.financialpost.com/2014/02/11/federal-budget-2014-ottawa-plans-boost-for-small-banks/>.

<sup>158</sup> Federal Budget 2014: Ottawa Plans Boost for Small Banks, Financial Post (Ottawa) 11 February 2014. Access Date: 18 February 2014. <http://business.financialpost.com/2014/02/11/federal-budget-2014-ottawa-plans-boost-for-small-banks/>.

<sup>159</sup> Chapter 3.4: Supporting Families and Communities, Office of the Minister of Finance (Ottawa) 11 February 2014. Access Date: 18 February 2014. <http://www.budget.gc.ca/2014/docs/plan/ch3-4-eng.html>

<sup>160</sup> PBC Hosted the Finance IC Card Public Services Application Experience Exchange and Enhancement Symposium, the People's Bank of China (Beijing) 22 November 2013. Access Date: 27 February 2014. [http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131122171309070533896/20131122171309070533896\\_.html](http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131122171309070533896/20131122171309070533896_.html)

regulation, qualified Hong Kong and Macau financial institutions could establish pilot consumer finance company in Guangdong Province including Shenzhen.); acceptance of increased shareholders deposit based on business development needs; an increase in the consumer credit limit from “five times the debtor’s monthly income” to “200,000 RMB”; an increased responsibility for the companies on the risk management operations; and enhanced customer protection regulations. Those measures are considered part of the financial structure reform program that enables greater credit access.<sup>161</sup>

On 28 November 2013, the People’s Bank of China governor Zhou Xiaochuan announced that private capital supporting small and medium financial institutions could be established under certain qualifications. This allows the financial system to be more comprehensive and increase financial market openness through welcoming more competition from financial institutions of the private sector. According to the guidance of the Third Plenary Session of the 18th Communist Party of China (CPC) Central Committee, CPC encourages and guides private capital to enter financial services area in order to encourage open and transparent market system. He also announced several measures taken to improve the modern financial enterprise mechanism through fewer restrictions on private capital and foreign capital into the financial services sector (more qualified private and foreign institutions investors and higher investment limit), encouragement on market-oriented delegation methods rather than government appointment of management. He also encouraged financial innovation to enrich the financial products offering and financial market depth.<sup>162</sup>

On 4 December 2013, the Payment and Clearing Associate of China hosted an Internet Finance Forum in Beijing on the future of internet finance development. PBC governor Liu Shiyu emphasized that internet finance is a form of innovative finance channel with prominent capability of small-amount, convenience and fast service, which solves many problems in the traditional finance systems. He proposed to combine internet finance with traditional financing systems to create a broader and more complete financial system.<sup>163</sup>

China has taken some steps toward improving credit access and is therefore awarded a score of 0.

*Analyst: Xue (Snow) Yuan*

## **France: 0**

France has partially complied with the commitment to improve access to finance.

On 13 February 2014, the Ministry of Economics and Finances has adopted the “Loi Consommation” (Consumption Law).<sup>164</sup> It improves the quality of life and thus supports better growth. Regarding credit

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<sup>161</sup> CBRC Issued A Presidential Decree of Revision On the “Pilot Administrative Measures for Consumer Finance Companies”, China Banking Regulatory Commission (Beijing) 22 November 2013. Access Date: 26 February 2014. <http://www.cbrc.gov.cn/chinese/home/docView/6527B19E3ABF49D4861BFA1A3DACE04C.html>

<sup>162</sup> Zhou Xiaochuan: Enhance Financial Reform and Openness to Accelerate the Comprehensiveness of the Financial Market System, People’s Bank of China, 28 November 2013. Access Date: 28 February 2014. [http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131128174634334873326/20131128174634334873326\\_.html](http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131128174634334873326/20131128174634334873326_.html)

<sup>163</sup> Innovation and Risk Management: Promoting the Healthy Sustainable Development of Internet Finance, the People’s Bank of China (Beijing) 5 December 2013. Access Date: 27 February 2014. [http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131205162227322135899/20131205162227322135899\\_.html](http://www.pbc.gov.cn/publish/goutongjiaoliu/524/2013/20131205162227322135899/20131205162227322135899_.html)

<sup>164</sup> La loi relative à la consommation : un objectif, améliorer le quotidien des Français, Ministry of Economics and Finance (Paris) 19 March 2014. Access Date: 20 March 2014. <http://www.gouvernement.fr/gouvernement/la-loi-relative-a-la-consommation-un-objectif-ameliorer-le-quotidien-des-francais>

access and use, the law balances the relationship between borrowers and lenders through different new opportunities, such as increasing the competition between financial institutions.<sup>165</sup>

French businesses, small or corporate, can already choose among a diverse set of financial institutions, private or public, to access credit.<sup>166</sup>

On 5 March 2013, the Minister of Finance Pierre Moscovici, the Minister Productive Recovery Arnaud Montebourg, and Fleur Pellerin, minister of Small and Medium-Sized Enterprise, Innovation and Numeric Economy signed the renewal of the institution Mediation du Credit (Credit Mediation). This institution, created in 2008, provides free and confidential advices to the businesses to find financing help or to solve issues with their financial partners.<sup>167</sup>

On 30 April 2014 the Euro Private Placements was launched to support financing medium-sized companies.<sup>168</sup> It provides medium- and long-term financing that involves institutional investors. This initiative is part of a collaboration among business, banking intermediaries, investors, and governments.

France already has a strong culture of credit access. Yet, despite the increase of credit accessible, the poor level of information prevents businesses, whose demand in credit is higher than ever, to finance themselves.<sup>169</sup>

France has therefore been awarded a score of 0.

*Analyst: Jessica Coper*

### **Germany: -1**

Germany has not complied with its commitment to improve credit access.

On 28 February 2014, a recent survey showed German firms to have better access to credit than those in other Eurozone economies.<sup>170</sup> In a profile of German industry by the European Commission, Germany was found to have a “very hospitable business and political environment for SME’s,”

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<sup>165</sup> Press Release about the Law Consumption, Ministry of Economics and Finance (Paris) 13 March 2014. Access Date: 20 March 2014. [http://www.economie.gouv.fr/files/files/directions\\_services/dgccrf/presse/communiqued/2014/validation\\_loi\\_conso1145.pdf](http://www.economie.gouv.fr/files/files/directions_services/dgccrf/presse/communiqued/2014/validation_loi_conso1145.pdf).

<sup>166</sup> Rapport sur la situation economique et financiere des entreprises, Observatoire du Financement des Entreprises (Paris) January 2014. Access Date: 15 March 2014. <https://www.tresor.economie.gouv.fr/File/398140>.

<sup>167</sup> La mediation du credit aux entreprises prolongee de deux ans, Tresr – Direction Generale (Paris) 5 March 2014. Access Date: 15 March 2014. [https://www.tresor.economie.gouv.fr/6930\\_la-mediation-du-credit-aux-entreprises-prolongee-de-deux-ans](https://www.tresor.economie.gouv.fr/6930_la-mediation-du-credit-aux-entreprises-prolongee-de-deux-ans).

<sup>168</sup> Lancement de la charte des Euro Private Placement, Ministère re des Finances et des Comptes de Publics (Paris) 30 April 2014. Date of Access : 7 August 2014. <http://www.economie.gouv.fr/lancement-de-la-charte-des-euro-private-placements>.

<sup>169</sup> SMEs face difficulties to finance themselves, Le Figaro (Paris) 10 October 2013. Access Date: 15 March 2014. <http://www.lefigaro.fr/entrepreneur/2013/10/10/09007-20131010ARTFIG00463-les-pme-eprouvent-des-difficultes-croissantes-a-se-financer.php>.

<sup>170</sup> Credit Constraints hit Record Low for German Firms -Survey, Reuters (Berlin) 28 February 2014. Access Date: 2 March 2014. <http://uk.reuters.com/article/2014/02/28/germany-credit-ifo-idUKL6NOLX2MT20140228?feedType=RSS&feedName=rbsFinancialServicesAndRealEstateNews>.

although the report also acknowledged Germany's aging population as a threat to the future of German competitiveness.<sup>171</sup>

On 17 April 2014 the regulations for the Investment Grant for Business Angels (Invest Zuschuss für Wagniskapital) were changed to meet the requirements of both private investors (business angels) and young and innovative companies.<sup>172</sup> This will help improve access to finance small technology companies seeking equity.

On 29 April 2014 the ERP-Wirtschaftsplangestz (KfW) 2014 (plan to support SME and start-up financing) was passed.<sup>173</sup> With this regulation the German government continues its support to facilitate access to finance for SMEs and start-ups using loans services by KfW. The Ministry of Economic Affairs and Energy sponsors the loans using EPR funds and ensures favourable credit conditions for the recipients.

In "Doing Business 2014," the most recent such report from the World Bank, Germany was found to have implemented 0 reforms recommended by the organization in the 2013 report.<sup>174</sup>

A recent report found that credit constraints on German firms were slightly tighter in the beginning of 2014.<sup>175</sup>

This country continues to have a record of being one of the least corrupt of the G8 nations, maintaining a transparent, responsible and accountable government.<sup>176</sup>

Germany has been awarded a score of -1 for failing to take steps to improve credit access.

*Analyst: Liam Moloney*

## **India: 0**

India has partially complied with its commitment to improve credit access and financial inclusion.

On 28 October 2013, Deepali Pant Joshi, executive director of the Reserve Bank of India (RBI), announced plans to extend India's Financial Inclusion Plan (FIP) for another three years from 2013 to He stated that "to continue the process of ensuring access to banking services to the excluded, banks are to draw up a 3-year FIP for the period 2013-2016. Banks have now been advised that their FIPs

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<sup>171</sup>Enterprise and Industry, European Commission (Brussels) 31 January 2014. Access Date: 2 March 2014. [http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/de/index\\_en.htm](http://ec.europa.eu/enterprise/policies/finance/data/enterprise-finance-index/situations-in-member-states/de/index_en.htm)

<sup>172</sup> Bundesministerium für Wirtschaft und Energie, Bundesanzeiger (Berlin) 17 April 2014. Date of Access: 7 August 2014. [http://www.exist.de/imperia/md/content/pdf\\_sonstiges/investitionszuschuss-wagniskapital-richtlinie.pdf](http://www.exist.de/imperia/md/content/pdf_sonstiges/investitionszuschuss-wagniskapital-richtlinie.pdf).

<sup>173</sup>ERP-Wirtschaftsplangestz 2014, Bundesanzeiger Verlag (Berlin) 23 April 2014. Date of Access 7 August 2014. [http://www.bgbl.de/banzxaver/bgbl/start.xav?startbk=Bundesanzeiger\\_BGBl&jumpTo=bgbl114s0413.pdf#\\_\\_bgbl\\_\\_%2F%2F\\*%5B%40attr\\_id%3D'bgbl114s0413.pdf'%5D\\_\\_1407426978271](http://www.bgbl.de/banzxaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBl&jumpTo=bgbl114s0413.pdf#__bgbl__%2F%2F*%5B%40attr_id%3D'bgbl114s0413.pdf'%5D__1407426978271).

<sup>174</sup> Doing Business 2014, World Bank/IFC (Washington DC) Access Date: 2 March 2014. <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-reports/English/DB14-Full-Report.pdf>

<sup>175</sup> Credit Constraints rose slightly in Germany, Market Business News (Munich) 2 February 2014. Access Date: 2 March 2014. <https://www.marketbusinessnews.com/credit-constraints-rose-slightly-germany/11346>

<sup>176</sup> Germany, Transparency International (Berlin) Access Date: 2 March 2014. <http://www.transparency.org/country#DEU>

should be disaggregated to the branch level. The disaggregation of the plans is being done to ensure the involvement of all stakeholders in the financial inclusion efforts.”<sup>177</sup>

On 6 December 2013, the Finance Ministry requested that the country’s financial institutions extend a greater amount of credit to the nation’s farmers. Minister of State for Finance JD Seelam specifically requested that “at least 1% of the lending should go to the poorest of the poor.”<sup>178</sup>

On 7 January 2014, India’s Committee on Comprehensive Financial Services for Small Businesses and Low Income Households released a report that outlined its plans to increase the financial inclusivity for all Indians. The report addressed the expanded financial services the government hoped would be available to Indians in the coming years.<sup>179</sup>

The report stated that the government, harnessing the technology behind India’s new identification registry, would ensure that all Indians had an electronic bank account by 1 January 2016. The personal identification number of every Indian will be associated with his or her personal account number.<sup>180</sup>

The government also stated that by 1 January 2016, all Indian households would have access to sufficient affordable, formal credit. More specifically, the government promised to make a suitable range of credit products available to meet the needs of all Indians. The government’s stated goal is to have a credit to GDP ratio of 10 percent by 1 January 2016 for all significant sectors of the economy. The government also expressed its hope that this rate would be increased to 50 percent by 1 January 2020.<sup>181</sup>

In a speech delivered on 29 January 2014, RBI Executive Director Joshi discussed the second phase of providing banking services in all unbanked villages in the country.<sup>182</sup> Under the second FIP, the RBI has identified the remaining 490,000 unbanked villages (with less than 2,000 population), which have been allocated to banks for opening outlets by March 2016. Under the roadmap for providing banking facilities in villages with less than 2,000 population, SLBC Madhya Pradesh has identified 47,660 unbanked villages, of which 18,986 unbanked villages are required to be covered by March 2014.

On 22 February 2014, RBI released the *Guidelines for Licenses of New Banks in the Private Sector*, whereby applications for setting up new banks in the private sectors were invited.<sup>183</sup> This initiative is part of India’s plan to increase financial inclusion in the country. On 2 April 2014, the RBI granted “in-principle” approval for banking licenses to infrastructure financing firm IDFC and Bandhan, among a

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<sup>177</sup> Speech on Financial Inclusion delivered by Dr. Deepali Pant Joshi, Executive Director, Reserve Bank of India at the Vun Dun and Bradstreet Conclave on Financial Inclusion., Reserve Bank of India (Kolkata) 28 October 2013. Date of Access: 6 August 2014. [http://www.rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=853](http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=853).

<sup>178</sup> Finance ministry asks FIs to provide more credit to farmers, Hindustan Times (New Delhi) 16 February 2014. Access Date: 17 February 2014. <http://www.hindustantimes.com/business-news/finance-ministry-asks-fis-to-provide-more-credit-to-farmers/article1-1159699.aspx>.

<sup>179</sup> India’s Unique ID Could Generate Big Boost in Financial Access, Consultative Group to Assist the Poor (Washington) 30 January 2014. Access Date: 17 February 2014. <http://www.cgap.org/blog/indias-unique-id-could-be-about-generate-big-boost-access>.

<sup>180</sup> Report, Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, (India) 7 January 2014. Access Date: 17 February 2014. <http://rbiidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CFS070114RFL.pdf>.

<sup>181</sup> Report, Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, (India) 7 January 2014. Access Date: 17 February 2014. <http://rbiidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CFS070114RFL.pdf>.

<sup>182</sup> Strategy adopted for Financial Inclusion, Speech delivered by Dr. Deepali Pant Joshi, Executive Director, Reserve Bank of India at a workshop organized by Government of Madhya Pradesh, Reserve Bank of India (New Delhi) 24 January 2014. Date of Access: 6 August 2014. [http://www.rbi.org.in/scripts/BS\\_SpeechesView.aspx?Id=871](http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?Id=871).

<sup>183</sup> RBI Releases Guidelines for Licensing of New Banks in the Private Sector, Reserve Bank of India (Mumbai) 22 February 2014. Date of Access: 6 August 2014. [http://rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=28191](http://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=28191).

pool of 25 applicants including large corporations such as ADAG Group, Aditya Birla, and Bajaj Group.<sup>184</sup>

On 1 April 2014, the First Bi-Monthly Monetary Statement 2014-2015 stated that “on financial inclusion, the fourth pillar, the recommendations of the Mor Committee on accelerating the flow of credit to those at the bottom of the pyramid and enlargement of catchment area of the Business Correspondents (BCs), including through possible inclusion of new entities as BCs, are under examination.”<sup>185</sup>

On 9 June 2014, the RBI announced further simplification of Know Your Customer (KYC) Norms for bank accounts.<sup>186</sup> The new rules require a customer to submit only one proof of address when opening a bank account or undergoing periodic update. This could significantly boost financial inclusion for migrant workers and transfer employees in India.

India has expressed a desire to increase credit access and financial inclusion at all levels of Indian society and has taken steps to encourage transparency, openness and competition to incentivize current institutions to expand service coverage. However, India has not taken any measures to take advantage of technological advances or enforce prudential regulation. India therefore receives a score of 0.

*Analyst: D. Reid Dobell*

## **Indonesia: 0**

Indonesia has partially complied with its commitment to undertake reforms to improve credit access.

In its report “Doing Business 2014,” the World Bank ranked Indonesia 120th out of 189 economies studied, rewarding the country’s efforts to improve credit information system and regulatory reforms making it easier for individuals and SMEs to access finance and therefore to do business.<sup>187</sup>

In 2013, the People Business Credit has seen its distribution target increased. The Minister of Cooperatives and SMEs hoped to incentivize the banks to enhance their reach to fishermen especially, who lack access to credit.<sup>188</sup>

On 8 April 2014, the Bank of Indonesia issued regulation No. 16/8/PBI/2014 in order to align its provisions with the provisions of electronic money transfer funds to increase the efficiency of security technology and electronic money.<sup>189</sup> This initiative is intended to promote Indonesia’s Digital Financial Services Program, which enables customers to access financial services and payment systems via

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<sup>184</sup> Bandhan first microfinance institution to get banking licence, The Economic Times (New Delhi) 2 April 2014. Date of Access: 6 August 2014. [http://articles.economictimes.indiatimes.com/2014-04-02/news/48801146\\_1\\_bandhan-financial-services-chandra-shekhar-ghosh-banking-licence](http://articles.economictimes.indiatimes.com/2014-04-02/news/48801146_1_bandhan-financial-services-chandra-shekhar-ghosh-banking-licence).

<sup>185</sup> First Bi-monthly Monetary Policy Statement, 2014-2015 By Dr. Raghuram G. Rajan, Governor, Reserve Bank of India (Mumbai) 1 April 2014. Date of Access: 6 August 2014. [http://www.rbi.org.in/Scripts/BS\\_PressReleaseDisplay.aspx?prid=30911](http://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=30911).

<sup>186</sup> One Documentary Proof of Address – RBI further simplifies KYC Norms for Bank Accounts, Reserve Bank of India (Mumbai) 9 June 2014. Date of Access: 6 August 2014. <http://rbi.org.in/scripts/NotificationUser.aspx?Id=8931&Mode=0>.

<sup>187</sup> Doing Business, Getting Credit #Indonesia. World Bank (Washington) 2014. Access Date: 29 April 2014. <http://www.doingbusiness.org/reforms/overview/topic/getting-credit#indonesia>

<sup>188</sup> KUR Distribution Target 2013 of IDR37 Trillion, Ministry of Finance website (Jakarta) 11 January 2013. Access Date: 29 April 2014. <http://www.kemenkeu.go.id/en/node/28731>

<sup>189</sup> Peraturan Bank Indonesia Nomor 16/8/PBI/2014 tentang Perubahan Atas Peraturan Bank Indonesia Nomor 11/12/PBI/2009 tentang Uang Elektronik (Electronic Money), Bank Indonesia (Jakarta) 8 April 2014. Date of Access: 6 August 2014. [http://www.bi.go.id/id/peraturan/sistem-pembayaran/Pages/PBI\\_16814.aspx](http://www.bi.go.id/id/peraturan/sistem-pembayaran/Pages/PBI_16814.aspx).

technological means, such as mobile-based devices or web-based tools. The objective of the program is to promote secure and affordable transaction payments.

On 8 April 2014, the Indonesian Financial Services Authority (OJK) issued Regulation No. 5/POJK.05/2014 as a prudential regulation in credit risk mitigation by establishing a credit guarantee company.<sup>190</sup> The company serves as a key policy tool for rapidly developing as a mechanism to expand credit markets and to improve financial inclusion, particularly in regional areas. Indonesia now has 16 regional credit guarantee companies, which have provided incentives to increase financial intermediation in regional areas.

Indonesia has taken some steps toward the improvement of credit access and therefore receives a score of 0.

*Analyst: Jessica Coper*

### **Italy: 0**

Italy partially complied with the commitment to improve credit access.

On 31 January 2014, the European Investment Fund and ICCREA Bancalmpresa signed a guarantee agreement to support lending to innovative SMEs as well as Small Mid-caps under an initiative funded by the European Commission.<sup>191</sup>

Italy, via the European Commission, has made some progress toward improving credit access for SMEs and is thus awarded a score of 0.

*Analyst: Justice Durland*

### **Japan: 0**

Japan has partially complied with the commitment to a wide range of reforms to strengthen the foundations for strong, sustainable and balanced growth over the long term by improving credit access.

On November 29, 2013, FSA updated the documents related to money lending business.<sup>192</sup>

On 7 November 2013, the Japan Financial Services Agency (FSA) announced a request for enhancement of bridge loans in relation to the support program for small and medium enterprises and small business owners.<sup>193</sup>

On 26 November 2013, the FSA requested facilitation of financing for small and medium enterprises and small business owners for the year-end.<sup>194</sup>

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<sup>190</sup> Peraturan Otoritas Jasa Keuangan tentang Perizinan Usaha dan Kelembagaan Lembaga Penjaminan, Otoritas Jasa Keuangan (Jakarta) 8 April 2014. Date of Access: 6 August 2014. <http://ojk.go.id/peraturan-otoritas-jasa-keuangan-tentang-perizinan-usaha-dan-kelembagaan-lembaga-penjaminan>.

<sup>191</sup> Additional RSI guarantee agreement in Italy for innovative businesses, European Investment Fund (Luxembourg) 31 January 2014. Accessed 26 February 2014. [http://www.eif.org/what\\_we\\_do/guarantees/RSI/news/2014/iccrea.htm](http://www.eif.org/what_we_do/guarantees/RSI/news/2014/iccrea.htm)

<sup>192</sup> Documents Related to Money Lending Business Updated, Japan Financial Services Agency (Tokyo) 29 November 2013. Access Date: 28 February 2014. <http://www.fsa.go.jp/status/kasikin/20131129/index.html>

<sup>193</sup> FSA's Request for Enhancement of Bridge Loans in Relation to the Support Program for Small and Medium Enterprises and Small Business Owners, Japan Financial Services Agency (Tokyo) 7 November 2013. Access Date: 28 February 2014. <http://www.fsa.go.jp/news/25/ginkou/20131107-1.html>

On 25 December 2013, the FSA announced the notice of International Conference on Financial System Stability, Regulation and Financial Inclusion on 27 January 2014. The conference would be co-hosted with the Asian Development Bank Institute (ADBI) and the International Monetary Fund (IMF) to examine challenges for financial authorities to balance policy goals such as financial stability and competitiveness of financial industry and measures to ensure smooth financing for SME and improve financial inclusion.<sup>195</sup>

Japan has taken some actions to encourage transparency, openness and competition to incentivize current institutions and enforce prudential regulations, however, failed to take actions in utilizing technological advances in developing financial infrastructure to lower transaction costs. Therefore, Japan receives a score of 0.

*Analyst: Xue (Snow) Yuan*

### **Korea: 0**

Korea has partially complied with its commitment to a wide range of reforms to strengthen the foundations for strong, sustainable and balanced growth over the long term by improving credit access.

On 11 November 2013, the Korean Ministry of Strategy and Finance announced a decision to ease foreign exchange transaction regulations. This action is intended to expand the scope of foreign exchange transaction related business by nonbank financial institutions, and to promote the use of the won in foreign exchange related settlements.<sup>196</sup>

On 27 November 2013, Korea's Financial Services Commission announced a plan to strengthen competitiveness of Korea's Financial Industry or so-called "10-10 Value-Up Plan," intended to raise the added value that the financial industry generates up to 10 per cent of the gross domestic product over the next 10 years.<sup>197</sup>

On 15 January 2014, the Korean government announced directions for the three-year Plan for Economic Innovation, which covers reforming the public sector, promoting a creative economy and overseas market exploration, boosting domestic demand, and fostering small business.<sup>198</sup> The action plan intends to have an improvement on the real economy through economic innovation and domestic demand stimulation.<sup>199</sup>

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<sup>194</sup> FSA requested facilitation of financing for small and medium enterprises and small business owners for the year-end, Japan Financial Services Agency (Tokyo) 26 November 2013. Access Date: 28 February 2014. <http://www.fsa.go.jp/news/25/ginkou/20131126-3.html>

<sup>195</sup> FSA announced the notice of International Conference on Financial System Stability, Regulation and Financial Inclusion on 27 January 2014, Japan Financial Services Agency (Tokyo) 25 December 2013. Access Date: 28 February 2014. <http://www.fsa.go.jp/en/news/2013/20131225.html>

<sup>196</sup> Government to Ease Foreign Exchange Transaction Regulations, Korean Ministry of Strategy and Finance (Seoul) 11 November 2013. Access Date: 28 February 2014. <http://english.mosf.go.kr/pre/view.do?bcd=N0001&seq=3434&bPage=6>

<sup>197</sup> Plan to Strengthen Competitiveness of Korea's Financial Industry, Korean Financial Services Commission (Seoul) 27 November 2013. Access Date: 28 February 2014. <http://www.fsc.go.kr/downManager?bbsid=BBS0048&no=87518>

<sup>198</sup> 3-Year Plan for Economic Innovation Directed Towards Reform, Growth and Balance, Korean Ministry of Strategy and Finance (Seoul) 15 January 2014. Access Date: 28 February 2014. <http://english.mosf.go.kr/pre/view.do?bcd=N0001&seq=3502&bPage=3>

<sup>199</sup> Deputy Prime Minister Highlights Key Parts of "3 Year Plan for Economic Innovation" in Anticipation of Formal Announcement, Korean Ministry of Strategy and Finance (Seoul) 19 February 2014. Access Date: 28 February 2014. <http://english.mosf.go.kr/pre/view.do?bcd=N0001&seq=3535&bPage=1>

On 22 January 2014, the Korean government unveiled measures to prevent data theft recurrence. The Korean government indicated its plans to prevent the recurrence of data theft and build an efficient technology evaluation system to promote technology financing through building an independent and specialized technology database through joint investment by prospective users (i.e., quasi-public financial institutions and commercial banks); allow qualified private entities, such as credit rating agencies and accounting firms to participate as evaluators in technology evaluation; and offer incentives in terms of credit lines and interest rates depending on technology financing track records and degree of evaluation infrastructure available to enhance financial institutions' technology evaluation capabilities.<sup>200</sup>

On 20 February 2014, the Korean Financial Services Commission published the Financial Policy Direction for the Year of 2014, which specified the Korean government's intention to establish a specialized IT security agency for the financial sector and a technology credit bureau to monitor and regulate the use of technology in the areas of finance and its security issues.<sup>201</sup>

Korea partially complied with the commitment to improve credit access, and received a score of 0.

*Analyst: Xue (Snow) Yuan*

### **Mexico: 0**

Mexico has partially complied with its commitment to improve credit access.

On 31 October 2013, FIRA launched an online web tool that would allow producers to simply and quickly establish if your credit application is viable and the financial intermediaries that are able to provide the credit. Director General of FIRA, Rafael Gamboa Gonzalez, noted that the purpose of this tool is to better link the demand of credit needs by producers to finance their services, to the financial intermediaries that have the resources to meet the demands in the event that the applicant complies with the credit policies of the intermediaries.<sup>202</sup>

On 30 May 2014, Agriculture Trust Funds, FIRA, and the National Savings Bank and Financial Services (BANSEFI), signed a cooperation agreement to facilitate access to financial services for quality producers with small-scale units. The signed agreement will formalize coordination actions that through specific work programs, such as training support, technical assistance, and consulting on cooperative savings and loans in order to adopt best practices in credit processes and risk management, which involves lending.<sup>203</sup>

On 4 June 2014, the FIRA Director General, Rafael Gamboa and President of INEGI, Eduardo Sojo Garza-Aldape, signed a collaboration agreement whereby FIRA will gain access to INEGI, statistics, systems and reporting tools.<sup>204</sup> The agreement will allow FIRA to focus and expands their coverage of financial services for technological medium enterprises and the rural agri-food sector. The Director General of FIRA noted that signing this agreement with INEGI to facilitate timely and quality

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<sup>200</sup> Government to Unveil Measures to Prevent Data Theft Recurrence, Korean Ministry of Strategy and Finance (Seoul) 22 January 2014. Access Date: 28 February 2014. <http://english.mosf.go.kr/pre/view.do?bcd=N0001&seq=3506&bPage=2>

<sup>201</sup> Financial Policy Direction for the Year of 2014, Korean Financial Services Commission (Seoul) 20 February 2014. Access Date: 28 February 2014. <http://www.fsc.go.kr/downManager?bbsid=BBS0048&no=89223>

<sup>202</sup> Podran identificar productores oportunidades de acceso al credito a traves de portal de FIRA en internet, FIRA (Mexico) 31 October 2013. Access Date : 11 June 2014. <http://www.fira.gob.mx/SalaPrensaXml/Pdf?pdfNum=178>.

<sup>203</sup> Firman BANSEFI y FIRA Convenio para Fortalecer Cooperativas de Ahorro y Prestamo, FIRA (Mexico) 30 May 2014. Access Date: 11 June 2014. <http://www.fira.gob.mx/SalaPrensaXml/Pdf?pdfNum=189>.

<sup>204</sup> Impulsara FIRA cobertura y acceso al credito para Pymes Rurales con herramientas y sistemas digitales del INEGI, FIRA (Mexico) 4 June 2014. Access Date : 11 June 2014. <http://www.fira.gob.mx/SalaPrensaXml/Pdf?pdfNum=190>.

information on the rural sector will no doubt help promote access to finance in the field, which is the main objective of FIRA.<sup>205</sup>

Mexico has only complied with two of three requirements for this commitment. Mexico has taken advantage of the technological advances in developing financial infrastructure to lower transaction costs and encouraged transparency, openness and competition to incentivize current institutions to expand service coverage, but it has not enforced prudential regulations in order to provide the private sector with the right incentives. Mexico therefore receives as score of 0.

*Analyst: Antonia Tsapralis*

### **Russia: +1**

Russia has fully complied with the commitment on improving credit access.

On 23 December 2013, Russian President Vladimir Putin signed the Federal Law on Consumer Credit (Loan). The law provides for the new requirements to consumer loan agreement, measures to protect creditors' and borrowers' interests, introduces methods to calculate the total cost of a loan and procedures for the recovery of arrears.<sup>206</sup>

On 3 February 2014, Russian Prime Minister Dmitry Medvedev revealed plans to establish the Loan Guarantee Agency in Russia. The new agency is supposed to act as a coordination centre for national guarantee institutions. It will provide counter guarantees to a system of regional guarantee organizations and thus enhance the ability of banks to provide loans to small and medium-sized enterprises (SMEs).<sup>207</sup>

Russia has taken measures to improve credit access for individuals and SMEs during the compliance period. Thus, it receives a score of +1.

*Analyst: Andrey Shelepov*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with its commitments to improve credit access.

On 5 February 2014, SME financing guarantee program Kafala — a development initiative between the Ministry of Finance and Saudi banks- announced that they would be launching their sixth promotional campaign for SME financing. The program is set to increase transparency by training individuals and launching awareness campaigns for young entrepreneurs in cooperation with the World Bank, the Institute of Banking, and the Media and Banking Awareness Committee. It will also broaden the base of program beneficiaries and enlighten owners of SME's about conditions they must fulfill to obtain funding<sup>208</sup>.

On 23 February 2014, data was released showing the success and expansion of SME loan program Kafala in driving SME lending. Under the Kafala program, the Saudi Arabian government acts as a guarantor to banks providing credit to SMEs. This reduces the risk incurred by the banks, and therefore

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<sup>205</sup> Impulsara FIRA cobertura y acceso al credito para Pymes Rurales con herramientas y sistemas digitales del INEGI, FIRA (Mexico) 4 June 2014. Access Date : 11 June 2014. <http://www.fira.gob.mx/SalaPrensaXml/Pdf?pdfNum=190>.

<sup>206</sup> The Law on Consumer Credit is Signed, President of Russia 23 December 2013. Access Date: 18 April 2014. <http://kremlin.ru/news/19875>.

<sup>207</sup> Meeting on measures to support small and medium-sized business, Government of Russia 3 February 2014. Access Date: 18 April 2014. <http://government.ru/en/news/10207>.

<sup>208</sup> Kafalah loans to Saudi SME's total SR7.2b, Saudi Gazette (Jeddah) 5 February 2014. Access Date: 26 February 2014. <http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20140206194904>

encourages them to loan more to entrepreneurs. The head of The head of Kafala's research unit, Ahmed Yehya, has stated that "the plan focuses on the importance of removing the barriers limiting the development of SME's and intensifying the government and private initiatives to support it."<sup>209</sup>

Saudi Arabia has increased transparency in Saudi banks and decreased the risks and costs associated with SME loans. Thus, Saudi Arabia has been awarded a score of 0.

*Analyst: Monica Khosravi*

### **South Africa: 0**

South Africa has partially complied with its commitment to improve credit access and financial inclusion.

On 10 October 2013 the South African Government presented its National Credit Amendment Bill. The Bill addressed several key policy issues in the South African credit system, including strengthening the National Credit Regulator, predatory or reckless lending, resolving credit disputes, the certification of debt counselors, and the unconstitutional nature of several provisions in the previous National Credit Bill.<sup>210</sup> The South African Government intended for the Bill to clarify existing regulations while strengthening others in order to stabilize the credit market in the country.<sup>211</sup>

The government of South Africa's Department of Trade and Industry and the National Credit Regulator also recommended automatically erasing poor credit records on loans of fewer than ZAR10 000. The Cabinet stated that they intended for this amendment to allow financially stable South Africans, who could afford to borrow, to access credit when it would have otherwise been impossible.<sup>212</sup>

South Africa has increased the clarity of the regulations that govern the credit market. It also increased poorer South Africans' access to credit but did so by denying lenders important information on borrowers' credit histories. South African therefore receives a score of 0.

*Analyst: D. Reid Dobell*

### **Turkey: 0**

Turkey has partially complied with its commitment to undertake reforms to strengthen the foundations for strong, sustainable, and balanced growth over the long term by improving credit access.

In a November 2013 report, the Central Bank of the Republic of Turkey (CBRT) posted loan growth figures that had strengthened and converged toward previous years' averages following a fluctuation in financial markets. The improvements in loan growth were attributed to the CBRT's supportive liquidity policies and a surge in domestic demand. Total loan growth was initially driven by retail loans, however since June 2013 the primary driver of loan growth has been corporate loans. The growth of corporate

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<sup>209</sup> Saudi Arabia sees potential in SME growth, Zawya (Dubai) 23 February 2014. Access Date: 26 February 2014. [http://www.zawya.com/story/Saudi\\_Arabia\\_sees\\_potential\\_in\\_SME\\_growth-ZAWYA20140223050551/](http://www.zawya.com/story/Saudi_Arabia_sees_potential_in_SME_growth-ZAWYA20140223050551/)

<sup>210</sup> Presentation on the National Credit Amendment Bill, Department of Trade and Industry, Republic of South Africa (Johannesburg) 10 October 2013. Access Date: 17 February 2014. [http://www.thedti.gov.za/parliament/NCA\\_Policy\\_Presentation10102013.pdf](http://www.thedti.gov.za/parliament/NCA_Policy_Presentation10102013.pdf).

<sup>211</sup> Presentation on the National Credit Amendment Bill, Department of Trade and Industry, Republic of South Africa (Johannesburg) 10 October 2013. Access Date: 17 February 2014. [http://www.thedti.gov.za/parliament/NCA\\_Policy\\_Presentation10102013.pdf](http://www.thedti.gov.za/parliament/NCA_Policy_Presentation10102013.pdf).

<sup>212</sup> Who Needs Credit Amnesty?, iafrica.com (Cape Town) 5 November 2013. Access Date: 17 February 2014. <http://business.iafrica.com/personal-finance/885917.html>.

loans are, in part, a result of increases in lira-denominated SME loans and foreign-exchange denominated corporate loans.<sup>213</sup>

The Second Turkey Access to Finance for Small and Medium Enterprises Project facilitated by the World Bank continues to expand the access for Turkish small and medium enterprises to medium — and long-term financing. In a 28 October 2013 report on the implementation status and results of the program, USD383.6 million has been successfully distributed to 518 beneficiary enterprises.<sup>214</sup>

In a 7 January 2014 press release from the Turkish Banking Regulation and Supervision Agency, loans have increased by 27.1 per cent from the same period last year. Increasing asset sizes in the Turkish banking sector have been leading to the highest recorded rises in banking sector assets among emerging economies.<sup>215</sup>

On 27 February 2014, the New York Times published a report, stating that credit card debt is endangering millions of low-income Turks who have been awarded extensive credit lines. The boom in consumer credit is viewed as a serious risk for Turkish lenders who are operating in an environment experiencing slowing economic growth, political turmoil, and a decreasing willingness of foreign investors to provide financing. As a destination for emerging market capital, Turkey has been using the influx on consumer goods and real estate rather than on new businesses that would support long-term growth. Even though the Turkish Central Bank raised official interest rates to reduce the strains of high debt levels and encourage further investment from foreign entities, the higher cost of borrowing will slow the economy.<sup>216</sup>

Turkey has failed to undertake the technological advantages in developing financial infrastructure and regulatory measures to ensure the stability of its credit markets. It has thus been awarded a score of 0.

*Analyst: Jonathan Francis Rybicki*

### **United Kingdom: +1**

The United Kingdom has fully complied with the commitment to improve access to credit.

On 20 December 2013, the British government published a consultation entitled “Competition in banking: improving access to SME credit data” to “make it easier for newer lenders to assess applications for loans to smaller businesses,” in an attempt to improve access to credit for British firms.<sup>217</sup>

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<sup>213</sup> Financial Stability Report, Central Bank of the Republic of Turkey November 2013. Access Date: 2 March 2014.

<http://www.tcmb.gov.tr/yeni/eng/>

<sup>214</sup> Implementation Status and Results for the Second Turkey Access to Finance for Small and Medium Enterprises Project, The World Bank 28 October 2013. Access Date: 2 March 2014. [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2013/10/28/090224b081fef44a/1\\_0/Rendered/PDF/Turkey000Secon0Report000Sequenc e005.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/ECA/2013/10/28/090224b081fef44a/1_0/Rendered/PDF/Turkey000Secon0Report000Sequenc e005.pdf)

<sup>215</sup> Turkish Banking Sector Non-Consolidated Main Indicators, Banking Regulation and Supervision Agency November 2013. Access Date: 2 March 2014.

[http://www.bddk.org.tr/websitesi/english/Announcements/Press\\_Releases/1277711\\_basin\\_aciklamasi\\_\\_kasim\\_2013\\_.pdf](http://www.bddk.org.tr/websitesi/english/Announcements/Press_Releases/1277711_basin_aciklamasi__kasim_2013_.pdf)

<sup>216</sup> Credit Card Debt Threatens Turkey’s Economy, The New York Times, 27 February 2014. Access Date: 2 March 2014.

[http://www.nytimes.com/2014/02/28/business/international/credit-card-debt-threatens-turkeys-economy.html?\\_r=0](http://www.nytimes.com/2014/02/28/business/international/credit-card-debt-threatens-turkeys-economy.html?_r=0)

<sup>217</sup> Competition in Banking Improving Access to SME credit data, gov.uk (London) 20 December 2013. Access Date: 2 March 2014. <https://www.gov.uk/government/consultations/competition-in-banking-improving-access-to-sme-credit-data>

The most recent “Doing Business” report from the World Bank found the British government to have implemented 2 of its recommended reforms to make doing business easier in the UK.<sup>218</sup>

In October 2013, the British government “announced a range of ... new commitments to bring more of the benefits of transparency into people’s everyday lives,” in a report on gov.uk concerning the “Open Government Partnership.”<sup>219</sup>

The UK was found to have implemented regulation enabling P2P lending platforms, making it easier for individuals to gain access to credit.<sup>220</sup>

The Bank of England has announced its intention to “offer greater protection to the economy and public finances from foreign banks operating in Britain.”<sup>221</sup>

For these reasons, the UK has been awarded a score of +1 in its compliance with its commitment to improve access to credit for firms and individuals.

*Analyst: Liam Maloney*

### **United States: +1**

The United States has fully complied with its commitment to improve credit access. The government has encouraged technological innovation to support small businesses and individuals, created greater transparency to empower market participants, and increased the number of loans issued.

On 25 September 2013, Overseas Private Investment Corporation (OPIC), a governmental finance institution, announced a collaboration with Citi Financing to fund greater transactions with small businesses in Africa, Middle East, Asia, Eastern Europe, and Latin America. The expansion of microfinance will connect small and medium-sized enterprises (SMEs) from the developing world to mainstream financial systems and increase their access to funding. It will also facilitate relationships between overseas SMEs and existing domestic Citi clients. This collaboration will broaden the service coverage of Citi Financing, but also stimulate competition amongst foreign banking institutions by encouraging new entrants (such as Citi) into the market.<sup>222</sup>

On 14 November 2013, Small Business Administration (SBA) signed a strategic alliance memorandum with America’s first non-profit social investment bank named Operation HOPE, Inc. This collaboration

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<sup>218</sup> Doing Business 2014, World Bank/IFC (Washington DC) Access Date: 2 March 2014.

<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-reports/English/DB14-Full-Report.pdf>

<sup>219</sup> Uk uses open government partnership summit to make transparency a reality for citizens, gov.uk (London) 31 October 2013. Access Date: 2 March 2014. <https://www.gov.uk/government/news/uk-uses-open-government-partnership-summit-to-make-transparency-a-reality-for-citizens>

<sup>220</sup> Banking Without banks, The Economist (London) 1 March 2014. Access Date: 2 March 2014.

<http://www.economist.com/news/finance-and-economics/21597932-offering-both-borrowers-and-lenders-better-deal-websites-put-two?zid=310&ah=4326ea44f22236ea534e2010ccce1932>

<sup>221</sup> The Island Defence, The Economist (London) 1 March 2014. Access Date: 2 March 2014.

<http://www.economist.com/news/finance-and-economics/21597952-bank-england-gets-strict-land-defence?zid=310&ah=4326ea44f22236ea534e2010ccce1932>

<sup>222</sup> OPIC and Citi to Leverage up to \$200 Million in Financing to Connect Micro and Small Enterprises with Corporate and Financial Institutions, OPIC (Washington) 25 September 2013. Access Date: 27 February 2014. <http://www.opic.gov/press-releases/2013/opic-and-citi-leverage-200-million-financing-connect-micro-and-small-enterprises-corporate-and-financial-ins>

will increase transparency for SME entrepreneurs by providing greater financial education and access to capital. It will also make necessary resources available to entrepreneurs across the US.<sup>223</sup>

On 27 January 2014, SBA amended its policies to lower barriers for SME owners to access credit by changing program eligibility and administration criteria. It has also increased transparency by taking steps to ensure that participants thoroughly understand program requirements before and after acquiring funding.<sup>224</sup>

On 6 February 2014, BusinessUSA — an organization managed by the US Department of Commerce and Small Business Administration — was recognized for its IT products that increase the efficiency of operations for small businesses. Their services and systems allow small businesses to locate, access and utilize resources more quickly through websites, and eases access to information through customer service channels. This platform will be a major ongoing part of the “Made in Rural America” initiative, which connects rural businesses with investment resources through coordinated support by the government.<sup>225</sup>

On 24 February 2014, the US Secretary of Commerce Penny Pritzker made a trip to Silicon Valley to advance efforts of technological innovation targeted towards strengthening digital infrastructure and increasing access to federal data for American businesses and SMEs.<sup>226</sup>

The United States has increased transparency and substantial investments in financial collaborations that decrease barriers to financing for SME owners both domestically and internationally, and individuals. Thus, the United States has been awarded a score of +1.

*Analyst: Monica Khosravi*

## **European Union: 0**

The European Union has partially complied with its commitment to improve credit access.

On 18 October 2013, a European Commission memo stated that the European Commission is taking action to rapidly bridge the market gap in the provision of financing for small and medium-sized enterprises (SMEs) by providing EUR3.5 billion of additional funding each year from 2014 to 2020.<sup>227</sup> The memo named two recent proposals: a proposal for the Markets in Financial Instrument Directive (MiFID) to sustain the development of stock markets specialized in SMEs, and a proposal for a modification of the Transparency Directive to give better information on listed SMEs.

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<sup>223</sup> SBA Signs Strategic Alliance with Operation HOPE to Foster Entrepreneurship and Economic Empowerment, US Small Business Administration (Washington) 14 November 2013. Access Date: 26 February 2014. <http://www.sba.gov/content/sba-signs-strategic-alliance-with-operation-hope-foster-entrepreneurship-and-economic-empowerment>

<sup>224</sup> SBA Amends Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Program Policy Directives, US Small Business Administration (Washington) 27 January 2014. Access Date: 26 February 2014. <http://www.sba.gov/content/sba-amends-small-business-innovation-research-sbir-and-small-business-technology-transfer-sttr-program-policy-directives>

<sup>225</sup> BusinessUSA Recognized for Leading Innovative Collaboration to Support Businesses, US Department of Commerce (Washington) 7 February 2014. Access Date: 27 February 2014. <http://www.commerce.gov/blog/2014/02/07/businessusa-recognized-leading-innovative-collaboration-support-businesses>

<sup>226</sup> US Secretary of Commerce Penny Pritzker Visits Silicon Valley to Highlight Administration Support for Innovation Economy, US Department of Commerce (Washington) 25 February 2014. Access Date: 26 February 2014. <http://www.commerce.gov/blog/2014/02/25/us-secretary-commerce-penny-pritzker-visits-silicon-valley-highlight-administration>

<sup>227</sup> EU Access to Finance Days – helping to shape an SME-friendly financing market, European Commission (Brussels) 18 October 2013. Access Date: 26 February 2014. [http://europa.eu/rapid/press-release\\_MEMO-13-909\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-909_en.htm)

On 16 December 2013, the European Commission announced a EUR15 billion investment in job-creating projects in the first two years at the launch of the new Horizon 2020 program.<sup>228</sup>

Under Horizon 2020, a single or group of SMEs will be able to apply for funds to finance a project of economic and preferably also societal relevance. Horizon will focus on creating competitive industries, focusing on leadership in enabling and industrial technologies; access to risk finance; and innovation in SMEs.<sup>229</sup>

On 17 December 2013, the European Union adopted the legislative package for cohesion policy for 2014-2020, a continuation of the special support instruments 2007-2013 program. The Cohesion Policy emphasizes support for small and medium-size enterprises with the objective of doubling support from EUR70 to 140 billion over seven years.<sup>230</sup> The memo again named the MiFID proposal to sustain the development of stock markets specialized in SMEs and the proposal to modify the Transparency Directive to give better information on listed SMEs.<sup>231</sup>

The European Union obtained a score of 0 for increasing credit access for the private sector.

*Analyst: Justice Durland*

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<sup>228</sup> Horizon 2020 launched with €15 billion over first two years, European Commission (Brussels) 11 December 2013. Access Date: 28 February 2014. [http://europa.eu/rapid/press-release\\_IP-13-1232\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1232_en.htm)

<sup>229</sup> BILAT USA 2.0, SME opportunities in Horizon 2020, 25 November 2013. Accessed 26 February 2014. <http://www.euussciencetechnology.eu/sites/default/files/SME%20opportunities%20in%20H2020.pdf>

<sup>230</sup> One trillion euro to invest in Europe's future – the EU's budget framework 2014-2020, European Commission (Brussels) 19 November 2013. Accessed 26 February 2014. [http://europa.eu/rapid/press-release\\_IP-13-1096\\_en.htm](http://europa.eu/rapid/press-release_IP-13-1096_en.htm)

<sup>231</sup> EU Access to Finance Days – helping to shape an SME-friendly financing market, European Commission (Brussels) 18 October 2013. Access Date: 26 February 2014. [http://europa.eu/rapid/press-release\\_MEMO-13-909\\_en.htm](http://europa.eu/rapid/press-release_MEMO-13-909_en.htm)