



SME FINANCE
FORUM

**ANNUAL
DONOR
REPORT**

2016

DONORS



BMZ



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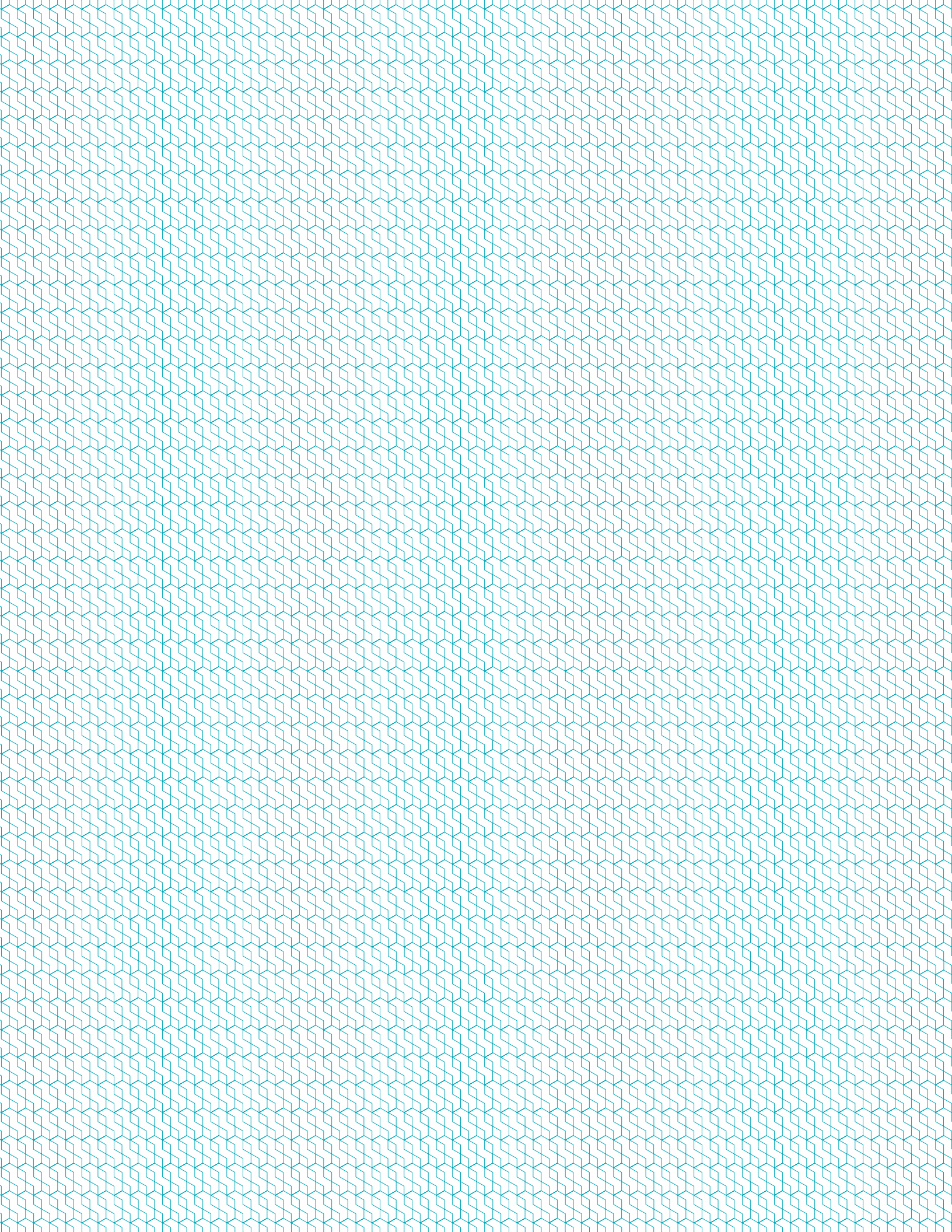
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Foreword



I am writing to personally thank our donors for their continued support for our work. We have had a very successful year. Within one year of launching the SME Finance Forum global member network, I am happy to see that over 100 member institutions from 43 countries have now joined. Our growing network now includes large banks,

such as BNP Paribas (France), Diamond Bank of China, Intesa Sanpaolo (Brazil), ICICI Bank (India), as well as small and mid-sized banks such as the Commercial Bank of Africa (Kenya), BRAC Bank (Bangladesh), and Palestine Investment Bank. It also comprises development banks such as the International Finance Corporation (IFC), the Small Industries Development Bank of India (SIDBI), the U.S. Overseas Private Investment Corporation (OPIC) and the Inter-American Investment Corporation, as well as Fintechs such as MasterCard, Ant Financial, Experian, Equifax, CRIF, Ripple, Kabbage, OnDeck Capital and AMP Credit Technology. We come from North and South, East and West, with no particular slant.

We are providing our members with privileged access to events, networking opportunities, knowledge resources as well as policy-making bodies. Since 2015, over 3,000 people have attended our monthly webinars and events and 380,000 people have visited our website. I am happy to report that our annual member event, the Global SME Finance Forum 2016, was a huge success this year. Participants included around 400 individuals from 150 institutions in 50 countries who gathered to talk about unlocking new opportunities in small business finance. We introduced new members-only offerings including a marketplace, study visits to high-profile institutions and a mobile app.

Our G20 and World Bank Group parentage provides us, and our members, with unprecedented access to high-level policy dialogue on SME finance matters. For instance, we play a central role in the G20's Action Plan on SME Financing, passed by the leadership in Antalya, Turkey, in November

2015. In addition, we participate in the expert G20 task force that created the High-Level Principles for Inclusive Digital Finance adopted by the G20 leaders in Hangzhou, China in September 2016.

The *World Economic Forum Global Agenda Council on the Future of Financing and Capital* is promoting dialogue between bankers, alternative financiers, regulators and policymakers. It has produced a number of widely cited policy papers on topics including Fintech and SME finance, marketplace lending, and the \$19 trillion/year global digitization opportunity for small retailer payments.

In joining our network, new doors have opened for many of our members. For instance, we facilitated a partnership between one of Africa's most innovative banks, the Commercial Bank of Africa (CBA), and Strands. CBA consequently chose to integrate Strand's Business Financial Management into their digital banking offering. Another member, Kabbage, is helping Scotiabank do new business development in SME finance. We have also created opportunities for many of our members including Ripple, Dianrong, CreditEase and AMP to enable them to participate actively in high-level G20 discussions.

Once again, we would like to express our gratitude for the support and guidance of our donors – especially the Canadian Ministry of Finance; the German Federal Ministry for Economic Cooperation and Development (BMZ); the Korean Ministry of Strategy and Finance; the Netherlands Ministry of Foreign Affairs; the U.K. Department for International Development (DfID); and the U.S. Agency for International Development (USAID) as we continue to grow our member base and expand our member services.

A handwritten signature in black ink that reads "Matthew Gamser". The signature is fluid and cursive, with the first name being the most prominent.

Sincerely,
Matthew Gamser
CEO, SME Finance Forum

Background

Small businesses are essential for economic growth. Indeed, they account for over 95 percent of businesses worldwide and provide more than half of all jobs. Yet, 200 million businesses worldwide do not have the financing necessary to invest and create new jobs. The G20 established the SME Finance Forum in 2012 to accelerate financing for SMEs. Managed by the International Finance Corporation (IFC), it brings together banks, financial technology (Fintech) companies, regulators and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs.

In the last 4 years, the SME Finance Forum has become a hub for knowledge-sharing about what works —and what does not — in SME finance. The Forum has served as both a connector and a convener of the key players. It has made SME data more open and accessible so that industry leaders and policy-makers can readily use it as a basis for more informed decision-making. It has also become a bridge in global and regional SME policy through its partnerships with the G20, the Alliance for Financial Inclusion (AFI), the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC), the World Economic Forum (WEF) and other important international bodies.



Membership

The biggest achievement of the SME Finance Forum has been in bringing together the brightest minds from the private and public sectors to accelerate small business finance. As Edward Glassman, Group Executive of Global Commercial Products at MasterCard said: *"Banks speak to other banks. Regulators speak to other regulators and tech firms talk to tech firms. But getting them all to talk to each other is really important and rather unusual. That's when you really see progress."*

In 2015, the SME Finance Forum launched a global member network during a ceremony hosted by Queen Maxima of the Netherlands and the Turkish Deputy Prime Minister, Mr. Cevdet Yilmaz. A year later, its members include large banks (such as BNP Paribas [France], Diamond Bank of China, Intesa Sanpaolo [Brazil], and ICICI Bank [India]), and small and mid-sized banks (such as the Commercial Bank of Africa [Kenya], BRAC Bank [Bangladesh] and Palestine Investment Bank). It also includes development banks (such as IFC and the Inter-American Investment Corporation), and Fintechs (such as MasterCard, Experian, Equifax, CRIF, Ripple, OnDeck Capital and AMP Credit Technologies). As of December 2016, SME Finance Forum members include 102 institutions from 43 countries. More than 50 percent are financial institutions, 10 percent development finance institutions, 25 percent Fintechs, and over 10 percent are industry associations. Since the launch of the network, the Forum raised US\$ 888,000 in membership dues.

This year, the SME Finance Forum has intensified its efforts to reach out to the International Finance Corporation's financial institution clients and encourage them to become members. It has also formed an Advisory Board to help it grow and serve its members more effectively. The Board is comprised of senior representatives from AMP Credit Technologies, BNP Paribas, the Commercial Bank of Africa, CreditEase, IFC, MasterCard and the Turkish Treasury.

Chart 1 : Members by Region

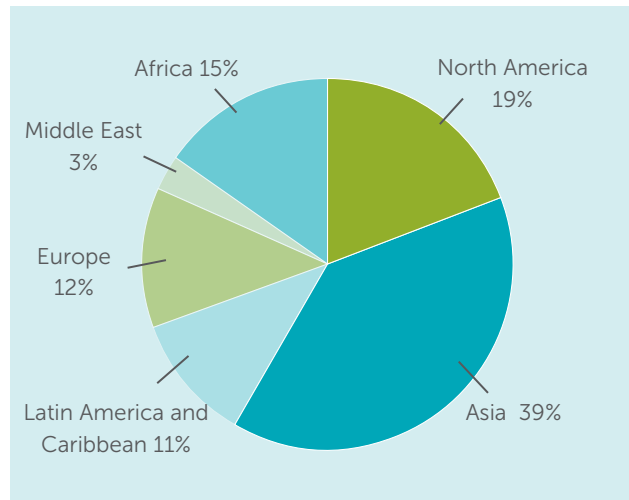
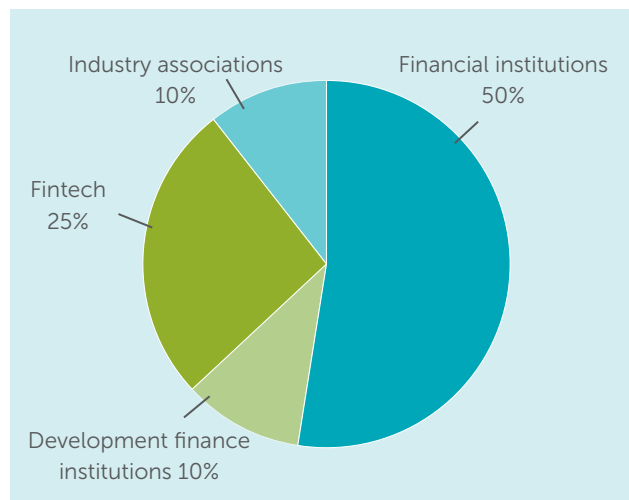


Chart 2 : Members by Industry



"Banks speak to other banks. Regulators are getting much better at speaking to other regulators and tech firms talk to tech firms. But getting them all to talk to each other is really important and rather unusual. When they come together and think about the problem together, you really see progress."

- Edward Glassman, Group Executive of Global Commercial Products at MasterCard

Membership Services

The SME Finance Forum brings together banks, Fintech companies, regulators and development finance institutions and uses a multifaceted approach for facilitating knowledge-sharing within its member network and beyond. Member benefits include:

- Privileged access to events and webinars
- An online library and discussions
- Communities of practice relating to key issues
- A mobile app with a member directory, 'ask the expert' and marketplace features
- Study visits to high-performing institutions
- Opportunities to connect with industry leaders and global policy-making bodies.

"You learn a lot of things. You get to know what the rest of the world is doing. You share experiences. Most importantly, you get to find opportunities where you never thought they existed."

- Issac Awuondo, Group Managing Director, Commercial Bank of Africa

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2016 Highlights

Website: The SME Finance Forum enjoys a substantial online following and facilitates online knowledge-sharing through its website (www.smefinanceforum.org), a LinkedIn discussion group and a monthly newsletter. In 2016, the website received over 65,000 visits and 237,000 page views (compared to 60,000 visits and 188,000 page views in 2015). The SME Finance Forum also has around 11,000 LinkedIn and Twitter followers and 7,000 newsletter subscribers.

Monthly Webinars: The SME Finance Forum convenes monthly webinars, for which industry experts from leading banks and/or innovative Fintechs are invited to talk about their approach to small business finance. Members can tune in to the webinars via WebEx or by phone. The webinars are designed to be interactive and participants are encouraged to ask questions and engage in a discussion with the speakers. In 2016, the SME Finance Forum's popular monthly webinar series attracted 850 attendees.

SME Finance Forum Online Knowledge-Sharing – In Numbers

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Online Library



Publications,
Articles, Events
3,000

Website



Page Views
237,000

LinkedIn/Twitter



Total Number
of Followers
11,000



Newsletter



Newsletter
Subscribers
7,000



2016 Webinar Schedule

- January 28** Financial Management Solutions for SME Banking Customers
- February 24** Value Chain Finance
- March 16** Cross-Border Support for SMEs
- May 12** Building a High Performance SME Banking Sales Model
- May 18** Developing Value Propositions for the Women's Market
- June 22** Blockchain, Distributed Ledger Technology and Disruption in SME Finance
- August 11** Product Development in SME Banking: How Successful Banks Do It
- November 2** Ten Steps to SME Banking Success
- November 16** FinTech: The Buzz is real
- December 14** Alternative Finance

"We have brought together banks, financial technology companies, regulators and development institutions at this event. We hope that the people and ideas they encounter here will help them navigate and better cope with the changing SME finance landscape."

– Matthew Gamser, CEO, SME Finance Forum

Events: The SME Finance Forum's events help members keep abreast of the latest developments in SME finance, connect with peers, and cultivate business opportunities. In 2016, the SME Finance Forum organized two major events:

- **The International Financial Institution (IFI)/ Development Finance Institution (DFI) Working Group Meeting on SME Finance** - In May 2016, the SME Finance Forum's annual IFI/DFI Meeting brought together important stakeholders from the world's international development community to share strategies and action plans, as well as to reflect on what works best in SME finance. Around 120 participants from 40 development finance institutions attended this year's event. It was co-hosted with the International Fund for Agricultural Development (IFAD) in Rome, Italy, and focused particularly on 'last mile' customers in rural areas, such as small-holder farmers, women and youth. They are often the most neglected segments when it comes to banks, but they represent great potential for long-term returns. Conference participants discussed how technology can be a powerful means for impacting these hard-to-reach segments. However, current technologies are mostly tailored for urban users who often own smart phones. Services that can run on less advanced mobile phones should be developed to effectively reach such 'last mile' users. Financial service providers are increasingly using

technology to gain a better understanding of these customers and their needs. In this regard, they can use this information to develop more customized financial products and services for rural users.

- **Global SME Finance Forum** - Four hundred representatives of leading banks and financial technology firms from 50 countries gathered in Beijing, China for this three-day conference. Participants discussed how technology, big data, Bitcoin and artificial intelligence are transforming small business finance. While there is no doubt that technology is expanding financial inclusion, the conference highlighted the notion that innovation should not take place at the cost of financial security and stability. For instance, there are significant concerns about data security, privacy, as well as safeguarding the assets of investors and users. Regulators from China, India and Tanzania shared how they manage these issues and strike a balance by enabling innovations in financial services while also protecting the interest of users. The SME Finance Forum hosted this annual meeting in partnership with the International Finance Corporation, Capital Plus Exchange, the G20 Global Partnership for Financial Inclusion and the Global Business Alliance for Women. Mastercard, CreditEase, Me-kongBiz, Strands and Verde sponsored the event.



"We received over 40 invitations to discuss mutual goals, most of which turned into new business opportunities."

– Patrick Reiley, CEO, Verde International

Partner events: In addition to hosting its own events, the SME Finance Forum also provided members with privileged access to partner events. Members received a 20 percent discount to attend the Finovate and Finnosummit conferences. Finovate showcased cutting-edge banking and financial technology in a unique, short-form, demo-only format. There were four Finovate events in 2016 in the United States (New York, San Jose, California), Hong Kong SAR, China and London, United Kingdom. Finnosummit, held in Mexico City, Mexico brought together Fintech innovators from Latin America.

In July 2016, the SME Finance Forum also signed a Memorandum of Understanding with the Global Banking Alliance for Women. The two organizations are partnering to create joint learning opportunities, including webinars and events for their respective members.

Study Tours: In 2016, 100 banking and Fintech professionals from 25 countries participated in the SME Finance Forum's

study visits to gain insights into small business finance in China. The study visits, which were a blend of professional knowledge-building and on-site visits, were hosted by three Chinese institutions, DHGate, the Bank of China and CreditEase. The Bank of China highlighted its matchmaking program, which pairs Chinese SMEs with non-Chinese ones to provide them with global exposure. The country's largest peer-to-peer lender, CreditEase, shared information about how they use data to make credit decisions quickly and cheaply. DHGate, for its part, focused on its innovative partnership with banks to provide micro loans to suppliers using their business-to-business e-commerce platform.

Publications: The SME Finance Forum also worked with the Business Industry Advisory Committee (BIACO of the Organisation for Economic Co-operation and Development (OECD), the International Finance Corporation, the G20 Global Partnership for Financial Inclusion and the World Economic Forum to compile good practices and lessons learned in small business finance.



List of 2016 Publications



New Trends in Agriculture Finance

This synthesis report presents a summary of research studies concerning five key areas of agricultural finance innovation. It was prepared under the G20 Global Partnership for Financial Inclusion (GPI). The report includes the presentations and discussions of study findings held during the “G20 Roundtable on Innovations in Agricultural Finance” convened on September 9, 2015 in Antalya, Turkey by the Small and Medium Enterprise (SME) Finance Sub-Group. The five key research areas presented in the synthesis are: (i) Understanding Demand of Smallholder Households; (ii) Digital Financial Services; (iii) Financing for Women in the Agricultural Sector; (iv) Value Chain Finance; and (v) Agricultural Insurance.



Anatolian Banking: Keys to Success in Serving Craftsmen, Micro, and Small Enterprises

Şekerbank (Turkey) provides an exciting example of a full-service commercial bank that has chosen to specialize in serving smaller businesses in Turkey, specifically microenterprises and craftsmen. This case study is intended to identify the key choices that Şekerbank has made to serve and maintain a focus on these clients – instead of defaulting to the easier option of serving larger clients.



Financing Growth; SMEs in Global Value Chains

In response to the current low-growth trap facing many economies, this publication advocates G20 policy consistency for long-term financial stability, investment, and economic growth. It builds on a Roundtable event held in Paris on May 31, 2016. The event was co-organized by BIAC, B20 China, the OECD, World SME Forum, and the SME Finance Forum. The publication shares perspectives from governments, international organizations, businesses, and academic thought leaders.



Innovation in Electronic Payment Adoption: The Case of Small Retailers

This World Economic Forum report, co-sponsored by the SME Finance Forum, aims to deepen the understanding of barriers to and incentives for the acceptance and use of electronic payments from the perspective of micro, small and medium retailers (merchants).



G20 Action Plan on SME Financing

This G20 Action Plan on SME Financing, endorsed by the G20 Leaders in November 2015 in Antalya, Turkey, outlines actions on financial market infrastructure reform in G20 countries, as well as on a continued knowledge agenda. This is a joint action plan of the G20’s GPI SME Finance Sub-Group and the Investment and Infrastructure Working Group.

SME Finance Policy: The SME Finance Forum's G20 and World Bank Group parentage provides it with unprecedented access to high-level policy dialogue regarding SME finance matters. This is illustrated by its central role in the G20's Action Plan on SME Financing, passed by the leadership in Antalya, Turkey, in November 2015. The SME Finance Forum also participates in the World Economic Forum's Global Agenda Council on the Future of Financing and Capital. The Agenda Council is promoting dialogue between bankers, alternative financiers, regulators and policy-makers, and produced a number of widely cited policy papers on topics including Fintech and SME finance, marketplace lending, and the US\$19 trillion/year global digitization opportunity for small retailer payments.

SME Finance Data: The SME Finance Forum is making data about small and medium enterprises "open" that is, freely available to and readily accessible by the public. This data can be used by researchers as well as by public and private sector decision-makers to gauge the demand, supply and impact of SME finance. See: <https://www.smefinanceforum.org/data-sites>

The Forum has worked closely with the IFC to create several SME data websites with interactive graphics, maps and charts. These websites include findings from the following data sets:

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- **The IFC Financing to Micro, Small and Medium Enterprise (MSME) Reach Data** is based on portfolio reporting from 2004 to the present. As of the end of 2015, 345 IFC clients in 90 countries had over 500 million outstanding

loans in retail, micro, SME and corporate finance worth over US\$1.3 trillion. The data site highlights IFC's portfolio composition, growth trends and regional distribution.

- **The IFC Enterprise Finance Gap Database** primarily uses data from World Bank Enterprise Surveys to estimate the number of micro, small, and medium enterprises in the world, and the degree of access to credit and use of deposit accounts for formal and informal MSMEs. The database currently covers 177 countries.
- **The MSME Country Indicators Database** records the number of formally registered MSMEs across 155 economies. The 2014 update includes the latest country MSME definitions, enterprise numbers, employment figures, sectoral distribution, and historical data. In addition, the 2014 update includes the collection of information regarding the contribution of MSMEs to their respective economies. It also contains information regarding multiple MSME definitions and data sources within a given country. Data are also disaggregated by firm size.

Mobile app – In December 2016, the SME Finance Forum launched a mobile app to help members connect with each other and keep up with industry updates. Through this app, users can access SME finance news and event information. This will include several features to facilitate networking and knowledge-sharing among members including: industry updates; a member directory; an "ask the expert" area; and an online marketplace, where members can offer to "buy" or "sell" services.



The G20 SME Finance Challenge

The G20 launched the SME Finance Challenge in August 2010 in an effort to identify innovations in small business finance, and tasked the Forum with administering it. Fourteen winners were selected based on criteria such as innovation, leverage, social and economic impact, and sustainability. Thirteen winners received US\$ 22 million in funding from the governments of Canada, the Republic of Korea, the Netherlands, the UK's Department for International Development (DFID), and the United States Agency for International Development (USAID). With this support, they were able to implement their winning proposals. All of the Challenge winners have already completed their projects. Since the program ended in December 2015, the 13 Challenge winners have gone on to provide financing and technical assistance to more than 233,000 SMEs. They disbursed or facilitated over US\$ 2 billion in funding for SMEs. In addition, several Challenge winners have developed innovative SME finance tools and have provided training to SMEs.

Budget and Expenditures

The activities of the SME Finance Forum have been made possible by the generous contribution of the following donors:

- The Canadian Ministry of Foreign Affairs, Trade, and Development
- The German Federal Ministry for Economic Cooperation and Development (BMZ)
- The Korean Ministry of Strategy and Finance
- The Netherlands Ministry of Foreign Affairs
- The U.K. Department for International Development and
- The U.S. Agency for International Development.

The expenditures of the Forum amounted to around US\$ 3.2 million in 2016.

Budget table (US\$)

Staff	1,071,890
Consultants and consulting firms	1,670,627
Travel	218,750
Workshops	190,389
Miscellaneous	42,878
TOTAL	3,194,534 USD

Looking Ahead

Over the next 2-3 years, the SME Finance Forum is poised to more than double its membership. As such, it will be able to then cover its operational costs from membership dues. Within the first year of launching the member network, it covered over 25 percent of its operational costs through dues and sponsorships. Donor funding will remain crucial in the next few years while the SME Finance Forum continues to build the member network and work toward financial sustainability.

Today, bank financing for MSMEs has the potential to be more affordable and scalable than ever. The rapid "digitization" of business and unprecedented investment in financial technology are creating these headwinds. As such, this support has the potential to significantly improve access to finance for the 360-440 million formal and informal MSMEs worldwide.

Several recent developments are helping banks to better cater to the financing needs of MSMEs, including the following:

- MSMEs are doing more business electronically. Cards and point-of-sale devices are far more affordable than 10-20 years ago. However, the real game changer has been the mobile phone, which has ushered in a lower cost option to the payments system. Critical transactional information can flow to a banker sitting behind a computer – or a "super credit officer" in the field.
- There has been a significant growth in Fintech firms in recent years. Indeed, from 2013-2014 alone, funding for Fintech firms quadrupled. The World Economic Forum estimates that it could now top US\$30 billion.
- Many Fintech firms are focusing on data mining technologies, which can be leveraged by banks serving the MSME market. For example, Wells Fargo demonstrated the potential of such a data-driven approach over the past 25 years. It mined its own transactional data and transformed itself from a regional institution into a national one. The MSME segment consistently ranks among the bank's highest margin client segments. Today we see many examples

of other banks profitably exploiting this alternative data source, including Türk Ekonomi Bankasi (TEB) and Garanti Bank in Turkey, and the Commercial Bank of Africa (CBA) in eastern and southern Africa – which has been building new business from prepaid cellphone transactions data.

- Banks are also using Fintech to help MSMEs manage their operations. Banks are partnering with Fintech firms to use data as a tool to help MSMEs run their businesses more efficiently. Fintech companies such as the U.K.-based Strands and Barcelona-based BCSG provide “white label” (unbranded) services through large bank partners.

There is no doubt that innovative uses of digital technologies and big data have expanded the financial inclusion of MSMEs. However, this has also raised questions about customer protection, privacy, data ownership and the potential abuse of data. The SME Finance Forum will continue to play a crucial role by bringing together banks, Fintech companies and regulators to share insights and engage in dialogue around these new and emerging issues.

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