



BANK OF PAPUA NEW GUINEA

Financial Inclusion Initiatives in PNG
by

George Awap

at the

Stakeholders Consultative Meeting on Financial
Inclusion Exposition

04 October 2012



Outline

1. International Developments
2. Developments in the Pacific Islands Region
3. Demographic Features of the Papua New Guinean Economy
4. Financial Inclusion in PNG
5. Microfinance Expansion Project
6. Mobile banking and Payments Services
7. Financial Diaries & Competency projects

1. International Developments

- G22 economies recognition that a significant proportion of the global population are excluded from the formal financial system
- Therefore concerted efforts should be made by nations to improve and develop financial literacy and employ financial services delivery models particularly designed for the poor and unbanked population
- Alliance for Financial Inclusion (AFI), a non governmental organization with over 138 member countries is at the center stage to push for changes to the lives of the people at the bottom of the pyramid.
 - 2009 Financial Inclusion Kenya
 - 2010 Bringing Financial inclusion to the next level in Bali-PNG Membership
 - 2011 Maya Declaration
 - 2012 Making Financial Inclusion Real (South Africa)
- The focus now is to make financial inclusion make bring tangible benefits to the real sector of the economy.

2. Developments in the Pacific Island Countries

- Coombs Declaration in 2008 on strengthening financial capability in the Pacific initiated by the Pacific Finance Ministers, Central Bank Governors and Donors Partners
- Forum Economic Ministers in 2009 requested UNDP Pacific Center and the Pacific Islands Forum Secretariat to work with donors to assist the Pacific Island Countries to implement Enterprise and Financial Education Curriculum in schools.
- Money Pacific Goals was endorsed in 2009 by the Finance Ministers and Central Bank Governors.
- All children to receive financial education through core curricula, thus requiring us to review the curriculum to introduce financial education in primary and secondary schools in PNG;



3. Demographic Features of the Papua New Guinean Economy

- Population of over 6.5 million people with 800 different language groups and cultures
- 85 % live a subsistence livelihood
- Geographically fragmented with many islands and rugged geographical terrains
- Basic health and literacy levels are low
- Provision of government services such as roads, hospitals and schools is lacking in many rural areas
- Produces mainly mineral, agriculture and forestry products for export
- Financial services accessibility and financial literacy levels are poor

4. Financial Inclusion in PNG

- Vision 2050 Policy Statement of the National Government encourages wealth creation, reduction of poverty and promotion of economic growth.
- Re-emphasized in the Medium Term Development Strategy and the Informal Sector Policy.
- Bank of PNG has made financial inclusion as one of its key objectives in its medium term strategic plan focusing on:
 - promote the development of financial institutions,
 - strengthening institutional capacity through financial literacy trainings, and
 - promoting mobile banking and payments services to bring financial services to rural Papua New Guinea.

4.1 Financial Inclusion Initiatives: Microfinance Expansion Project

- The Microfinance Expansion Project. It is a USD24.0 million project co-funded by ADB, Ausaid, Government of PNG and participating financial institutions. It will focus on
 - i. Financial literacy to encourage the unbanked population and become part of the monetized sector, and develop management and technical capacity of microfinance institutions
 - ii. develop an appropriate regulatory framework for supervision of MFIs and
 - iii. increase lending to small and medium enterprises (SMEs) through a risk sharing facility.

4.1 Financial Inclusion Initiatives: Micro finance Expansion Project

- National Center for Financial Inclusion (NCFI)
 - Strengthening financial institutions that focus on servicing the rural population
 - Training the community on financial education
 - Working with networks to establish industry standards and best practices
 - Promote lending to micro-enterprises by providing a risk share facility
 - Developing a conducive regulatory environment and strengthening supervision by working with the Regulators.

4.2 E-payments, Mobile Banking and Payments services: BPNG APPROACH

- Bank of PNG took out several press statements on the Bank's intention to regulate Mobile Banking services in the country.
- The Central Bank made it very clear in its policy signal that it intended to promote Bank-led models of mobile banking where authorized institutions are to offer mobile banking.
- However, the Bank also recognized the need for non-banks (MNOs and Postal Services) potential to reach out to the niche market using their extensive network coverage.

4.2 MODELS OF E- BANKING & PAYMENTS SERVICES

1. Bank led model
2. Mobile Network Operators (MNO) model.
3. Post Office model *
4. SMART Card technology Model

*Created specific requirements to preserve its traditional functions.

Financial Competence and Diaries projects

- Financial Competency
 - A study funded by the World Bank was already conducted and results will be known soon.
- Financial Diaries (BPNG) & Competency Projects(NRI)
 - The study is funded by the UNDP via the Pacific Financial Inclusion Program (PFIP) was launched recently. A project manager was recruited and training is being conducted for surveys of 120 households in three different locations in Papua New Guinea over 12 months.
 - The results are expected to be used as an input for the NCFIs policy development for the rural population.

Way Forward

- To have a coordinated approach to financial inclusion involving all the stake holders that provide financial services to the poor
- Financial inclusion expositions is an efficient form of:
 - creating financial product awareness,
 - Technological product awareness
 - promote financial literacy,
 - conduct online subscriptions and registration,
 - Net working
 - NCFI,