

SME Finance Forum

Annual Report 2014



AFFILIATED WITH



Global Partnership
for Financial Inclusion

DONORS



Kingdom of the Netherlands



Federal Ministry
for Economic Cooperation
and Development

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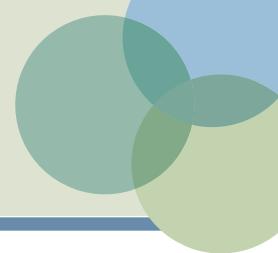


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Acronyms and Abbreviations

ABAC	Asia-Pacific Economic Cooperation Business Advisory Council
AFI	Alliance for Financial Inclusion
APEC	Asia-Pacific Economic Cooperation
BPI	Bank of the Philippine Islands
CEO	Chief Executive Officer
CO2	Carbon dioxide
DFI	Development Finance Institution
EFA	Equity for Africa
EFL	Entrepreneurial Finance Lab
EFSE	European Fund for Southeast Europe
EFSE-DF	European Fund for Southeast Europe Development Facility
FMO	Dutch Development Bank
FX	Foreign exchange
GBF	Grassroots Business Fund
GHG	Greenhouse gases
GPFI	Global Partnership for Financial Inclusion
I3N	Intellecap Impact Investor Network
IFC	International Finance Corporation
IFI	International Financial Institution
MCF	Multi-Purpose Credit Facility
MSME	Micro, Small and Medium Enterprise
NGO	Non-governmental organization
SEF	Sustainable Energy Finance
SME	Small and medium enterprise
SMME	Small, Micro, and Medium Enterprise

Foreword

This donor report for the year 2014 has been an important one for small and medium enterprise (SME) finance. Indeed, it has been a year of strong growth for the SME Finance Forum in particular.

Key Forum-sponsored events last year included: the Development Finance Institutions/ International Financial Institutions (DFI/IFI) event in The Hague, the Chief Executive Officer (CEO) Roundtable in Istanbul, G-20 events in Australia, a number of events where financial institutions, Fintechs (a business area where new uses of technology and innovative business models encourage new approaches to payments, banking, lending, scoring, factoring), and IFIs/DFIs convened to learn about cutting-edge developments in the field. Two clear patterns emerged from these events. First, there has been a broadening and deepening in the reach of the SME Finance Forum, both geographically and in terms of bringing in new players. Second, and related, is the establishment and/or deepening of key partnerships.

These developments are also reflected in the SME Finance Forum's online presence. Online offerings have been expanded, with growing numbers of active users on its platform, more followers on social media, and lively daily exchanges on the LinkedIn community. This is not just about the numbers, but rather about stepped-up engagement, organic growth, and the quality of interaction. The vibrant mix of technology start-ups, financial institutions of all shapes and sizes, and DFIs/IFIs coming together from all corners of the world suggests that the field is at an exciting juncture. Indeed, it has the potential to dramatically change the landscape of small and medium enterprise finance.

If 2014 was important for the Forum in building activities and outreach, 2015 will be pivotal.

With the encouragement of our founding donors, we have begun converting the Forum into a global membership organization, with a "re-launch" event planned for the end

of 2015 in Turkey. We hope to build a diverse, inclusive membership that will range from some of the biggest, longest-established multinationals to the smallest, youngest innovators (or "disruptors")—and everything in between. Banks, non-bank financial institutions, development banks, and Fintech firms from around the world are being invited to become SME Finance Forum "founding members." Ultimately, member dues will support core operations indefinitely.

These core operations will include all of the public knowledge-sharing services we now provide through our Web site, LinkedIn group, and regular public events. In addition, we will be adding new members-only services, such as benchmarking and detailed contact brokering/peer exchange facilitation.

Building on the previous three years of work, we are now beginning the real work of developing a viable institution that can stand on its own feet. However, none of this would be possible without the support of our donors – the Canadian Ministry of Foreign Affairs, Trade, and Development, the German Federal Ministry for Economic Cooperation and Development, 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.

As we begin the transformation into a sustainable public-private entity, we are grateful for the support we have received from public donors who have played a critical role in establishing the Forum. We are also grateful for the vital and continued support of donors in the transition to a member-owned organization. We thank donors for their continued commitment to the issues we all care about and the opportunity to provide an important contribution to the global economy through our combined support for SMEs.

Matt's signature

2014 YEAR IN REVIEW

Small and medium enterprises (SMEs) are crucial for job creation and economic growth. However, globally, approximately half of small businesses are constrained from getting off the ground or growing because of limited access to capital. The G-20 created the SME Finance Forum in 2012 to accelerate financing for SMEs. Since then, the Forum has brought together banks, financial technology companies, and development finance institutions to share knowledge, spur innovation, and promote the growth of SMEs. The International Finance Corporation (IFC) manages the Forum for the G-20's Global Partnership for Financial Inclusion (GPFI).

Since its inception, the SME Finance Forum has worked in three main areas:

- **Knowledge-sharing:** Through knowledge-sharing the Forum helps others build on good practices in SME finance and avoid duplication.

- **Convening:** The Forum supports regional and global events and webinars that bring together financial institutions, technology companies and policy-makers.
- **Policy change:** The Forum uses its linkages with development finance institutions and policy-makers to inform SME policy. In addition, it facilitates closer interaction between private and public sector players to help create a more conducive policy and regulatory environment for SMEs.

In all of these areas, we extended the scope and impact of our work through strategic partnerships with a range of organizations around the globe. Our partners are working hard to strengthen the business environment, offer innovative financial products and services, and/or provide cutting edge technology solutions for SME finance.

This annual report provides a glimpse of the progress made by the SME Finance Forum in 2014.



Knowledge-Sharing

Website and Social Media

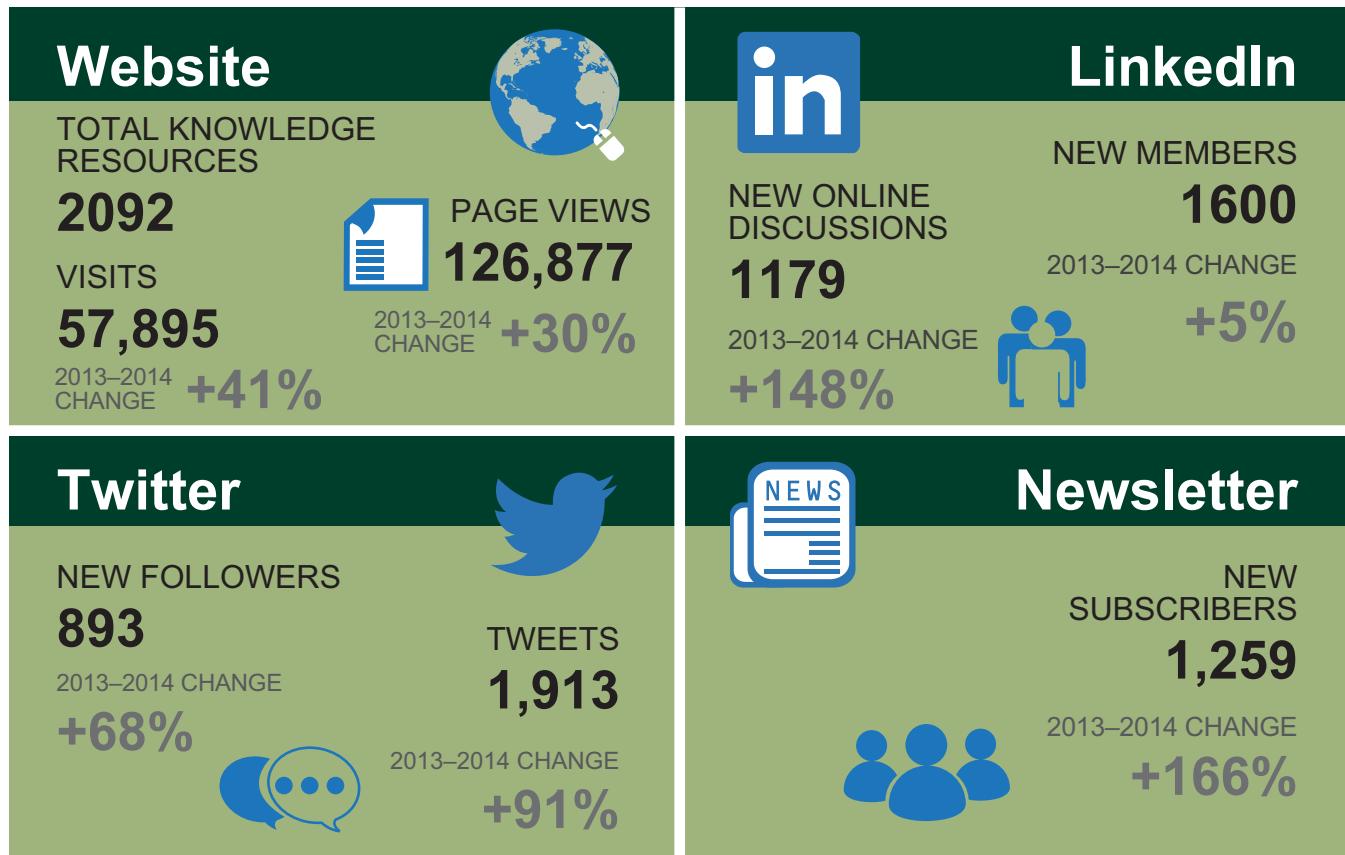
The SME Finance Forum focuses heavily on online knowledge-sharing to reach a geographically dispersed audience in a cost-effective way.

- Website:** The Forum's website contains 2,100 publications, news, events and good practices for SME finance from more than a hundred sources. In 2014, it logged over 57,000 visits and 126,000 page views.
- LinkedIn:** The SME Finance Forum LinkedIn group expanded to include 3,400 members. They are a diverse group both in terms of regional and professional background. The top five member countries include:

Bangladesh, Kenya, Nigeria, the United Kingdom and the United States. Based on the information reported by members, 28 percent work in financial services, 17 percent in banking and 14 percent in international organizations. Most of the members are mid to senior-level professionals of their organizations. The LinkedIn group logged around 100 discussions per month in 2014.

- Twitter:** This year the Forum acquired 900 new followers and posted 1,900 tweets. The Forum team regularly issues live tweets from various SME Finance Forum events to expand its reach.
- Newsletter:** The SME Finance Forum's monthly newsletter reaches over 1,700 subscribers, up from 500 in 2013.

2014 Online Outreach



Research and Publications

In an effort to address knowledge gaps, the SME Finance Forum supports relevant research regarding access to finance for SMEs. The Forum works with a wide array of partners to compile good practices and lessons learned in SME finance. Research and publications we supported in 2014 included, among others:

Under the aegis of the G-20's Global Partnership for Financial Inclusion, the Forum published a compendium of 20-plus case studies about policy initiatives that promote SME growth. The cases from 15 countries cover a wide range of areas from credit guarantees, to e-money regulation, and the securitization of intellectual property rights. The report entitled, "**Enhancing SME Access to Finance: Case Studies**," was shared with the GPFI community and posted on its website: http://www.gpfi.org/sites/default/files/documents/SME_case_study_report.pdf

The Forum joined forces with the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC) to work on a report titled "**APEC Framework for Innovative Small, Micro, and Medium Enterprises**

(SMME) Financing Mechanisms." The report provides an overarching picture of the broad range of SME financing options that exist in the Asia-Pacific region, highlighting alternative and innovative financing mechanisms that expand options for SMEs. In addition to traditional bank financing, it encourages economies to examine alternative financing options for SMEs. In addition, it urges countries to embrace policy and regulatory reforms needed to support the growth of innovative financing mechanisms, such as micro-finance, angel and seed investments, internet trade financing, venture capital, crowd funding and the junior/venture exchange. The key findings were presented to APEC leaders in Beijing in November 2014. The report is available on the SME Finance Forum website at: http://smefinanceforum.org/sites/default/files/media/node-files/ab/500007_abac_report_layout_low.pdf

Matt Gamser, the CEO of the SME Finance Forum, edited and wrote the introduction to the September 2014 issue of the ***Enterprise Development and Microfinance Journal – "SME Lending"***. This issue focused on the progress made in supporting the financial needs of small businesses, as well as success stories in graduating businesses from microfinance to SME loans.



The following publications are currently in progress:

- The Forum is working with financial institutions to document successful SME banking models. One of the first cases is being developed in partnership with SekerBank Turkey.
- The Forum is conducting a joint study with IBM on data-driven solutions for financing SMEs in emerging markets. Banks often find it difficult to lend to small businesses due to the lack of information about their creditworthiness. SMEs are now increasingly leaving a bigger digital footprint fueled by a sharp increase in the usage of mobile phones, online payment systems and social media. The study will examine how lenders are tapping into this large array of real-time digital data to gain valuable insights and, in turn, extend finance to under-served businesses. The study is being funded by the Silicon Valley Community Foundation (SVCF, through the intermediation of the eBay Foundation

Data

The SME Finance Forum has leveraged partnerships to make data about small and medium enterprises “open,” that is, freely available and readily accessible to 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. It can also be used to analyze trends and compare countries and regions.



The Forum has worked closely with the International Finance Corporation to create several SME data websites with interactive graphics, maps and charts. These are based on the following data sets:

- **Micro, Small and Medium Enterprise (MSME) Country Indicators** provide a global snapshot of MSMEs in 132 world economies. It helps users find answers to questions – such as: How many MSMEs are there in a given country? What share of employment do MSMEs provide? What is the firm size breakdown within the MSME sector? The dataset also shows the relationships between the number of MSMEs and income per capita, business regulatory environment, access to finance, and informality.
- The **IFC ReachData** (<http://ifcreach.smefinanceforum.org>) is based on portfolio reporting from 2004 to the present, drawing from IFC's 268 client financial institutions from 84 countries, and detailing the number and quality of loans made to MSMEs.
- **IFC Enterprise Finance Gap** study (<http://financegap.smefinanceforum.org>), which examined the unmet financing needs of MSMEs in emerging economies.

In addition, the SME Finance Forum has established partnerships with the UN Foundation's Data2X as well as the World Bank's Women, Business and the Law team with an aim to providing gender-disaggregated data, especially pertaining to women-owned businesses.



Networking and Convening

The SME Finance Forum convenes global and regional knowledge-sharing workshops to promote collaboration between bankers, policy-makers and financial technology providers. Participants can keep abreast with the latest developments, connect with peers and cultivate business opportunities. These events are often organized in conjunction with partner organizations that are pioneers in the SME finance arena.

In May 2014, the Forum hosted the **CEO and Senior Leaders' Roundtable** in Turkey with CapitalPlus Exchange. Over 100 participants from 63 organizations (banks, development finance institutions, and Fintech providers) across 36 countries came together to share good practices and further a shared goal of increasing access to finance for small businesses in developing markets. Attendees left the Roundtable with new ideas their organizations could implement, including customer service initiatives for SMEs, mobile banking innovations, non-financial services, and broader supply-chain partnerships.

In June 2014, the SME Finance Forum and the Dutch Development Bank (FMO) co-hosted the annual **IFI/DFI Working Group Meeting on SME Finance** in the Netherlands. The event 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 in SME finance. Recipients of the G-20 SME Finance Challenge grants gathered for a one-day meeting immediately preceding this event.

The SME Finance Forum partnered with the Microfinance Center for their 17th Annual Conference titled, **The New World of Financial Inclusion: What Role for Microfinance?** The event took place in May 2014 in Turkey and drew a crowd of almost 500 microfinance practitioners, investors, policy-makers, and private sector representatives. The Forum organized a panel on "Innovations in SME Finance", which was moderated by CEO Matt Gamser.

The Forum hosted a **one day workshop on innovation in digital financial inclusion during the GPFI Plenary** that took place in Perth, Australia in August-September 2014. The event included demonstrations and presentations from eight Fintech companies working on expanding financial inclusion, particularly for small businesses.

The Forum facilitated peer learning by mobilizing expert speakers for partner events, such as **the Alliance for Financial Inclusion (AFI) SME Finance working group meeting** in Yogyakarta, Indonesia in May 2014, and the Commonwealth Secretariat's event on **Upgrading Sector Approaches to Women's Economic Empowerment** in New York in March 2014.

The Forum continued to host its monthly **SME Finance Innovators series**, which invites Fintech firms to present and demonstrate their products and business models. In addition, the Forum organized several **panel discussions on financing women entrepreneurs** with the United States Agency for International Development (USAID) Women-led SMEs program, as well as quarterly working group meetings on women's finance with industry practitioners.

“The SME Finance Forum convenes global and regional knowledge-sharing workshops to promote collaboration between bankers, policy-makers and financial technology providers. ”

THE WOMEN OF WOMEN^X



 WORLD BANK GROUP



Policy and Advocacy

The SME Finance Forum actively participates in several regional and global networks to inform SME finance policy. It also acts as an honest broker in bringing together private and public sector players to inform policy.

The Forum supports the work of the **SME Subgroup of the Global Partnership for Financial Inclusion**. The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion. The SME Subgroup focuses on identifying, scaling up, and improving the policy environment for successful models of SME financing. It also funds the winners of the SME Finance Challenge. In addition, it shares SME finance data, research and good practices. The Subgroup devotes special attention to three focal areas: improving SME access to finance in the poorest countries, improving access to finance for agricultural SMEs, and promoting access to finance for women entrepreneurs.

The Forum is a partner for the **AFI SME Finance Working Group**. The AFI network includes central banks and regulatory agencies from more than 90 countries around the world. Launched in September 2013, the Working Group promotes peer learning regarding country experiences and policy solutions for SME finance. Initial topics identified as priorities for the SME Finance Working Group to examine include:

- National coordination and leadership for SME finance policy;
- Impact of global standards on SME access to finance;
- Access to finance for women-owned SMEs;
- Access to finance for SMEs in rural areas;
- The role of credit bureaus in improving SME access to finance;

- The role of collateral in SME access to finance;
- Provision of financial education for SMEs; and
- Data indicators for SME finance.

In 2014, the SME Finance Forum partnered with the **APEC Business Advisory Council (ABAC)** to support its SME finance agenda. APEC/ABAC prioritized the following four areas to enhance the global competitiveness of Asian SMEs: (i) enhancing SME access to finance; (ii) promoting innovative growth; (iii) assisting the internationalization of SMEs and their integration into the global value chains; and (iv) sustaining the momentum of women's economic empowerment. The Forum worked with ABAC to provide an overview of SME financing mechanisms in the Asia-Pacific region, as well as policy and regulatory reforms needed to support innovative financing.

Matt Gamser, the CEO of the SME Finance Forum, was appointed in 2014 to the **World Economic Forum's Global Agenda Council on the Future of Financing & Capital**. The Council aims to provide thought leadership to industries that channel financing and capital into the real economy with a particular focus on finance for SMEs. The group will investigate and propose transformative solutions for advancing this issue in the immediate future and long term as well.



The G-20 SME Finance Challenge Program

The G-20 SME Finance Challenge Program, which is administered by the Forum, continued to achieve good results in 2014. The 13 Challenge winners that received grants have gone on to provide financing and technical assistance to more than 87,000 SMEs. As of December

2014, the 13 Challenge winners disbursed or facilitated a total of US\$ 1 billion in funding for SMEs. In addition, several Challenge winners have developed innovative SME finance tools and provided training to SMEs.

Table 1. Challenge Winner Project Summaries

	Project	Description	Region/ Country
1	Bank of the Philippine Islands	Providing sustainable energy finance for SMEs	Philippines
2	Barefoot Power	Providing micro-supplier credit for LED lighting systems	Africa, Latin America and the Caribbean and Central Asia
3	BidNetwork	Preparing emerging market entrepreneurs for investors	Global
4	Building Markets	Providing credit guarantees to SMEs in post-conflict economies and enabling them to bid on international donor projects	Liberia and Mozambique
5	Capital Tool Company/TREFI	Providing scalable finance solutions without the costs and risks	Latin America and the Caribbean
6	Entrepreneurial Finance Lab	Providing an automated SME credit risk profiling tool	Global
7	Equity for Africa	Financing equipment to help small entrepreneurs grow	Africa
8	European Fund for Southeast Europe	Providing training and loans to SME finance institutions	Europe and Central Asia
9	Grassroots Business Fund	Reaching underserved agricultural SMEs	Africa, Asia and Latin America and the Caribbean
10	Intellecap/Sankalp	Providing support and channeling impact investment to social enterprises	India
11	Medical Credit Fund	Providing loans to private health sector SMEs in Africa	Africa
12	MFX Solutions	Eliminating currency risk for international SME lenders	Africa
13	ResponseAbility	Leveraging local equity firms to finance high-impact SMEs	Global
14	Root Capital	Pioneering finance for rural communities	Latin America and the Caribbean, Africa

Most of the Challenge winners continue to make good progress and meet the conditions of disbursement. Seven projects have already been completed. All the completed projects have fully achieved the performance targets against which grant funding was fully disbursed. Out

of the six ongoing projects, three are on track while the remaining three have lagged behind. A corrective action plan has been set up and their implementation timeframe has been extended to allow sufficient time to achieve their targeted results.

Table 2. G-20 SME Finance Challenge – Project Status

Project	Maximum potential award (in US \$)	Disbursement as of December 2014 (in US \$)	Status
Bank of the Philippine Islands	1,240,57	2744,343	Completed/ Goals met
Barefoot Power	2,000,000	2,000,000	Completed/ Goals met
BidNetwork	2,000,000	2,000,000	Completed/ Goals met
Building Markets	2,000,000	2,000,000	Completed/ Goals met
Capital Tool Company/TREFI	1,500,000	1,262,609	Ongoing/ Corrective action plan
Entrepreneurial Finance Lab	2,403,200	2,403,200	Completed/ Goals met
Equity for Africa	1,400,000	1,194,000	Ongoing/ Corrective action plan
European Fund for Southeast Europe	1,000,000	625,500	Ongoing/ Corrective action plan
Grassroots Business Fund	2,500,000	2,500,000	Competed/ Goals met
Intellecap/Sankalp	1,500,000	1,500,000	Completed/ Goals met
Medical Credit Fund	2,500,0001,875,000	Ongoing/ On track	
MFX Solutions	1,000,000,750,000	Ongoing/ On track	
ResponseAbility	No grant requested	No grant requested	
Root Capital	1,995,932	926,241	Ongoing/ On track
Total	21,039,704	19,780,893	

The Forum has engaged an independent consulting firm, Enclude, to conduct an evaluation of the SME Finance Challenge Program. Twenty-two firms responded to the Expression of Interest, five were shortlisted and the winning bid was selected from that pool. The evaluation is expected to be completed by June 2015.

The assessment of Entrepreneurial Finance Lab (EFL) tools is currently underway. The expert evaluator has recently visited each of the four partner financial institutions of EFL and is currently working on data analysis. The preliminary finding is expected by late June 2015 and the final result is expected toward October 2015.

Budget and Expenditure

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

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

In the first quarter of 2014, the Korean Ministry of Strategy and Finance provided an additional US\$300,000 in funding to support the Forum's operations.

The expenditure of the Forum during 2014 amounted to US\$ 1.67 million. In addition, US\$6.71 million was disbursed to the Challenge winners during the same period. The cost breakdown is indicated in the below table.

Table 3. 2014 Expenditure (in US dollars)

G-20 SME Finance Challenge Grant Disbursements	6,707,147
Staff	933,559
Consultants/ Consulting Firms	421,979
Travel	243,318
Workshop	34,421
Miscellaneous	40,090
TOTAL (excluding grant disbursements)	1,673,367

Way Forward: Setting Up a Membership Network

During 2015, the SME Finance Forum is transforming into a global membership organization to ensure its long-term sustainability. Membership is open to banks, non-bank financial institutions, development finance institutions, and Fintech companies. Members can be private companies, public companies, or public-private joint ventures. The Forum will be re-launched formally in November 2015 at a G-20 leadership meeting in Turkey. Through tiered membership dues (\$ 5,000 - \$25,000/year) based on asset size, the Forum hopes to build a diverse, inclusive membership that will range from some of the biggest, longest established multinationals to the smallest, youngest innovators – and in between.

The Forum will continue to offer all the public services it has initiated. In addition, it will introduce new value-added services for members, including contacts brokering, customized data analysis, and exchange visits to high-performing peers.

Currently, the SME Finance Forum is in the final stages of finalizing a partnership with CapitalPlus Exchange which launched the Small Business Banking Network (SBBN) in 2010. The SBBN was the first industry network for SME banks from emerging countries. Since its inception in 2010, its membership has grown to include 60 financial institutions. Through this partnership agreement, the SBBN will be phased out within the first half of 2015 and its membership will be merged with that of the SME Finance Forum. The CapPlus team will also partner with the SME Finance Forum to support the expanded network, helping to provide peer learning services, webinars, forums and high-level meetings.



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