The Pacific Financial Inclusion Programme Legacies

Supporting an enabling regulatory framework for financial inclusion in the Pacific

The UN Capital Development Fund's (UNCDF) flagship Pacific Financial Inclusion Programme designed and supported projects to increase access to and usage of financial services for Pacific Islanders. All interventions were designed in such a way that all stakeholders involved were part of the solution.

UNCDF incentivised the development of

- enabling policies and regulations,
- invested in financial literacy and
- boosted the design of innovative financial products that meet the needs of Pacific users.

UNCDF and its partners took bold risks to test solutions successfully deployed elsewhere in the world in the comparatively smaller and dispersed Pacific markets. Risks that paid off, and, incrementally, more and more people can use products that allow them to settle their bills, transfers money, insure themselves and save for retirement.

Enabling policies and regulations are key for testing, scaling and the roll-out of digital financial services.

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National financial inclusion strategies and taskforces

Therefore, the Programme collaborated with the central banks of Fiji, Papua New Guinea, Samoa, Solomon Islands and Vanuatu to create National Financial Inclusion Strategies: roadmaps to improving access to and usage of financial services for all members of society, particularly people who are underserved and marginalized. By improving financial inclusion, these strategies aim to empower people to improve their livelihoods and financial resilience, ultimately leading to the economic development of their communities and countries. To achieve those goals, private and public sector players have come together to form taskforces who concentrate on the implementation and monitoring of these strategies.

Back in 2008, at the start of the first phase of the Pacific Financial Inclusion Programme began, the concept of financial inclusion was receiving growing levels of attention across the Pacific. There was a high level of cooperation between the Central Bank Governors in the region, as evidenced by the regular meetings between the South Pacific Central Bankers Group, and several organizations were engaging in activities to increase economic engagement.

However, a clear and cohesive strategy was needed, and a lack of data made establishing exact levels of inclusion challenging. At the same time, technologies including digital financial services along with increasing connectivity created new opportunities to solve market constraints in the Pacific.

Building on the momentum created by this increased attention and excitement about new technologies, PFIP asked the Alliance for Financial Inclusion to join them in carrying out workshops in Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu to present the findings of a series of surveys on the state of financial capabilities in the Pacific. These workshops invited a multitude of stakeholders from key sectors to define priorities based on the findings. The working groups responsible for implementing the strategies also came from these workshops. In each country the Governor of the Central Bank was co-chair of the Taskforce, with a private sector leader acting as the other co-chair. The leaders of each working group are nominated by members of that group.

Since 2014, several countries have created their second NFIS, shifting and refining priorities based on the achievements and challenges of the first iteration. In some countries, like Vanuatu, the first NFIS took some time to be endorsed and was launched during this second phase of the programme. In Tonga, the National Reserve Bank has drafted the NFIS alongside a Consumer Protection Policy, Non-Banks Financial Institution Bills, and the MSME Strategy, but the NFIS is yet to be approved. Each of the six countries who took part in the initial workshops back in 2009 have developed increasingly sophisticated approaches to financial inclusion and are being recognized on an international stage for those efforts. These improvements have been driven by research. The Pacific Financial Inclusion Programme carried out Demand Side Surveys in Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu. These have been central to setting priorities in these countries.

Regional Regulatory Sandbox

The Pacific Islands Regional Initiative (PIRI), a group of financial regulators from the Pacific formed from the original Pacific Financial Inclusion Working Group within the Alliance for Financial Inclusion, have developed the world's first **Regional Regulatory Sandbox**. This sandbox will allow new innovations which are not currently covered by regulations to be trialed in an environment that allows for testing and piloting before bringing them to the market and scale. By acting as a regional bloc rather than individual markets, countries participating in the sandbox should provide interested startups and FinTech companies with access to a larger and more diverse market, and greater potential within a well-defined, regional regulatory structure. Applicants must submit their application for review by PIRI regulators subject to their sovereign legal framework via the sandbox's online portal. Successful candidates are then given the green light to enter an experimentation stage, which involves testing in a live production environment bounded by clear measures to safeguard consumers.

Building on lessons learned

Clear goals and achievable targets

Financial inclusion data was, and in many cases still is, difficult to find in the Pacific. Setting measurable goals requires baseline data, which the Pacific Financial Inclusion Programme was central to providing initially, and the central banks have been responsible for gathering annual updates to that data. Setting clearly defined goals that are achievable in the medium-term based on that data creates a sense of purpose within the Taskforce. Regular reporting during meetings ensured a level of accountability which kept momentum going. When it became clear that a goal was not achievable, as the strategies are designed to be ambitious, several of the National Financial Inclusion Taskforces were not afraid to review the reasons why progress wasn't happening and adjust accordingly. The Pacific Digital Economy Programme will continue to support data collection.

Leadership is key

The Central Bank Governor's role as the co-chair of the Taskforce was key to building legitimacy and buy-in. Central banks have the convening power to ensure the right people are part of the Taskforce, and the authority to ensure those people remain engaged. However, the Taskforces are designed to encourage leadership from all levels; the Pacific Financial Inclusion Programme advised that working groups elect not the most senior person by default, but the person with the passion and capacity to effect change. These chairs were a mix of private and government leaders and the chairs were rotated.

Open dialogue and cooperation

In most other parts of the world the relationship between a regulator and regulated companies is often very formal, with limited ground for dialogue. In the Pacific, where markets are on the whole relatively small and, in some countries, existing cultural structures encourage open discussion, the level of cooperation was already high. However, the Taskforces were able to build on this by creating a space in which shared aims led to greater dialogue. Sharing the responsibility for advancing financial inclusion levels the playing field to some extent. The Central Banks can highlight their commitment to financial inclusion and make their expectations of financial service providers known. The financial service providers can make it clear that products and projects designed to lead to greater inclusion must also be commercially viable. The structure of the NFITs also improves inclusion; crowding-in private and public sector stakeholders means that a wider variety of voices are heard by decision-makers.

Building trust takes time

The role of trust in the National Financial Inclusion Taskforces is hard to quantify but vitally important. The Taskforces bring together people from different sectors and ask them to share ideas openly and report honestly on failures as well as successes. Participants need to trust one another to do this. Trust is also central to the Programnme's relationship to the Taskforces. While the Programme provides ongoing support to the NFITs they are not a part of them, which allowed the Programme to take an advisory role. Stakeholders have identified the Pacific Financial Inclusion Programme as a trusted advisor; they were often the only external partner present during Governor's Meetings. This trust was built through Programme's consistent on-the-ground presence. The Pacific Financial Inclusion Programme has been present on a country level to advise and, where necessary, to put in the work filling capacity gaps over the past twelve years. UNCDF and its partners will continue to provide this level of support.

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