

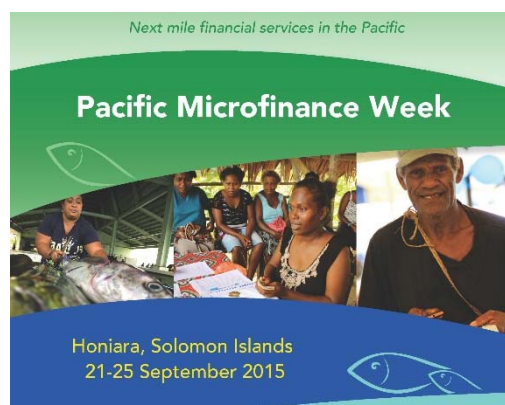
THE PACIFIC – A WELLSPRING OF INITIATIVE

Discussions of challenges and achievements of poverty reduction in developing countries around the world usually focus on Africa, Asia and periodically Latin America, but only occasionally on our near neighbours in the South Pacific. In absolute terms the number of people living in poverty and disadvantage in the former regions certainly is great. However, in relative terms, the South Pacific has amongst the poorest metrics in the world in areas such as financial inclusion and economic opportunities for women.

Across the Pacific, about 70% of the population does not have access to basic financial services – in some countries as much as 85%, and research by the Economist Intelligence Unit reports that economic opportunities for women in the Pacific are amongst the worst in the world (it rated the Solomon Islands and Papua New Guinea as 124th and 125th respectively out of 128 in the world a few years ago).

Such figures are disheartening, but a recent regional conference in the Pacific revealed **a groundswell of leadership and innovation confirming the Pacific as a wellspring of initiative.**

Close to 200 representatives from across Oceania, representing microfinance institutions, domestic government agencies, credit unions, community-based institutions, commercial banks, mobile network operators, central banks and regulators, development banks, insurance companies, educational and research institutions, donor groups, NGOs, consultants and professional service firms, met in Honiara recently for Pacific Microfinance Week to progress ‘next mile’ financial services in the Pacific. The event was organised by the Brisbane-based Foundation for Development Cooperation (FDC).



In her opening remarks at the event, Judith Karl, global head of the New York based United National Capital Development Fund (UNCDF), made the point that “access to finance for all is essential for an inclusive and robust economy, with evidence from around the world, including the Pacific showing that even **the smallest producer or microentrepreneur can both benefit from and contribute to the development of their economy.**” This is particularly significant in Pacific, where much of the population comprises smallholders and traders, with many people active in the informal economy.

A recurring observation at the conference was the potential to boost sustainable growth and reduce economic vulnerability by providing people with access to secure savings, reasonable insurance, lower cost payment systems and suitable forms of credit.

The rapid expansion of the mobile phone network across the Pacific has been a game-changer. For example, in the Solomon Islands, the number of people with a bank account doubled between 2011 and 2014 with the emergence of branchless banking solutions largely on the back of mobile services. Access to a bank account is important as it provides affordable convenience and security compared to the alternatives of mattresses, Milo tins and usurious money lenders.

Evidence presented last week makes it clear that the Pacific is punching above its weight when it comes to leadership, innovation and initiative in responding to the challenges at the base of the economic

pyramid. The head of the UNCDF observed further that “**Pacific innovations are providing many of the lessons we and others can apply elsewhere** in how to overcome geographic and infrastructure challenges and how to connect small, remote dispersed populations to the financial services they need.”

Innovation is occurring in policy and regulation, business and at the grassroots across the Pacific.

Central Banks are responsible for managing a country’s monetary system. The global Alliance for Financial Inclusion (AFI) comprises central banks and other financial regulatory institutions from around the world working to increase access to appropriate financial services for the poor. **Pacific Island members of AFI were the first in the world to form a regional working group** to focus on their unique circumstances. The success of the Pacific Island Regional Initiative model has given rise to similar regional groupings in Africa and elsewhere. Another initiative from the Pacific being adopted in other parts of the world is the creation of a National Financial Inclusion Taskforce, comprising business, community and government stakeholders, generally championed by the Central Bank.

In some parts of the world financial policy is doctrinaire. To stimulate financial inclusion, Central Banks in the Pacific are challenging rigid western convention and adopting pragmatic, proportionate regulation to balance the need for consumer protection whilst enabling and encouraging financial services providers to provide greater access to products and services.

Some regulators in the Pacific engage with both consumers and the market to stimulate managed financial inclusion. For example, the Reserve Bank of Fiji is using a complaints management framework to assist consumers with concerns, and is facilitating collaboration between insurance companies to enable a unique bundling of insurance products within one premium to meet a range of consumer needs.

Another standout aspect of financial inclusion in the Pacific is a commitment by stakeholders across the board – banks, NGOs, mobile network operators, Central Banks and others - to **financial literacy and building financial capability**. One program of note is Fin-Ed Fiji, which integrates basic financial education within the school curriculum. Its success is demonstrated not only by the knowledge gained by students, but interest shown in the program by educators in Asia.

Social and cultural features in the Pacific such as communal rather than individual title in land have given rise to **fresh thinking and solutions around loan collateral**, which has been extended to include moveable property, secured transactions and personal property, plus new a new type of legal entity – the community company – designed to run as a business but benefiting the community as a whole rather than just a handful of shareholders.

Biometric recognition is being trialled by commercial banks in many developed countries, but one of the progressive banks in the Pacific – the National Bank of Vanuatu – is pilot testing a new biometric system that captures fingerprints to minimise fraud.

As noted at the outset, women in the Pacific are amongst the most disadvantaged in the world. But numerous examples of womens empowerment suggest encouraging gains are being made.

Notwithstanding limited access to formal education, the inherent financial capability and motivation of women is recognised by both the private and public sector in the Pacific, and **women are often seen as a better investment** than men by employers, and a means to leverage education throughout the

household by educators. There are no quick fixes to the constraints faced by women in the Pacific, but there are pockets of progress being championed.

SPBD Microfinance, operating in four Pacific Island countries has a focus on women's empowerment and finds its approach has benefits that extend beyond financial security – **it can be infectious, empowering the whole household**. And where this involves women and men working together this cohesiveness reduces instances of abuse and serious problems when husbands feel excluded, suspicious or envious of their partner's achievements.

Against the odds of no electricity, transport or other basic infrastructure, the West 'Are'Are Rokotanikeni Association in the Solomon Islands has honed a savings group methodology for illiterate rural women that started small in 2008 with a handful of women starting in some cases with just a dollar to open their account, but who made a commitment to a culture of savings. The Association in 2015 now has 1,000 members saving together with combined savings of \$1 million, and a target of \$2 million by 2018.

Another example is MiBank in Papua New Guinea, which has a dedicated women's banking unit and commitment to empowering women through financial literacy training (delivered in partnership with the United Church) and access to its products and services. The combination of **a commitment to working with communities, financial education and digital delivery of products** has led to approximately 38% of its customers being women.

Finally, there were several notable examples of Australian companies actively involved in **purposeful grassroots development in the Pacific**. ANZ Bank, operating across the Pacific provides financial products and services plus a financial literacy program – MoneyMinded – tailored with practical education specifically for people in the Pacific, with this education provided not just to ANZ clients but to NGO clients and members of community groups as well. Queen Fine Foods, a household name in Australia for almost 120 years, has nurtured the formation and development of the Vanilla Growers Association (Vava'u) in Tonga, including assistance for 300 growers to obtain Fair Trade and organic certification as well as working capital. Kokonut Pacific, based in Canberra is the retailer, wholesaler and provider of technical assistance and training for a network of villages in the Solomon Islands including more than 950 farmers with organically certified coconut plots. These farmers process virgin coconut oil using a proprietary process and sell this oil to Kokonut Pacific for packaging and sale to international markets.

These are just a handful of examples of initiative and innovation being driven by business, community and government champions in the Pacific. But boosting sustainable growth and reducing economic vulnerability requires an ecosystem of many partners working together. In this regard, the know-how and other resources provided by the Pacific Financial Inclusion Programme, Asian Development Bank, International Finance Corporation, and Australian Aid (DFAT) have been **essential catalysts in building prosperity in the Pacific**.

The Pacific Islands might be overlooked on the global stage but we can learn much from the ideas, achievements and best practice emanating from our Pacific neighbours.

Stephen Taylor
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