



BANK OF PAPUA NEW GUINEA

Opening Address

by

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**To the SEACEN-BIS HIGH LEVEL SEMINAR AND 14th SEACEN EXECUTIVE
COMMITTEE (EXCO) MEETING**

“Financial Inclusion Strategies: the Role of Central Banks”

in

Port Moresby, 1-3 October 2015

Acknowledgements

Dr. Hans Grenberg, Executive Director of SEACEN, Dr. Madhusudan Mohanty, Head of Economics and Financial Markets for Asia and the Pacific at the Bank for International Settlement (BIS), Dr. Yaga Venugopal Reddy, former Governor of the Reserve Bank of India, Deputy Governors of SEACEN member economies and accompanying Officials, invited guests, Distinguished Speakers, ladies and gentlemen.

Welcome Remarks

It is a great honour for me, as the host Governor and Chairman of SEACEN Board of Governors, to welcome you all to these two important events hosted by the Bank of PNG this year - the SEACEN-BIS High Level Seminar and the 14th SEACEN EXCO Meeting. I would like to, on your behalf, especially thank Dr. Reddy for agreeing to

deliver the seminar's keynote speech. Dr. Reddy has had a distinguished career including as a former Central Bank Governor and is well-versed with the subject of financial inclusion. We wouldn't have found a better person to talk on the subject and I'm sure we are all looking forward to hearing his speech.

For some of you, it would be your second time here in a short while after the very successful SEACEN Board of Governors Meeting we hosted last year. I extend a warm welcome to you again and to those here for the first time to Port Moresby and Papua New Guinea. If you have not experienced it so far, you will soon find out why we are called the "land of the unexpected", with our diverse culture of over eight hundred languages, pristine natural environment (although Port Moresby is now very brown and dry because of the El Nino phenomenon), a fast developing economy and rapidly modernising society. I hope that the cultural performances and visits around the city will give you a glimpse of the culture and beauty of PNG during your short stay here with us.

We are indeed very honoured to host these two events because this year, 2015, marks the 40th anniversary of the independence of Papua New Guinea. This was celebrated on 16 September. Over the 40 years, our country has come a long way, growing in terms of population size as well as transforming itself from an agricultural-based economy into a fully integrated one that is also rapidly modernising. However, like in many of your own economies, we have a growing and youthful population as well as many of our people still live in the rural areas with limited access to the formal economy, including access to financial services (unbanked 85%). This situation was a result of the lack of basic infrastructures like roads, transport, ports and telecommunication. However, over the recent 3 – 4 years the current Government has made great strides on developing rural infrastructure, health, education and law/order as its priority. In addition, it has opened up the telecommunication sector with Digicel being the main driver of expansion of telecommunication services. Now we have 90% coverage of mobile telecommunication in PNG.

The Bank of Papua New Guinea, as the central bank, has also evolved over time in its mandate, roles and functions to meeting the growing and diverse needs of the

economy and the financial sector. Besides our traditional functions of managing monetary policy, supervising the financial system and oversight of the payments system, we have, like many of you, also embraced and developed financial inclusion initiatives as a key activity in reaching the unbanked members of our population, empowering our people to become more active members of our nation's development and enabling those who want to realise their potential.

Each of us have our own country experiences in attending to the agenda of financial inclusion. In PNG, the Bank of PNG has been spear-heading the Financial Inclusion agenda. We have an open approach in letting various innovations take place as we put in place appropriate regulatory framework. We have, together with the financial institutions, mobile telephone companies and other stakeholders, including the Government rolled out various financial inclusion initiatives. These initiatives were part of the National Strategy for Financial Inclusion and Financial Literacy 2014-2015 approved by Government. One of our aims in this National Strategy is to have 1 million accounts opened during the period 2014-2015, with 50 percent by women. This objective was included in the Maya Declaration with AFI. We have secured over 50% of this target and still aim to achieve 100%. We have a Children Savings Campaign to educate youngsters on financial management and create a savings culture for the next generation. We have also set up a Centre for Excellence in Financial Inclusion (CEFI) to drive the financial inclusion programme with the various stakeholders.

Financial institutions and telephony companies have rolled out various products and services utilising advanced and modern technology such as mobile phones and internet communication to expand their outreach. Today, we have our reach of financial services in PNG in various forms like mobile banking, agent banking, internet banking and also had expanded financial education and awareness to these areas and different segments of the population. Given the low level of literacy in PNG, we considered financial literacy as an important prerequisite to enhancing financial inclusion. We have also used various methods of driving financial inclusion through - FI expos, visits to schools, Expos at business events and cultural shows and others. Together with assistance our donor partners like ADB, World Bank, UNDP and AUSAID, we have conducted various studies in rural area to identify issues and gaps

in access to financial services and behaviour of households which are important for policy interventions by various stakeholders.

In addition, we have introduced a new national payments system (called Kina Automated Transfer System or KATS) to provide a safer, more efficient and quickly settlement of financial transactions. The new system has real time gross payment and settlement cheque transaction and direct credit. This would assist in our financial inclusion initiatives.

Today's high level seminar on 'financial inclusion strategies; the role of central banks' is therefore not only an important one but also a very timely one as each of us consider how best we can play our roles as regulators of our financial systems in promoting financial inclusion. Allow me therefore to thank the SEACEN centre and BIS for putting together a very interesting program as well as assembling a distinguished list of speakers, presenters and discussants for the seminar. The sessions are on promoting financial inclusion, global trends in financial inclusion and monetary policy, financial inclusion and equality which would, I am sure, allow for a likely and interesting discussion on the topic.

With so much development taking place in this area of financial inclusion it is an exciting and interesting time to be central bankers.

I trust this will be a very useful seminar in exchanging views and experiences as we forge ahead in ensuring our people not only are financial included but can also grow and realise their full potential as individuals and members of our community.

Once again, welcome to Papua New Guinea. I hope your short stay in Port Moresby will be an enjoyable and fruitful one.

Thank you.