



## PACIFIC ISLANDS FORUM SECRETARIAT

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### FORUM ECONOMIC OFFICIALS MEETING

4 – 5 August 2020

### FORUM ECONOMIC MINISTERS MEETING

11 – 12 August 2020

Virtual

## INFORMATION PAPER NO. 7: PACIFIC FINANCIAL INCLUSION PROGRAMME

### Purpose and Summary of Issue

#### Purpose

The purpose of this paper is to provide an annual update on regional efforts to support financial inclusion and awareness in the Pacific.

#### Summary of Issue

- i. This paper highlights areas where actions are being taken to accelerate progress in financial inclusion in: Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu. Brief updates are also provided for the work undertaken in Kiribati and Timor-Leste.
- ii. Progress includes the: establishment of National Financial Inclusion Strategies and taskforces; development of phase 2 strategies; and, ongoing work with the private sector and civil society.
- iii. The next wave of innovation is directed towards increasing usage of financial services and building viable business models. Digital technologies are set to define the next generation of innovation, leveraging the power of access to finance and unlock the potential across a range of sectors.

### A. Overview/Summary

The *2020 Money Pacific Goals* were adopted by FEMM and the regional Central Bank Governors in 2009. This reflected the high priority placed by Leaders on building financial literacy and financial inclusion. This information paper is submitted on behalf of the Pacific Central Bank Governors and reports on the progress made towards the achievement of the *2020 Money Pacific Goals*, which are:

In each Pacific Island nation<sup>1</sup> by 2020, through the combined actions of public and private sectors, our goals are:

- All school children to receive financial education through core curricula.
- All adults to have access to financial education.
- Simple and transparent consumer protection to be in place.
- To halve the number of households without access to basic financial services.

2. This paper was prepared by the Pacific Financial Inclusion Programme<sup>2</sup> (the Programme is based within the United Nations Development Programme Pacific Office) in association with the Alliance for Financial Inclusion Pacific Islands Regional Initiative (formerly Pacific Islands Working Group).

## **B. Discussion**

3. Significant progress has been made on the 2020 Money Pacific Goals which were endorsed by FEMM in 2009. **Annex A** provides details on recent progress made in the region towards the achievement of the *2020 Money Pacific Goals*.

## **C. Next Steps**

4. While the *2020 Money Pacific Goals* commitments end this year, there is a need to consider new commitments by Forum Economic Ministers and Central Bank Governors. Any new commitments can and should be strategically aligned to the 2030 Sustainable Development Goals (SDGs) in as much as they are directly linked.

5. It is proposed that the Central Bank Governors, with the technical support of PFIP, discuss and develop the draft of the new regional priorities and goals - factoring the progress, the evolving landscape in the Pacific, challenges and opportunities. These draft commitments will then be placed before Economic Ministers for consideration at the 2021 FEMM.

6. The two successor programmes of PFIP, being: (i) The Pacific Digital Economies Programme; and, (ii) the Pacific Insurance and Climate Adaptation Programme – will be proposed for consideration and endorsement for support by the respective Governments once the final programme documents are submitted for approvals.

Pacific Financial Inclusion Programme  
29 June 2020

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<sup>1</sup> Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu. Each of these countries have a Central Bank that have been at the forefront of action and coordination across the Pacific.

<sup>2</sup> The Pacific Financial Inclusion Programme (PFIP) is a Pacific-wide programme that has helped over 2 million low-income Pacific islanders gain access to financial services and financial education. It achieves these results by funding innovation with financial services and delivery channels, supporting policy and regulatory initiatives, and empowering consumers. PFIP operates from the UNDP Pacific Office in Suva, Fiji and has offices in Papua New Guinea, Samoa, Solomon Islands, Timor-Leste and Vanuatu. It is jointly administered by the UN Capital Development Fund and the United Nations Development Programme and receives funding from the Australian Government, the European Union and the New Zealand Government.

**Purpose**

1. This paper provides an overview of regional efforts to support financial inclusion and awareness in the Pacific and, progress made towards the achievement of the 2020 Money Pacific Goals.

**Background**

2. The 2020 Money Pacific goals were adopted by FEMM and the regional Central Bank Governors in 2009. This reflected the high priority placed by Leaders across the region on building financial literacy and financial inclusion. This paper briefly highlights areas where action is being taken to accelerate progress in Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu. Each of these countries have a Central Bank that have been at the forefront of action and coordination across the Pacific.

**Money Pacific Goals**

In each Pacific Island nation by 2020, through the combined actions of public and private sectors, our goals are:

- All school children to receive financial education through core curricula.
- All adults to have access to financial education.
- Simple and transparent consumer protection to be in place.
- To halve the number of households without access to basic financial services.

**Progress Report:**

**Goal 1: All school children to receive financial education through core curricula**

3. Financial Education (FinEd) in schools, at its core, is the teaching and learning of personal money management and investment within the school curriculum at targeted levels. FinEd is specifically focused on bringing about positive behavioral change. Principally, the emphasis has been on ensuring sustained levels of learning, particularly at the primary school level. Across the region, the Central Banks and their Governors, have been at the forefront of championing financial literacy as a national priority and financial education in schools through core curricula. Following on from this, Ministries and Departments for Education are actively progressing the FinEd curricula in schools.

4. **Fiji:** Fiji has successfully integrated FinEd in the school core curriculum from Years 1 to 12 and in the overarching National Curriculum Framework as a curriculum perspective. FinEd learning remains deeply embedded within core subjects of English, Mathematics, Social Studies and Commercial Studies and non-core subjects of Accounting and Economics. As of April 2013, FinEd was rolled out across the country and is now offered in Fiji’s 907 primary and secondary schools every year as part of national curriculum with over 200,000 students benefiting annually. The FinEd teacher and student materials are also available online at [www.nfitfiji.com](http://www.nfitfiji.com). In 2019, the Curriculum Assessment Services team of the Ministry of Education collected the Assessment results for Year 9 Commerce subject from schools between the Nausori-Suva corridor. Additionally, they are currently awaiting the Year 10 external national exam results as well so to assess the students understanding of FinEd concepts.

5. In August 2019, the 3<sup>rd</sup> FinEd Innovation Awards was held during the Head Teacher's Association Annual Conference in Suva where the recognition Awards were presented to four Primary Schools and four teachers for their innovative approaches and creativity in delivering FinEd to students. These innovative projects would supplement the classroom teaching and are designed to transfer learning from the classroom into practice.

6. **Papua New Guinea:** In 2017, FinEd within educational institutions was first piloted at the technical vocational level at Kamiliki TVET school in Eastern Highlands in Papua New Guinea. Following the successful rollout, the project has been expanded to cover four other TVET schools in the Western Highlands from 2018. PFIP supported both the pilot and the expansion projects. A concept note for introducing FinEd into core curriculum of the Education Department for primary and secondary schools has been finalised and submitted to the Department of Treasury (DOT). The Secretary of the DOT, has since progressed discussions on FinEd with the leadership of the Department of Education and a positive outcome is expected in early 2020. The Bank of PNG is actively following up with the concerned authorities to realise this.

7. **Samoa:** In Samoa, efforts are underway to integrate financial education into the core curricula at both primary and secondary level. A PFIP funded mapping exercise of learning outcome for FinEd with the Ministry of Education, Sport and Culture (MESC) was completed in 2019 and results of the mapping exercise were positively received by MESC. During the year, the Central Bank of Samoa (CBS) continued to participate in the Global Money Week<sup>3</sup> celebrations for children and youth, by organising artwork competitions and money talk workshops. The competitions provided a creative outlet for the students to demonstrate their knowledge regarding financial literacy.

8. **Solomon Islands:** The Ministry of Education and Human Resource Development (MEHRD) has accepted the key recommendations of a PFIP-funded activity to develop the national financial education curriculum framework and to place specific FinEd learning outcomes within the primary and secondary school curriculum, together with proposed units of work for the rural training centres. As of 2019, work to incorporate financial literacy into the core curriculum for primary and secondary schools is still lagging.

9. The Money Smart Day, as part of the Central Bank of Solomon Islands 43<sup>rd</sup> Anniversary, was held on 21<sup>st</sup> June 2019 targeting Senior Secondary Schools in Honiara – Honiara High School, Saint Nicholas, Mbua Valley, King George VI School, White River, and St. Johns School. Activities included the distribution of insurance awareness calendars and posters and other financial literacy pamphlets with a number of students participating. CBSI and Solomon Islands National Provident Fund (SINPF) YouSave Team jointly conducted financial literacy outreach during the Global Money Week, that involved 624 participants in total. Activities included presentation on managing your personal finance, YouSave product, distribution of information regarding insurance, and other financial literacy pamphlets on ways to manage money.

10. **Tonga:** The Ministry of Education has included financial education in the curriculum for primary and secondary schools and financial service providers continue to provide financial literacy to its customers. The National Reserve Bank of Tonga (NRBT) is currently facing the challenge of measuring effectiveness but continues to monitor the topic contents and training provided.

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<sup>3</sup> Global Money Week is coordinated and promoted by Child & Youth Finance International

11. **Vanuatu:** In 2019, FinEd was implemented in Year 4 across all primary schools throughout the country. The year 5 syllabus was also developed to include financial education to be implemented in all schools in 2020. As of 2019, FinEd has been embedded in existing primary school subjects from Years 1 to 4.

**Goal 2: All adults to have access to financial education**

12. Across the Pacific, central banks and key stakeholders have prioritised financial literacy within National Financial Inclusion Strategies. A number of financial service providers and financial literacy training providers have developed and are conducting financial literacy training and awareness programmes for the wider community, either as part of a new product/service rollout or a larger community engagement. Central banks across the region continue to play an instrumental and effective role as financial literacy and financial inclusion champions.

13. **Fiji:** A number of initiatives have been identified under the National Financial Literacy Strategy 2016-2020 that was developed by the National Financial Inclusion Task Force (NFIT) and endorsed by Cabinet. There are a number of adult financial literacy training that is ongoing and conducted in the communities/workplaces by several members of the Financial Literacy Working Group, various financial service providers, NGOs and other agencies. Several institutions have signed MoUs with organisations to conduct financial literacy training for their staff and stakeholders. ANZ Bank continued to engage communities and stakeholders with its flagship Money Minded Pacific financial literacy training delivered through its staff and certified trainers. An independent report by Melbourne's RMIT University into the impact of ANZ's financial literacy training found that the programme significantly strengthened participant's financial knowledge, skills and capabilities. Additionally, the report highlighted that 96% of those that completed the Money Minded training improved their financial wellbeing, ability to meet commitments day to day and comfortable to cope with unexpected expenses.

14. Statistics received from two other Financial Service Providers showed that around 882 people went through the training, with 50% of them are for the seasonal workers scheme. Furthermore, financial literacy training is now part of the Ministry of Employment's onboarding pre-departure training for seasonal workers for New Zealand and Australia where it was conducted to 333 seasonal workers during the year. These initiatives have been complemented by efforts of the Reserve Bank of Fiji (RBF). The RBF, in collaboration with Fiji Broadcasting Corporation, has aired three seasons of a locally produced financial literacy television programme of the *Noda I Lavo* (Our Money) from February to May. The show is allocated a prime time viewing slot with around 75% of viewers across Fiji. The fourth season of the show, which is presented in vernacular iTaukei language, will be broadcast in 2020.

15. **Papua New Guinea:** Financial Literacy journey with the Centre for Excellence in Financial Inclusion (CEFI) began in 2013 and has come a long way with key milestones achieved. CEFI together with the Microfinance Expansion Project has developed six (6) adult training modules and entered into agreements with a wide range of stakeholders to hold community-based training around the country. There have been 19 partner institutions that received financial literacy training and mentoring support along with 36 training of trainer workshops that resulted in 848 trainers trained of which 308 were women trainers. 217,630 individuals have received training with financial literacy skills of which 103,181 were women. Furthermore, 102,852 bank accounts were opened of which 53,661 were women owned accounts and 9 mass graduations conducted whereby over 30,000 certificates were distributed.

16. **Samoa:** The Central Bank of Samoa (CBS) developed a set of financial literacy brochures around the themes of saving, spending, borrowing, and managing money, which continue to be widely available to the public and accessible on the CBS website. In addition, the Central Bank leverages social media and its own website to promote financial literacy. Financial service providers continue their financial literacy programmes, usually centered around the product and services offered by them and where requested, CBS facilitates requests to provide financial literacy presentations using its staff. Financial service providers like commercial banks and insurance companies ran their own financial literacy training outreach programmes in communities. While most of these centered around the product or services offered by them, the training also covered basic elements of saving, budgeting, spending wisely, time value of money, etc.

17. **Solomon Islands:** In 2019 the Financial Empowerment Working Group under the National Financial Inclusion Taskforce organised several sessions aimed at increasing financial literacy to the public and women's groups within Honiara and in the provinces. Further work was done under the Consumer Empowerment Working Group (CEWG) that set a numerical target for all stakeholders, including CBSI, to conduct financial literacy awareness targeting schools, savings groups, communities, co-working space for youth entrepreneurs with a total reach of 12,878 by the end of the second quarter 2019.

18. Under the Insurance Industry Working Group (IIWG), several financial literacy materials were produced including 2019 calendars, posters and drama script. The drama script was aired through the Solomon Islands Broadcasting Corporation (SIBC) targeting 6000 communities. A total of 117 posters with insurance messages, including 233 calendars, were distributed to stakeholders, schools, savings groups and during key events.

19. CBSI in partnership with the Asian Development Bank (ADB) and Good Return conducted Phase 2 pilot on Financial Competency Programme "*Make Money Work for a Better Future*" training of trainers with the following savings groups – The Anglican Church of Melanesia (ACOM), United Pentecostal Women's Fellowship (UPWF) and the Avaiki Women's Association (AWA) with a total of 15 training of trainer participants. These 15 trainers are now delivering to their respective members of around 50 each.

20. Furthermore, FinEd pilot with ACOM RTCs – Garanga RTC, Airahu RTC and Pamua RTC successfully completed, reaching a total number of 344 students being trained and FinEd has been scaled to the remaining three ACOM RTCs – Bishop Koete RTC, Luesalo RTC and Kholaero RTC after an extensive two-week teacher training. The ACOM RTC FinEd projects have all been supported by PFIP through its technical and grant assistance

21. **Tonga:** Ongoing efforts providing FinEd for children are being replicated for FinEd for adults. Financial service providers also continued their community outreach for financial literacy to adults.

22. **Vanuatu:** All the financial service providers offer financial literacy trainings to their customers and communities. National Bank of Vanuatu has a rural banking division that has outreach programmes in remote and rural communities with their microfinance officers dedicating one day a week (usually Fridays) to offer financial literacy training. With the launch of digital banking services, NBV has stepped up its outreach with a view to impart digital literacy to its customers besides providing inputs on digital channels and services. Telecom Vanuatu has also started awareness campaigns to educate customers on mobile money. The Vanuatu National Provident Fund also

conducts training on superannuation and savings for old age financial security as part of the pre-departure training for seasonal workers going to Australia and New Zealand.

### **Goal 3: Simple and transparent consumer protection to be in place**

23. Regional central banks that are members of the Alliance for Financial Inclusion Pacific Islands Regional Initiative (AFI/PIRI) have agreed to work together to develop a framework for consumer protection. The next steps on tailoring and implementing the AFI-prepared model consumer protection guidelines are being undertaken by individual countries. Many central banks in the region have prioritised consumer protection and empowerment as an important element of financial inclusion.

24. **Fiji:** In 2017, the review of the Credit Consumer Act was completed, the draft Act is yet to get cabinet approval after which it will be tabled in Parliament. The issue of contention is which statutory body, (either RBF or Fijian Competition and Consumer Commission) will be conferred powers to administer and regulate the Act when it comes into force as the Act covers both licensed and non-licensed entities. The RBF schedules 6 monthly meetings with Consumer Advocates from licensed financial institutions to review complaints received during the period and discuss how LFIs can better address the recurring top complaints issues within their institutions.

25. PFIIP is also providing financial support to the Consumer council of Fiji (CCF) to revamp its complaints management system and digitalising the processes. When completed, the new system will facilitate better tracking and responses to consumer complaints.

26. **Papua New Guinea:** The Bank of Papua New Guinea is well into the establishment of a separate Consumer Protection and Market Conduct department within the Bank. Further groundwork into its operationalisation is complete and awaiting appropriate funding. It is anticipated to have the department into full operation in 2020.

27. **Samoa:** The Competition and Consumer Act 2016 came into effect in July 2017 and is administered through the Ministry of Commerce, Industry and Labour (MCIL). This new law now covers financial consumer protection issues under the purview of MCIL.

28. **Solomon Islands:** The Practice Guidance Note 2 came into effect as of July 2019 and provides stakeholders in the digital finance ecosystem procedures, minimum guidelines on roles of actors and a regulatory framework that supports innovation, competition, inclusiveness and consumer protection. In addition, CBSI has continued to distribute savings group members' Rights and at the end of the second quarter 2019, 1161 copies were distributed to savings groups members.

29. **Tonga:** The Risk and Compliance Unit has taken on the responsibility of consumer protection, with the assistance of the Financial Institutions department. During the year, two complaints were lodged with the Reserve Bank against licensed financial institutions on the credit product terms and conditions, and accounts maintenance process. To address these complaints, the Bank held meetings with complainants and the licensed financial institutions and the issues were resolved by 30 July 2019.

30. **Vanuatu:** In June 2019, the parliament passed the competition policy paper. Based on this policy paper, a bill will be drawn up in collaboration with ADB.

**Goal 4: To halve the number of households without access to basic financial services**

31. All central banks have committed to increasing both access and usage of financial services of low-income individuals across a broad range of financial services. Through their leadership of the National Financial Inclusion Task force<sup>4</sup>, the central banks continue to monitor their country commitments to the Maya Declaration<sup>5</sup>, Money Pacific Goals 2020 and in the case of Fiji, Papua New Guinea and the Solomon Islands, the Better Than Cash Alliance. At the regional and national level, the central banks actively champion and lead financial inclusion initiatives and regularly review progress under their respective National Financial Inclusion strategies.

32. **Fiji:** The target set in the National Financial Inclusion Strategic Plan 2016-2020 is to increase the percentage of accounts with formal financial institutions from 64% to 75% by 2018 and to 85% by 2020. As of 31 December 2019, access to formal financial services increased from 71.6% in 2017 to 74.9%. The RBF regularly monitors, measures and maps the number of financial access points. In addition, it publishes a set of core financial inclusion indicators in its Quarterly Review and shares the same on the recently launched Alliance for Financial Inclusion Data Portal.

33. **Papua New Guinea:** The Bank of Papua New Guinea is well within its Maya Commitments and its National Financial Inclusion Strategy 2016-2020 and have now reached 3.2 million new accounts since its journey began in early 2014. As of 2019, Bank of PNG have committed to reaching an additional 2 million new accounts by 2020 after reaching 1.2 million new accounts between 2014-2015.

34. **Samoa:** The National Financial Inclusion Strategy 2017-2020, targets an additional 40,000 adults with improved access to formal financial services, of which a minimum of 50% must be women and 50% must be from rural communities. 20,000 people who were previously excluded from the formal financial system are to gain access to a formal savings account and NFIT is currently tracking these targets.

35. **Solomon Islands:** By the end of the second quarter 2019, the aggregated number of accounts reached 296,464 deposit and mobile banking accounts. As stated in the National Financial Inclusion Strategy (2016-2020), number of active users should reach 300,000 adults and as of the second quarter 2019, the aggregate number of active users currently stand at 238,066 of active borrowers and depositors for formal and semi-formal accounts. Given the difficulty in determining unique accounts, CBSI included financial inclusion questionnaires in the Census 2019, that was held in November 2019, with questions to determine unique number of accounts and users. In addition, CBSI will continue collating supply side data related to financial inclusion from relevant financial institutions and has received data on the number of mobile banking agents that currently stand at 201 of which 163 are active at the end of the second quarter.

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<sup>4</sup> Fiji, Samoa, Solomon Islands and Vanuatu have set up the National financial inclusion task force comprising of stakeholders from public and private sectors, development partners under the leadership of the Governor of the respective Central Banks.

<sup>5</sup> The Maya Declaration is a commitment to unlock the economic and social potential of the world's 2 billion unbanked population through greater financial inclusion. Launched in 2011, the Maya Declaration involves the establishment, tracking and sharing of concrete financial inclusion targets within a framework, which involves implementing and driving in-country policy changes. All Central Banks have made or renewed Maya Declaration commitments.

36. **Tonga:** The National Reserve Bank Taskforce (NRBT) continues to focus Financial Inclusion efforts focus on access to finance for individuals, MSME's and development of digital financial services. NRBT have a drafted framework with strategies on addressing the challenges that these main three focus areas mentioned above are facing. Meanwhile NRBT has also been focusing on improving the timeliness and quality of supply side data collected from the financial service providers.

37. Tonga has the highest dollar value of inward remittances to GDP (percentage) in the world. However, cost of remittances was always a big challenge effectively chipping away nearly 10-15% of the value as service charges. Tonga Development Bank (TDB) launched its Ave Pa'anga Pau (APP) remittance product in 2017 initially for the New Zealand corridor. By end of 2019, the service had reached over 2700 clients, seasonal workers and Tongan diaspora and the cost of remittances had come down to 4.66% effectively. TDB is now planning an Australia launch in 2020. The upscaling of the remittance product in New Zealand and entry into Australia have both been supported by PFIP

38. **Vanuatu:** The Reserve Bank of Vanuatu (RBV) has developed data templates, that is in the process of endorsement, to start collecting data on access and usage of financial services. Furthermore, working groups, which include financial service providers and other related stakeholders, have been set up to encourage financial service providers to innovate and diversify products and services. Collaboratively, RBV and financial service providers have begun identification of areas that needs strengthening of policy, regulations such as Credit Bureau, Consumer Protection and are working on legal and regulatory frameworks. During 2019, RBV approved Telecom Vanuatu Ltd (TVL) to launch its mobile money services M-Vatu and VanCare (a subsidiary of FijiCare Insurance) to introduce a bundled microinsurance product. Both these initiatives are expected to significantly improve access to appropriate and affordable financial services in the country.

### **Other Financial Inclusion Initiatives**

39. **Fiji:** The Financial Sector Development Policy Statement No. 1 – Minimum Requirements for the Provision of Disaggregated Data came into effect on 1 June 2019. The 'Disaggregated Data' policy is an industry-wide minimum requirement for all regulated and supervised financial service providers to capture granular data for gender, age and location. The first set of data was received by the RBF on 30 September, 31 out of 35 institutions handed in data whereas the remaining four requested for more time. Further work has been done regarding the Personal Properties Security Registry (PPSR) that was launched on 31 May 2019.

40. The PPSR is an online registry that allows lenders to file notices of security interest on moveable assets pledged as collateral for loans and allows for collection of data on collateral ownership by gender and business sector for secured loans with movable assets. As of 31 October 2019, over 40,000 filings were registered on the PPSR and a total of 65 institutions, including regulated financial institutions, non-bank financial institutions, law firms, hire purchase companies and motor vehicle dealers have created PPSR accounts and have the ability to file notices of security interest online. Furthermore, the RBF developed a Regulatory Sandbox Guideline (Financial Sector Development Policy #2) that was finalised and notified by the end of 2019. It is anticipated to spur and support FinTech innovations/solutions in the market.

41. **Papua New Guinea:** The Bank of PNG (along with ADB, CEFI and the Government of Australia) has introduced its Gender and Social Inclusion (GESI) Policy and is into full implementation within the bank with delegated staff and office space. Bank of PNG has launched its

own regulatory sandbox guidelines that is now being implemented. The bank is also a major player in the PIRI Regional Regulatory Sandbox and have completed its roadshow with AFI on the 4<sup>th</sup>-5<sup>th</sup> November 2019. Further work has been done under the Small Micro Enterprise (SME) Credit Guarantee Scheme which is an initiative of the Government of PNG to stimulate lending to the SME sector. The scheme was established in 2019 and is managed by the Bank of PNG with the intentions of the schemes to cover certain areas such as providing access to finance through market intervention that goes through a credit guarantee scheme. This provides third party credit risk mitigation to lenders to increase access to credit for SMEs and create strategic partnerships between different players in the sector, including government, private sector, financial institutions and development partners to promote the growth and development of SMEs in PNG.

42. Further work was done through the Risk Sharing Facility (RSF) Trust that was established on 23 October 2014, as one of the key outputs under the Micro Finance Expansion Project (MEP) with the aim to drive lending to the SME sector by second and third tier partner financial institutions. The MEP has come to the end of its life in 2019 and most functions have been transferred to the Centre for Excellence in Financial Inclusions (CEFI). Part of RSF's business was to pay claims on defaulted loans covered under the arrangement and the figures as of October 2019 for 3 years (2017-2019) are currently at:

- Total Claims Received: 130
- Value of Loans Received: K487,783
- Total Claims Rejected: 30
- Value of Claims Rejected: K171,343
- Number of Claims Paid: 98
- Value of Claims Paid: K302,625
- Outstanding Claims Payable: 2
- Outstanding Value Payable: K13,814

43. **Samoa:** The Central Bank of Samoa (CBS) conducted a Regional Regulatory Sandbox roadshow for its staff and external stakeholders as part of the AFI/PIRI workstream on FinTech, that is expected to be launched in June 2020 with support from Alliance for Financial Inclusion. In addition, the commencement of a new national payment system implementation began in early March 2018 and is expected to go live in the third quarter of 2020 with support from the World Bank. There has also been further work done through the implementation of the KYC Utility with a completed system design and development. Trainings on the system are scheduled for January 2020 and is supported by the Asian Development Bank.

44. **Solomon Islands:** The SME Revised Credit Guarantee Scheme Awareness was convened for both financial service providers and MSMEs in March and April 2019 in Honiara. A total of 32 participants representing key service providers from the government, NGOs, financial institutions and the private sector, as well as 99 MSMEs participated in the event. Phase 2 of the E-Tax was successfully launched, and customer onboarding and training is currently ongoing. Furthermore, Digital Airtime Savings for YouSave customers and awareness implementation, in collaboration with PFIP, is currently underway and was launched in November 2019. The project will enable YouSave customers to deposit their savings to their account using Airtime credits. SINPF and partners will deliver ongoing customer awareness and training on the product leveraging posters and social media.

45. **Tonga:** The National Reserve Bank of Tonga continues to collect and update the financial inclusion data from banks and non-banks, particularly on access and usage dimension. Furthermore, NRBT have managed to improve the collection of MSMEs data by identifying the location and gender

of MSMEs sector. However, there are challenges in updating financial access data as well as the lack of gender disaggregated data, particularly the individual and DFS area, which is a common challenge in the region and is part of the Financial Inclusion unit's work plan to address. In terms of legislations, the Microfinance Act 2018 was proclaimed to be effective on 21 June 2019 while the Moneylenders Act 2018 is yet to be proclaimed. Thus far, SPBD is the only microfinance institution in Tonga that met the definition under the Microfinance Act and they have submitted their license application for NRBT approval while they are working closely with the Non-Banking Supervision Unit to ensure that they are compliant with the new Act. The NRBT is now a member of the PIRI Regulatory sandbox technical committee, completing a road show for the sandbox between 26<sup>th</sup> to 27<sup>th</sup> November 2019.

46. **Vanuatu:** In October 2019, the Reserve Bank of Vanuatu organised a Financial Inclusion Exposition that brought together more than 20 different stakeholders. There were booths set up where the general public was able to explore the different financial products available. Due to the success of the event, it was decided that the exposition will become an annual activity organized by the Reserve Bank. In the education sector, the Reserve Bank awarded scholarship to four Year 12 secondary school students that had topped the Year 12 Mathematics exams in both the English and French schools throughout the country, with the aim of encouraging students to take an interest in mathematics which is the main tool for financial inclusion. MSME awards sought out nominations in early 2019 that were to be given to 14 outstanding small and medium sized business in 7 different sectors of the economy. This award was given to recognise and encourage small and medium businesses that have been successfully operating. On insurance, the RBV has collaborated with PFIP and Munich Climate Insurance Initiative to introduce a climate and disaster risk insurance scheme to cover extreme weather events like cyclones. A scoping activity has been completed, the project document developed and awaits funding to commence project implementation.

47. Following a feasibility assessment completed by PFIP and the Vanuatu National Provident Fund (VNPF), a micro-pension product for the informal sector was launched in 2019. This initiative replicates the highly successful 'youSave' micro pension project from Solomon Islands. VNPF with technical and grant support from PFIP has rolled out the pilot in four provinces with nearly 700 informal sector members comprising of small holder farmers, fishers, casual workers being enrolled. VNPF is working with the Government on reviewing its Act and effecting regulatory changes to modify the benefit structure.

48. Under the National Financial Inclusion Strategy for Vanuatu, digitization of Government to Person (G2P) and Person to Government (P2G) payments is one of the key focus areas. A project to digitize Police Clearance certificate fees is currently underway and a technical consultant is expected to undertake a feasibility study and provide guidance on the way forward. This initiative is aimed at reducing time and costs presently involved in obtaining Police clearance certificates by migrant seasonal workers and others.

## **Kiribati and Timor-Leste update:**

49. In 2018, PFIP, in response to a request by the Kiribati Government through its Ministry of Commerce, Industry and Labor (MCIL), PFIP provided technical assistance and completed a financial sector gap analysis and finalised the report after feedback from country stakeholders. A national stakeholders' workshop to discuss the report and chart the course forward was held in February 2019. There was total consensus at the workshop for all stakeholders to work collaboratively to action the items listed in the PFIP report, following a request from the Ministry, PFIP prepared a concept note outlining the interventions to be undertaken over a three- year period and the budgets thereof. The cabinet has since endorsed this concept note for seeking financial support from donors for implementing a national financial inclusion plan and accompanying interventions to be led by PFIP.

50. PFIP has also provided a grant assistance to ANZ Kiribati for expanding its Money Minded Pacific financial literacy training, targeted to reach 10,000 new customers. Besides the project will also look at introducing digital banking to small businesses. At the end of 2019, the project has covered 262 communities, 9301 beneficiaries under the Money Minded training with 6700 women. The technical interface for launching internet banking and the Pacific mobile app have both been completed by the ANZ team, 597 small businesses pre-registered for the service and a closed group of 46 bank staff are testing the mobile app internally before the scheduled public launch on 4<sup>th</sup> Feb 2020.

51. PFIP competed the hiring of a full-time Financial Inclusion coordinator for Timor-Leste with the resource joining in late 2019. Following a request by the Ministry of Social Solidarity and Inclusion (MSSI) through the Australian High Commission in Timor-Leste, PFIP undertook and completed a technical consultancy to study and scope the feasibility of digitizing the social cash transfer payments. The finding and recommendations were presented to stakeholders at a workshop held on 15<sup>th</sup> August 2019.

## **Over a decade of Innovations and Frontier Ideas:**

52. Supported by the Pacific Islands Forum Secretariat (PIFS), the Pacific Financial Inclusion Programme (PFIP) was launched in 2008 as a joint initiative of the United Nations Capital Development Fund (UNCDF) and United Nations Development Programme (UNDP), PIFS continues to be part of the governance structure of PFIP and remains at the forefront of several initiatives aimed at improving access to and usage of appropriate and affordable financial services by Pacific Islanders. Through its workstreams covering Financial Innovation, Policy & Regulation and Consumer Empowerment, the programme has supported the development, testing, piloting and scaling of innovative mass market financial products and services covering savings, credit, microinsurance, micro pensions, mobile money and remittances. It has been a decade long (2008-2019) journey of excellence, fostering innovation and incubating frontier ideas.

53. The Pacific region has been an early adopter of digital technologies with the introduction of mobile money (e-wallets) in 2010. Initially launched in PNG and Fiji, the service is now available across the region in countries including Samoa, Tonga, Kiribati, Timor-Leste and Vanuatu. While the region has embraced global best practices and innovative approaches from markets in Asia and Africa, the Pacific service providers have charted a path for themselves, factoring the unique geographical challenges and the small market sizes. And they have been well supported in their innovative approaches and product trials by regulators and development partners. While the regulators such as central banks have adopted a “market leads, regulations follow” approach by

permitting launch of new financial services without placing stifling regulations, the development partners have de-risked the private sector by offering technical or financial assistance.

54. Digital financial services occupy the centerstage as a key enabler of financial inclusion in the region with more countries and service providers deploying innovative mass market products and services, all riding on digital channels. The expanding telecommunication network in all countries, broadband connectivity supported by the new undersea cable links are certain to spur use of digital channels. Financial services like payments, remittances, microinsurance and micro pensions are now part of the suite along with conventional services like savings and credit that customers in the Pacific access and use on mobile phones and other digital interfaces.

**The Pacific has also been an incubator of frontier ideas and concepts as evidenced by the following:**

55. The Department of Social welfare under the Fiji Ministry of Women and Social Welfare partnered with PFIP to move all voucher-based welfare payments to digital channels in 2011. Initially starting with around 23,000 beneficiaries, the scheme now covers nearly 90,000 citizens, all receiving their monthly payments through a designated bank account and using electronic channels for transactions.

56. Integration of financial education into school curriculum is a priority for the region and is a key Money Pacific 2020 goal. With support from PFIP, the Fiji Ministry of Education has successfully integrated financial education and personal money management skills into the primary and secondary school core curriculum, this has emerged as a global best practice. Other Pacific countries such as Samoa, Solomon Islands and Vanuatu have replicated this experience appropriately while Nauru, Tonga and PNG are actively considering this option

57. Microinsurance is an important tool to mitigate financial shocks of the low-income households and protect them against unforeseen events. With support from PFIP, FijiCare pioneered the introduction of the bundled microinsurance product in Fiji that provides indemnity against fire, death and personal accident while also paying for the funeral expenses of the insured. The scheme was launched in 2017 and now covers over 135,000 Fijians and value of claims paid since inception is over FJD 8.5 million. FijiCare Insurance Ltd has rolled out the microinsurance product through its subsidiary company in Vanuatu while planning launches in Kiribati and Solomon Islands soon. PNG has its own version of microinsurance through a unique partnership between Life Insurance Company (PNG) and the United Church. The region indeed has several new and ongoing microinsurance deployments.

58. Old age poverty is a challenge with associated socio-economic problems for both developed and developing countries. While developed countries have put in place adequate social protection schemes to provide old age financial security to its citizens, developing countries are grappling to find solutions. In the Pacific, the informal sector makes up between 70-80% of the economically active populations, most of them outside any social security.

59. Together with PFIP, many Pacific countries are exploring how voluntary micro pensions can be developed, based on the successful youSave product in Solomon Islands. At the end of 2019, the Solomon National Provident Fund had covered over 15,000 informal sector members with over SBD\$11 million in savings with nearly 57% being women clients. Use of digital interfaces for member onboarding, payment of subscriptions and customer servicing have spurred uptake. The

informal sector pension scheme is now being piloted in Vanuatu and PNG while discussions are underway between PFIP and the other superannuation service providers to replicate the experiment in other countries.

60. In 2017, the Innovation Lab approach was trailed by PFIP with partners like Vodafone Fiji, ANZ Bank Solomon Islands, National Bank of Samoa, Solomon Islands National Provident Fund and FijiCare Insurance Company. Using dedicated resources, these innovation hubs were tasked with increasing customer uptake and usage of financial services. Innovations like digital school fee payments, e-transport, digital savings for micro pensions, remittances and bundled microinsurance are seeing enthusiastic participation by mass market clients.

61. During 2019, PFIP also launched a FinTech accelerator programme to support Pacific start-up firms to partner with leading FinTech service providers from Asia to address specific challenges related to financial inclusion. A bootcamp held in Kuala Lumpur, Malaysia identified four FinTech firms to work with Pacific partners to test new initiatives, all progressing well now.

62. PFIP in partnership with the Bonn (Germany) based Munich Climate Insurance Initiative (MCII) completed a Pacific wide scoping to develop a regional programme on climate disaster risk financing including deployment of parametric insurance.

63. Development partners such as ADB and IFC/World Bank are also active in the financial inclusion space, engaging partners in the respective countries, providing technical and grant assistance for projects. Various financial sector legislations, regulations and policies are either under review or new ones being drafted, all aimed at improving delivery of financial services and market strengthening.

## **CONCLUSION AND WAY FORWARD:**

64. Significant progress towards achieving the 2020 Money Pacific goals has been made by the countries. Fiji, Solomon Islands and Papua New Guinea are well on their way to complete their second phase financial inclusion strategies in 2020 and have met most of their high-level targets. Plan are afoot to develop the third phase (2021-2025) national strategies with PFIP actively engaging the Central Banks of Fiji, Solomon Islands and PNG. Samoa, Timor-Leste and Vanuatu are presently implementing their first phase national financial inclusion strategies while Tonga is planning to firm up its strategy soon. While the first-generation efforts were mostly aimed at increasing access to appropriate and affordable financial services to the low-income market segments, the next wave of innovation is directed towards increasing usage of these services and building viable businesses models.

65. The involvement and participation of country stakeholders through the National Financial Inclusion Task Force and the working groups have led to several collaborative projects and positively moving the financial inclusion dial in the region. With better alignment to national priorities and development plans, financial inclusion is now recognized as an important development tool across the region. With development partners support, the private sector is increasing their investments and launching innovative financial products and solutions, increasing adoption and usage.

66. The regular interactions and collaboration amongst country stakeholders through the National Financial Inclusion Taskforces, whether public, private or CSO sectors, have led to several collaborative initiatives that are focused on mainstreaming financial inclusion into government

priorities, national development plans and budgets. Similarly, work is currently underway in member countries to deepen engagement with governments at national and sub-national levels. The priority is to engage with financial service providers who are looking at innovative methods to supply sustainable and targeted products, services and solutions.

67. The Alliance for Financial Inclusion's Pacific Island Regional Initiative (AFI/PIRI) continues to lead regional initiatives covering the policy and regulatory level interventions. The regional Central banks that are members of AFI/PIRI meet twice a year to agree on a set of priorities for collective action. Their work has been supported by the Alliance for Financial Inclusion, PFIP and other development partners, with the understanding that these partners' involvement over the long-term is necessary for the advancements in financial inclusion.

68. Digital technologies are set to define the next generation of innovation, leveraging the power of access to finance to unlock the potential of real economic sectors like agriculture, MSME, education, health, energy and addressing climate change related risks. The substantial digital infrastructure improvements by way of undersea fiber optic cables in many Pacific countries is set to contribute to increasing bandwidth, improving reliability of networks, reducing costs and making digital solutions accessible to the presently under-served sections of society. The potential of digital technologies to catalyze the achievement of 2030 Sustainable Development Goals is well recognized across the region and national governments are actively pursuing the 'digital agenda' in policy making and implementation.

69. The second phase of PFIP is due to end by mid-2020, the programme management with the support of its Investment committee has already embarked on developing two successor programs for the region. Both these programs will be aligned to the UNCDF global strategy of "*Leaving No One Behind in the Digital Era*" with specific focus on women, youth, MSME and migrant segments with interventions targeted at agriculture, tourism and other economic sectors of relevance to the region. Mobile technologies can serve as a key accelerator and ensure no one is left behind. Digital financial inclusion that has seen increasing acceptance and proliferation in the Pacific is directly contributing to the emergence of digital economies, and vice versa. The Pacific Digital Economies Programme (PDEP) will focus on building inclusive digital economies in the Pacific leveraging on its experience and success in previous digital finance initiatives, through PFIP.

70. The Pacific region is highly vulnerable to natural catastrophes and the effects of climate change are compounding the adversities. Pacific leaders and the FEMM has regularly debated this issue and requested development partners to develop appropriate climate disaster risk financing solutions to support Pacific governments. The Pacific Insurance and Climate Adaptation programme (PICAP) that has been developed jointly by PFIP and MCII aims to develop various climate disaster risk financing instruments like parametric insurance targeting the micro, meso and macro level. Through a four pillared approach- Risk Appraisal and research, Policy & regulation, Product development and consumer empowerment- the programme will leverage the combined expertise and experience of PFIP and MCII. While MCII has over 15 years research in climate change and developing risk instruments, most recently the implementation of parametric insurance solutions in the Caribbean, PFIP brings the Pacific context, rich digital finance implementation in the region, the partnerships and networks and the capacity to reach last mile customers.

**For the Consideration and Endorsement by FEMM**

71. While the Money Pacific 2020 goals commitments end in the current year, there is a need to consider new commitments by Forum Economic Ministers and Central Bank Governors. These new set of commitments can be strategically aligned to the 2030 Sustainable Development Goals (SDGs) in as much as they are directly linked.

72. The Central Bank Governors, with the technical support of PFIP, discuss and develop the draft of the new regional priorities and goals factoring the progress, the evolving landscape in the Pacific, challenges and opportunities. These draft commitments will then be placed before Economic Ministers for consideration at the 2021 FEMM.

73. The two successor programmes of PFIP - The Pacific Digital Economies Programme and the Pacific Insurance and Climate Adaptation Programme – will be proposed for consideration and endorsement for support by the respective Governments once the final programme documents are submitted for approvals.

*Pacific Financial Inclusion Programme  
March 2020*