



BRINGING  
SMART  
POLICIES  
TO LIFE

# AFI PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI) FINANCIAL INCLUSION 2017 STATUS REPORT



# CONTENTS

<b>INTRODUCTION</b>	<b>3</b>
<b>HIGH-LEVEL SUMMARY</b>	<b>4</b>
<b>COUNTRY PROFILE: FIJI</b>	<b>5</b>
<i>State of Financial Inclusion</i>	6
<i>Financial Inclusion Indicators</i>	6
<i>Maya Declaration Commitments</i>	8
<i>Policy Profiles</i>	9
<b>COUNTRY PROFILE: SAMOA</b>	<b>11</b>
<i>State of Financial Inclusion</i>	12
<i>Financial Inclusion Indicators</i>	12
<i>Maya Declaration Commitments</i>	13
<i>Policy Profiles</i>	14
<b>COUNTRY PROFILE: TIMOR-LESTE</b>	<b>15</b>
<i>State of Financial Inclusion</i>	16
<i>Financial Inclusion Indicators</i>	16
<i>Maya Declaration Commitments</i>	16
<i>Policy Profiles</i>	18
<b>COUNTRY PROFILE: TONGA</b>	<b>20</b>
<i>State of Financial Inclusion</i>	21
<i>Financial Inclusion Indicators</i>	21
<i>Maya Declaration Commitments</i>	22
<i>Policy Profiles</i>	23
<b>COUNTRY PROFILE: VANUATU</b>	<b>24</b>
<i>State of Financial Inclusion</i>	25
<i>Financial Inclusion Indicators</i>	25
<i>Maya Declaration Commitments</i>	25
<i>Policy Profiles</i>	26
<b>COUNTRY PROFILE: SOLOMON ISLANDS</b>	<b>27</b>
<i>State of Financial Inclusion</i>	28
<i>Financial Inclusion Indicators</i>	28
<i>Maya Declaration Commitments</i>	28
<b>COUNTRY PROFILE: PAPUA NEW GUINEA</b>	<b>30</b>
<i>State of Financial Inclusion</i>	31
<i>Financial Inclusion Indicators</i>	31
<i>Maya Declaration Commitments</i>	33
<b>EMERGING TOPICS</b>	<b>34</b>
<i>Disaggregated Data</i>	34
<i>Climate Change and Green Finance</i>	34
<i>Gender</i>	34
<i>Fintech</i>	34
<b>CONCLUSION</b>	<b>35</b>

## ACKNOWLEDGMENT

This special report was prepared for members of the Alliance for Financial Inclusion (AFI) in the Pacific Islands region to showcase the progress of their financial inclusion journey. The financial inclusion stories captured in this report is sourced from the AFI Data Portal, where members have provided data on their Maya Commitments, financial inclusion indicators and policy profiles. The preparation and writing of this report was undertaken by Mr. Vereimi Levula through the guidance of Mr. Eliko Boletawa. Additional thanks to the editors and designers of this report, and Ms. Fareeza Ibrahim for the quality control undertaken.

## ABBREVIATIONS

PIRI	Pacific Islands Regional Initiative
AFI	Alliance for Financial Inclusion
PIWG	Pacific Islands Financial Inclusion Working Group
EGFIP	Experts Group on Financial Inclusion Policy
RBF	Reserve Bank of Fiji
CBS	Central Bank of Samoa
BCTL	Banco Central de Timor-Leste
NRBT	National Reserve Bank of Tonga
RVB	Reserve Bank of Vanuatu
BPNG	Bank of Papua New Guinea
NFIT	National Financial Inclusion Taskforce
PFIP	Pacific Financial Inclusion Programme
AML/CFT	Anti-Money Laundering/Counter Financing Terrorism
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
APG	Asia Pacific Group
CDD	Customer Due Diligence
IMF	International Monetary Fund
NPS	National Payment System
MSME	Micro, Small, Medium Enterprise
GDP	Gross Domestic Product
ID	Identification
KYC	Know Your Customer
MOU	Memorandum of Understanding
GPS	Global Positioning System
EFPTOS	Electronic Funds Transfer at Point of Sale
MFI	Microfinance Institutions
ICT	Information Communication Technology
GPF	Global Policy Forum
FINTECH	Financial Technology

## INTRODUCTION

The Pacific Islands Regional Initiative (PIRI) was created in 2014 at the Global Policy Forum in Maputo, Mozambique and was officially launched in Dili, Timor Leste in 2015. It was previously called the Pacific Islands Financial Inclusion Working Group (PIWG) and was originally formed in 2009 at the request of the central banks of Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea, Timor Leste and Tonga.

The PIRI member countries have similar characteristics and challenges. The challenges faced by most of these countries are very similar in nature due to their location, cultural and behavioural patterns, lack of resources, a narrow export base, vulnerable to economic shocks and slow or negative economic growth. Their geographical spread from east to west covers over 7000 kilometres of ocean, not only does the ocean demarcate their borders it also is the bond that unites their economic and developmental initiatives. Moreover, due to the geographical dispersion of the islands, access to these areas makes it exorbitant for both the suppliers and receivers of financial services.

The involvement of the Alliance for Financial Inclusion's (AFI) with the PIRI countries have led to significant policy reforms and changes to the progress of financial inclusion in these countries. However, a limitation faced by the PIRI members was their exclusion from the Global Findex. This restricted them from measuring and comparing themselves with other countries in terms of progress made on financial inclusion. The AFI Data Portal (ADP), provided the opportunity for the PIRI members to share their financial inclusion policies, regulations, and outcomes.

The ADP contains three key datasets, the Maya Declaration Commitments, which measure specific and concrete targets outlined by policymakers and regulators to promote financial inclusion in their countries; the AFI Country Policy Profiles, which capture the status of policies and regulations related to financial inclusion at a country level and the Financial Inclusion Indicators, which capture the progress members are making in financial inclusion using the AFI financial inclusion indicators and country-specific indicators that countries may have. In undertaking this, the ADP have empowered these countries to share their financial inclusion stories through data.

This report, which builds on the data from the ADP, therefore closes the gap for PIRI members not being included in the Findex and highlights the progress and status of financial inclusion in these member countries in the various areas of financial inclusion engagement, national and international commitments, policy areas of focus and the changes that resulted from these initiatives. Due to the varying levels of development and progress for financial inclusion, the report also notes that the database varies for each member institution. However, this is work in progress, with improvements expected in the near future.

AFI's drive and contribution through secretariat work, policy direction, coordination and collaboration with PIRI members at various high-level meetings, technical and working group meetings including organised information sharing and peer learning programs have tremendously benefitted and helped enable PIRI countries leapfrog in financial inclusion.



## HIGH-LEVEL SUMMARY

The involvement of AFI in assisting the PIRI countries in their financial inclusion initiatives have enabled these countries to make substantial progress in their financial inclusion agendas. Although some have progressed further than others in their engagement in certain areas of financial inclusion, most PIRI countries have now placed leadership as a priority in their pursuit of greater financial inclusion. Each of the seven countries have mapped out national financial inclusion strategies against quantifiable targets. There is now available baseline data that enables policies and targets to be made and achieved.

In Fiji, the National Financial Inclusion Taskforce (NFIT) in 2016 launched its second National Financial Inclusion Strategic Plan, providing stakeholders with a roadmap for collaboration on the agreed financial inclusion targets to be achieved by 2020. This Strategic plan aspires to drive this by enhanced access, usage and quality of financial products and services. The overall target is to increase the percentage of adults using the formal financial system from 64 to 85 percent (130,000 adults), and for at least 50 percent of users to be women. For Samoa, the National Financial Inclusion Strategy 2017-2020 (NFIS) sets out the overarching approach to drive financial inclusion in Samoa in the medium term. The Central Bank of Samoa (CBS) takes a lead role in financial inclusion in Samoa and this role was mandated and written into the CBS Act (2015) as a function of the Bank. The demand side survey in particular, noted that 39 percent of adults in Samoa have bank accounts, 12 percent have access to other formal financial services such as credit unions, microfinance, insurance or finance companies.

The Banco Central de Timor-Leste launched the “National Strategy for Financial Inclusion 2017-2022”, which was the result of a comprehensive stakeholders consultation process - financial services providers, development partners, NGOs and government bodies joined the process and participated in the designing the strategy and defining the key action plans for the next 5 years. In 2016<sup>1</sup>, all municipalities in Timor-Leste were covered by financial services access points. It was further pointed out that 88 percent of 65 administrative posts have access to financial services. The banking institutions intensified their outreach of financial services by increasing access points from 198 in 2009 to 484 in 2016. It was also noted that 64 percent of the adult population currently use financial services. Tonga carried out a demand side survey in February 2016. The survey indicated that 41 percent of Tongan adults have a bank account and 34 percent are totally excluded. A further 14 percent access informal financial services through savings clubs, shop credit, money lenders or hire purchases. The report indicates that most of those likely to be excluded are the low-income earners, casual income earners and most of the residents of Ha’apai.

In March 2018, Vanuatu launched its new set of National Financial Inclusion Strategy 2018 - 2023, with a vision to create an enabling environment for enriching the livelihoods of the people and MSMEs in Vanuatu through

TABLE 1: SUMMARY OF PIRI COUNTRIES ADP PROGRESS

	MAYA COMMITMENT - TARGETS COMPLETED	POLICY PROFILE PERCENTAGE RESPONDED	INDICATORS - INDICATORS SUPPLIED
Fiji	27%	77%	18%
Papua New Guinea	14%	-	11%
Samoa	43%	84%	7%
Solomon Islands	43%	-	1%
Timor-Leste	33%	73%	1%
Tonga	-	52%	8%
Vanuatu	25%	66%	3%

inclusive financial services and consumer empowerment and protection. The Demand Side Survey held in Vanuatu in 2016 concluded that 37 percent of adults have bank accounts while 10 percent have access to other formal financial services such as credit unions, microfinance, insurance, mobile money and finance companies. The survey found that 32 percent of adults did not have bank accounts or are excluded from both the formal and informal financial services. Following the successful achievement of the first National Financial Inclusion strategy (NFIS 1), with the focus on “access to financial services,” the Central Bank of the Solomon Islands (CBSI) in collaboration with other national stakeholders developed the second National Financial Inclusion Strategy 2, 2016-2020 (NFIS 2). NFIS2 has placed more emphasis on Usage of financial services while consolidating on Access. In the demand side survey conducted in Solomon Islands in 2015, it was noted that 26 percent of adults have bank accounts, another 8 percent have some form of formal financial services from other institutions such as the provident fund, credit unions, microfinance and regulated loan companies. The results showed that 35 percent accessed finance from the informal sector such as shop credit, a moneylender and savings club. However, a total of 31 percent is totally excluded from formal financial services<sup>2</sup>. In the period 2011 - 2015, Solomon Islands exceeded its financial inclusion target of reaching 70,000 individuals to approximately 78,000. Significant progress has been achieved for Papua New Guinea since the launch of their first strategy in 2013. Deposit accounts held by commercial banks, microbanks and savings and loans increased from 1,112,227 in June 2013 to 2,299,251 in June 2016 showing a 10 percent increase.

The results of the summary show that five of the PIRI countries have progressed in their Maya Commitments. Some countries have made commitments with further targets based on recent AFI Accords (i.e. Maputo Accord on SME Finance, Denarau Action Plan on Gender, and Sharm El Sheik Accord on Financial Inclusion and Climate Change). In terms of policy profile responses, six countries have significantly progressed. Furthermore, the indicators supplied show that all countries have made some level of progress. However, data collection and reporting remain to be a major challenge across the PIRI countries.

1 National Strategy for Financial Inclusion 2017 - 2022.

2 <http://www.pfip.org/wp-content/uploads/2016/08/Financial-Services-Demand-Side-Survey-Solomon-Islands.pdf>

# COUNTRY PROFILE

# FIJI



## STATE OF FINANCIAL INCLUSION

In 2009, Fiji set a new National Financial Inclusion Strategy with an overarching target to provide access to financial services and products to 150,000 underserved Fijians by 2014. This was successfully achieved, surpassing the target by 138 percent. The demand side survey completed at the end of 2014 showed that 64% of the adult population were financially served by the formal financial sector. Out of this, 60% had bank accounts and 4% used other forms of financial services such as credit unions, microfinance institutions, superannuation accounts, investments, insurance and finance companies.

Financial education was introduced into the education curriculum in Fiji in 2013 after pilot projects were conducted in 2012. Around 910 schools were impacted and 197,000 students from Year 1 to Year 13 now learn financial education as subject integrated into the school curriculum. Innovative digital financial services have become a key pillar in Fiji's financial inclusion agenda. Commercial banks have expanded their electronic banking services and mobile network operators have launched and expanded mobile money products such as Digimoney, MPaisa, international remittances, G2P transfers and social welfare cards.

A National Financial Inclusion Taskforce (NFIT) was established to provide guidance and direction in terms of the work needed to achieve the national strategies. Baseline data from the demand side survey, and the earlier study on the financial competencies of Fijians, assisted in the formulation of a second strategy. In 2016, the NFIT, together with the Reserve Bank of Fiji (RBF), launched the National Financial Inclusion Strategic Plan 2016-2020. This plan sets an overall target to increase the formally-served adult population from 64% to 85% (130,000) of which at least 50% are to be women. In terms of geographical distribution, a minimum of 6% were to be from the Eastern Division, 22% from the Northern Division, 40% from the Western Division and 32% from the Central Division.

The plan focuses on seven key areas as follows:

- 1 empowerment of women, youth and those living with disabilities
- 2 development and strengthening of financial infrastructure
- 3 creating an enabling ecosystem that enhances the use of digital financial services
- 4 ensuring the provision of an appropriate, accessible and affordable range of financial products and services
- 5 improving and expanding responsible and relevant financial literacy initiatives and consumer protection that will lead to improved financial competencies and hence increase the use of financial products and services
- 6 strengthening private/public sector collaboration and partnership
- 7 enhancing financial inclusion data collection efforts.

## FINANCIAL INCLUSION INDICATORS

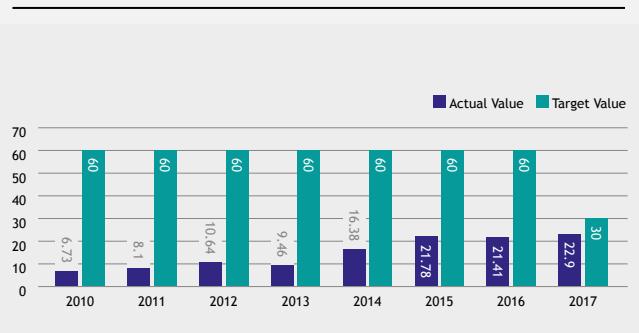
Fiji developed a set of indicators based on the AFI Core Set and the progress is noted below.

### CORE-1.1 - TOTAL NUMBER OF ACCESS POINTS PER 10,000 ADULTS

#### Financial Inclusion Data, Overarching National Goal

The total number of access points per 10,000 adults revealed that as of 2010-2017, the reported actual values gradually increased over time. Fiji revised its target value in 2017 from 60 to 30 access points per 10,000 adults. Here, the dimension is access and source is supply. This is shown in Figure 1 below.

FIGURE 1: ACTUAL AND TARGET VALUES FOR CORE-1.1

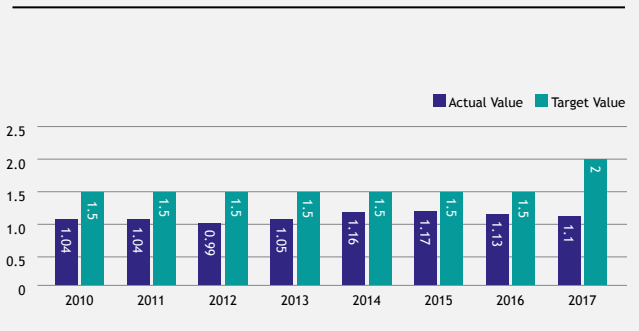


### CORE-1.1A - TOTAL NUMBER OF BRANCHES PER 10,000 ADULTS AT A NATIONAL LEVEL

#### Overarching National Goal

The results show that Fiji has made significant progress with this indicator and while it has not yet reached its target value, there has been consistent effort over the past eight years with an average of 1.1 points. The actual and target values by years for CORE-1.1a are summarized in Figure 2 below.

FIGURE 2: ACTUAL AND TARGET VALUES FOR CORE-1.1A

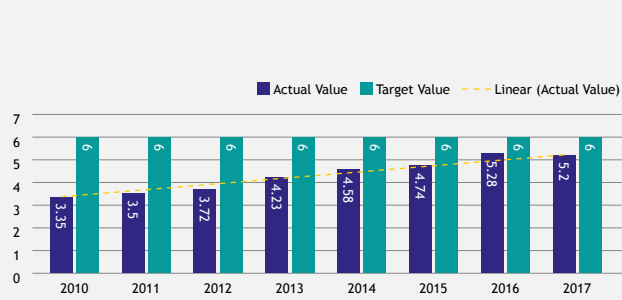


**CORE-1.1B - TOTAL NUMBER OF ATMS PER 10,000 ADULTS AT A NATIONAL LEVEL**

**Overarching National Goal**

There has been substantial progress in the actual values of this indicator each year towards the target. This is summarized in Figure 3 below as actual and target values. The actual value has a linear trend, showing there has been a gradual increase in the number of ATMs since 2010.

**FIGURE 3: ACTUAL AND TARGET VALUES FOR CORE-1.1B**

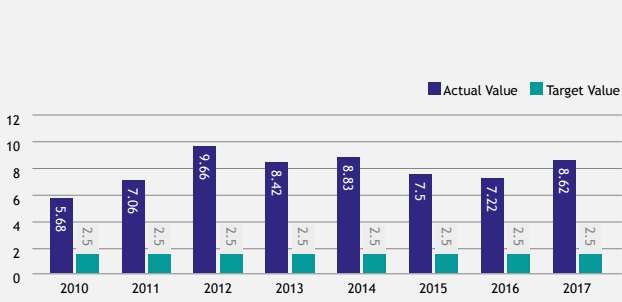


**CORE-1.1C - TOTAL NUMBER OF AGENTS PER 10,000 ADULTS AT A NATIONAL LEVEL**

**Overarching National Goal, Agent Banking**

The Fiji data for this indicator shows that substantial actual value results have been achieved each year, which surpass the minimum target value of 2.5. This is tabulated in Figure 4 below.

**FIGURE 4: ACTUAL AND TARGET VALUES FOR CORE-1.1C**



**CORE-1.2 PERCENTAGE OF ADMINISTRATIVE UNITS WITH AT LEAST ONE ACCESS POINT**

**Overarching National Goal**

The results show that for CORE-1.2, the target value of 75.5 was exceeded in 2015 with an actual value of 90.91. However, no further analysis could be conducted as this was the only data point recorded as Table 2 below shows.

**TABLE 2: SUMMARY OF THE ACTUAL AND TARGET VALUES OF CORE-1.2**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2015	90.91	2017	75.5

**CORE-1.3 - PERCENTAGE OF TOTAL POPULATION LIVING IN ADMINISTRATIVE UNITS WITH AT LEAST ONE ACCESS POINT**

The findings show that for CORE-1.3, the target value of 98.1 was achieved in 2015 with an actual value of 99.45. This was the only recorded value in the data. (Refer to Table 3 below).

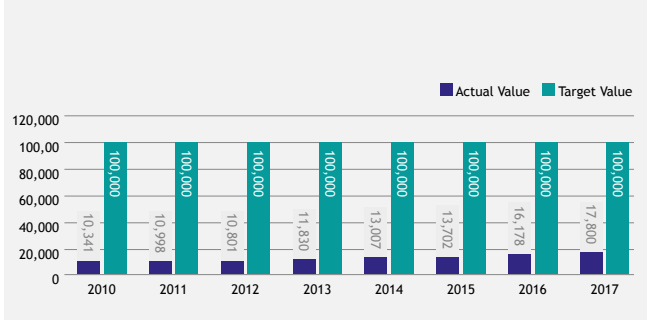
**TABLE 3: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.3**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2015	99.45	2017	98.1

**CORE-2.1X - NUMBER OF DEPOSIT ACCOUNTS PER 10,000 ADULTS**

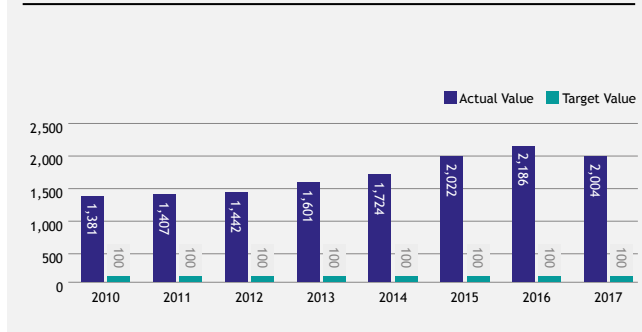
Figure 5 below shows the actual and target values for the number of deposit accounts per 10,000 adults from 2010-2017. These are regulated accounts, which are accounts at regulated institutions. These include only those that are prudentially regulated/supervised, and not necessarily all licensed or registered entities. Here, the dimension is usage and source is supply. The result shows a slight increase over this period - however, there is still a significant difference given the target value.

**FIGURE 5: ACTUAL AND TARGET VALUES FOR CORE-2.1X**

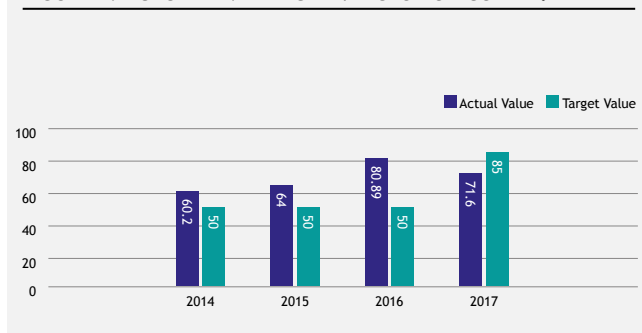


**CORE-2.2X - NUMBER OF LOAN ACCOUNTS PER 10,000 ADULTS**

The actual and target values for number of loan accounts per 10,000 adults is shown in Figure 6 below. The results show that for every year from 2010-2017 the actual values have significantly exceeded the target values.

**FIGURE 6: ACTUAL AND TARGET VALUES FOR CORE-2.2X****CORE-2.1 - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED DEPOSIT ACCOUNT**

The results of the actual and target values of the percentage of adults with at least one type of regulated deposit account is shown in Figure 7 below. The actual values are greater than the target values for all years except 2017. Here, the dimension is usage and source demand.

**FIGURE 7: ACTUAL AND TARGET VALUES FOR CORE-2.1****CORE-2.1A - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED DEPOSIT ACCOUNT, FEMALE Financial Inclusion Data**

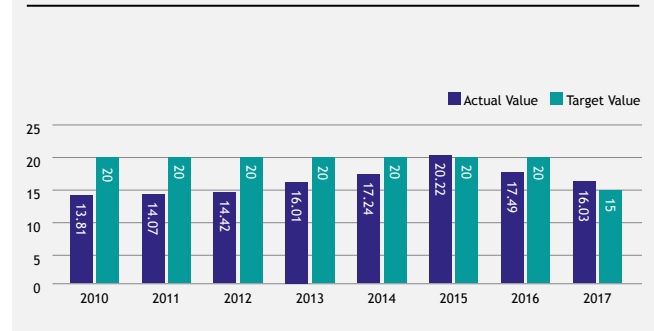
The percentage of female adults with at least one type of regulated deposit account had an actual value of 56.8 in 2017 with a set target of 72 by 2020. (Refer to Table 4 below).

**TABLE 4: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-2.1A**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2017	56.8	2020	72

**CORE-2.2 - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED CREDIT ACCOUNT****Overarching National Goal**

CORE-2.2 reported data are shown in Figure 8 below. It shows that from 2010-2015 the actual values have increased over time and the target value was revised in 2017 to 15, from 20 in the previous years.

**FIGURE 8: ACTUAL AND TARGET VALUES FOR CORE-2.2****MAYA DECLARATION COMMITMENTS**

The RBF had 15 commitments, of which four have been completed, thus reaching 27% of their targets. A summary of the thematic areas and their corresponding status is provided in the table below.

**TABLE 5: FIJI MAYA DECLARATION COMMITMENTS SUMMARY**

FIJI	COMPLETED	IN PROGRESS	TOTAL
Digital Financial Services		3	3
Financial Inclusion Data	1	1	2
Financial Literacy & Financial Education	2	1	3
Overarching National Goal	1	2	3
SME Finance		4	4
<b>Fiji Total</b>	<b>4</b>	<b>11</b>	<b>15</b>



The completed targets for Fiji are highlighted below with the respective evidence.

TABLE 6: MAYA DECLARATION UPDATES

PRIMARY THEMATIC AREAS	TARGET	EVIDENCE OF COMPLETION
Overarching National Goal	Reach at least 150,000 unbanked and underserved citizens by 2014.	138% of target has been met as of 31 December 2014.
Financial Literacy & Financial Education	Integrate financial education into the Fiji school curriculum from class 1 to 13 by 2012.	This is already being done in 910 schools.
Financial Literacy & Financial Education	Conduct financial competency survey by 2012.	This was achieved in 2012 and the results were built into national strategies.
Financial Inclusion Data	Collect Core Set of Indicators by 2013.	A national demand side survey was completed in 2014 and has provided data via the data portal to complete the Core Set of Indicators.

The ongoing targets for Fiji by their thematic areas are listed below.

TABLE 7: TARGETS IN-PROGRESS

PRIMARY THEMATIC AREAS	TARGET
Overarching National Goal	Increase access to formal financial services from 64% to 85% (by 130,000) of the adult population, of which 50% are women.
Overarching National Goal	Increase the percentage of youth accounts with formal financial institutions from 51% to 80% (25,000).
SME Finance	Establish a policy framework for SME development.
Digital Financial Services	Increase the percentage of adults using mobile money from 2% to 15% (79,000).
Financial Literacy & Financial Education	Integrate entrepreneurial training into tertiary education.
SME Finance	Work with partners on developing and promoting sustainable business models to support communities' response to climate change.
SME Finance	Grow SME contribution to GDP by 5% by the year 2020.
Digital Financial Services	Increase government digital payments from 75% to 90% by the year 2020.
Financial Inclusion Data	Enhance data measurement and analysis by collecting disaggregated data on gender, age, and ethnicity by the year 2020.
SME Finance	Formulate and report on the SME Base Set Indicators by the year 2020.

## POLICY PROFILES

### CONSUMER EMPOWERMENT AND MARKET CONDUCT

There are a number of legislations and specific regulations that govern financial consumer protection in Fiji.<sup>3</sup>

These provide an environment that allows for consumer protection where issues are raised with the appropriate institution. There is however, no one institution that adjudicates directly on consumer complaints other than the Courts of Fiji or through the Fiji Mediation Centre. The RBF, through its guidelines, provides a mediation process with a view to resolving financial complaints that deal directly with its licensed financial institutions. The Fijian Competition and Consumer Commission Act (2010) promulgates that certain information must be written in a contract and stipulates prohibited contractual terms. The Consumer Credit Act requires that all credit contracts must also be written. Price transparency is an important issue for both these legislations and hence promulgating such standards is important for this purpose.

<sup>3</sup> Consumer Council of Fiji Act (1985), Consumer Credit Act (1999), Consumer Credit (Amendment Act) (2006), Fijian Competition and Consumer Commission Act and Commerce Commission Decree (2010), Money Lenders Act (1976), Reserve Bank of Fiji, Banking Supervision Policy No. 13, Policy Guideline on Complaints Management, Reserve Bank of Fiji, Banking Supervision Policy Statement No.18: Agent Banking Guideline, Reserve Bank of Fiji, Capital Markets Supervision Policy Statement No. 3, Minimum Guidelines on Complaints Management, Reserve Bank of Fiji, FPNP Supervision Policy Statement No. 3, Minimum Guidelines on Complaints Management, Reserve Bank of Fiji, Insurance Supervision Policy Statement No. 9, Policy Guideline on Complaints Management, Reserve Bank of Fiji, Restricted Foreign Exchange Dealers and Money Changers Supervision Policy Statement No. 3, Minimum Guidelines on Complaints Management, Fiji Financial Transactions Reporting Act 2004.

## DIGITAL FINANCIAL SERVICES

The RBF Act (1985) and the RBF (Payment and Settlement Systems Oversight) Regulations (2004) give the mandate to the Bank to oversee the Payment Systems and Payment Services in Fiji. Fiji Interchange Network-Payments Act (2017) Part 8 gives explicit powers of regulatory oversight of the Payments Systems in Fiji to the RBF.

In Fiji, interoperability is still a challenge between the various mobile operators. However, there is now one bank and a mobile network operator which allow for both push and pull from a bank account to a wallet and vice versa, completing the loop.

The RBF issued Banking Supervision Policy Statement No. 18 Agent Banking Guidelines that provide the perimeters for agent banking in Fiji. Both banks and non-banks are allowed to appoint agents that provide cash-handling services and any legal person as such is allowed to be appointed. At present, super-agents or multiple “tiers” (or levels) of agents are not allowed. Exclusivity of contracts between banks and/or non-banks with agents are also not permitted. At this point, remote account opening for deposit and e-money accounts is only allowed at a bank.

## FINANCIAL INCLUSION DATA

The RBF published the AFI Core Set of Indicators. Towards the end of 2015, the Bank started reporting on a comprehensive set of Access, Usage and Quality indicators. This data has been published in the RBF Quarterly Review of the Economy and Financial Conditions Report since December 2015.

With grant funding from AFI and PFIP, a national demand side survey on financial inclusion was conducted in October 2014. The RBF and NFIT used the results from this survey to develop the new National Financial Inclusion Strategic Plan 2016-2020, building in evidence-based policy solutions and targets.

Mapping of all financial access points across Fiji was also done by the RBF. The RBF in collaboration with the Fiji Bureau of Statistics mapped 6,102 points of customer access to financial services provided by the commercial banks, licensed credit institutions, life insurers, microfinance institutions, mobile money agents and mobile network coverage by two mobile operators.

Fiji has a measurable national target for financial inclusion under the new strategic plan which is to “increase access to formal financial services from 64% to 85% (by 130,000) of the adult population, of which 50% are women”. This exceeds the earlier measurable target of reaching 150,000 unbanked Fijians by 2014, a goal that was achieved in February 2014. Financial inclusion data is reported to the RBF Board and the NFIT.

## FINANCIAL INCLUSION STRATEGY

Fiji does not have an official definition for financial inclusion nor is there an official mandate for the RBF to pursue financial inclusion. The RBF however, leads financial inclusion activities together with NFIT. NFIT is chaired by the Governor of the RBF and comprises private and public sector representatives, non-government organizations and development partners.

The RBF and NFIT issued the National Financial Inclusion Strategic Plan for 2016-2020. The Plan covers key policy areas and targets and provides a monitoring and evaluation framework to track progress. Detailed input into the plan came from the national demand side survey and supply side data.

## FINANCIAL INTEGRITY AND STANDARDS

Fiji does not have a personal national identification (ID) system. Fijians rely on a combination of documents such as passports and birth certificates. There is also a tax identification number system, though not every person has obtained one. Fiji has a Proportionate AML/CFT legal framework.<sup>4</sup> A number of mutual evaluations<sup>5</sup> have been done, the latest by the Asia Pacific Group (APG) of Money Laundering in 2015. The report outlined the findings of Fiji’s compliance with international AML standards and the Financial Action Task Force Recommendations (FATF). The mutual evaluation report specifies key deficiencies for Fiji to address.

The Financial Transactions Reporting Regulations and FIU Guideline 4 on Customer Identification and Verification provide simplified risk-based CDD. Guideline 4 (6, 13-14), is not based on flexible requirements for access to low- or high-risk products but, rather, low- or high-risk customers. When a customer is identified as low-risk, they accordingly have greater access to products; when a customer is identified as high-risk, they have less access to products.<sup>6</sup>

4 The Financial Transactions Reporting Act (2004) and the Financial Transactions Reporting Regulation (2007). The Fiji Financial Intelligence Unit (FIU), a specialized government agency looks after this area. A National Council (made up of private- and public-sector agencies) oversees this whole framework.

5 In 2006, the World Bank carried out a mutual evaluation: The World Bank, Detailed Assessment Report Anti-Money Laundering and Combating the Financing of Terrorism: Fiji July 2006).

6 Fiji Financial Intelligence Unit Guideline 4: Customer Identification & Verification (2009), available at [http://www.fjifiu.gov.fj/getattachment/Pages/Guidelines-and-Policy-Advisories/Guidelines/Guideline-4\\_Customer-Due-Diligence-Aug-2009.pdf.aspx](http://www.fjifiu.gov.fj/getattachment/Pages/Guidelines-and-Policy-Advisories/Guidelines/Guideline-4_Customer-Due-Diligence-Aug-2009.pdf.aspx)

# COUNTRY PROFILE SAMOA



## STATE OF FINANCIAL INCLUSION

The Central Bank of Samoa (CBS) takes a lead role in financial inclusion in Samoa. This role was mandated and written into the CBS Act (2015) as a function of the Bank. Over the last few years, CBS undertook diagnostic studies to determine the position of financial inclusion in Samoa. A financial competency study was carried out in 2013. This was followed with a demand side survey in 2015. A financial services sector assessment was concluded in 2016. These studies provided baseline data for the first time on the position of financial inclusion.

The demand side survey in particular noted that 39% of adults in Samoa have bank accounts and 12% have access to other formal financial services such as credit unions, microfinance, insurance or finance companies. However, 49% do not have access to formal financial services. Income level is noted as a key driver. About two-thirds of the adult population in the bottom 40th percentile of income bracket do not have access to formal financial services compared to one-third in the top 40th percentile. This shows that many of the poor are excluded.

As for women, the survey noted that 7% of women are excluded from the formal financial sector. However, a larger proportion of women, 40%, have bank accounts in contrast to the number of men which stands at 38%. More women than men tend to use informal financial services.

Samoa has completed its first National Financial Inclusion Strategy for 2017-2020. The key focus of the strategy is on “next-mile financial services” and the overall goals include:

- > having an additional 40,000 adults with improved access to formal financial services, of whom at least 50% will be women and at least 50% will be from rural areas
- > having an additional 20,000 people - previously excluded from the formal financial system - gain access to a formal savings account
- > increasing the usage of financial products and services while ensuring an activity rate of at least 10% for digital financial services
- > improving the quality of financial services by promoting a wide variety of suitable and affordable financial services for all
- > providing financial education to all children, including differently-abled children, and promoting financial literacy among adults.

CBS has also started looking at important enablers for financial inclusion. These include digital financial services and mobile financial services to increase coverage and access. In the area of de-risking, CBS has taken a lead role and become a voice for the Pacific Islands state in raising awareness of the negative impact of de-risking with international organisations such as the International Monetary Fund (IMF), World Bank and AFI.

## FINANCIAL INCLUSION INDICATORS

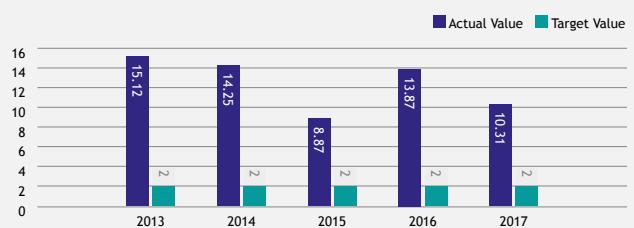
The AFI Core Set for Samoa is discussed under respective themes in this section. The dimension for these indicators is access and the source is supply.

### CORE-1.1 - TOTAL NUMBER OF ACCESS POINTS PER 10,000 ADULTS NATIONWIDE

#### Financial Inclusion Data, Overarching National Goal

The total number of access points per 10,000 adults nationwide values are shown in Figure 9 below. The results show that the actual values exceed the target values from 2013-2017 but at a declining trend.

FIGURE 9: ACTUAL AND TARGET VALUES FOR CORE-1.1

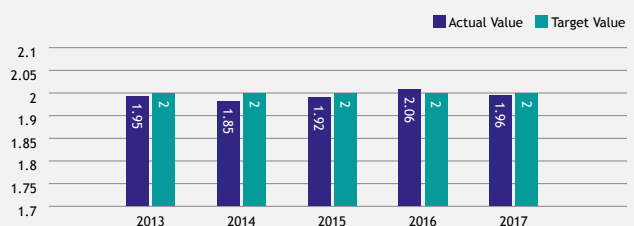


### CORE-1.1A - TOTAL NUMBER OF BRANCHES PER 10,000 ADULTS AT A NATIONAL LEVEL

#### Overarching National Goal

The total number of branches per 10,000 adults at a national level is shown in Figure 10 below. It shows that the actual values declined slightly in 2014. However, this recovered in 2016 to meet the target.

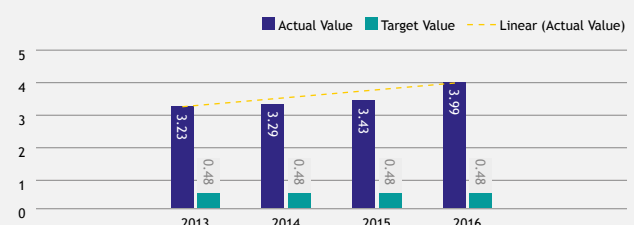
FIGURE 10: ACTUAL AND TARGET VALUES FOR CORE-1.1A



### CORE-1.1B - TOTAL NUMBER OF ATMS PER 10,000 ADULTS AT A NATIONAL LEVEL

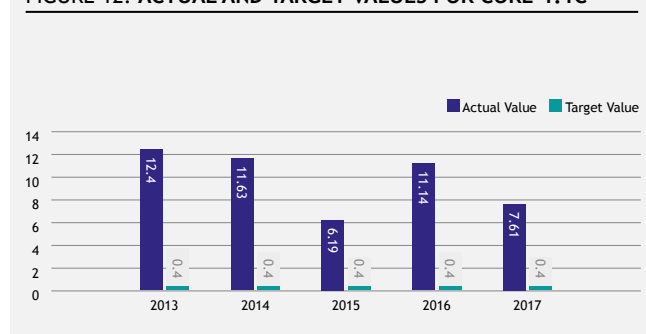
The total number of ATMs per 10,000 adults at a national level highlights a significantly linear trend from 2013-2016.

FIGURE 11: ACTUAL AND TARGET VALUES FOR CORE-1.1B



**CORE-1.1C - TOTAL NUMBER OF AGENTS PER 10,000 ADULTS AT A NATIONAL LEVEL****Overarching National Goal, Agent Banking**

The total number of agents per 10,000 adults at a national level is shown in Figure 12 below. It shows that the actual values exceed the target values for every year, beginning in 2013 and going on to 2017.

**FIGURE 12: ACTUAL AND TARGET VALUES FOR CORE-1.1C****MAYA DECLARATION COMMITMENTS**

The CBS committed to seven targets of which three have been completed and four are currently ongoing, giving a completion rate of 43% of their targets. This is summarized by thematic areas in the table below.

**TABLE 8: SAMOA MAYA DECLARATION COMMITMENTS SUMMARY**

SAMOA	COMPLETED	IN PROGRESS	TOTAL
Consumer Protection		1	1
Digital Financial Services	1	1	2
Financial Inclusion Data	1		1
Financial Literacy & Financial Education		1	1
Microinsurance		1	1
National Strategy on Financial Inclusion	1		1
<b>Samoa Total</b>	<b>3</b>	<b>4</b>	<b>7</b>

The completed targets for Samoa are highlighted below with their respective evidence and latest update.

**TABLE 9: MAYA DECLARATION UPDATES**

PRIMARY THEMATIC AREAS	TARGET	EVIDENCE OF COMPLETION
<b>Financial Inclusion Data</b>	Monitor and track financial inclusion progress through data collection, and by 2016 publish bi-annual reports on findings to inform key market players.	Work is progressing. With the efforts of PIRI we have established a financial inclusion measurement framework. Supply side data has been regularly collected and a Demand Side Survey has been completed.
<b>Digital Financial Services</b>	Enact National Payments System Act to regulate electronic money by early 2014.	While this has been completed, work is ongoing to establish supporting regulations and guidelines.
<b>National Strategy on Financial Inclusion</b>	Establish a national coordinating body for financial inclusion by June 2014.	Completed national inclusion strategy. A financial services sector assessment has been completed. A demand side survey has also completed and a national financial inclusion taskforce established.

The ongoing targets for Samoa by their thematic areas are listed below.

**TABLE 10: TARGETS IN-PROGRESS**

PRIMARY THEMATIC AREAS	TARGET
<b>Consumer Protection</b>	Establish an effective financial consumer protection regime by June 2016.
<b>Financial Literacy &amp; Financial Education</b>	In partnership with the Ministry of Education, integrate, strengthen, and implement financial education within the Samoa national school curriculum for primary and secondary schools by 2017.
<b>Microinsurance</b>	Provide an enabling environment for inclusive insurance markets and microinsurance by 2017.
<b>Digital Financial Services</b>	Increase financial service access or convenience to 50% of the population, particularly for those in the rural areas through mobile financial services, institutional innovations and other initiatives by 2016.

## POLICY PROFILE

### CONSUMER EMPOWERMENT AND MARKET CONDUCT

Insurance, payments and financial institutions are captured under the Central Bank's supervisory powers. Section 38 of the National Payment System (NPS) Act (2014) requires the Central Bank to pass directives requiring financial service providers who impose fees on customers for electronic transfers to provide written notice of fees in a conspicuous location.

The CBS has an online consumer complaint form, but the Ministry of Commerce, Industry and Labour administers the recently passed Competition and Consumer Act 2016 which now covers consumer protection issues with regards to insurance and banking services.

### DIGITAL FINANCIAL SERVICES

There are a number of legislations that govern and provide clear authority over the payment systems in Samoa and these include the CBS Act (2015), the NPS Act (2014) and the Electronic Transactions Act (2008).

There is a category of accounts other than deposit accounts where client funds are repayable on demand and these are issued by both banks and non-banks. There is also interoperability between accounts through mobile including transfer of funds from an e-money and/or deposit account to another account using a mobile device. In terms of agency appointments, both banks and non-banks can be appointed agents that provide cash-handling services. Agents must be a legal person. No super-agents or multiple tiers (levels) of agents are allowed; nor is exclusivity. Remote opening of accounts for deposit and e-money are currently allowed but only at banks. Banks are expected to receive complaints and enquiries for digital financial services and need to respond within a specified window. This is not the case with non-banks.

### FINANCIAL INCLUSION DATA

The CBS, together with the other PIRI countries, agreed to an AFI Core Plus set of indicators and began publishing these in 2013. Further submission of the AFI Core set was made to the AFI data portal and the first semi-annual financial inclusion report of June 2015, which contains the Core set indicators and highlights of the demand side survey.

Samoa carried out a number of diagnostic studies which included a Financial Competency of Low-Income Households in Samoa survey (2013), the Financial Services Demand Side Survey (2015), and the Financial Services Sector Assessment (2016). Data from these surveys was used in the development of Samoa's National Financial Inclusion Strategy, which sets multiple and measurable national targets for financial inclusion.

### FINANCIAL INCLUSION STRATEGY

Samoa does not have an official definition of financial inclusion. The CBS however, leads the efforts in financial inclusion and has a mandate prescribed under law in the CBS Act (2015) to promote financial inclusion and financial literacy. On 29 June 2016, the Cabinet endorsed the formation of the National Financial Inclusion Taskforce which coordinates and oversees the activities of financial

inclusion in the country. Samoa then put in place its first National Financial Inclusion Strategy for 2017-2020. Key areas of focus cover mobile financial services, consumer protection, financial education and financial literacy. A key target in the Strategy sets out to attain an additional 40,000 adults with improved access to formal financial services of which at least 50% will be women, and at least 50% will be from rural areas.

### FINANCIAL INTEGRITY AND STANDARDS

Samoa has an AML/CFT framework in place and legislation<sup>7</sup> that enforces this framework. The Money Laundering Prevention Act (MLPA) (2007) lays out the basic regulatory framework designed to prevent money laundering in Samoa. It is administered by CBS along with numerous substantive provisions concerning monitoring, reporting and border control. This legislation empowers the Minister of Finance to appoint the Money Laundering Prevention Authority. This authority established a Money Laundering Prevention (MLP) Task Force, consisting of the Central Bank and other enforcement agencies. This task force is charged with ensuring close liaison, cooperation and coordination between the various government departments, statutory corporations and the Authority and the Financial Intelligence Unit (FIU). The FIU has signed MOUs with members of the MLP Task Force to strengthen information sharing and cooperation.

Samoa does not have a national ID system. The country carried out a number of risk assessments and mutual evaluations<sup>8</sup> that enabled the revision of its AML legislation, regulations and guidelines to better align with FATF standards.

The MPLA allows for simplified customer due diligence (CDD) for transactions that are part of an existing and regular business relationship with a person who has already produced satisfactory evidence of identity and when the transaction is one-off and not exceeding \$50,000. The Money Laundering Prevention Regulations also allow simplified CDD for lower risk customers<sup>9</sup> It provides a limited exemption for customer identification in the case of the transactions described above but does not provide for simplified verification unless the customer is also low-risk under a separate provision.

<sup>7</sup> Mutual Legal Assistance on Criminal Matters Act 2007, Proceeds of Crime Act 2007, Money Laundering Prevention Act 2007 and Money Laundering Prevention Regulations 2009

<sup>8</sup> FATF - Risk Assessment 2002, APG - Mutual Evaluation Assessment 2006, APG - Mutual Evaluation 2014 Intl Monetary Fund, Offshore Financial Centres: The Assessment Program (Feb. 8, 2006), available at <https://www.imf.org/external/np/pp/eng/2006/020806.pdf>

<sup>9</sup> MPLA 16(4)(a)(b). (<http://www.cbs.gov.ws/index.php/banking-system/amlfu/legislative-and-regulatory-framework>).

# COUNTRY PROFILE TIMOR-LESTE



## STATE OF FINANCIAL INCLUSION

In 2016,<sup>10</sup> all municipalities in Timor-Leste were covered by financial services access points. It was further pointed out that 88% of 65 administrative posts have access to financial services. The banking institutions intensified their outreach of financial services by increasing access points from 198 in 2009 to 484 in 2016. It was also pointed out that 64% of the adult population currently uses financial services.

While there has been some outreach by banking institutions, deployment of access points is still an issue. It was noted that eight administrative posts are yet to be served by financial service providers and the underserved rural segments of society have the problem of having to travel great distances to get to an access point. It was also found that features of financial services and products offered lacked user-friendliness, convenience and affordability. Financial services providers also need support and capacity building to enable them to better deliver training and education to nurture those in the low-income and rural segments. They also highlighted that financial literacy and adequate consumer protection frameworks are needed.

Banco Central de Timor-Leste (BCTL) has introduced policies and initiatives which have driven financial inclusion. Measures have been put in place to introduce and modernize the payment systems, the launch of agent banking, a pilot e-wallet, the development of access to credit infrastructure, provision of training to MSMEs and implementation of a number of financial literacy programs and consumer protection regulation.

Timor-Leste issued its financial inclusion strategy for 2017-2022. Its vision: “To create an inclusive financial system that brings the benefits of financial services to all, including unbanked people and communities, towards the objective of reducing poverty and enhancing shared prosperity”.

Its key commitments include:

- 1 promoting the extensive use of digital financial products and facilitating the introduction of agent banking arrangements to cover 75% of administrative posts
- 2 reviewing the regulatory framework for consumer protection and introducing appropriate provisions, including planned amendments to the banking law
- 3 publishing a financial literacy strategic plan and launching a pilot national financial literacy campaign covering all municipalities
- 4 completing a study of SME finance and introducing a pilot credit guarantee scheme.

## FINANCIAL INCLUSION INDICATORS

Timor-Leste has yet to publish the AFI Core Set Indicators. Its financial inclusion measurement framework currently reports access, usage and quality indicators.<sup>11</sup> In terms of access, indicators are: penetration of financial access points by municipality, administration post and sucos, penetration of access points per adult population and penetration of access points per 1000 kilometres. Under usage, the indicators are: penetration of deposit accounts per adult population, penetration of loan accounts per adult population and penetration of life insurance policies per adult population. For quality, the indicators used are: ease of deposit account applications and ease of loan account application.

## MAYA DECLARATION COMMITMENTS

The BCTL committed to 12 targets. They have completed four of those targets and eight are currently ongoing. Hence, 50% of their targets have been completed. This is summarized in the table below by thematic areas.

TABLE 11: TIMOR-LESTE MAYA DECLARATION COMMITMENTS SUMMARY

TIMOR-LESTE	COMPLETED	IN PROGRESS	TOTAL
Consumer Empowerment & Market Conduct	1		1
Consumer Protection		3	3
Digital Financial Services	1	1	2
Financial Literacy & Financial Education	2	1	3
Microinsurance		1	1
SME Finance		2	2
<b>Timor-Leste Total</b>	<b>4</b>	<b>8</b>	<b>12</b>

<sup>10</sup> National Strategy for Financial Inclusion 2017-2022.

<sup>11</sup> Financial Inclusion Report 2016: <https://www.scribd.com/document/351198579/Financial-Inclusion-Strategy-of-the-Timor-Leste-Government>.



The completed targets for Timor-Leste are highlighted in Table 12 below.

**TABLE 12: MAYA DECLARATION UPDATES**

PRIMARY THEMATIC AREAS	TARGET	EVIDENCE OF COMPLETION
<b>Consumer Empowerment &amp; Market Conduct</b>	Publish a financial literacy strategic plan by the end of 2014.	On 28 August 2015, the BCTL launched the National Strategic Plan (NSP) for Financial Literacy in Timor-Leste. The NSP establishes a five-year plan covering the period 2016-2020. The NSP for Financial Literacy establishes five focus areas: (1) building sectoral capacity and capability, (2) providing leadership, (3) reaching the target audience, (4) maintaining the quality of financial advice and (5) sharing what works.
<b>Digital Financial Services</b>	Modernizing the payments system through the introduction of an automated transfer system, and enacting a Payments Law which will form the foundations upon which future digital financial services are built.	For further information, please refer to the Annual Report 2015 (pages 62-63).
<b>Financial Literacy &amp; Financial Education</b>	Financial literacy campaign to cover all districts by the end of 2015.	<p>In February 2014, the BCTL engaged a consultant to assist them to design and develop a financial literacy awareness campaign plan and design a module for the training of trainers and the delivery of training.</p> <p>The first training session for facilitators and mentors was conducted at the end of June 2014.</p> <p>Further training was conducted in November 2014 for representative staff from the commercial banks.</p> <p>The National Program on Financial Education commenced on 29 November 2014 with a first National Savings Day, launched by the President. About 1,000 people attended, of which half were students from primary and secondary schools (aged 5 to 15 years).</p> <p>This was followed by a public awareness program lasting five consecutive days, where BCTL broadcasted a video program through local television and public video billboards. Five hundred and twelve money boxes were distributed to children aged 5 to 15 years. The BCTL also contributed 100 centavos (equivalent to US\$1) to place in each money box. At the National Savings Day ceremony on 29 November 2015, the BCTL doubled the amount in the money boxes and banked the savings in a special bank account at a bank chosen by the children and from which no withdrawals can be made until the child is 17.</p> <p>This event will be marked with a National Saving Day each year. This is linked to three important themes: 1) Planning - for financial independence, 2) Saving - there is an urgent need for people to think about saving, 3) Spending - to spend more wisely.</p> <p>At the beginning of 2015, the BCTL continued to run campaigns covering the remaining six municipalities, Covalima, Ermera, Lospalos, Viqueque and Dili including the Special Administrative Region of Oecussi Ambeno. By the end of November 2015, about 15,600 people from various sectors had attended this program.</p>

The ongoing targets for Timor-Leste are listed below by thematic areas.

TABLE 13: TARGETS IN-PROGRESS

PRIMARY THEMATIC AREAS	TARGET
Consumer Protection	Establish an effective financial consumer protection regime by June 2016.
Consumer Protection	Review the regulatory framework for consumer protection by early 2015 and introduce appropriate provisions; this included planned amendments to the banking law by the end of 2015.
SME Finance	Complete a study of SME finance by the end of 2014.
SME Finance	Introduce a pilot credit guarantee scheme by mid-2015.
Consumer Protection	Fostering financial intermediation, through legal and administrative arrangements, improved record-keeping and accounting, and a potential credit guarantee scheme to encourage borrowing for economic development.
Microinsurance	Widening the range of products available for managing economic risk by continuing to develop a broad range of financial products with a focus on micro-savings and microinsurance for people in rural areas.
Consumer Protection	Building public confidence and participation in the financial system through appropriate licensing, regulation and supervision by introducing codes of conduct, consumer protection rules and considering the possibility of a deposit guarantee scheme and improving financial literacy.
Financial Literacy & Financial Education	Building capacity and developing talent through relevant education and training to accelerate the development of people at all levels of the financial system, from regulators and supervisors through the commercial and microfinance entities, to the public at large.
Digital Financial Services	Promoting the extensive use of digital financial products and facilitating the introduction of agent banking arrangements to cover 75% of sub-districts by 2016.

## POLICY PROFILE

### CONSUMER EMPOWERMENT AND MARKET CONDUCT

Timor-Leste does not have any specific regulation on consumer protection. The general consumer protection regime, however, applies to financial services. Article 53 of the Constitution of the Democratic Republic of Timor-Leste concerning consumer rights states the following:

- 1 consumers have the right to goods and services of good quality, to truthful information and protection of their health, safety and economic interests, and to reparation for damages and
- 2 advertising shall be regulated by law, and all forms of concealed, indirect or misleading advertising are prohibited.

There is no one body that is responsible for handling consumer complaints. However, banks are obligated to submit copies of customer complaints to the BCTL.<sup>12</sup> The BCTL has authority to take action against banks and impose penalties for violations against such regulations.

There is also no institution in Timor-Leste that is mandated to enforce financial consumer protection nor is there one that monitors complaints. Not one financial service provider has been sanctioned for violation of consumer protection measures. There are no minimum standards for written contracts - however, price transparency regulation is in place and is contained in the Public Instruction legislation.<sup>13</sup>

### DIGITAL FINANCIAL SERVICES

The regulator has the mandate and clear authority over the payment systems in Timor-Leste.<sup>14</sup> There are however, no specific regulations governing mobile finance services at this point. There is a category of accounts other than deposit accounts in which clients' funds are repayable on demand and which may be issued by banks and non-banks.<sup>15</sup> Interoperability exists between accounts using mobile services. Users can transfer funds from an e-money and/or deposit account to another account using a mobile device.

12 BCTLs Instruction No.01/2013 on the Licensing and Supervision of Money Transfer Operators and under Circular Letter No. 14/2015: Guidelines of Usage for Branchless Banking available at [https://www.bancocentral.tl/Download/Instructions/BCTL-Instnc\\_no.0103\\_en.pdf](https://www.bancocentral.tl/Download/Instructions/BCTL-Instnc_no.0103_en.pdf)

13 See Governing Board Resolution No. 11/2010 concerning the approval of Public Instruction 06/2010, Art.27, available at [https://www.bancocentral.tl/Download/Instructions/Pub\\_Inst\\_6\\_2010\\_en.pdf](https://www.bancocentral.tl/Download/Instructions/Pub_Inst_6_2010_en.pdf)

14 See Law No. 5/2011, Art. 5(i), Art. 29(1), available at <https://www.bancocentral.tl/Download/Regulations/Law-2011-5>.

15 Press release of authorization of mobile pilot available at [https://www.bancocentral.tl/Download/Announcement/Mobile-Money\\_MRelease\\_en.pdf](https://www.bancocentral.tl/Download/Announcement/Mobile-Money_MRelease_en.pdf)

Banks and non-banks cannot appoint agents to provide cash-handling services. Any legal person can become an agent.<sup>16</sup> Multiple tiers or levels of agents are allowed to deliver specified financial services. These tiers or levels of agents include super-agents and aggregators. There is no prohibition on agent exclusivity. Exclusive contracts are permitted legally between banks and/or non-banks with agents. Remote account opening is allowed at either a bank or a non-bank for deposit and e-money accounts.

With regard to customer complaints in digital financial services, banks are required to receive customer complaints and enquiries. They are also required to respond within a specified window.<sup>17</sup>

### FINANCIAL INCLUSION DATA

The BCTL's Master Plan for Financial Sector Development set quantifiable targets for financial inclusion to be achieved at various years to 2025. These targets aim to increase the following:

- 1 proportion of adult population with a bank account
- 2 number of personal deposits per GDP
- 3 number of personal loans per GDP.

The plan also discusses other strategies to increase financial inclusion.<sup>18</sup> Financial inclusion data is reported to the Board of BCTL and the Bank issued its first Financial Inclusion Report in 2016.

### FINANCIAL INCLUSION STRATEGY

Timor-Leste does not have an official definition of financial inclusion. It has, however, charted a National Financial Inclusion Strategy. It does not have a national financial inclusion taskforce that coordinates financial inclusion activities. BCTL has taken a lead role in the development of financial inclusion and has undertaken initiatives to promote financial inclusion and financial literacy. In doing so, it has consulted and/or coordinated with stakeholders including the Ministry of Education and Social Solidarity, commercial banks, and mobile service providers. The strategies include increasing the use of technology (especially mobile phones), provision of deposit insurance to ensure that deposits up to a certain amount are convertible for cash, and creation of customer relations codes of conduct that reassure customers that they will receive ethical treatment and not be charged disproportionate fees.

### FINANCIAL INTEGRITY AND STANDARDS

Timor-Leste has an AML/CFT regime<sup>19</sup> with a national ID system. The Timor-Leste National Directorate of Registries and Notarial Services within the central government is vested with authority to undertake civil registration and regulate the regime of civil identification. All citizens (as defined in the Constitution) are to be covered by the national ID, which is valid for 5 years, excluding applicants over age 60.

A documented FATF risk assessment was conducted for Timor-Leste by APG in 2012.<sup>20</sup> On 9 April 2014, the government issued Resolution No.10/2014 establishing a National Commission for the Implementation of Corrective Measures Against Money Laundering and the Financing of Terrorism. Timor-Leste, however, does not have an agreement, committee or MOU in place to work collaboratively with the private sector and other relevant government institutions on risk assessments and other emerging risks.

There are simplified KYC for low-risk products. Also, the laws, regulations or guidelines allow for a simplified risk-based CDD in relation to specific low-risk products and services. Simplification applies to both identification and verification. The legislation approving the legal system to protect against money laundering and terrorist financing provides the competent supervisory authority to determine the circumstances under which the obligations set forth may be reduced or simplified in respect of the identification (and the verification) of the customer or beneficiary owner.

16 Circular letter No. 14/2015: Guidelines of Usage of Agents for Branchless Banking available on (<https://www.bancocentral.tl/en/go/timor-lesteban>).

17 BCTL 2014 Annual Report.

18 Master Plan for Financial Sector Development in Timor-Leste 2014-2015, available at [https://www.bancocentral.tl/Download/Publications/Master\\_Plan/comlete\\_book.pdf](https://www.bancocentral.tl/Download/Publications/Master_Plan/comlete_book.pdf)

19 The Substitution text of P.J.L 2/III (1a) First Amendment to Law 17/2011, of 28 December, approving the Legal Regime of the Fight Against Money Laundering and Terrorist Financing.

20 Know yourcountry.org December 2014 Risk and Compliance Report on Timor-Leste Dec. 2014), available at [http://www.knowyourcountry.com/files/timorlesteamlaug14\\_2\\_.pdf](http://www.knowyourcountry.com/files/timorlesteamlaug14_2_.pdf)

# COUNTRY PROFILE TONGA



**STATE OF FINANCIAL INCLUSION**

Tonga carried out a demand side survey in February 2016. The survey indicated that 41% of Tongan adults have a bank account and 34% are totally excluded. A further 14% access informal financial services through savings clubs, shop credit, moneylenders or hire purchases. The report indicates that most of those likely to be excluded are the low-income earners, casual income earners and most of the residents of Ha’apai.

The survey highlighted that 63% stated saving primarily for everyday expenses and social obligations, rather than saving for long-term goals such as housing, business, asset accumulation or education. Tongans rely heavily on informal savings and credit with 46% of adults saving at home and 23% using savings clubs.

Also, in Tonga, financial transactions are still heavily cash-based. Tongan adults receive their income in cash (with the exception of those in the public sector) and nearly all Tongans pay for utilities and school payments with cash instead of using digital channels such as bank transfers, debit cards or mobile money.

Tonga has made commitments to the MAYA declaration and the various accords of the AFI Global Policy Forum.

**FINANCIAL INCLUSION INDICATORS**

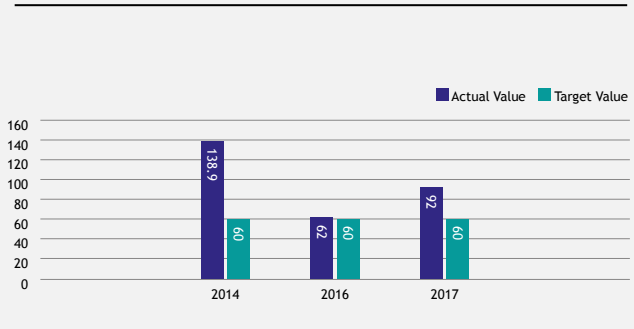
The AFI Core Set data for Tonga is discussed in this section under the respective thematic areas. The dimension for these indicators is access and the source is supply.

**CORE-1.1 - TOTAL NUMBER OF ACCESS POINTS PER 10,000 ADULTS NATIONWIDE**

**Financial Inclusion Data, Overarching National Goal**

The total number of access points per 10,000 adults nationwide is shown in Figure 13 below, revealing that the actual values have exceeded the target values of 60 between 2014 and 2017.

FIGURE 13: ACTUAL AND TARGET VALUES FOR CORE-1.1

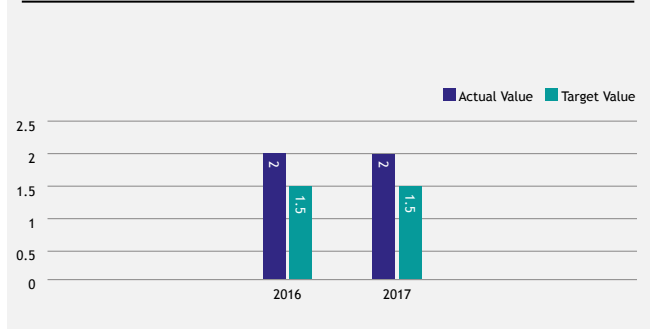


**CORE-1.1A - TOTAL NUMBER OF BRANCHES PER 10,000 ADULTS AT A NATIONAL LEVEL**

**Overarching National Goal**

The total number of branches per 10,000 adults at a national level for 2016 and 2017 is shown in Figure 14 below. It shows the target value of 1.5 has been exceeded in both years.

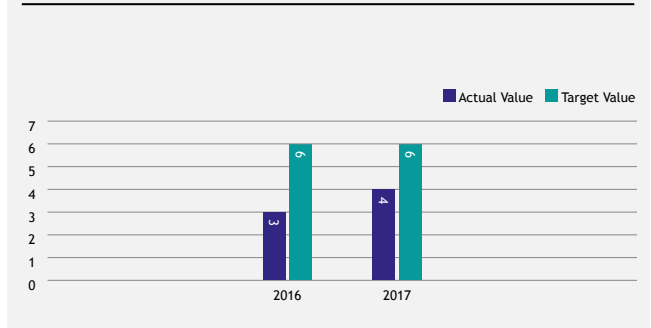
FIGURE 14: ACTUAL AND TARGET VALUES FOR CORE-1.1A.



**CORE-1.1B - TOTAL NUMBER OF ATMS PER 10,000 ADULTS AT A NATIONAL LEVEL**

The total number of ATMs per 10,000 adults at a national level for 2016-2017 is shown in Figure 15 below. The data shows that the 2017 actual value of 4 was below the target value.

FIGURE 15: ACTUAL AND TARGET VALUES FOR CORE-1.1B

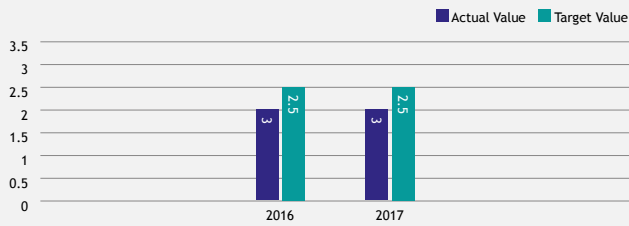


**CORE-1.1C - TOTAL NUMBER OF AGENTS PER 10,000 ADULTS AT A NATIONAL LEVEL**

**Overarching National Goal, Agent Banking**

The total number of agents per 10,000 adults at a national level for 2016-2017 is reported in Figure 16, which shows that in 2017, the actual value exceeded the target value of 2.5.

FIGURE 16: ACTUAL AND TARGET VALUES FOR CORE-1.1C

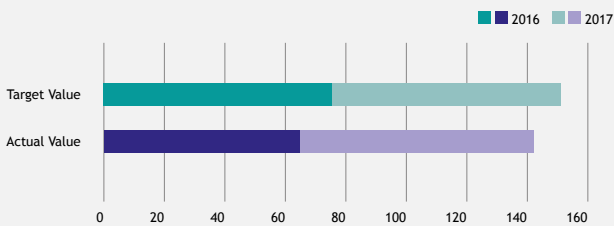


**CORE-1.2 - PERCENTAGE OF ADMINISTRATIVE UNITS WITH AT LEAST ONE ACCESS POINT**

**Overarching National Goal**

The reported data for the percentage of administrative units with at least one access point is shown in Figure 17 below. The target value of 75.5 was exceeded in 2017 with an actual value of 77.

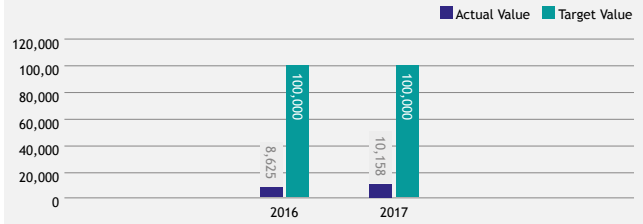
FIGURE 17: ACTUAL AND TARGET VALUES FOR CORE-1.2



**CORE-2.1X - NUMBER OF DEPOSIT ACCOUNTS PER 10,000 ADULTS**

The reported data for the number of deposit accounts per 10,000 adults for 2016-2017 is shown in Figure 18, which illustrates that there is still significant effort required to achieve the set target value.

FIGURE 18: ACTUAL AND TARGET VALUES FOR CORE-2.1X



**MAYA DECLARATION COMMITMENTS**

Listed below are the ongoing targets for Tonga by thematic areas.

TABLE 14: TARGETS IN-PROGRESS

PRIMARY THEMATIC AREAS	TARGET
Consumer Protection	Develop policies and regulations over the next year for consumer protection & financial literacy.
SME Finance	Develop policies and regulations over the next year for SME finance.
Overarching National Goal	Develop and improve access to finance by 20% over the next 5 years, focusing on: (1) SMEs in the agricultural, fisheries and tourism sectors, and (2) SMEs for women and youth.

## POLICY PROFILES

### CONSUMER EMPOWERMENT AND MARKET CONDUCT

Tonga does not have any specific regulation on financial consumer protection. The NRBT Act was amended in 2014 to allow NRBT to develop policy to protect financial consumers. The draft consumer protection policy in place provides a consistent level of protection regardless of the product, service or provider. Tonga does not have an institution in charge of enforcing financial consumer protection nor any that monitors compliance.

There are regulations that require written contracts and that also determine the minimum information to be contained in the contracts. Tonga has a Credit Unions Act which provides that “documents required and books of accounts kept by Credit Unions shall be in such form as the Registrar of Credit Unions shall prescribe.” The banks are required in the NRBT’s Prudential Statement 4 on Disclosure of Fees and Charges and Interest Rates to have contracts which must be in both English & Tongan. NRBT requires a licensed financial institution to publicly disclose the interest rates, fees and charges relating to its products and services.

### DIGITAL FINANCIAL SERVICES

There are legal provisions that give the financial regulator clear authority over all payment services, including mobile financial services.<sup>21</sup>

Agents are allowed to provide digital financial services. Both banks and non-banks appoint agents that provide cash-handling services and any legal person can be appointed as an agent. Exclusive contracts between banks and/or non-banks with agents are legally permitted. With regard to customer complaints in digital financial services, banks and non-banks are required to receive customer complaints and enquiries. They are also required to respond within a specified window.

### FINANCIAL INCLUSION DATA

The NRBT completed a demand side survey in March 2016 and the report has been completed. AFI, together with PFIP, funded the survey. The report will provide baseline data together with supply side data from a supply side survey that will assist in mapping a national financial inclusion strategy for Tonga.

In terms of mapping access points, no governmental institution collects and publishes GPS data. However, the NRBT conducted a supply service survey in 2015 which includes collecting information on a number of financial service providers, services access points and location.

### FINANCIAL INCLUSION STRATEGY

The NRBT is primarily responsible for leading financial inclusion activities in the country. There is no national financial inclusion task force and the completion of the demand side survey will enable Tonga to complete a national strategy for financial inclusion.

The NRBT committed to the Maputo Accord 2015 at the AFI 7th Global Policy Forum on 4th September 2015 in Maputo, to develop and improve access to finance mainly in SMEs involved in the agriculture, fisheries and tourism sectors, and with women and youth.

### FINANCIAL INTEGRITY AND STANDARDS

Tonga does have a national ID system comprising the proportion of the population that is of voting age, which is 18 years and above. It has an AML/CFT regime that is governed by a set of legislations.<sup>22</sup> The FIU is established under these legislations which outline the powers and requirements to regulate financial institutions and cash dealers as specified in the Act. It also outlines how the FIU interacts with relevant stakeholders, both domestic and local counterparts. Key stakeholders include the NRBT, the FIU, the Crown Law and law enforcement authorities.

A national risk assessment for Tonga was conducted in May 2015. Tonga is a member of the APG and had undergone a mutual evaluation in 2009. The next mutual evaluation is scheduled for 2018-2019. Tonga has simplified KYC for low-risk products and its laws, regulations or guidelines allow for a simplified risk-based CDD in relation to specific low-risk products and services.

Tonga has an MOU in place to work collaboratively with the private sector and other relevant governmental institutions on risk assessments, emerging risks from innovation and risk in general. The MOU is with the government of the kingdom of Tonga’s law enforcement agencies, in order to facilitate the sharing of information and cooperation in the detection and prosecution of crime.

21 NRBT Act (Amendment) of 2014 [http://reservebank.to/data/documents/legals/legislation/NRBT\\_Act\\_Amendments\\_2014.pdf](http://reservebank.to/data/documents/legals/legislation/NRBT_Act_Amendments_2014.pdf)

22 Money Laundering and Proceeds of Crime Act and Money Laundering and Proceed of Crime Act Regulations 2010. [http://www.reservebank.to/data/documents/Legals/Legislation/NRBT\\_MLPC\\_Act\\_Amendment\\_2010.pdf](http://www.reservebank.to/data/documents/Legals/Legislation/NRBT_MLPC_Act_Amendment_2010.pdf)

# COUNTRY PROFILE VANUATU





## STATE OF FINANCIAL INCLUSION

The demand side survey held in Vanuatu in 2016 concluded that 37% of adults have bank accounts while 10% have access to other formal financial services such as credit unions, microfinance, insurance, mobile money and finance companies. The survey found that 32% of adults did not have bank accounts or are excluded from both the formal and informal financial services.

The majority of adults in Vanuatu earn income from agriculture and are most likely to be unbanked. It was noted that 24% of the wealthiest adults in Vanuatu, who earn their income through agriculture, are unbanked - compared to only 13% of the wealthiest adults not earning their income through agriculture. These factors could contribute to the low levels of formal account ownership, even for wealthier adults.

Although men are more likely than women to be banked, women are more financially active than men. There is a significant gender gap in bank account ownership with 32% of female adults reporting that they own a bank account, compared with 41% of men. Moreover, women are less likely to report owning a bank account but are more likely to report saving in the past 12 months.

Savings is primarily used for education, credit for housing and remittances for short-term expenses (utility bills, food). Informal savings instruments play a large role in the financial lives of adults: 80% of adults have used either an informal credit or savings instrument in the past 12 months, compared with only 37% of adults overall having used a formal credit or savings instrument in the past 12 months. Even banked respondents save almost 50% of their total savings in informal instruments. Informal instruments potentially meet needs - such as convenience and flexibility of savings - that are not being met by formal instruments. A large percentage of banked adults are not transacting. Over 20% of banked adults in Vanuatu have not made a bank transaction in the past 12 months.

The report highlighted that 84% of adults either own their own phone, their own SIM card, or regularly use another person's mobile phone. However, network reliability and internet access are areas of concern in the mobile arena, with 17% of adults stating that network reliability was infrequent and/or inaccessible. Network reliability also hindered internet usage.

## FINANCIAL INCLUSION INDICATORS

The AFI Core Set supply data for Vanuatu is reported here.

### CORE-1.1 - TOTAL NUMBER OF ACCESS POINTS PER 10,000 ADULTS NATIONWIDE

#### Financial Inclusion Data, Overarching National Goal

The 2014 data shows that the total number of access points per 10,000 adults nationwide exceeded the target value of 60 with an actual value of 138.9. This is shown in Table 15 below.

TABLE 15: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.1

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2014	138.9	2017	60

## MAYA DECLARATION COMMITMENTS

The Reserve Bank of Vanuatu committed to eight targets and have completed two or 33% of their targets. This is summarized in the table below by thematic areas.

TABLE 16: VANUATU MAYA DECLARATION COMMITMENTS SUMMARY

VANUATU	COMPLETED	IN PROGRESS	TOTAL
Consumer Empowerment & Market Conduct		1	1
Consumer Protection		2	2
Financial Inclusion Data	1		1
Financial Literacy & Financial Education		1	1
National Strategy on Financial Inclusion	1		1
Overarching National Goal		1	1
SME Finance		1	1
<b>Vanuatu Total</b>	<b>2</b>	<b>6</b>	<b>8</b>

The completed targets for Vanuatu are highlighted below.

TABLE 17: MAYA DECLARATION UPDATES

PRIMARY THEMATIC AREAS	TARGET	EVIDENCE OF COMPLETION
<b>National Strategy on Financial Inclusion</b>	Council of Ministers to endorse the newly established National Financial Inclusion Strategy and the National Financial Inclusion Taskforce before Quarter 1 of 2013.	Endorsed by the Council of Ministers in February 2013.
<b>Financial Inclusion Data</b>	Conduct survey on financial access and demand for financial services by the end of 2014.	Completed in 2016.

The ongoing targets for Vanuatu by thematic areas are listed below.

TABLE 18: TARGETS IN-PROGRESS

PRIMARY THEMATIC AREAS	TARGET
Consumer Empowerment & Market Conduct	Review legislation and regulation on use and delivery of financial services to strengthen client protection by the end of 2014.
Financial Literacy & Financial Education	Incorporate financial education in the core school curriculum by 2013.
Overarching National Goal	Enable the availability and accessibility of the relevant financial services to at least 76,000 unbanked Ni-Vanuatu (at least 38,000 to be women) by December 2016, through a nationally coordinated effort, in partnership with a range of service providers and relevant government institutions, offering a broad range of relevant and cost effective financial services.
SME Finance	Put in place policies to support access for SMEs targeting 30% of women.
Consumer Protection	Implement a Secured Transaction Act.
Consumer Protection	Promote consumer protection and empowerment specific to SME finance.

## POLICY PROFILES

### CONSUMER EMPOWERMENT AND MARKET CONDUCT

At present there are no regulations for financial consumer protection in Vanuatu. There is also no general consumer protection regime which would be applicable to financial services. No institution currently receives and helps with solving financial consumer complaints and no governmental institution has the explicit task of monitoring compliance and enforcing financial consumer protection measures. Furthermore, there have been no sanctions applied against any financial service provider for non-compliance, and no published reports on complaints and enforcement action.

In Vanuatu, there are no regulations requiring written contracts nor any determining minimum information to be contained in the contracts. There are no general provisions that require contracts to be in writing. In terms of price transparency regulation, there are no regulations or guidelines on the disclosure of the cost of financial services.

### DIGITAL FINANCIAL SERVICES

Vanuatu does not allow the appointment of agents by non-banks to provide cash-handling services.<sup>23</sup> Any legal person can be appointed to be an agent. Exclusive contracts between banks and agents are legally permitted. Banks and non-banks are required to receive customer complaints and enquiries and to respond within a specified window.

In Vanuatu, the regulator has a mandate for the entire payment system. There is a legal provision that gives the financial regulator clear authority over all payment services including mobile financial services.<sup>24</sup> Remote account opening is allowed at non-banks. Moreover, there is interoperability between accounts via mobile services. Users can transfer funds from an e-money and/or deposit account to another account using a mobile device.<sup>25</sup>

### FINANCIAL INCLUSION DATA

There were no AFI Core Set indicators reported except for CORE 1-1, that was set in 2014. There is no GPS data collected nor has there been any mapping of financial access points. The completion of the demand side survey has enabled Vanuatu to determine national measurable targets and to set itself a national strategy.

### FINANCIAL INCLUSION STRATEGY

Vanuatu is developing its National Financial Inclusion Strategy and has established a National Financial Inclusion Taskforce. The RBV leads the nation's financial inclusion activities. Vanuatu has also endorsed its commitment to the 2020 Money Pacific goals and RBV is working with certain ministries to implement these goals. The Ministry of Education, for example, is working on re-developing its curriculum to include financial literacy.

### FINANCIAL INTEGRITY AND STANDARDS

There is no national ID system in place. However, Vanuatu does have an AML/CFT regime. The Financial Transaction Reporting Act provides for the reporting of certain transactions and the keeping of certain records pertaining to money laundering and counter financing of terrorism. The FIU is empowered with oversight of such transactions by the Financial Transaction Reporting Act.<sup>26</sup>

The APG on anti-money laundering and counter terrorist financing carried out a mutual evaluation report on Vanuatu in September 2015.

There is an understanding between the Vanuatu FIU and the RBV to cooperate on managing AML/CFT risks. Although the laws in Vanuatu do not specifically allow for simplified risk-based CDD for low-risk products, Section 10 of the Financial Transactions Reporting Act indicates "financial institutions must verify the identity of a customer if a person opens an account with the financial institution or engages the services of a financial institution or enters into a business relationship with the financial institution." The simplified KYC generally applies to persons rather than specific products.

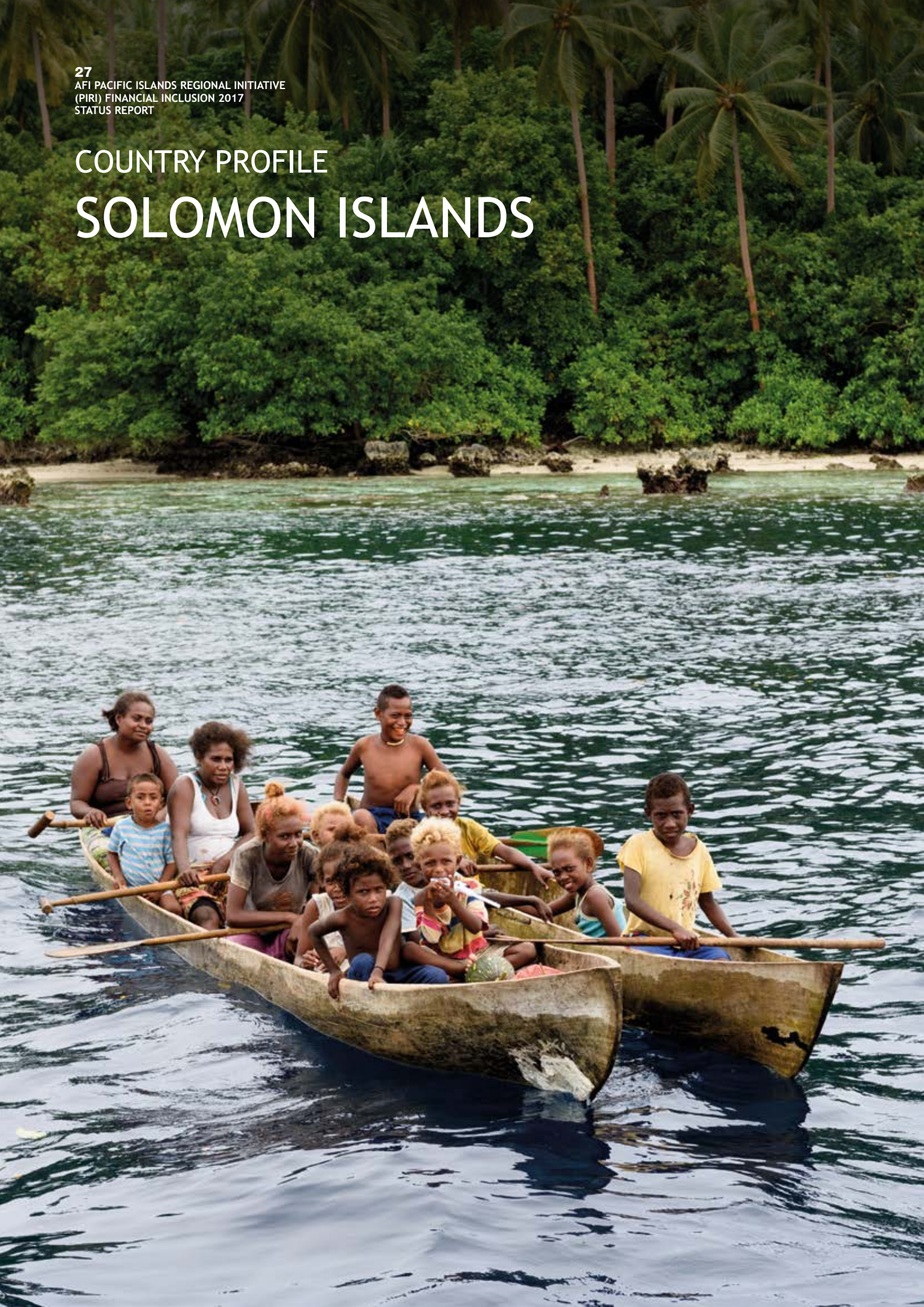
23 Reserve Bank Statement available on Mobi Mani website: <http://www.mobimani.vu/>

24 Section 30 of the RBV Act. RBV website on payment systems: [http://www.rbv.gov.vu/index.php?option=com\\_content&view=article&id=99&Itemid=29&lang=en](http://www.rbv.gov.vu/index.php?option=com_content&view=article&id=99&Itemid=29&lang=en)

25 [http://www.trr.vu/attachments/article/87/DigiceL\\_Launches\\_Isi\\_Mani.pdf](http://www.trr.vu/attachments/article/87/DigiceL_Launches_Isi_Mani.pdf)

26 Financial Transaction Reporting Act, Financial Institutions (Anti-Terrorism) Regulations and Financial Transactions Reporting (Anti-Terrorism) Regulations).

# COUNTRY PROFILE SOLOMON ISLANDS



## STATE OF FINANCIAL INCLUSION

Solomon Islands had in place its first national financial inclusion strategy for 2011-2015. During this period, it exceeded its financial inclusion target of reaching 70,000 individuals to approximately 78,000. The focus was on expanding financial access points through a drive in branchless banking that saw a substantial increase in electronic cash access points, from 193 at the end of 2010 to 578 at the end of 2014. The increase came from the allocations of EFPTOS machines from 137 at the end of 2010 to 367 at the end of 2014, and mobile agents from zero to 127 at end 2014.<sup>27</sup>

In 2015, Solomon Islands completed its demand side survey. It was noted from the survey that 26% of adults have bank accounts, another 8% have some form of formal financial services from other institutions such as the provident fund, credit unions, microfinance institutions and regulated loan companies. The results showed that 35% accessed finance from the informal sector through channels such as shop credit, moneylenders and savings clubs. However, a total of 31% are totally excluded from formal financial services.<sup>28</sup>

The data showed that there is a significant disparity in the inclusion of women into the formal financial sector compared to men. Only 20% of women hold bank accounts in contrast to 32% of men. Additionally, 36% of women are totally excluded compared to 26% of men.<sup>29</sup> These findings illustrate gender inequality in financial inclusion in the Solomon Islands.

Savings clubs are also important financial access points for many in the different provinces. However, it was noted that many were failing or dormant. Savings clubs are significant in that they can provide financial literacy to those in rural areas, providing a village platform where the underserved can acquire financial management skills.

A number of challenges still remain for the Solomon Islands. These include large geographical and wireless network coverage limitations, agent banking liquidity and quality, provider platforms not being interoperable, agent management practices not being standardized, undeveloped consumer education and consumer protection standards and practices. Another major obstacle identified in a study on financial competence of low-income households in the Solomon Islands is the limited capability of members of the population to engage with the formal financial system due to their inability to speak English, and constraints regarding access (Sibley, 2012). These are challenges that the Solomon Islands will continue to address in its financial inclusion agenda.

The Solomon Islands has completed its second National Financial Inclusion Strategy 2016-2020 with the key target of having 300,000 adults as active users of formal or semi-formal financial accounts (including accounts at MFIs and savings clubs) and by 2020, giving 90% of the population financial service access points one hour of ordinary travel from their home.

## FINANCIAL INCLUSION INDICATORS

This section indicates the AFI Core Set 2.1 for the Solomon Islands.

### CORE-2.1 - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED DEPOSIT ACCOUNT

#### Overarching National Goal

The dimension for this data is usage and the source is demand. The percentage of adults with at least one type of regulated deposit account for the actual year of 2014 was reported, which showed that the actual value of 67.9 exceeded the target value of 50. (Refer to Table 19 below).

TABLE 19: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-2.1

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2014	67.9	2021	50

## MAYA DECLARATION COMMITMENTS

The Central Bank of Solomon Islands (CBSI) committed to seven targets. They have completed three of those targets and four are currently ongoing. Hence, they have completed 43% of their targets. This is summarized in the table below by thematic areas.

TABLE 20: SOLOMON ISLANDS MAYA DECLARATION COMMITMENTS SUMMARY

SOLOMON ISLANDS	COMPLETED	IN PROGRESS	TOTAL
Digital Financial Services		1	1
Financial Inclusion Data	1		1
Financial Literacy & Financial Education	1	1	2
National Strategy on Financial Inclusion		1	1
Overarching National Goal	1		1
SME Finance		1	1
<b>Solomon Islands Total</b>	<b>3</b>	<b>4</b>	<b>7</b>

27 Financial Inclusion Unit, Central Bank of Solomon Islands.

28 <http://www.pfip.org/wp-content/uploads/2016/08/Financial-Services-Demand-Side-Survey-Solomon-Islands.pdf>

29 <http://www.pfip.org/wp-content/uploads/2016/08/Financial-Services-Demand-Side-Survey-Solomon-Islands.pdf>

The completed targets for Solomon Islands are highlighted below with the respective evidence and latest update.

TABLE 21: MAYA DECLARATION UPDATES

PRIMARY THEMATIC AREAS	TARGET	EVIDENCE OF COMPLETION
<b>Overarching National Goal</b>	Enable an additional 70,000 (of which 30,000 are women) unbanked and underserved citizens to have access to financial services by year 2015.	In the 14th NFIT meeting August 2014, the task force agreed to revise the top line numerical targets and to add or enhance some of the key result areas. The revised numerical target is that, by 2017, we are to enable an additional 160,000 (continuous count) Solomon Islanders to have extended access to appropriate and affordable services through safe and sound institutions. Out of the 160,000 at least 50% must be women and 50% must be from the rural areas.
<b>Financial Literacy &amp; Financial Education</b>	Conduct a financial competency survey by 2012.	
<b>Financial Inclusion Data</b>	Produce measurable indicators by 2013.	NFIT has endorsed the use of AFI-PIRI Core Plus set indicators for measuring financial inclusion in the Solomon Islands. With this, the Unit has set up specified reporting forms for stakeholders to report from and continuously collect data on a quarterly basis. Reports on these indicators are given to stakeholders such as PIRI, PFIP, IMF and AFI upon request. A national demand side survey on FI Data was approved by NFIT to be carried out in early 2015 with funding assistance from both AFI and PFIP. A National Result Workshop on this survey is expected in July 2015. NFIT also approved the use of key principles and good practices in savings clubs. The recommended outcome of the savings club study was carried out and completed in May 2014.

The ongoing targets for Solomon Islands are listed below by thematic areas.

TABLE 22: TARGETS IN-PROGRESS

PRIMARY THEMATIC AREAS	TARGET
<b>National Strategy on Financial Inclusion</b>	Provide leadership, advice and support to the Solomon Islands National Financial Inclusion Taskforce.
<b>Digital Financial Services</b>	Encourage new and innovative financial models such as mobile money services, village-based savings and microfinance institutions, by implementing the recommendations of the regulatory review completed in 2011.
<b>SME Finance</b>	Further to the commitments the CBSI made in Cape Town on 28 September 2012, they made the commitment below.  “In the spirit of the Maputo Accord, the CBSI further commits to provide an enabling and accommodative environment to improve financial services delivery to the Micro, Small and Medium Enterprises (MSMEs). To show the strength of our commitment, the National Financial Inclusion Taskforce (NFIT), in conjunction with the CBSI commits to support the Government of Solomon Islands through the Ministry of Commerce, Industries, Labour and Immigration to implement the MSME Policy Strategy. In doing so, we will establish our Working Group on MSME in the next twelve (12) months to drive this agenda. We commit to provide sound advice and accord full support to the successful operation of the said working group.”
<b>Financial Literacy &amp; Financial Education</b>	Integrate financial education into the existing national school curriculum from Class 1 to Form 3 by 2013.

## COUNTRY PROFILE

# PAPUA NEW GUINEA



## STATE OF FINANCIAL INCLUSION

Significant progress has been achieved for Papua New Guinea (PNG) since the launch of their first strategy in 2013. Deposit accounts held by commercial banks, microbanks and savings and loans rose from 1,112,227 in June 2013 to 2,299,251 in June 2016, showing a 10% increase.

The data showed that 36.96% of adults had an account at a regulated financial institution in June 2016, compared to 20.42% in June 2013. Financial access points including branches, ATMs, EFTPOS, and agents also increased. There were 12,599 physical access points in PNG in June 2016 compared to 7,960 in June 2013 showing an increase of 56 percent. Agents and EFTPOS had the strongest growth with 75% and 58% respectively. This supports the importance of technological advancements in providing mobile and digital financial services and the deployment of such services to increase access points. Interoperability across payments systems have also increased with providers entering bi-lateral agreements and the central bank initiating a national switch to support interoperability across all retail payment providers. The central bank also promotes further professionalisation through a new Savings and Loans Societies Act that supports a level playing-field between Savings and Loans Societies and other licensed deposit-taking institutions, to promote competition.

In PNG, progress has been made to translate policy goals to allow for an enabling environment for innovative financial inclusion. Under the mobile banking and mobile payment services prudential standards of 1/2011, banks and non-banks have been granted approval to provide mobile banking and mobile payment services. In this regard, account opening requirements are proportionate and risk-based. The standards also allow for measures to protect consumers and to mitigate risks. As a result, more than 320,000 citizens of PNG registered for a mobile financial services account.

The Bank of Papua New Guinea (BPNG) has allowed for financial inclusion innovation in the areas of insurance where innovative providers have been granted approval to provide innovative ICT-based insurance products targeted at low-income earners. This has enabled the inception of mobile microinsurance policies to be sold, where 660,000 policies have been effected in 2016.

PNG still has some challenges in its strive for greater financial inclusion. A key barrier to financial inclusion is the lack of access points in rural areas. This is due to the high cost of serving remote areas coupled with low-income customers, the cost of developing the financial infrastructure, the ongoing cost to service and the cost of managing cash. Enhancing access requires an increase in the number of service points, which requires improvements in communication, middle management and cash management. In terms of quality in financial inclusion, there are limited products tailored for excluded individuals and businesses - for example, women, rural community, MSMEs (including those in agricultural areas) suffer from the lack of products designed to meet their

needs, including access to credit. PNG is a heavily cash-based society. There is a need to reduce this reliance on cash. There is also a need to promote competition to reduce prices in financial services. Financial literacy and consumer protection must be strengthened to drive usage in financial inclusion.

Going forward, the overarching commitment of the 2nd National Financial Inclusion Strategy 2016-2020 for Papua New Guinea is to reach two million more unbanked low-income people in PNG - 50% of whom will be women - with a wide range of financial services that includes savings, loans, remittance services and insurance.<sup>30</sup>

## FINANCIAL INCLUSION INDICATORS

In this section, the AFI Core Set data for PNG will be described under the respective thematic areas. The dimension for these Core Set Indicators is access and the source is supply.

### CORE-1.1 - TOTAL NUMBER OF ACCESS POINTS PER 10,000 ADULTS NATIONWIDE

#### Financial Inclusion Data, Overarching National Goal

The reported total number of access points per 10,000 adults nationwide for PNG is shown in Table 23 below.

TABLE 23: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.1

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2012	0.77	2018	23.3
2013	1.01	2018	23.3
2014	1.12	2018	23.3
2015	1.22	2018	23.3
2016	1.39	2018	23.3
2017	1.37	2018	23.3

**CORE-1.1A - TOTAL NUMBER OF BRANCHES PER 10,000 ADULTS AT A NATIONAL LEVEL****Overarching National Goal**

The collated data from CORE-1.1a. Actual and target values are summarized in Table 24 below.

**TABLE 24: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.1A**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2012	0.28	2018	4.9
2013	0.28	2018	4.9
2014	0.3	2018	4.9
2015	0.3	2018	4.9
2016	0.43	2018	4.9
2017	0.42	2018	4.9

**CORE-1.1B - TOTAL NUMBER OF ATMS PER 10,000 ADULTS AT A NATIONAL LEVEL****Overarching National Goal**

The data from CORE-1.1b is shown in Table 25 below. The comparison between the actual values and target values show that significant progress was achieved between 2012 and 2017.

**TABLE 25: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.1B**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2012	0.69	2018	13.3
2013	0.74	2018	13.3
2014	0.76	2018	13.3
2015	0.75	2018	13.3
2016	0.91	2018	13.3
2017	0.9	2018	13.3

**CORE-1.1C - TOTAL NUMBER OF AGENTS PER 10,000 ADULTS AT A NATIONAL LEVEL****Overarching National Goal, Agent Banking**

The total number of agents per 10,000 adults at a national level is shown in Table 26 below.

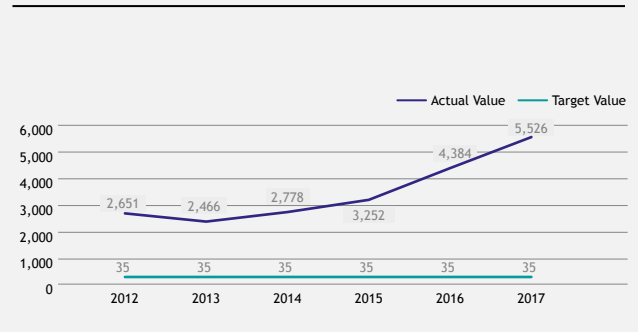
**TABLE 26: SUMMARY OF THE ACTUAL AND TARGET VALUE OF CORE-1.1C**

ACTUAL YEAR	ACTUAL VALUE	TARGET YEAR	TARGET VALUE
2012	0.48	2018	5,000
2013	0.72	2018	5,000
2014	0.81	2018	5,000
2015	0.92	2018	5,000
2016	0.95	2018	5,000
2017	0.94	2018	5,000

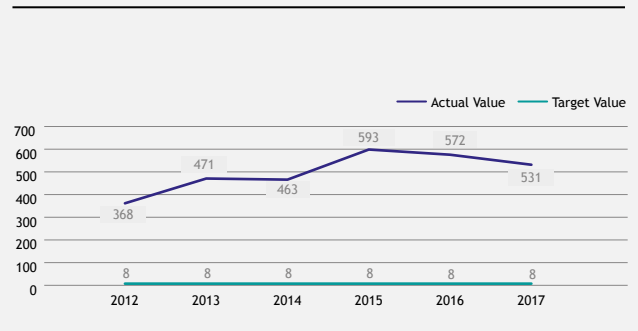
**CORE-2.1X - NUMBER OF DEPOSIT ACCOUNTS PER 10,000 ADULTS****Overarching National Goal**

The number of deposit accounts per 10,000 adults from 2012-2017 for PNG is summarized in Figure 19 below.

The results show that the actual values have significantly exceeded the target values since 2012.

**FIGURE 19: ACTUAL AND TARGET VALUES FOR CORE-2.1X****CORE-2.2X - NUMBER OF LOAN ACCOUNTS PER 10,000 ADULTS**

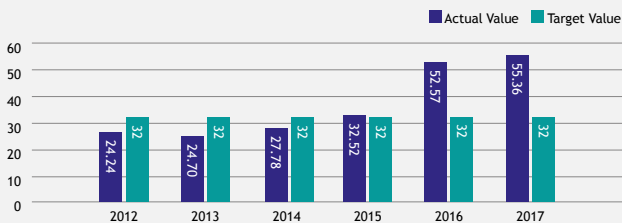
The number of loan accounts per 10,000 adults is summarized in Figure 20 below. It shows that the actual values have exceeded the target values set since 2012.

**FIGURE 20: ACTUAL AND TARGET VALUES FOR CORE-2.2X**

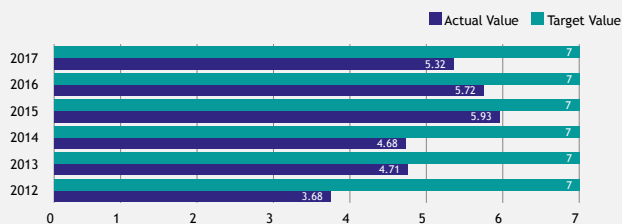


**CORE-2.1 - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED DEPOSIT ACCOUNT**

For this indicator, the dimension is usage and the source is demand. The actual and target values for the percentage of adults with at least one type of regulated deposit account is reported in Figure 21 below. The actual values reported from 2012-2014 show significant growth towards the target value; however, the target value was significantly exceeded in 2016 and 2017.

**FIGURE 21: ACTUAL AND TARGET VALUES FOR CORE-2.1****CORE-2.2 - PERCENTAGE OF ADULTS WITH AT LEAST ONE TYPE OF REGULATED CREDIT ACCOUNT**

The percentage of adults with at least one type of regulated credit account from 2012-2017 is shown in Figure 22 below.

**FIGURE 22: ACTUAL AND TARGET VALUES FOR CORE-2.2****MAYA DECLARATION COMMITMENTS**

The ongoing targets for Papua New Guinea are listed below by thematic areas.

**TABLE 27: TARGETS IN-PROGRESS**

PRIMARY THEMATIC AREAS	TARGET
<b>Overarching National Goal</b>	Reach 1 million more unbanked, low-income people in Papua New Guinea, 50% of whom will be women.
<b>Financial Literacy &amp; Financial Education</b>	Lead efforts in financial education and financial literacy.
<b>Financial Inclusion Data</b>	Promote regular collection and use of financial access data to inform policymaking.
<b>Financial Literacy &amp; Financial Education</b>	Actively support innovative use of technology for scaling up access to financial services and financial literacy.
<b>Consumer Protection</b>	Strengthen consumer protection by issuing prudential guidelines and creating a platform for various national regulators and industry networks to monitor consumer protection.
<b>Financial Literacy &amp; Financial Education</b>	Integrate financial inclusion in local and national government initiatives through the endorsement of the National Financial Inclusion and Financial Literacy Strategy by Quarter 4 of 2013.
<b>Financial Literacy &amp; Financial Education</b>	Optimize results through knowledge sharing and effective coordination of stakeholders, including development partners, by the newly established Centre of Excellence for Financial Inclusion (CEFI) chaired by the Bank of Papua New Guinea.

## EMERGING TOPICS

### DISAGGREGATED DATA

It is recognized that the PIRI member countries are at differing levels in their data collection and reporting. While data on the supply side is accessible, this is not the case with the demand side. Most of the PIRI countries have now completed a demand side survey and as such, are in a much better position with data set on both sides. It is recognized however, that there are still data gaps that if addressed, will contribute to better decision-making.

Such gaps include the regularity of data and its availability. It also includes unavailable data at disaggregated levels such as number of accounts by gender, age and ethnicity. For a complete understanding, collecting data at a granular level is now recognized as very important. Data disaggregated by gender will enable better policies to be set to advance financial inclusion for women. Some countries have already given thought to this for their next stages of data development.

### CLIMATE CHANGE AND GREEN FINANCE

The Sharm El Sheik Accord endorsed the importance of climate change and green finance and for AFI members to work together to bring about financial inclusion policy solutions. This will positively impact the environment focusing on communities that are most vulnerable and will help combat climate change adaptation and mitigation.

The impact of climate change was discussed at the PIRI leaders meeting in Kokopo, with PNG following on from the initial discussion at the Nadi GPF. It was decided that this subject be raised at the Sharm El Sheik GPF. The PIRI member countries are vulnerable to the impact of climate change as this can destroy the lives of many people, their assets and send them into poverty. With limited resources at their disposal, PIRI member countries spend what they have in rebuilding lives and the economy following the effects of a natural calamity. Hence, the financing of adaptation and mitigation measures puts a lot of burden on the government so that private sector financing becomes critical. The PIRI members should consider taking leadership and incorporating financial inclusion policies and regulatory approaches that will positively affect climate change, green finance and sustainable development.

### GENDER

It has been recognized that a large number of women remain disproportionately excluded from the formal financial system. Progress in financial inclusion is difficult when the gender gap remains. In the Denarau Action Plan, AFI members committed to increase women's access to quality and affordable financial services globally and bridging the gender gap by half across AFI member states by 2021.

AFI members likewise have been asked to take proactive approaches to actively pursue women's participation in the financial system. A number of PIRI member countries have made commitments in their national strategies to pursue greater financial accessibility for women and engender their participation in the financial system.

### FINTECH

Many countries have recognized the importance of the use of technology in progressing financial inclusion. Technology as an enabler to expand outreach and bring about efficiency and effectiveness in financial inclusion in particular in the payments area is being progressed by many countries. Financial innovation that brings out added change to progress financial inclusion such as the use of mobile devices and payment cards are among the technologies being adopted to enable the benefits of innovation to be realised.

This is an emerging topic for many countries in AFI and PIRI member countries are recognising the importance of enhancing technology through "Fintech" to help in their financial inclusion advancement. Fiji have made a start where RBF has made an announcement in setting up regulatory sandbox that will allow financial innovators to embrace and develop their technological innovation to promote financial products and services.

## CONCLUSION

Financial inclusion is a key driver to lifting the standards of living of the people within PIRI in particular those who are underserved and financially excluded. It addresses the social and economic problems that people in the region encounter thus enabling leaders to work together by bringing about effective financial inclusion policy solutions to these problems.

The PIRI member countries have made progress in their financial inclusion journey although each is at differing stages including their achievements. National Financial inclusion strategies are being completed, proper governance structure to lead the development of financial inclusion have been put in place with Central Banks taking a lead role together with some having a national financial inclusion taskforce overseeing the development of financial inclusion. The importance of setting measurable targets and data collection has been recognized as key to progress. Each of the countries are pursuing obtaining data sets that will better help in their decision making and the derivation of important key financial inclusion policies.

Each of the PIRI Countries have made commitments to the Maya Declaration showing their commitment to pursue financial inclusion and also to the subsequent AFI accords of Sasana on the importance of data, Maputo on MSME development, the Denarau Action Plan on the importance of gender and the recent Sharm El Sheik Accord on the importance of climate change, green finance and financial inclusion.

Financial regulators in the Pacific which are organized in the Pacific Islands Regional Initiative (PIRI) are recognizing that the disruption in financial technology (FinTech) offers great opportunities for developing and emerging economies to significantly drive the uptake of Digital Financial Services (DFS). FinTech is a complex term as it covers a broad range of diverse technological innovations out of which not all are relevant in terms of expanding financial inclusion. Collaboration across regulatory domains such as between financial regulators, telco regulators and Ministries for Internal Affairs who are oftentimes in charge of ensuring data security and protection will become the norm rather than the exception. This is a new policy area for the PIRI members and they will now embark on a work stream on FinTech for Financial Inclusion in the Pacific. This new workstream for PIRI will be supported by AFI.

The challenges within the PIRI member countries are similar and a key to further progress is in the collection of appropriate and complete data. Completing important financial inclusion policies can also be a challenge given the nature of political, economic and social structures within the respective countries.

As financial inclusion leaders, it is crucial for PIRI leaders to continue to drive the activities of financial inclusion in their respective countries and to pursue success in the delivery of their commitments to their financial inclusion agendas.

**Alliance for Financial Inclusion**

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia

t +60 3 2776 9000 e info@afi-global.org

 [www.facebook.com/AFI.History](https://www.facebook.com/AFI.History)  @NewsAFI