



2023 GPII PROGRESS REPORT TO G20 LEADERS

Outline

This Report summarizes the Global Partnership for Financial Inclusion (GPII) key deliverables and activities from December 2022 to July 2023. It presents the main achievements attained under G20 India Presidency, in compliance with the provisions of the GPII 2020 Financial Inclusion Action Plan (G20 2020 FIAP) and the GPII Terms of Reference (ToR), as approved in October 2020 under the Saudi G20 Presidency.

The Report is structured as follows:

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- GPII 2023 Deliverables and Discussions
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Background

In 2023, the GPMI implemented a work-plan coherent with the provisions contained in the G20 2020 FIAP aimed to steer the Indian G20 Presidency agenda guided by the theme “*Vasudhaiva Kutumbakam*” or “**One Earth. One Family. One Future**”, which underlines the message of equitable growth and shared future for all.

In 2023, the GPMI identified the following priorities: (i) Leveraging Digital Public Infrastructure (DPI) for Financial Inclusion and Productivity Gains, (ii) Completion of the ongoing G20 2020 Financial Inclusion Action Plan (FIAP), and (iii) Development of new G20 2023 FIAP. In addition, the GPMI in 2023 also had the tasks of appointing new long-term GPMI Co-Chairs and updating the GPMI Terms of Reference (ToR).

Under the Presidency’s priority of leveraging DPI for Financial Inclusion and Productivity Gains, the GPMI recognized the potential of DPI for rapidly advancing financial inclusion and finalized the **G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through DPI**. The policy recommendations prepared by the World Bank are informed by best practices from G20 and non-G20 countries and existing standards. The work has also benefitted from panel discussions on various aspects of the DPI approach alongside the GPMI Plenaries. The policy recommendations are grouped around five key dimensions, which collectively seek to ensure DPIs adhere to a basic set of principles for: (i) enabling and fostering the use of DPIs to accelerate financial inclusion and productivity gains; (ii) developing well-designed DPIs and the enabling environment through a set of good practices; (iii) encouraging the adoption of appropriate regulation, supervision, and oversight arrangements for the safe and efficient use of DPIs; (iv) ensuring sound internal governance arrangements; and (v) ensuring that DPIs offer services in a way that safeguards consumer interests and leaves no one behind. They are intended to help authorities support the development, functioning, and evolution of DPIs according to their respective jurisdictions and country circumstances in a way that maximizes the potential of DPIs to advance financial inclusion and productivity gains.

The GPMI held three Plenary Meetings during the year, in January, March, and June, and a fourth meeting is to be held in September. Outreach seminars, panel discussions, and exhibitions have been organized, both domestically and internationally, to share best practices and inform the GPMI discussions with the participation of GPMI Members – including Implementing Partners and Affiliated Partners – and non-G20 countries.

GPMI 2023 Deliverables and Discussions

Along with the focus on Leveraging DPI for Financial Inclusion and Productivity Gains, the GPMI has also made progress toward the completion of deliverables under the G20 2020 FIAP and deliver a new G20 2023 FIAP to set up an action-oriented roadmap for rapidly accelerating financial inclusion of individuals and MSMEs in the G20 and beyond along with accomplishing an Update of the GPMI ToR and selection of new long-term Co-Chairs.

Overall, the GPMI worked on the following seven deliverables in 2023:

- (i) G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure

- (ii) Report on Assessing Progress in the Implementation of the G20 High-Level Principles on Digital Financial Inclusion
- (iii) Update to Leaders on progress towards the G20 Remittance Target and Biennial Update of the National Remittance Plans, along with focused work on the impact of innovative payment services to reduce the cost of remittances
- (iv) Regulatory Toolkit for Enhanced Digital Financial Inclusion of Micro, Small and Medium Enterprises (MSMEs)
- (v) Report on MSME best practices and innovative instruments to overcome common constraints in MSME financing
- (vi) Preparation and Adoption of the new G20 2023 FIAP
- (vii) Updated GPMI ToR

Of these, the deliverables on G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure, the Update to Leaders on progress towards the G20 Remittance Target, the Regulatory Toolkit for Enhanced Digital Financial Inclusion of MSMEs, the new G20 2023 FIAP and Updated GPMI ToR will be presented to the G20 Finance Ministers and Central Bank Governors at their meeting in July and subsequently to the G20 Leaders for the Leaders' Summit in September. The GPMI will continue to work on the remaining deliverables for completion post the G20 Leaders' Summit.

The January Plenary was dedicated to discussing the GPMI Priorities and work-plan for the year 2023, which comprised: the Presidency's annual priority, the completion of the ongoing G20 2020 FIAP, the preparation and adoption of the new G20 2023 FIAP and the update of the GPMI ToR.

During the March Plenary, progress was made on the discussion of the first draft of the Presidency deliverable. Additionally, the Plenary also hosted a dedicated FIAP Workshop for deliberating on the new action plan. Sessions also focused on the other GPMI Priorities, including assessing progress in the implementation of the High-Level Principles on Digital Financial Inclusion, deliverables on remittances, the Regulatory Toolkit, and the Report on Digital and Innovative Products and Services for MSMEs. Further, Italy and India were appointed as the new long-term GPMI Co-Chairs for 2024-26.

A virtual workshop on the new G20 2023 FIAP was also organized on 26 May 2023, in which the GPMI member countries deliberated upon the development of the new FIAP.

During the third plenary in June, the G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through DPI, the Regulatory Toolkit, the Updated GPMI ToR and the Update to Leaders on progress towards the G20 Remittance Target were presented to members for further deliberations and finalization. Discussions were also held to finalize and agree upon the New G20 2023 FIAP.

Finally, the fourth GPMI Plenary to be held in September 2023 will continue the work on Assessing Progress in the Implementation of the G20 High-Level Principles on Digital Financial Inclusion, SME best practices, and innovative instruments to overcome common constraints in SME financing, Updating of National Remittance Plans and case-study on the impact of digital payment services in reducing the cost of remittances.

During the year, the engagement with all stakeholders and standard-setting bodies to further promote the integration of financial inclusion in their policies has proceeded smoothly.

On 16 June 2023, in observance of the International Day of Family Remittances (IDFR), GPFII joined the international community in acknowledging the impact that remittances have on millions of households and communities in low- and middle-income countries (LMICs). On this special occasion, the GPFII reaffirmed its commitment to promoting the further reduction in the cost of remittances at the global level, as set under the 2030 Agenda for Sustainable Development, specifically Sustainable Development Goal (SDG) 10. c target and promote the development impact of migrants' remittances embodied in the UNGA resolution and reflected in the IDFR 2023-2024 global campaign "Digital remittances towards financial inclusion and cost reduction".

On 9 January 2023, alongside the First GPFII Plenary Meeting, the G20 India Presidency organized an International Symposium on "***Unlocking the Potentials of Digital Public Infrastructure (DPI) for Advancing Financial Inclusion and Productivity Gains***". Two highly fruitful panel discussions on the role of DPI and the significance of the digital financial ecosystem approach to leveraging DPI were organized as part of the symposium.

On 10 January 2023, the G20 India Presidency organized a seminar on "***Financial Literacy for Augmenting Digital Financial Inclusion***." This was a domestic outreach program aimed at school students in grades 9 to 12.

On the same days, the G20 India Presidency organized an Exhibition on "***Digital Innovations for Advancing Financial Inclusion***." The Exhibition featured 12 stalls showcasing India's digital prowess on the theme of Digital Public Infrastructure for financial inclusion. The Exhibition saw an impressive display of India's achievements and efforts in advancing digital financial inclusion and showcased financial system infrastructure, emerging technologies, digital identification process flows for individuals, and digital innovations in financial inclusion.

On 6 March 2023, on the sidelines of the Second GPFII Plenary, the India G20 Presidency organized an International Symposium on "***Digital Innovations in Payments and Remittances***". A panel discussion on "***Harnessing Digital Innovations in Payment Systems for Financial Inclusion, Resilience, Productivity Gains, and Inclusive Growth***" was organized as part of the symposium. Representatives from international organizations, namely Better Than Cash Alliance, Smart Africa, Women's World Banking, International Fund for Agricultural Development (IFAD), and the Reserve Bank of India, participated in the Symposium.

On the sidelines of the Second GPFII Plenary, the India G20 Presidency, with the support of Better Than Cash Alliance (BTCA), organized a "***Knowledge and Experience Exchange Programme on Advancing Financial Inclusion through Digital Public Infrastructure (DPI) for the Emerging Economies of the Global South***" in Hyderabad. The event brought together representatives from 16 countries and many regional organizations of the Global South. The two-day event was intended to exchange ideas and experiences with emerging economies of the Global South on leveraging new innovations such as DPI, including digital payments ecosystem leading to enhancing digital financial inclusion. The sessions brought out the use cases of DPI as well as the opportunities and challenges associated with it. The sessions brought out DPI as a set of building blocks that can be utilized for various purposes. The programme saw a fruitful engagement with these non-G20 countries by providing them with a platform to

exchange their experiences in advancing financial inclusion. Also, it gave valuable insights into their expectations and aspirations from the financial inclusion work undertaken by the GPMI.

On the sidelines of the Third GPMI Plenary, the India G20 Presidency organized a panel discussion on “Experience Sharing on Digital Public Infrastructure for Advancing Financial Inclusion and Productivity Gains towards Attaining Sustainable Development Goals (SDGs).” Participating countries, including Indonesia, Brazil, Saudi Arabia, and Turkey, shared their respective experiences regarding the utilization of digital public infrastructure (DPI) for advancing financial inclusion. The session emphasized the significant role of private entities within the DPI ecosystem, highlighting how DPI fosters innovation, competition, and consumer protection. Additionally, the discussion addressed challenges related to DPI implementation for financial inclusion. It underscored the importance of global leadership and a multi-stakeholder approach for the development and effective utilization of DPI for rapidly accelerating financial inclusion.

On 14th September 2023, the India G20 Presidency will organize GPMI Side Event on “*Advancing Financial Inclusion with a focus on Micro, Small and Medium Enterprises (MSMEs)*”, on the sidelines of the Fourth GPMI Plenary.

The G20 2020 FIAP: prioritized topics, action areas, and deliverables in 2023

Digital Financial Inclusion: Action Area 1

In this Action Area, the deliverable envisaged by the G20 2020 FIAP for 2023 is to:

“Prepare a Global Report to assess progress in the implementation of the HLPs since their adoption; at the same time, identify gaps, new opportunities, challenges and risks of DFI based on countries’ self-assessment against the Implementation Framework, and propose policy options based on case studies, best practices and lessons learned.”

To fulfill this commitment, in 2023, the implementation guide for all eight High-Level Principles has been completed in 2023 along with a survey questionnaire for self-assessment. Based on the self-assessment exercise, the following deliverable will be produced:

A brief report (by World Bank and Better than Cash Alliance) **that summarizes the self-assessment experiences of GPMI Member countries.** Through the self-assessment based on the implementation guide, both G20 and non-G20 countries will assess their progress on the HLPs for Digital Financial Inclusion. The self-assessment tool allows countries to assess progress at two levels: Level 1: The minimum recommended to be in place in any jurisdiction where digital financial products and services are being delivered, and Level 2: Policy and regulatory levers that can be employed to address newly emerging risks. The results of the assessment will serve as an analytical base for helping the countries identify their own gaps and challenges to implement their National Financial Inclusion strategies with a focus on digital financial inclusion.

Digital Financial Inclusion: Action Area 2

In this Action Area, devoted to remittances, the G20 2020 FIAP foresees the following deliverable:

“Review the progress on National Remittance Plans against the commitments in the G20 Plan to Facilitate Remittance Flows (2014), and release the second update on the National Remittance Plans under the duration of the 2020 G20 FIAP with a focus on the impact of innovative payment services to develop a menu of best practices of inclusive country-specific policies for payment services and remittance regulation as options for the updated National Remittances Plans.”

To fulfill this commitment, the World Bank and IFAD are working on a separate deliverable on “digital” remittances to cover the impact of innovative payment systems on remittance transfer costs, beyond the annual Progress Report that leads to the Update to Leaders Report and the Biennial Update of the National Remittance Plans.

The following deliverable has been produced:

Update to Leaders on progress towards the G20 Remittance Target (by World Bank and IFAD), which outlines the country-led actions to support reducing the cost of sending remittances.

Further, the World Bank and IFAD will continue to work to finalize:

The Second Update of National Remittance Plans in which G20 members will submit their updated National Remittance Plans outlining country-led actions supporting effective remittance flows and reducing remittance transfer costs.

Report on the impact of digital remittances in reducing the cost of remittances to analyze the impact of innovative payment services to reduce the cost of remittances through country case studies.

SME Finance: Action Area 1

In this Action Area, the deliverable envisaged by the G20 2020 FIAP for 2023 is to:

“Develop a G20 G20 G20 regular progress report to track and measure progress in implementing the G20 Action Plan on SME Financing against the analysis of the Self-Assessment Consolidated Progress Report 2019, and develop a set of best practices and innovative instruments to overcome common constraints in SME financing (beyond those identified in the G20 action plan) and address sustainability challenges.”

To fulfill this commitment, the IFC-SME Finance Forum is working on a **Report on SME best practices and innovative instruments to overcome common constraints in SME financing**, which aim at promoting innovative and responsible access to digital financing to unleash their full potential and contribution to GDP in both advanced and emerging markets. It summarizes the country’s effective approaches to tackling existing impediments preventing the implementation of products, approaches, and policies. This work carries out a stock-take exercise of practices to list examples of effective approaches on policy, regulatory, and supervisory considerations in addition to effective innovations in SME financial services, e.g., credit and insurance, that have successfully facilitated and promoted SME financing.

SME Finance: Action Area 2

In this Action Area, the deliverable envisaged by the G20 2020 FIAP for 2023 is to:

“Develop an SME DFS Regulatory Diagnostic Toolkit that could be used to determine how the national/domestic environment (including the private sector and SSBs engagement) can promote SME’s access to innovative digital financial services.”

To fulfill this commitment, the following deliverable has been produced:

G20 Regulatory Toolkit for MSME Access to Digital Financial Services by Alliance for Financial Inclusion (AFI) aims to provide a range of clear, relevant, and step-by-step practical policy tools which regulators can introduce in different stages of their policy implementation process to enhance the regulatory environment for MSMEs to access innovative digital financial services. The toolkit leverages a significant body of existing research and policy recommendations and builds on country implementation cases, as well as the previous work of the GPMI and international organizations in this area, and is designed to be consistent with relevant global standards.

New Co-Chairs, G20 2020 FIAP, and ToR revision

Along with the abovementioned deliverables, the GPMI also accomplished the following tasks:

- Selection and appointment of new long-term Co-Chairs: India and Italy
- Development and Adoption of the new G20 2023 FIAP
- Update of GPMI ToR

In 2023, the GPMI has agreed on a G20 2023 FIAP to set forward an action-oriented three-year roadmap for addressing the challenges of the last mile and moving closer to universal financial inclusion, thereby, enabling countries’ progress towards achieving the Sustainable Development Goals (SDGs). For this, the GPMI, through the G20 2023 FIAP, will have a renewed focus on the existing prioritized topics of Digital Financial Inclusion and MSME Finance through action-oriented deliverables, updating and expanding the monitoring of financial inclusion, and strengthening the relationship with non-G20 countries and Regulatory and Standard Setting Bodies.

Cross-cutting issues in the G20 2020 FIAP

The cross-cutting issues underlying all action areas and deliverables throughout the duration of the 2020 G20 FIAP are the following.

- a. Promote the expansion of financial services among the hard-to-reach segments of the population, particularly targeting underserved and vulnerable groups, as well as the advancement of women’s economic empowerment.*
- b. Promote financial consumer protection and financial literacy by means of collaboration and coordination with multilateral organizations, including the G20/OECD Task Force for Financial Consumer Protection and the International Network on Financial Education.*

All the deliverables produced by the GPFi in 2023, including the Presidency priority deliverable on leveraging DPI for financial inclusion and productivity gains, have addressed the expansion of financial services among the hard-to-reach segments of the population, particularly targeting underserved and vulnerable groups, as well as the advancement of women's economic empowerment and financial consumer protection and financial literacy. The Global South Experience Exchange Programme, in particular, focused on the former for the emerging economies of the Global South.

The new G20 2023 FIAP will also continue the emphasis on consumer protection measures, targeted digital and financial education initiatives to enhance digital and financial capability.

ANNEX: REPORTS AND DOCUMENTS PRODUCED

1. G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure.
2. 2023 Update to Leaders on Progress towards the G20 Remittance Target.
3. Regulatory Toolkit for Enhanced Digital Financial Inclusion of Micro, Small and Medium Enterprises
4. G20 2023 Financial Inclusion Action Plan
5. 2023 Updated GPFIs Terms of Reference

Reports and Documents (to be finalized)

6. Second Update of National Remittance Plans and case study on the impact of digital remittances in reducing the cost of remittances.
7. Report on progress in implementing the G20 GPFIs High-Level Principles on Digital Financial Inclusion.
8. Report on SME best practices and innovative instruments to overcome common constraints in SME financing based on GPFIs SME living database.