Pacific Islands Working Group

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In collaboration with

PFIP Pacific Financial Inclusion Programme

Lessons learned for national financial inclusion strategy development

This brief was developed by the Pacific Islands Working Group and is specifically derived from the experiences of the Reserve Bank of Fiji and the Central Bank of Solomon Islands, but broadly with insights from all members.

1. National strategy development process

Achieving significant financial inclusion successes requires partnership and participation among government agencies, the private sector, and civil society since all have essential and unique roles to play. Central banks are well positioned to take a leadership and coordination role to help maximize efforts, overcome barriers, and steer activities towards shared goals.

Context:

- A coordinated national financial inclusion effort should fit under broader national and/or international commitments on poverty alleviation and economic development.
- Placing the effort in context will help the country meet its macroeconomic goals, elevate financial inclusion as a higher political priority, and make it clear that many different stakeholders have roles to play as a part of their own commitments.

Mandate:

- The central bank may have to make the case for why it is well placed to take a lead on a national coordination effort and may have to earn the trust and empowerment from other stakeholders.
- Central banks may need to have an official "mandate" to empower their leadership. This could come through an amendment to the central banks operating mandate, in the form of a parliamentary decree, or even be less formal as long as it is endorsed at the highest political level and is accepted by the other stakeholders.
- Leadership in a national effort should be mutually reinforcing with other commitments on financial sector broadening or deepening. For example, in the Pacific all central bank governors signed the 2008 Coombs Declaration which committed them to action on literacy and inclusion.

Central bank operationalization:

- There is typically no 'financial inclusion department' in central banks as the issue is cross cutting – but this can risk inefficiencies or 'falling through the cracks'. Central banks must resource their leadership commitment by assigning staff, budget, and workplan deliverables or targets.
- An internal task force at the central bank is a useful first step, and it is recommended that the lead be outside of the supervision department.
- Central banks should take a flexible approach to engaging with stakeholders by being approachable, actively listening and open minded – showing a different face to the public from their role as an authority figure and supervisors. A leadership role means the central bank should help all stakeholders find the best way forward, therefore, two-way dialogue is needed. Stakeholders also have to adjust to being in different roles and must be proactively engaged.

About this document and the working group

This document captures lessons learned through the activities of The Pacific Islands Central Banks Financial Inclusion Working Group (PIWG). The group consists of AFI member institutions, including representatives from the Central Banks of Fiji, Vanuatu, Samoa, Timor-Leste, Solomon Islands and Papua New Guinea. The group is coordinated by the Alliance for Financial Inclusion, in conjunction with the Pacific Financial Inclusion Programme (a multi-donor effort supported by UNCDF, AusAID, the EU and UNDP) and direct support from AusAID.

About AFI

The Alliance for Financial Inclusion (AFI) is a global network of central banks and other financial inclusion policymaking bodies in developing countries. AFI provides its members with the tools and resources to share, develop and implement their knowledge of financial inclusion policies. AFI connects policymakers though online and face-to-face channels, supported by grants and links to strategic partners, so that policymakers can share their insights and implement the most appropriate financial inclusion policies for their countries individual circumstances. Learn more: www.afi-global.org

- Central banks should put the appropriate structures and resources in place to manage the national strategy development and implementation process as well as the internal process for financial inclusion — these two tracks may require different skill sets that are not necessarily the same.

Stakeholder engagement:

- Preliminary awareness raising on financial inclusion and stakeholders roles through public engagement campaigns can help build commitment and momentum to kick start a national strategy process.
- Take time to do a thorough stakeholder identification process — key parties will include banks, NGOs, MNOs, various government bodies, MFI's, and many other players. Ensure all feel like they have some ownership of the process from the beginning.

Implementation:

- A good starting point is a survey or baseline study (or multiple studies) to help ensure everyone is on the same page, understands what financial inclusion is all about, why the process is underway, and what the boundaries are.
- The process should be designed to result in mutually agreed and prioritized objectives and targets.
- The stakeholders should agree to an implementation plan and model that works for them — this could include working groups, task teams, or other modes.
- The central bank can help with overall coordination, and would probably take the lead on policy/regulation issues, but the bank should help others take responsibility & leadership in their own realms (retail, education, etc).

2. Key components of national strategies

Issues should arise 'organically' through an ongoing stakeholder engagement process. Main issues to address in the national strategy should ideally derive from supply and demand side knowledge and data and should focus on how to support both channels and enablers for financial inclusion. The categories below can help identify the 'crux' of the issues and which party is responsible for taking the lead.

- **Meso:** These are nation-wide cross cutting infrastructure issues that typically require multiple governmental agencies or public private partnerships to address. Examples include physical infrastructure (electricity, transport, telecommunications), capacity building (training, education, preparedness), financial service enablers (credit bureaus, identification systems) and other issues.
- **Macro:** These are macroeconomic policy issues that relate specifically to the financial system, regulations, and the overall enabling environment for financial services.
- **Retail:** These are issues that relate to financial service providers of all types — banks, non-banks, and all parties in the formal and informal sectors.
- **Clients:** These are issues that relate directly to the consumers ability to access and utilize services, such as financial literacy, consumer protection, and others.

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