

G20 Leaders' Conclusions on Microfinance, 2008-2010

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Summary of Conclusions on Microfinance in G20 Leaders' Documents

Year	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
2008	308	8.4	6	8.5	1	100	0
2009 London	88	1.4	1	1.1	1	33.3	0
2009 Pittsburgh	222	2.4	3	2.8	1	100	0
2010 Toronto	966	8.6	19	13.2	2	100	1
2010 Seoul	1302	8.2	16	7.3	4	80	0
Average	577.2	5.8	9	6.6	1.8	82.7	0.2

Notes:

Data are drawn from all official English-language documents released by the G20 leaders as a group. Charts are excluded.

"# of Words" is the number of microfinance-related subjects for the year specified, excluding document titles and references. Words are calculated by paragraph because the paragraph is the unit of analysis.

"% of Total Words" refers to the total number of words in all documents for the year specified.

"# of Paragraphs" is the number of paragraphs containing references to microfinance for the year specified. Each point is recorded as a separate paragraph.

"% of Total Paragraphs" refers to the total number of paragraphs in all documents for the year specified.

"# of Documents" is the number of documents that contain microfinance subjects and excludes dedicated documents.

"% of Total Documents" refers to the total number of documents for the year specified.

"# of Dedicated Documents" is the number of documents for the year that contain a microfinance-related subject in the title.

Introduction and Definition

The purpose of this report is to document all references to, or in other terms, all of what leaders concluded on microfinance in official G20 documents released at their summits.

G20 leaders are increasingly focused on microfinance (or microcredit) to alleviate poverty and push forward the development process. Microfinance provides financial services to the private sector in low-income countries that lack access to banking and appropriate high quality financial services such as credit, savings, insurance and fund transfers. Microfinance is an important way to help poor people and improve systems efficiency in developing countries. Microfinance institutions have both a financial and social role in the development process. To date microfinance institutions have had an important impact on women, employment growth/opportunities and poverty alleviation.

Search Terms

The following keywords were used for this report.

Inclusions

Cooperatives, credit access, credit union, entrepreneurship, financial options, global innovative society, Global Partnership for Financial Inclusion (GPII), innovative

financing, innovative financial inclusion, innovation (when related to microfinance or entrepreneurship micro credit), innovative payment instruments, micro enterprises, microfinance entities, microfinance institutions (MFIs), non-profit financial institutions, research and development, rural banks, rural credit, small business, small and medium-sized businesses (SMEs), small sectoral meetings, social business, social capital, social development, social progress, sustainable microfinance.

Coding Rules

The unit of analysis is the sentence or paragraph.

The unit must contain a direct reference to microfinance or a cognate term.

Cognate or extended terms can be used without a direct reference to microfinance if they have previously been directly associated in summit document history.

Conclusions on Microfinance in G20 Leaders Summit Documents

2008: Washington DC, November 14-15

Declaration of the Summit on Financial Markets and the World Economy

2. Over the past months our countries have taken urgent and exceptional measures to support the global economy and stabilize financial markets. These efforts must continue. At the same time, we must lay the foundation for reform to help to ensure that a global crisis, such as this one, does not happen again. Our work will be guided by a shared belief that market principles, open trade and investment regimes, and effectively regulated financial markets foster the dynamism, **innovation, and entrepreneurship** that are essential for economic growth, employment, and poverty reduction.

Common Principles for Reform of Financial Markets

8. In addition to the actions taken above, we will implement reforms that will strengthen financial markets and regulatory regimes so as to avoid future crises... Regulators must ensure that their actions support market discipline, avoid potentially adverse impacts on other countries, including regulatory arbitrage, and support competition, **dynamism and innovation in the marketplace...**

Reforming International Financial Institutions

Immediate Actions by March 31, 2009

- We should explore ways to restore emerging and developing countries' **access to credit** and resume private capital flows which are critical for sustainable growth and development, including ongoing infrastructure investment.

9. We commit to implementing policies consistent with the following common principles for reform.

- We will also make regulatory regimes more effective over the economic cycle, while ensuring that regulation is efficient, does not stifle **innovation**, and encourages expanded trade in financial products and services. We commit to transparent assessments of our national regulatory systems...

Tasking of Ministers and Experts

10. We are committed to taking rapid action to implement these principles.... we request our Finance Ministers to formulate additional recommendations, including in the following specific areas:

- Reviewing compensation practices as they relate to incentives for risk taking and **innovation**;

2009: London, April 1-2

Global Plan for Recovery and Reform

Strengthening financial supervision and regulation

14. ... We each agree to ensure our domestic regulatory systems are strong. But we also agree to establish the much greater consistency and systematic cooperation between countries, and the framework of internationally agreed high standards, that a global financial system requires... Regulators and supervisors must protect consumers and investors, support market discipline, avoid adverse impacts on other countries, reduce the scope for regulatory arbitrage, support competition and dynamism, and keep pace with **innovation** in the marketplace...

2009: Pittsburgh, September 24-25

G20 Leaders Statement: The Pittsburgh Summit

Strengthening Support for the Most Vulnerable

41. We commit to **improving access to financial services for the poor**. We have agreed to support the safe and sound spread of new modes of **financial service delivery** capable of reaching the poor and, building on the example of **micro finance**, will scale up the successful models of **small and medium-sized enterprise (SME) financing**. Working with the Consultative Group to Assist the Poor (CGAP), the International Finance Corporation (IFC) and other international organizations, we will launch a G20 Financial Inclusion Experts Group. This group will identify lessons learned on innovative approaches to **providing financial services to these groups**, promote successful regulatory and policy approaches and elaborate standards on **financial access**, financial literacy, and consumer protection. We commit to launch a **G20 SME Finance Challenge**, a call to the private sector to put forward its best proposals for how public finance can maximize the deployment of private finance on a sustainable and scalable basis.

ANNEX: Core Values for Sustainable Economic Activity

5. We also agree that certain key principles are fundamental, and in this spirit we commit to respect the following core values:

- We have a responsibility to reject protectionism in all its forms, support open markets, foster fair and transparent competition, and promote **entrepreneurship and innovation** across countries.

2010: Toronto, September 26-27

The G20 Toronto Summit Declaration

International Financial Institutions and Development

33. We have launched the **SME Finance Challenge** and commit to mobilizing funding for implementation of winning proposals, including through the strong support of the MDBs. We have developed a set of principles for **innovative financial inclusion**.

34. ... Agriculture and Food Security, and invite further contributions. Looking ahead, we commit to exploring innovative, results-based mechanisms to harness the private sector for **agricultural innovation**. We call for the full implementation of the L'Aquila Initiative and the application of its principles.

Other Issues and Forward Agenda

41. ...We thank Mexico for undertaking to host the sixteenth Conference of the Parties (COP 16) in Cancun from November 29 to December 20, 2010 and express our appreciation for its efforts to facilitate negotiations. We look forward to the outcome of the UN Secretary-General's High-Level Advisory Group on Climate Change Financing which is, *inter alia*, exploring **innovative finance**...

Annex I: The Framework for Strong, Sustainable and Balanced Growth

15. We are committed to narrowing the development gap and that we must consider the impact of our policy actions on low-income countries...Many of us have already taken steps to help address this shortfall by implementing **innovative approaches to financing**, such as advance market commitments, **the SME challenge** and recent progress with respect to financial inclusion. Low-income countries have the potential to contribute to stronger and more balanced global growth, and should be viewed as markets for investment.

Further Supporting the Needs of the Most Vulnerable

20. We have made concrete progress on our commitment to improving **access to financial services for the poor** and to increasing financing available to **small- and medium-sized enterprises (SMEs)** in developing countries.

22. We have developed a set of principles **for innovative financial inclusion**, which will form the basis of a concrete and pragmatic action plan for improving **access to financial services amongst the poor**. This action plan will be released at the Seoul Summit.

23. At the Pittsburgh Summit, we recognised the importance of sustained funding and targeted investments to improve long-term food security in low income countries. We welcome the launch of the Global Agriculture and Food Security Program (GAFSP),

which will provide predictable financing for low income countries to improve agricultural productivity, raise rural incomes, and build sustainable agricultural systems. We are particularly pleased that the fund has approved inaugural grants totalling \$224 million for Bangladesh, Rwanda, Haiti, Togo, and Sierra Leone. We also support the development of the private sector window of the GAFSP, which will increase private sector investments to support **small and medium sized agri-businesses** and farmers in poor countries. We welcome the support already received, and encourage additional donor contributions to both the public and private sector windows of the GAFSP.

24. There is still an urgency to accelerate **research and development** to close agricultural productivity gaps, including through regional and South-South cooperation, amidst growing demands and mounting environmental stresses, particularly in Africa. The private sector will be critical in the development and deployment of innovative solutions that provide concrete results on the ground. We commit to exploring the potential of innovative, results-based mechanisms such as advance market commitments to harness the creativity and resources of the private sector in achieving breakthrough innovations in food security and agriculture development in poor countries. We will report on progress at the Seoul Summit.

Principles for Innovative Financial Inclusion

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 recognises 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 co-ordination 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, reflecting 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 for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

These principles are a reflection of the conditions conducive to spurring **innovation for financial inclusion** while protecting financial stability and consumers. They are not a rigid set of requirements but are designed to help guide policymakers in the decision making process. They are flexible enough so they can be adapted to different country contexts.

2010: Seoul, November 11-12

The G20 Seoul Summit Leaders' Declaration

9. Today, the Seoul Summit delivers:

- the Financial Inclusion Action Plan, the **Global Partnership for Financial Inclusion** and a flexible **SME Finance Framework**, all of which will significantly contribute to improving **access to financial services** and expanding opportunities **for poor households** and **small and medium enterprises**.

The Seoul Summit Document

Seoul Development Consensus for Shared Growth

51. ...The Multi-Year Action Plan then outlines the specific, detailed actions to which we commit in order to address these bottlenecks, including to:

g) Increase access to **finance for the poor and small and medium enterprises (SMEs)**. Our action plans for financial inclusion and associated implementation mechanisms are discussed in paragraphs 55 to 57 below;

Financial Inclusion

55. We reiterate our strong commitment to financial inclusion and recognize the benefits of improved **access to finance to lift the lives of the poor** and to support the contribution of **SMEs** to economic development. We welcome the stock taking report on successful and scalable models of **SME financing** in developing economies. We have developed the Financial Inclusion Action Plan based on our **Principles for Innovative Financial Inclusion** as the work program for the coming year.

56. Working with the Alliance for Financial Inclusion, the Consultative Group to Assist the Poor and the International Finance Corporation, we commit to launch the **Global Partnership for Financial Inclusion (GPFI)** as an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward our work on financial inclusion, including implementation of the **Financial Inclusion Action Plan**. The **GPFI's** efforts over the next year will include helping countries put into practice the **Principles for Innovative Financial Inclusion**, strengthening data for measuring financial inclusion, and developing methodologies for countries wishing to set targets. We agree that the **GPFI** should report to us on its progress at our 2011 Summit in France.

57. Recognizing the vital role of **SMEs** in employment and income generation, we welcome the strong response to the **G20 SME Finance Challenge** and the innovative models for scaling up private **SME finance** that have emerged from the competition and congratulate the winners. We have constructed a flexible **SME Finance Framework** to mobilize grant, risk capital and private financing by using existing funding mechanisms and the new **SME Finance Innovation Fund** to finance the winning proposals and other successful **SME financing** models. We welcome the commitment of Canada, Korea, the United States and the Inter-American Development Bank of \$528 million to the Framework through grants and co-financing.

Climate Change and Green Growth

68. ...We also commit to stimulate investment in clean energy technology, energy and resource efficiency, green transportation, and green cities by mobilizing finance, establishing clear and consistent standards, developing long-term energy policies, supporting education, **enterprise and R&D**, and continuing to promote cross-border collaboration and coordination of national legislative approaches.

Annex I: Seoul Development Consensus for Shared Growth

G20 Development Principles

4. Private sector participation. Promote private sector involvement and **innovation**, recognizing the unique role of the private sector as a rich source of development knowledge, technology and job creation...

Annex II: Multi-Year Action Plan on Development

Infrastructure

Action 2: Establish a G20 High-Level panel for Infrastructure Investment

Composition

Approximately 12 members will be appointed in a non-executive capacity for their expertise and authority in developing country public infrastructure investment needs, public finance and economics, constraints in LICs, sovereign wealth fund investment criteria, public private partnerships, project finance, **innovative finance**, and risk management (*February 2011; December 2010 for appointment of Chair*); and...

Private Investment and Job Creation

*Domestic and foreign private investment are key sources of employment, wealth creation and **innovation**, which in turn contribute to sustainable development and poverty reduction in developing countries. The decisions and actions in this area are primarily those of investors themselves and those of developing countries in improving the policy environment for investment...*

Action: Support Responsible Value-Adding Private Investment and Job Creation

We request the World Bank and relevant agencies, in association with the G20, to establish a G20 Challenge on **Innovation** to provide a platform for **innovative** solutions to be brought to scale and to showcase **entrepreneurship** aimed at solving social challenges (e.g. **innovative services on business strategies focusing on youth unemployment**). (*November 2011*) Based on the outcome, we will recommend how to engage the private sector to find **innovative business solutions** that meet the needs of the poor in a sustainable way. (*Summer 2012*)

The G20, MDBs, UNCTAD, UNDP, ILP and OECD will, based on the outcomes of this and other work, assist developing countries, in particular LICs, to develop action plans with the view to strengthen financial markets to boost **small and medium enterprises (SMEs)**, improve the business investment climate, maximize the value-added of private investment and support the regulatory framework for foreign and domestic investment...

Growth with Resilience

*Social protection systems and international remittances, together with **improved access to financial services**, play an important role in providing income security for poor communities in developing countries, and in particular LICs, providing buffers to those communities from the impact of external shocks and contributing to the maintenance and enhancement of aggregate demand...*

Financial Inclusion

*Given that more than two billion adults are **excluded from financial services** and millions of **micro-, small-and medium-sized enterprises (MSMEs)** face serious constraints in **accessing finance**, **financial inclusion** is fundamental for improving the livelihoods of the poor and in supporting **MSMEs**, and work as the engines of economic growth and job creation.*

Action 1: Establish the Global Partnership for Financial Inclusion

We will launch the **Global Partnership for Financial Inclusion (GPFI)** to provide a systematic structure for implementing the **G20 Financial Inclusion Action Plan** in close

collaboration with the **Alliance for Financial Inclusion (AFI)**, the Consultative Group to Assist the Poor (CGAP), and the International Finance Corporation (IFC). (November 2010) The **GPII** will (i) facilitate an efficient and effective information sharing mechanism; (ii) coordinate the various financial inclusion efforts (iii) provide systematic monitoring of progress over time (iv) mobilize financial support for activities as needed, and (v) launch and coordinate taskforces to address specific financial inclusion issues (e.g. financial inclusion data). The **GPII** will coordinate its work with the APEC initiative and other financial inclusion initiatives. The progress and annual report of the **GPII** will be submitted to the Summit in France.

Action 2: SME Finance Challenge and Finance Framework for Financial Inclusion
SME Finance Challenge We will announce the 14 winning proposals of the **SME Finance Challenge** that offer innovative models for catalyzing private capital for **SME finance**. (November 2010) **Finance Framework for Financial Inclusion** We commit to establishing a finance framework that mobilizes grant and risk capital for winning proposals from the **SME Finance Challenge** and for scaling up successful **SME financing models**. The framework will use existing funding mechanisms and the **SME Finance Innovation Fund**, a newly created multilateral trust fund.

Action 3: Implementing the Action Plan for Financial Inclusion

We will adopt the G20 Financial Inclusion Action Plan to promote the application of the **Principles for Innovative Financial Inclusion** (the Principles) and the lessons learned from the **SME** stocktaking exercise. (November 2010) The actions to be implemented include (i) advancing the implementation of the Principles through a commitment by each G20 member to implement at least one of the Principles; (ii) encourage the Standard Setting Bodies to further incorporate financial inclusion objectives into their work; (iii) encouraging further private sector activities to **increase access to financial services**; (iv) strengthening and expanding data availability for measuring financial inclusion and methodologies for countries that wish to set **financial inclusion targets**; (v) supporting peer-learning capacity building and training; (vi) improving coordination at the national and international levels; and (vii) integrating **financial inclusion** into financial assessment programs. The **GPII** will submit a progress report on implementation at the next Summit in France (*November 2011*).