
2014 Financial Inclusion Action Plan

2 September 2014



GPI

Global Partnership
for Financial Inclusion

Foreword, G20 Financial Inclusion Action Plan (FIAP) 2014

by

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My congratulations to the G20 Global Partnership for Financial Inclusion (GPFI) and its partners on this Financial Inclusion Action Plan (FIAP). Financial inclusion was a new term when in 2009 the G20 Leaders established a Financial Inclusion Experts Group (FIEG) and then the GPFI was created in 2010. Today, there is widespread understanding that financial inclusion, stability and integrity and consumer protection are not just compatible, but mutually reinforcing. Moreover, the role of inclusive financial systems in fostering economic growth, job creation and resilience is far more widely recognized.

Representing two-thirds of the world's population and 85 per cent of its GDP, the G20 has an impactful reach. Bearing this in mind, the first G20 FIAP set out an ambitious multi-year agenda to guide dialogue and action. Since then, the GPFI has proven its value. Drawing on experiences and insights of diverse stakeholders, it has promoted tailored regulations, enabled evidence-based policy-making and shared best practices. And it has provided a platform for the G20 to extend political leadership, make national and collective commitments for financial inclusion and address critical issues.

Five years after the global financial crisis, the world economy is rebounding. This opens further possibility to accelerate the process of inclusion by addressing persistent gaps, demonstrating progress and taking proven approaches to scale—and to look ahead to emerging opportunities, such as innovative uses of digital technology. The deepening of inclusion will help build long-term resilience and mitigate the impact of future financial system crises.

This is thus a good moment to update the agenda. In doing so, the G20 reminds us that universal access to financial services is achievable with sustained political leadership, cross sector coordination, and expanded public-private partnerships. I hope that the G20 Finance Ministers, Central Bank Governors and Leaders will give this new Financial Inclusion Action Plan close consideration during their summits this year and in coming years. Let's continue our good collaboration and make financial inclusion a reality.

Executive Summary

The original Financial Inclusion Action Plan (FIAP) was endorsed by leaders at the Seoul Summit in 2010 and has now had three full years of implementation. Just as the G20's global financial agenda transitions from 'crisis response' to a 'steady state' of operation, leaders have requested that the GPFi review and update the FIAP.

This updated FIAP: reviews GPFi progress in implementing the original FIAP; revises some actions considered to be still ongoing; adopts new actions; and sets out how the GPFi will track and monitor progress against these actions in future.

Universal financial inclusion requires bringing the 2.5 billion people (or about half the working age population) currently excluded, into the formal financial system. Just as big a challenge is the credit gap for formal and informal micro, small and medium enterprises in emerging and developing economies, estimated at US\$2 trillion. Financial Inclusion helps build domestic savings, bolster household, domestic and financial sector resilience, and stimulate business and entrepreneurial activity. The cumulative effect of widespread exclusion is increasing inequality, and slower growth and development.

The Global Partnership for Financial Inclusion (GPFi) was created by the G20 to meet the challenge of promoting access to finance for individuals and businesses. It has made strong progress. Because of the work of the GPFi and the G20's commitment to financial inclusion, policy makers are beginning to acknowledge that an inclusive global financial system supports the financial policy goals of stability, integrity and consumer protection and education.

Innovation and engagement with the private sector are key areas where the GPFi must now focus. The GPFi also has a role in addressing emerging global regulatory barriers. Continuing to highlight the integration of financial inclusion with financial education and consumer protection is also important to ensure responsible provision and usage of services and responsible market development. Targeting approaches to reach those sections of the population where the greatest gains can be made, including women, youth and migrants, will enable greater impacts to be achieved.

The 2014 FIAP

The GPFi is an inclusive partnership mechanism to take forward the G20's work on financial inclusion. The GPFi produces coordinated analysis and policy recommendations to enhance financial inclusion; facilitates efficient and effective coordination to support various on-going financial inclusion efforts; monitors progress over time and against agreed objectives; and ensures continuity on financial inclusion in global discussions.

The 2014 Financial Inclusion Action Plan (FIAP) presents actions the GPFi membership consider most important to advancing financial inclusion over the next five years.

There are 10 action areas:

Small and medium-sized enterprise (SME) Finance

1. Accelerate and replicate successful policy reforms that facilitate the expansion of financial services to SMEs
2. Establish the SME Finance Forum as global center for good practice knowledge exchange and promotion
3. Improve financial access through the SME Finance Compact, SME Finance Initiative, and key development achievements

Regulations and standard setting bodies

4. Mainstream financial inclusion in the work of the standard setting bodies and other relevant global bodies and increase understanding of the interdependence of financial inclusion, stability, integrity and consumer protection
5. Encourage effective and consistent incorporation of financial inclusion in financial sector assessments

Financial consumer protection and financial literacy

6. Improve the capacity of public authorities and other relevant stakeholders to develop and implement financial literacy and consumer protection measures
7. Promote consumer protection and financial education good practices for digitally delivered financial products and services

Markets and payment systems

8. Help to analyse and consider ways to address the MTO bank account closure issue
9. Reduce the cost of sending remittances
10. Expand opportunities for innovative technologies to grow responsible financial inclusion

Present in all of the work of the GPF will be a focus on:

- innovation;
- women's economic empowerment;
- data harmonization;
- cooperation with the private sector; and
- outreach and promotion.

The GPF will continue to report annually on its work program and will review the FIAP in 2017.

Introduction

The original Financial Inclusion Action Plan (FIAP) was endorsed by leaders at the Seoul Summit in November 2010. This reflected the G20's recognition that financial inclusion for individuals and enterprises is one of the main pillars of the global growth and development agendas. The FIAP has now had three full years of implementation from 2010 to 2013. Just as the G20's global financial agenda transitions from 'crisis response' to a 'steady state' of operation, leaders have requested that the GPFi review and update the FIAP.

This updated FIAP: reviews GPFi progress in implementing the original FIAP; revises some actions considered to be still ongoing; adopts new actions where appropriate; and sets out how the GPFi will track and monitor progress against these actions in future. Importantly, the updated FIAP maintains the original intent of the GPFi to operate as an inclusive platform for all G20 members, interested non-G20 countries and relevant stakeholders.

The current context and role of the GPFi

In 2007, the global financial crisis prompted a reassessment of the global financial system. This effort was led by the G20, working closely with the Financial Stability Board and other standard setting bodies (SSBs). The aim was to create a resilient global financial system which fosters confidence and growth.

But to drive growth, you need a truly global financial system. However well regulated and stable a financial system may be, if it excludes the vast majority of citizens the system cannot contribute to national economic activity, promote job creation, increase income and boost shared prosperity. This led the G20 in 2009 to also address an additional challenge: making sure the global financial system is truly global by ensuring financial inclusion.

Universal financial inclusion requires bringing the 2.5 billion people (or about half the working age population) currently excluded, into the formal financial system. Financial Inclusion, with its full spectrum of financial services, helps build domestic savings, bolster household, domestic and financial sector resilience, and stimulate business and entrepreneurial activity. The cumulative effect of widespread exclusion is increasing inequality, economic distortions and slower growth and development.

The credit gap for formal and informal micro, small and medium enterprises in emerging and developing economies is estimated at US\$2 trillion. This is just as big a challenge. Meeting the financial needs of an estimated 200 million small businesses (formal and informal MSMEs) enables firm growth and ultimately leads to stronger, sustainable and balanced growth and to job creation.

The role of the GPFi

The Global Partnership for Financial Inclusion (GPFi) was created by the G20 to meet the challenge of promoting access to finance for individuals and businesses. It has made strong progress. Since its

inception in 2010, the GPFi has advanced engagement between regulators and SSBs, aiming to strike the appropriate balance in regulatory regimes and global standards. The focus on SME finance has stimulated innovation and mobilized investment through the SME Finance Challenge. The GPFi has addressed the lack of comparable standardized data on financial inclusion by developing the G20 financial inclusion indicators and worked through the implementation of its peer learning program and SME Finance Compact, as well as its endorsement of the Maya Declaration to mobilize measurable national commitments to financial inclusion. The G20 Principles for Innovative Financial Inclusion highlighted the importance of integrating financial inclusion, financial education and financial consumer protection.

Because of the G20's commitment to financial inclusion, policy makers are beginning to acknowledge that an inclusive global financial system supports the financial policy goals of stability, integrity and consumer protection. Under G20 leadership, a powerful responsible financial market development vision is emerging – a vision that essentially aims at banking the other half of the global working-age adult population.

The changing international context

The global economy has changed since 2007. With the most acute phase of the financial crisis having now passed, and significant reforms having already been achieved, 2014 is an appropriate time to begin transitioning the financial agenda from that of 'crisis response' towards a more 'steady state' of operation. We cannot afford to become complacent or reform fatigued as the policy challenges remaining are both significant and complex. The economic conditions and policy settings of G20 members vary — each country is experiencing this transition in unique ways. And despite steady progress, 2.5 billion people and over 200 million businesses are still excluded from the formal financial system, limiting growth, job creation and development opportunities.

In order to bring the excluded into the formal financial system, continued product and business model innovation is required, so that more people and businesses can be reached through a broader range of products at lower costs. To achieve this, countries require enabling environments which foster innovation and a private sector that is driving innovative solutions. Targeting approaches to reach those sections of the population where the greatest gains can be made, including women, youth and migrants, will enable greater impacts to be achieved.

The GPFi's future role

Much more remains to be achieved. Innovation and engagement with the private sector are key areas where the GPFi must now focus. Innovation is already being led by the private sector, for example leveraging mobile-phone based business models and digitizing payment streams. No single type of provider will be able to overcome the very different product-specific business model challenges in diverse country contexts. What is needed instead is a variety of financial service providers that create an ecosystem which serves the excluded profitably and in a responsible manner. The GPFi has a strong role to play in facilitating private sector led innovation and the development of such an ecosystem.

Responsible market development needs a regulatory environment that balances increases in access with stability of the system. Financial systems in developing and emerging economies are influenced

by the approaches to financial regulation of G20 countries and SSBs. The GPFi should continue to engage with SSBs to progress the implementation of proportionate application of global standards. The GPFi also has a role in addressing emerging global regulatory barriers.

Continuing to highlight the integration of financial inclusion with financial education and consumer protection is also important to ensure responsible provision and usage of services and responsible market development. The rapid expansion of financial access in developing countries and emerging markets highlights the need for new consumers to be adequately informed and capable and for providers to demonstrate responsible finance practices from the design and origination of the product/service and throughout the product/service lifecycle. There is an important need for establishing effective consumer protection regimes where they are not yet in place, and for existing regimes to adapt to the new environment in which a rapidly expanding range of innovative financial services is being offered, especially to consumers with low levels of financial literacy.

Gender equity in access to financial services remains a challenge. Worldwide, 55 percent of men report having an account at a formal financial institution, while only 47 percent of women do. More than one-third of small and medium-sized enterprises (SMEs) in the developing world are owned or partly owned by women, and 40% of the global workforce is female. Access to capital can open up economic opportunities for women, and bank accounts can be a gateway to the use of additional financial services. Nonetheless women entrepreneurs face greater challenges than men in gaining access to financial services. The GPFi has undertaken some work to start to address the different aspects of women's economic empowerment. An increased focus will enable further gains to be made.

Progress since 2010

The 2010 FIAP included two implementation steps and a set of pragmatic actions to achieve the G20 Leaders' policy vision.

Implementation Steps

- A) Establish a Global Partnership for Financial Inclusion
- B) Mobilize funding for Financial Inclusion

Action Areas

- 1) Commitment to implement G20 Principles for Innovative Financial Inclusion;
- 2) Encourage relevant global Standard Setting Bodies (SSBs) to explore linkages between their work and financial inclusion;
- 3) Work with the private sector to extend financial inclusion and encourage further private sector activities to increase access to financial services;
- 4) Improve the quality of measurement and data on financial inclusion;
- 5) Support capacity building and training;
- 6) Improve national, regional and international coordination on financial inclusion in G20 countries; and
- 7) Integrate financial inclusion into all types of financial system assessments.

These actions have, since 2010, been pursued by the GPFIs subgroups. Annex 2 provides an overview of progress against these actions.

Following is a summary of the work undertaken by the GPFIs subgroups. This section should be read in conjunction with the 2010-14 GPI Progress Report (forthcoming).

Principles and SSBs subgroup [now called the Regulation and SSBs subgroup]

Established 2010; Ongoing

Co-Chairs: UK, Indonesia, India

Implementing Partners: Alliance for Financial Inclusion, CGAP, World Bank

The focus of this subgroup has been on promoting the G20 Principles on Innovative Financial Inclusion (see Annex 1) and integrating financial inclusion into the work of the SSBs and financial system assessments.

As a result of promoting the Principles, developing case studies and engaging with SSBs and other stakeholders, the GPI has contributed to creating a shared vision for greater financial inclusion. This vision was reflected in the Maya Declaration, adopted at the AFI Global Policy Forum in Riviera Maya, Mexico, in 2011, under which 47 countries have now committed to specific and measurable actions to promote financial inclusion. Ongoing support for these countries is available through the G20 established Peer Learning Program and the Financial Inclusion Support Framework, which are being carried forward by the Alliance for Financial Inclusion and World Bank respectively. Both initiatives resulted in a broad embrace of the Principles at the country level.

The subgroup has contributed to an increased understanding of the relevance of financial inclusion for individual SSBs and the relevance of the individual SSBs' standards and guidance on financial inclusion, helping to catalyze significant action. The SSBs have made significant progress in integrating financial inclusion in their standards and guidance and a number of them have launched specific financial inclusion initiatives, as detailed in Annex 2. This has promising implications for closing the global financial inclusion gap.

Moving forward, there is a need for the subgroup to continue to work with the SSBs to address financial inclusion issues in areas that span their mandates, building on the progress and lessons of the past several years, to ensure that the views and experiences of developing countries are represented in the dialogue with the SSBs, and to incorporate financial inclusion more effectively and consistently into financial sector assessments. The subgroup will sharpen its focus on addressing the changing landscape accompanying digital approaches to financial inclusion, facilitating international and domestic remittances, and mainstreaming financial inclusion in the work of the SSBs and country level regulation. Further, more consideration should be given on links between financial inclusion and financial stability, not only from research institutions, but also from policy makers, regulators, supervisors and global SSBs. This will help SSBs consider financial inclusion in their work of the SSBs and country level regulation while remaining true to their core mandates.

SME Finance subgroup**Established 2010; Ongoing****Co-Chairs: Germany, Turkey, Korea****Implementing Partners: Alliance for Financial Inclusion, CGAP, IFC, OECD, World Bank**

The subgroup has made substantial progress in all three of its action areas. It produced major analytical work on key policy issues and opportunities in SME Finance, agrifinance and women entrepreneurs finance, as well as sectoral overviews and an impact assessment framework. It established the SME Finance Forum as a leading information hub and convener. The subgroup established open platforms to finance innovation, including the SME Finance Challenge, the SME Finance Initiative, and Financing Women which have mobilized over \$400 million in direct investment and leveraged over \$800 million which will benefit more than 200,000 SMEs.

Moving forward, the subgroup will convert the SME Finance Forum into a sustainable, global public-private partnership, and will roll out the SME Finance Compact to more countries to support the uptake of specific policy reforms. The implementation of the SME Finance Compact will continue in coordination with the AFI SME Finance Working Group, established in 2013 to support peer learning amongst regulators, identify regulatory and policy challenges, develop data indicators for SME Finance, and document successful policy approaches. The implementation of the SME Finance agenda at the country level will also be carried forward through the country level reforms which will be supported in particular by the WBG Financial Inclusion Support Framework. The subgroup will continue to liaise with the G20 finance track in relation to work on SME finance issues.

Data and Measurement subgroup**Established 2010; Closed 2014****Co-Chairs: Australia, Mexico, South Africa****Implementing Partners: Alliance for Financial Inclusion, CGAP, IFC, World Bank**

The focus of this subgroup has been on addressing the lack of standard indicators and hence comparable data on financial inclusion and encouraging the use the standard indicators by policy makers. The work of this subgroup led to G20 Leaders endorsing a basic set of financial inclusion data which was then extended to the G20 Financial Inclusion Indicators, capturing the three dimensions of financial inclusion – access, usage and quality of services. These indicators were populated using collected data and are available publicly for all policy makers. A number of country case studies to highlight the use of the indicators in formulating financial inclusion policies and formulating national financial inclusion targets have also been published. The subgroup also worked on ensuring data quality, availability and continuity on the supply-side, working closely with the IMF to enhance the Financial Access Survey (FAS). By promoting a greater focus on data and measurement, the GPFI has encouraged more informed policy making and a focus on measurable outcomes. This focus is now reflected in other global frameworks such as the Maya Declaration and the post-2015 development agenda.

Further support for this work is better suited to platforms other than a dedicated GPFI subgroup, for example the Alliance for Financial Inclusion's Financial Inclusion Data Working Group (FIDWG) and the World Bank's Financial Inclusion Support Framework. The subgroup was therefore closed in

early 2014. Individual subgroups will continue to address specific data issues relevant to their focus area.

Financial Consumer Protection and Financial Literacy subgroup

Established 2013; Ongoing

Co-Chairs: Russia, U.S.A, China

Implementing Partners: Alliance for Financial Inclusion, CGAP, IFC, OECD, World Bank

The work of this subgroup complements that of the G20/OECD Task Force on Financial Consumer Protection and the OECD International Network on Financial Education (INFE) which have both developed High-Level Principles endorsed by G20 Leaders in 2011 and 2012. It has focused on providing technical inputs to this and other groups and developing guidance and tools specifically targeted to developing and emerging economies. In 2013, it has contributed through the G20/OECD Task Force to the development of Effective Approaches on three of the G20 High-Level Principles on Financial Consumer Protection - transparency and disclosure, complaint handling and responsible business conduct. The development of the effective approaches on other High-Level Principles is in process. In addition, it has contributed to a set of implementing tools to improve financial literacy developed by the OECD/INFE and the World Bank and in particular: tools to measure financial literacy and evaluate financial education programs; a progress report on women and finance; guidance on empowering women and girls through financial education and a related OECD publication; and a progress report on youth and finance including an OECD publication on financial education for youth.

Moving forward, this subgroup will focus on building the capacity of developing and emerging economies to implement appropriate financial consumer protection and financial literacy programs and identify emerging best practices in consumer protection and financial education for digital finance. Particular attention will be paid to sections of the population where the greatest gains can be made such as women, youth, migrants and the elderly.

Markets and Payment Systems subgroup

Established 2014; Ongoing

Co-Chairs: Australia, France, Mexico, South Africa

Implementing Partners: Alliance for Financial Inclusion, the Better Than Cash Alliance, the International Fund for Agricultural Development, CGAP, IFC, World Bank

This subgroup was formed in May 2014 to work towards the achievement of G20 commitments on remittances, electronic payments and mobile technology. In 2013, the GPFI was asked by the G20's Development Working Group to lead work on international remittances including the G20 commitment to reduce global average remittance costs. The G20's St. Petersburg Development Outlook also calls for the GPFI to explore "targeted actions to . . . harness emerging mechanisms such as electronic payments and mobile technology that can significantly improve access ... and consider in 2014 innovative results-based mechanisms to further reduce the cost of transferring remittances to developing countries".

The subgroup will address the global challenges of developing inclusive payment ecosystems. It will focus on emerging technologies and business models and will incorporate strong links to market based approaches through engagement with financial services providers, identifying policy frameworks that enhance access to and use of such innovative services. The initial work of the subgroup will focus on cross-border remittances.

2014 Financial Inclusion Action Plan and Results Framework

The GPFi is an inclusive partnership mechanism to take forward the G20's work on financial inclusion; facilitate efficient and effective coordination to support various on-going financial inclusion efforts; monitor progress over time; and ensure continuity on financial inclusion in global discussions.

The 2014 FIAP presents actions the four GPFi subgroups consider most important to advancing financial inclusion over the next five years. The plan reflects both the need to build on the past work of the GPFi and pay close attention to the changing landscape of innovative financial services.

It is critically important that the work of the individual subgroups: incorporates an understanding of and addresses cross-cutting issues; reflects the inputs of key stakeholders; and is used by those stakeholders when setting policy or designing products. All subgroups will therefore report on how they have, consistent with their mandates:

- a) addressed the challenges of creating an environment to promote **safe and secure innovative financial products, development and adoption of innovative business models, and innovative approaches to policy and regulatory reforms** advancing financial inclusion;
- b) developed guidance or promoted the uptake of policies and services which effectively **promote women's economic empowerment**;
- c) supported efforts to achieve further **data harmonization and use** in policy making;
- d) **worked with the private sector** to identify and address challenges to increasing access to financial services and promoting new approaches consistent with the G20 Principles for Innovative Financial Inclusion; and
- e) **reached out** to non-G20 countries to include their voices and experiences in their work programs **and effectively promoted** the work of the GPFi.

The GPFi recognizes the importance of accountability for the work of the G20 and its working groups, and so the Action Plan incorporates a set of indicators by which the progress of each subgroup can be assessed. Terms of reference for each subgroup and annual work plans complement the updated FIAP. A GPFi Progress Report will be published annually.

In 2017, the FIAP will be reviewed to ensure that the GPFi continues to focus on actions which it is best placed to pursue.

2014 Financial Inclusion Action Plan

Action	Results
SME Finance	
1. Accelerate and replicate successful policy reforms that facilitate the expansion of financial services to SMEs	Number of case studies of successful policy approaches that enhance SME access to finance
2. Establish the SME Finance Forum as global center for good practice knowledge exchange and promotion	<ul style="list-style-type: none"> • Number of unique visitors to Forum • Number of participants in LinkedIn group • Number of new public-private memberships • Financial support for Forum
3. Improve financial access through the SME Finance Compact, SME Finance Initiative, and key development achievements	<ul style="list-style-type: none"> • Number of countries that have developed or implemented new SME finance strategies • Number of institutions assisted • Funding mobilized for financial services and capacity building • Number of SMEs receiving services and number of net new jobs created in SMEs receiving assistance
Regulation and SSBs	
4. Mainstream financial inclusion in the work of the SSBs and other relevant global bodies and increase understanding of the interdependence of financial inclusion, stability, integrity and consumer protection	<ul style="list-style-type: none"> • Number of significant multi-SSB activities on financial inclusion in which at least 5 relevant SSBs participate • Number of new SSB and global body policy documents of direct relevance to financial inclusion that reflect a less siloed approach • Concrete examples of financial inclusion policy making informed by analysis of financial inclusion, stability, integrity and consumer protection linkages • Number of G20 governments and non-G20 governments participating in the GPFI implementing coordination mechanisms addressing perceived risk in cross border payments

<p>5. Encourage effective and consistent incorporation of financial inclusion in financial sector assessments</p>	<ul style="list-style-type: none"> • Number of publicly available and widely used financial sector assessment methodologies and other tools adopted since updating of FIAP reflecting increased understanding of interdependence of inclusion, stability, integrity and consumer protection • Number of publicly available financial sector assessment reports and findings since updating of FIAP reflecting increased understanding of financial inclusion by assessors.
<p>Financial Literacy and Consumer Protection</p>	
<p>6. Improve the capacity of public authorities and other relevant stakeholders to develop and implement financial literacy and consumer protection measures</p>	<ul style="list-style-type: none"> • Number of developing countries which have implemented consumer protection systems broadly consistent with G20 High Level Principles on Financial Consumer Protection, WB Good Practices on Financial Consumer Protection • Number of developing countries which have implemented or adopted National Financial Education strategies in line with the OECD/INFE High-level Principles on National Strategies for Financial Education approved by G20 Leaders in 2012. • Number, relevance and depth of Financial Literacy and Consumer Protection surveys, maps and best practices which are developed and disseminated.
<p>7. Promote consumer protection and financial education good practices for digitally delivered financial products and services</p>	<ul style="list-style-type: none"> • Number of public and private sector good practices and emerging solutions for responsible digital finance identified and disseminated.
<p>Markets and Payment Systems</p>	
<p>8. Help to analyse and consider ways to address the MTO bank account closure issue</p>	<ul style="list-style-type: none"> • Seek to obtain and publish more comprehensive data on the number of bank accounts of MTOs and other remittance service providers being closed by country on a periodic basis • Number of actions taken to contribute to raising awareness on the issue, working with other forums as appropriate • Arrange for at least one high level meeting each year of key stakeholders, e.g. regulators, MTOs, banks etc., to identify solutions to the issue as appropriate

<p>9. Reduce the cost of sending remittances</p>	<ul style="list-style-type: none"> • Number of G20 members taking at least one international or domestic policy action to reduce costs of sending remittances and/or to increase transparency of remittance transfers • Number of policy options or recommendations issued on the most efficient ways to influence remittances costs • Number of G20 members actively pursuing national commitments /new targets and that may incorporate further relevant factors other than cost, such as accessibility, transparency, consumer protection and reducing the risk of exclusion.
<p>10. Expand opportunities for innovative technologies to grow responsible financial inclusion</p>	<ul style="list-style-type: none"> • Stock take/gap analysis of opportunities for innovative technologies and business models to grow financial inclusion • Number of examples of public-private partnerships, including partnerships with banks, MTOs and telecom companies, that increase cooperation and expand financial inclusion through emerging technologies • Number of policy options and implementation approaches identified to increase the development impact of remittances in the receiving country • Number of “good practice” case studies on emerging technologies that have been successfully applied to extend financial inclusion • Number of policy options and implementation approaches for regulators, government agencies and the private sector on the sustainable provision of inclusive payment eco-systems, working with the Regulation and SSB subgroup.

Annex 1: G20 Principles for Innovative Financial Inclusion

The G20 Principles for Innovative Financial Inclusion were endorsed by G20 Leaders at the Toronto Summit in May 2010.

Innovative financial inclusion means improving access to financial services for poor people through the safe and sound spread of new approaches. The following principles aim to help create an enabling policy and regulatory environment for innovative financial inclusion. The enabling environment will critically determine the speed at which the financial services access gap will close for the more than two billion people currently excluded. These principles for innovative financial inclusion derive from the experiences and lessons learned from policymakers throughout the world, especially leaders from developing countries.

1. *Leadership*: Cultivate a broad-based government commitment to financial inclusion to help alleviate poverty.
2. *Diversity*: Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers.
3. *Innovation*: Promote technological and institutional innovation as a means to expand financial system access and usage, including by addressing infrastructure weaknesses.
4. *Protection*: Encourage a comprehensive approach to consumer protection that recognizes the roles of government, providers and consumers.
5. *Empowerment*: Develop financial literacy and financial capability.
6. *Cooperation*: Create an institutional environment with clear lines of accountability and coordination within government; and also encourage partnerships and direct consultation across government, business and other stakeholders.
7. *Knowledge*: Utilize improved data to make evidence based policy, measure progress, and consider an incremental “test and learn” approach acceptable to both regulator and service provider.
8. *Proportionality*: Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in existing regulation.
9. *Framework*: Consider the following in the regulatory framework, international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime; conditions for the use of agents as a customer interface; a clear regulatory regime reflecting for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

Annex 2: Progress against the original Financial Inclusion Action Plan

Progress to date	Status and future actions
Objective A: Establish a Global Partnership for Financial Inclusion	
<ul style="list-style-type: none"> • The GPFi was established in December 2010. It is led by a troika (current, past and future G20 president). The GPFi's work is undertaken by subgroups focused on implementing the overarching goals and the key actions areas of the FIAP. The GPFi also has implementing partners who work with each of the subgroups to help deliver on the FIAP. The GPFi reaches out to other Financial Inclusion Initiatives (e.g. the Responsible Finance Forum, Access to Insurance Initiative) as well as other G20 workstreams to create synergies and avoid duplication. • The GPFi undertakes information sharing and coordination and encourages development of tools and diagnostics for financial inclusion through the troika, yearly meetings (including the GPFi Forum), work plans, progress reports and its website. The GPFi reaches out to other Financial Inclusion Initiatives and Fora (e.g. the Responsible Finance Forum, Access to Insurance Initiative) as well as other G20 work streams (e.g. IIWG, DWG Food Security) to create synergies and avoid duplication. • GPFi governance arrangements were set out in the GPFi Terms of Reference. The Terms of Reference include a process for proposing and establishing new subgroups and finalizing subgroups when they have achieved the key actions they are responsible for delivering. Each subgroup created under the GPFi also has its own Terms of Reference. • All reports prepared by the GPFi website are available on the website www.gpfi.org. 	<p>Status: This implementation step is considered complete.</p> <ul style="list-style-type: none"> • Subgroups will be created and/or finalised as required based on progress against the updated FIAP; • The GPFi Terms of Reference were updated in 2014. • The GPFi will continue to operate and undertake information sharing, coordination and encouraging the development of tools and diagnostics through established processes.

Objective B: Mobilize funding for Financial Inclusion

- Resources have been mobilized and funding provided to the winners of the SME Finance Challenge. \$ 28.5 million direct funding has been contributed to the SME Finance program. This has facilitated a total of \$440 million in financing. As of December 2013 some \$12.1 million had been disbursed to the 13 winners, and more than 4400 SMEs have received financing or advisory support. The Challenge winners have received parallel funding from development and international financial institutions and other investors totaling more than \$340 million since 2011. The implementation of the SME Finance Challenge is ongoing and managed by the SME Finance Forum. The Annual Report of the SME Finance Forum reports on progress with implementing the SME Finance Challenge Program.
- The **Global SME Finance Facility**, hosted and managed by IFC, with anchor investors and donors consisting of IFC, European Investment Bank (EIB) and the UK, is a first-of-its kind facility which mobilizes funding from donors, international finance institutions and the private sector, to address the \$1 trillion global SME finance gap. The Facility aims to reaching a million SMEs, including 250,000 women-owned SMEs, in difficult and low-income markets and generate jobs and growth. Particular focus is on very small enterprises and high-impact segments: women-owned SMEs, SMEs in fragile and conflict-afflicted states, climate, agriculture and health. The Facility is initially funded to operate in 28 countries in Africa and South Asia as well as Myanmar, Haiti, West Bank/Gaza.
- The **Financial Inclusion Support Framework (FISF)** has been established to accelerate the expansion of financial inclusion through enabling the achievement of country commitments and targets. The FISF was launched at the World Bank/IMF Spring Meetings, with an initial \$25 million in core support from the Netherlands, a subsequent funding contribution from the Bill & Melinda Gates Foundation, and World Bank Group funding (including over \$500 million in financing to support policy reforms). Further funding to enable FISF to meet the pipeline of country

Status: This implementation step is considered complete

- The World Bank and the IFC are responsible for the ongoing implementation of funding mechanisms initiated by the G20.

<p>requests is in discussion.</p> <ul style="list-style-type: none"> • Requests received from 15 countries for assistance in the design or implementation of Financial Inclusion Strategies and reform programs, have been met with technical assistance and knowledge-sharing since the launch of FISF in 2013. • Full-scale tailored programs of technical assistance, data, and capacity-building are also offered to national financial inclusion leads (typically finance ministries or regulators). The first full-scale FISF country programs has been launched for Rwanda, and 2 further programs are being finalized (Indonesia, Mozambique). A further 3 FISF country programs will be designed in 2014, expanding to a projected 15 country programs in total. Countries can also leverage other programs and funds, including the FIRST Initiative, and the IFC SME Finance Facility. • FISF country programs cover the GPFi working group areas, including SME finance, financial consumer protection, financial literacy, payments systems, digital payments, and remittances. FISF can be an implementing mechanism for GPFi working group guidance and outputs (for example the SME Finance Compact, Good Practices, G20 High Level Principles, Remittance cost reduction efforts, and reforms to unlock private sector innovation and investment). 	
<p>Action 1: Commitment to implement G20 Principles for Innovative Financial Inclusion under a shared vision of universal access</p>	
<ul style="list-style-type: none"> • A 2011 GPFi report, The G20 Principles for Innovative Financial Inclusion: Bringing the Principles to Life provides 11 country case studies of Principles implementation • Broad embrace of the Principles under AFI Maya Declaration launched in 2011 (commitments to measurable actions to advance financial inclusion in keeping with the Principles) and the G20 Financial Inclusion Peer Learning Program (country commitments to create cross-sector coordination mechanisms and national strategies). • Strengthening of the Maya Declaration in 2013 through the Sasana Accord – agreement from countries to set quantifiable targets as part of their Maya Declaration commitments. set quantifiable targets as part of their Twenty countries have committed to develop national strategies for financial inclusion 	<p>Status: This action is considered complete.</p> <ul style="list-style-type: none"> • With 50 countries having now made national financial inclusion commitments under the Maya Declaration and G20 Peer Learning Program, the objectives of this action step are fulfilled. The GPFi will continue to monitor progress through its annual report and encourage support for countries to fulfil their commitments.

Action 2: Encourage relevant global Standard Setting Bodies (SSBs) to explore linkages between their work and financial inclusion

- The GPF white paper *Global Standard-Setting Bodies and Financial Inclusion for the Poor – Toward Proportionate Standards and Guidance*, and five associated *country case studies* were released in October 2011
- The *1st GPF Conference on SSBs and Financial Inclusion: Promoting Financial Inclusion through Proportionate Standards and Guidance* and a related technical meeting were held in October 2012, hosted by FSI at the BIS, with a wide dissemination of its associated issues papers.
- High-level meetings of SSB leadership were convened by the UNSGSA/Honorary Patron of the GPF and the BCBS chair in January 2011 and March 2012, in which the GPF participated.
- A 2012 report published on South African experience regarding the I-SIP linkages (informing the 2012 GPF Forum and 1st GPF SSBs Conference) and articulating a preliminary methodology for optimizing such linkages.

At the individual SSB level, the Subgroup and its members and Implementing Partners supported and gave input into the following activities:

- **BCBS** reinforced the concept of proportionality in the revised Basel Core Principles for Effective Banking Supervision (BCPs) in 2012; The Basel Consultative Group (BCG) launched a standing Workstream on Financial Inclusion in 2013; The Workstream developed a range of practice survey regarding inclusion regulation.
- **CPSS** released a report on *Innovations in retail payments* in 2012, which noted that financial inclusion is “an important driving force in for innovations in many countries.”
- **FATF** published guidance on financial inclusion in 2011, revised in 2013 to build on the risk based approach embedded in its 2012 revised Recommendations; financial exclusion formally recognized by FATF Ministers as a money laundering and terrorist financing risk in adopting 2012 – 2020 FATF Mandate; FATF published updated guidance on new payment products and services
- **IADI** prepared a survey on Financial Inclusion and Deposit Insurance, which will instruct further work of its Sub-committee on Financial

Status: This action has been incorporated into Action 4 of the 2014 FIAP.

- Update of the 2011 GPF white paper in 2014 (to be completed in 2015)
- *2nd GPF Conference on SSBs and Financial Inclusion: Standard Setting in the Changing Landscape of Digital Financial Inclusion* (working title) to be hosted at the BIS by FSI on October 30, 2014
- A third high-level meetings of SSB leadership will be convened by the UNSGSA/ Honorary Patron of the GPF and the BCBS chair on October 2, 2014
- Reports on research exercises conducted in Pakistan and Russia covering the linkages among financial inclusion, financial stability and financial consumer protection will be published in 2014; further such research exercises are anticipated in the second half of 2014 and 2015, as well as further work on a dedicated methodology
- The Subgroup will continue to support the implementation of global standards at the country level, working through the SSBs structures and leveraging peer-learning platforms such as AFI and CPSS - World Bank Forum on Retail Payments
- The Subgroup will continue to work with individual SSBs and relevant subcommittees, to incorporate financial inclusion in their respective guidance notes, principles and practice documents.

<p>Inclusion and Innovation</p> <ul style="list-style-type: none"> • IAIS adopted revised Insurance Core Principles in 2011, which incorporated the proportionality principle; in 2012, IAIS published guidance on inclusive insurance: <i>Application Paper on Regulation and Supervision supporting Inclusive Insurance Markets</i> and formed a Financial Inclusion Subcommittee; it launched in 2013 self-assessments / peer reviews of members with regard to this guidance • IOSCO was incorporated into the group of SSBs with which the Subgroup engages, in recognition of the relevance of securities markets to financial inclusion, particularly in EMDEs 	
<p>Action 3: Work with the private sector to extend financial inclusion and encourage further private sector activities to increase access to financial services</p>	
<ul style="list-style-type: none"> • Establishment of SME Finance Forum • Establishment of the SME Finance Initiative • The SME Finance Challenge has made significant and steady progress. To date \$440 million in financing has been facilitated. As of December 2013, \$12.1 million has been disbursed to the 13 winners. In addition the Challenge winners received parallel funding from development and international financial institutions and other investors totalling more than \$340 million since 2011. 	<p>Status: This action is included as one of the cross-cutting themes of the 2014 FIAP and will be addressed by all subgroups.</p> <ul style="list-style-type: none"> • Conversion of SME Finance Forum to global membership body • Further expansion of resources and geographic coverage for SME Finance Initiative • The sub-group on SME finance to enhance the role of the SME finance in G20 agenda, through a consultative process will continue to work on the private sector engagement strategy also using upcoming opportunities to reach out to the private sector.
<p>Action 4: Improve the quality of measurement and data on financial inclusion</p>	
<ul style="list-style-type: none"> • The G20 Financial Inclusion Indicators have been developed and endorsed, the data populated and disseminated and are available on the GPMI website. This work included ensuring that the G20 Financial Inclusion indicators included a specific measure on SME finance and financial literacy and consumer protection. • To ensure data is available for policy making, the GPMI has worked with the IMF on continuity and enhancements of the Financial Access Survey. • The GPMI has prepared a Data Stocktaking & Gap Analysis; Target Setting Guidance and Position Paper and a set of case studies on country approaches to using financial inclusion data in policy setting. 	<p>Status: This action is considered complete</p> <ul style="list-style-type: none"> • A review and update of this data set in 3-5 years will be considered. • Ongoing implementation is being driven through AFI, the OECD, IFC and the World Bank. For example, the AFI SME Finance Working Group will work in close collaboration with the AFI Financial Inclusion Data Working Group regarding G-20 financial inclusion indicators, SME Finance key indicators and OECD Scoreboard • Identification of common indicators to measure MSME finance performance by IFI/DFI clients, AFI to provide recommendations on common indicators for governments measuring SME financial inclusion • SME Finance Forum to add data on aggregate portfolio performance of

<ul style="list-style-type: none"> • The consumer protection and financial literacy subgroup worked with the OCED/INFE and the world bank to prepare a set of reports on <ul style="list-style-type: none"> - tools to measure financial literacy and evaluate financial education programmes, - women and finance, including barriers to women’s financial inclusion, and - youth and finance. • The consumer protection and financial literacy subgroup worked with the to conduct the World Bank/FinCoNet Global Survey on Financial Consumer Protection in 114 countries. • Data harmonization initiative kicked off among Development Finance Institutions (DFIs) and International Finance Institutions (IFIs). 	<p>IFC and other IFI/DFI financial institutions working on MSME finance.</p>
<p>Action 5: Support capacity building and training</p>	
<ul style="list-style-type: none"> • G20 Peer Learning Program developed, endorsed and launched • SME Finance Compact was launched to feed into the G20 Financial Inclusion Peer Learning Program to provide developing countries, in particular Low Income Countries (LICs), making financial inclusion a priority and SME finance a key focus of their national action plan. • Financial Inclusion Support Framework (FISF) was endorsed by and launched by the World Bank. The FISF aims to provide comprehensive programs of technical assistance and capacity building support to up to 15 countries. 	<p>Status: This action is considered complete</p> <ul style="list-style-type: none"> • Ongoing implementation being undertaken by AFI (Peer Learning Program and capacity building programs) and World Bank (FISF) • SME Finance subgroup is continuing outreach with interested potential Compact partner countries. The implementation of the SME Finance Compact is also being implemented in coordination with the new AFI working group (SME Finance Working Group –SMEFWG) to support peer learning amongst regulators.
<p>Action 6: Improve national, regional and international coordination on financial inclusion in G20 countries</p>	
<ul style="list-style-type: none"> • The World Bank conducted a mapping of relevant (international and GPFI) work on financial consumer protection and literacy. • GPFI contributions have been made to the report of the G20/OECD Task Force on Financial Consumer Protection concerning effective approaches to implement three of the G20 High Level Principles on Financial Consumer Protection (i.e. transparency and disclosure, complaint handling and responsible business conduct). • SME Finance Forum established 	<p>Status: This is an ongoing goal of the GPFI aspects of which are captured by the cross-cutting themes of the 2014 FIAP.</p>

Action 7: Integrate financial inclusion into all types of financial system assessments.

- FATF's mutual evaluation Assessment Methodology was fundamentally revised in 2013 (to reflect the 2012 revisions to the FATF Recommendations), incorporating, in addition to technical compliance assessment, also assessment of the effectiveness of AML/CFT regimes, including consideration of steps taken to promote financial inclusion and levels of current financial exclusion
- Increasing numbers of countries undergoing assessments under the World Bank/IMF Financial Sector Assessment Program (FSAP) have requested technical notes on financial inclusion and related topics, and steps have been taken to improve guidance to evaluators participating in FSAPs.

Status: This action has been incorporated into Action 5 of the 2014 FIAP.

- Financial inclusion will be an important consideration in the new round of FATF mutual evaluations, and is expected to be particularly important in developing the approach to effectiveness assessments
- Continued focus is anticipated on incorporating financial inclusion into FSAPs and standardizing and improving the content of related technical notes