



CENTRE FOR EXCELLENCE
IN FINANCIAL INCLUSION



2019
ANNUAL
REPORT

Financial Inclusion
Expansion



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Abbreviations

A

ABAC APEC Business Advisory Council

ADB Asia Development Bank

AFI Alliance for Financial Inclusion

AG Assistant Governor

AML/CFT Anti-Money Laundering and Counter Financing of Terrorism act

APEC Asia Pacific Economic Cooperation

ATM automated teller machine

B

BDS Business Development Skills

BPNG Bank of Papua New Guinea

BSP Bank of the South Pacific

BTCA Better than Cash Alliance

C

CEFI Centre for Excellence in Financial Inclusion

E

EFTPOS Electronic Funds Transfer at Point of Sale

F

FDC Foundation Development Cooperation

FMM Finance Ministers Meetings

FMP Finance Ministers Process

FSSR Financial Services Sector Review

FSDS Financial Sector Development Strategy

G

GESI Gender Equity and Social Inclusion

I

IBMM Institute of Banking and Business Management

IFAD International Fund for Agriculture Development

IFC International Finance Corporation

ICCC Independent Consumer and Competition Commission

IMF International Monetary Fund

K

KATS Kina Automated Transfer System

M

MFIs Microfinance Institutions

MRA Mineral Resource Authority

MSEs Medium Sector Enterprise

MSMEs Medium Small Micro Enterprises

MOU Memorandum of Understanding

N

NEC National Executive Council

NICTA National ICT Authority of PNG

NFCS National Financial Capability Survey

O

OECD Organisation for Economic Co-Operation and Development

P

PGK Papua New Guinea Kina

PNG Papua New Guinea

R

RAASR Renewed APEC Agenda for Structural Reform

RSA Risk Share Agreement

RSF Risk Share Facility

S

SEACEN South East Asian Central Banks

SFOM Senior Finance Officials Meeting

SMEs Small Medium Enterprises

SMMEs Small Medium Micro Enterprises

SWF Sovereign Wealth Fund

U

UK United Kingdom

UN United Nations

UNCDF United Nations Capital Development Fund

Message from Chairman and Governor BPNG



**LOI MARTIN BAKANI CMG,
CHAIRMAN & GOVERNOR BPNG**

It is my pleasure to present the 2019 Annual Report on the work and achievements of Centre for Excellence in Financial Inclusion (CEFI) as the Chairman of the Board of Directors.

The CEFI is implementing the National Financial Inclusion Strategy (NFIS) 2016-2020 to progress toward financial inclusivity and best practices to create economic opportunity for all, where citizens can access, use, and benefit from the high-quality, affordable financial services they need to build better lives.

I am proud to belong to a network of financial service providers, regulators and policy makers that have demonstrated such strong resolve and commitment over the past 6 years through CEFI's technical working group. Collectively, the partnership and dialogue has increased access and usage of quality financial services for over 2 million people in the country since 2013.

As the lead financial inclusion institution, CEFI is well positioned to continue our cooperation and address the persistent issues of financial exclusion especially for those disproportionately excluded in the semi-urban to rural areas.

In 2019, we continue to see great support from both government and private sectors supporting the mission and strategic direction for CEFI to continue its advocacy and activities to deliver the financial inclusion mandate.

I wish to acknowledge the excellent oversight provided by Government of Papua New Guinea through the Department of Treasury and I commend the efforts of other state departments to codify and position financial inclusion as an important agenda in their policies and planning. This partnership led by Department of Treasury has launched the country's first National Policy on Financial Inclusion. The aim of the national policy is to have a clear road map and bring together initiatives from public sector, financial and non-financial institutions and development partners to expand financial inclusion in PNG.

This is in line with PNG's commitment to the Maya Declaration with the Alliance for Financial Inclusion (AFI) and focus on addressing financial inclusion in a more coordinated and holistic manner.

It's been a great year of significant progress as CEFI demonstrates this important mandate through championing the expansion of the program to the provincial level, signalling the greater zeal in enabling our rural population in the districts and ward level to

participate in formal economic activities.

I congratulate the Executive Director and management and staff for providing assistance in the launch of the National Financial Inclusion Policy and will spearhead its implementation. The policy recognises financial inclusion as key priority driver for the country's economic and social development.

I acknowledge and recognise the key commitment and assistance CEFI receives from its partners continues to receive from its partners; Asian Development Bank, Department of Treasury, Australian Government, Pacific Financial Inclusion Program, and other state and private sector partners.

Message from Executive Director

SALIYA J RANASINGHE, EXECUTIVE DIRECTOR

The 2019 CEFI Annual Report is significant as it marks the first year of the provincial government roll-out program, which aims to strengthen CEFI's mandate to expand financial inclusion to provinces and districts in the country.



I am proud to report that CEFI embarked on a Memorandum of Understanding signing with West New Britain and Milne Bay Provinces, heralding a significant feat in the expansion capacity of financial services, products and financial literacy and financial education training.

Provincial Government Rollout

The partnership with CEFI and provincial administrations will address priority financial inclusion challenges in their provinces and are intended to create an enabling environment for advancing government planning process to expand banking and financial services network, increase formal bank accounts for residents, financial literacy and business development training and digitizing provincial government payments as well as address barriers facing disadvantaged segments of the population, such as women and youth.

Parallel to provincial roll-out plan, the government launched National Financial Inclusion Policy. The policy gave CEFI the mandate to work with all the government departments to deliver financial inclusion in the country. In May 2019, CEFI conducted a workshop with government departments, to educate them about the policy and to seek their support in the implementation of the policy.

This is line with the conclusion of Microfinance Expansion Project on June 30 2019. The key activities under Microfinance Expansion project amalgamated into CEFI include; (1) Supporting microfinance industry (2) Promoting financial inclusion training (3) Working on standards of micro finance industry.

Innovation

I congratulate the Bank of Papua New Guinea on investing in innovative initiatives that will expand the access of financial products and services. These initiatives include; the Regulatory Sandbox, Retail Electronic Payment System and Digital Identification Project which are key drivers of the financial inclusion. CEFI in partnership with BPNG will promote these initiatives to ensure wider reach in country.

Working Groups

A total of 16 Working Group Meetings were conducted this year to deliberate on the implementation of the

Financial Inclusion Strategy 2016-2020. A midterm review of the Financial Inclusion Strategy Implementation 2016-2020 was conducted in partnership with Pacific Financial Inclusion program (PFIP) in the first quarter of 2019 to review the performance of the NFIS. CEFI conducted an annual review workshop in December with the seven working groups to review the progress of the NFIS implementation and identified areas for development.

CEFI FI Mapping Tool and Data

CEFI Financial Inclusion Mapping Tool went live in June on the CEFI website to demonstrate the spatial overview of Financial Inclusion indicators. This tool can be used by government and development partners to make informed decisions to improve access points of financial services and products in provinces and districts. The Financial Inclusion map is available on CEFI website and updated every quarter.

CEFI continues to collect, verify and consolidate financial inclusion data from all the regulated financial institutions every quarter which is then published on the Alliance for Financial Inclusion (AFI) and CEFI websites. CEFI conducted the review of the financial inclusion data points and collection process in June through an external international consultant and the recommendations of the study is considered for implementation in stages.

On behalf of CEFI, I wish to thank the Board of Directors and CEFI Working Group Committees for their oversight and strategic guidance, which has helped to strengthen CEFI's accountability and deliverables. I also commend the management and staff for the dedication and commitment to achieving CEFI goals. Finally, I would like to acknowledge and appreciate all our members and partners for your continuous support and commitment to maintaining CEFI as a lead institution focused on advancing financial inclusion through the leadership of financial sector regulators and policymakers based on a peer-to-peer cooperative model.

I am eager for yet another successful year as we work together to bridge the financial inclusion divide in access, usage and quality of financial services. I am confident that with the support of our network, we will be able to address the challenges and embrace the opportunities ahead.

Part One: CEFI Board and Management

The CEFI team comprises a group of highly experienced and dedicated financial experts who are passionate about the growth of financial inclusion in Papua New Guinea. CEFI also reports to a Board of Directors, which includes an elite field of key stakeholders representing government, industry and the Bank of Papua New Guinea.



LOI MARTIN BAKANI CMG, CHAIRMAN & BOARD MEMBER

Loi Martin Bakani CMG has been Governor and Chairman of the Bank of Papua New Guinea Board since 2009. He is Registrar of the Savings & Loan Societies, Chairman of the PNG Institute of Banking & Business Management (IBBM) and holds senior governance roles with South East Asian Central Banks (SEACEN), IMF/ World Bank Group, AML/ CFT Coordination Committee and the Sovereign Wealth Fund (SWF) Committee. He also serves as member of the Appointments Committee of the NICTA and ICCC. Loi holds a Bachelor of Economics from the University of Papua New Guinea and a Master of Commerce from the University of Wollongong, Australia.



MICHAEL TUMBO KUMUNG, DEPUTY CHAIRMAN & BOARD MEMBER

Michael Tumbo Kumung is the Deputy Secretary of the Department of National Planning & Monitoring with 20 years' experience in Public Service. Michael have worked with the Papua New Guinea Internal Revenue Commission and Department of Finance dealing with Development Strategic Planning, Public Policy Formulation, Economic Modelling and Economic Development Analysis and Reporting. He has represented the Department of National Planning as alternate board member and director on PNG Gaming Control Board and National Research Institute board. Michael holds a Master of International Economics & Finance, University of Queensland, Australia.



SALIYA J RANASINGHE, DIRECTOR & BOARD MEMBER

Saliya J Ranasinghe has more than 25 years' experience in the microfinance industry, including roles as Finance Manager at Ceylon Oxygen and Chief Executive Officer of SEEDS Sri Lanka. Since 2002, he has been a consultant and Chief Technical Advisor for inclusive finance /microfinance projects with renowned organisations such as the Asian Development Bank, World Bank, IFC and UN Capital Development Fund in countries across Asia, Africa and the Pacific. Saliya has also conducted postgraduate studies with England's Canfield School of Technology and has an MBA from the University of Lincoln, England. He is a Fellow Member of the Institute of Chartered Management Accountants UK and Fellow Member of the Society of Cost Management Accounts Sri Lanka.



MARK BAKER, BOARD MEMBER

Mark Baker is a highly experienced international banker having previously held senior roles with HSBC in Saudi Arabia, Hong Kong, India and Bahrain. Prior to taking up his current role with ANZ PNG in 2012, he had overall responsibility for ANZ's Corporate Banking activities in Queensland, covering private and public companies, with a particular focus on services to the Natural Resources sector. Experience across a wide range of banking activities including Corporate and Institutional Banking, Commercial and SME, and Retail Banking, as well as key product lines including International Trade Services, Payments and Cash Management and Operations.

**PAULUS LAVEIL, BOARD MEMBER**

Paulus Laveil is currently Managing Director and Board Secretary of the PNG Federation of Savings and Loans Society Ltd. He has more than 15 years' experience with the PNG National Development Bank as an Executive Manager for Lending, Policy and Corporate Services. He is a member of the Microfinance Expansion Project Steering Committee and is on the CEFI Board representing the Savings and Loans Societies in PNG. He holds an MBA from the University of New England, Australia.

**ANNA KAVANA BAIS, BOARD MEMBER**

Anna Kavana has more than 23 years' experience with the Public Service. Currently the Secretary for the Department for Community Development and Religion, Anna has and continues to support in addressing and advocating financial Inclusion among all Papua New Guineans especially the marginalized and disadvantaged groupings from the Informal Economy that comprise bulk of the population through her department's Informal Economy Policy via Projects and Programs. She is currently the chairperson of the Informal Economy Sectoral Committee under CIMC. Anna is a member to most professional women associations addressing financial and economic empowerment for women and persons with disabilities.

**SWETA SUD, BOARD MEMBER**

Sweta Sud has more than 20 years of innovation and management experience in the areas of education, enterprise resource planning, strategic project planning and stakeholder management. She is currently the Dean of PNG Institute of Banking and Business, and represents financial training institutions on the CEFI Board. Sweta has also been on the Board of the Small Business Development Corporation and has held positions at the Business Coalition for Women, the PNG India Business Council and the PNG Government's Small to Medium Enterprise Policy and Master Plan. She is also a Faculty for the MBA program at Torrens University, Australia. Sweta holds a Bachelor of Engineering and postgraduate degrees in Business Administration, Project Management and Information Systems.

**RODDIE WADA, BOARD MEMBER**

Roddie Wada has more than 15 years' experience in the public sector, mostly with the PNG Department of Treasury in the area of micro-economic policy. Currently the First Assistant Secretary of the Markets Policy Division, she deals with consumer and competition policy, private sector development and other micro/structural reform initiatives. Roddie is on the CEFI Board representing the Department of Treasury, and has also represented the Department on the Boards of CIC, Post PNG, Air Niugini and the Nationwide Microbank. She holds a Masters in Applied Commerce from Melbourne University, Australia.

**TONY WESTAWAY, BOARD MEMBER**

Tony Westaway has more than 20 years' experience in the Papua New Guinean banking industry and is the current Managing Director of Nationwide Microbank Limited. He is also the Chairman of Microfinance Pasifika Network, a Director and Honorary Fellow of the PNG Institute of Banking & Business Management, and a Fellow of the Financial Services Institute of Australasia.

A strong advocate of financial inclusion, Tony initiated the first bank-led deployment of Mobile Money in the South Pacific with MiCash in 2011. He holds an MBA from Torrens University, South Australia.

About CEFI



CEFI Management and Staff.

Establishment

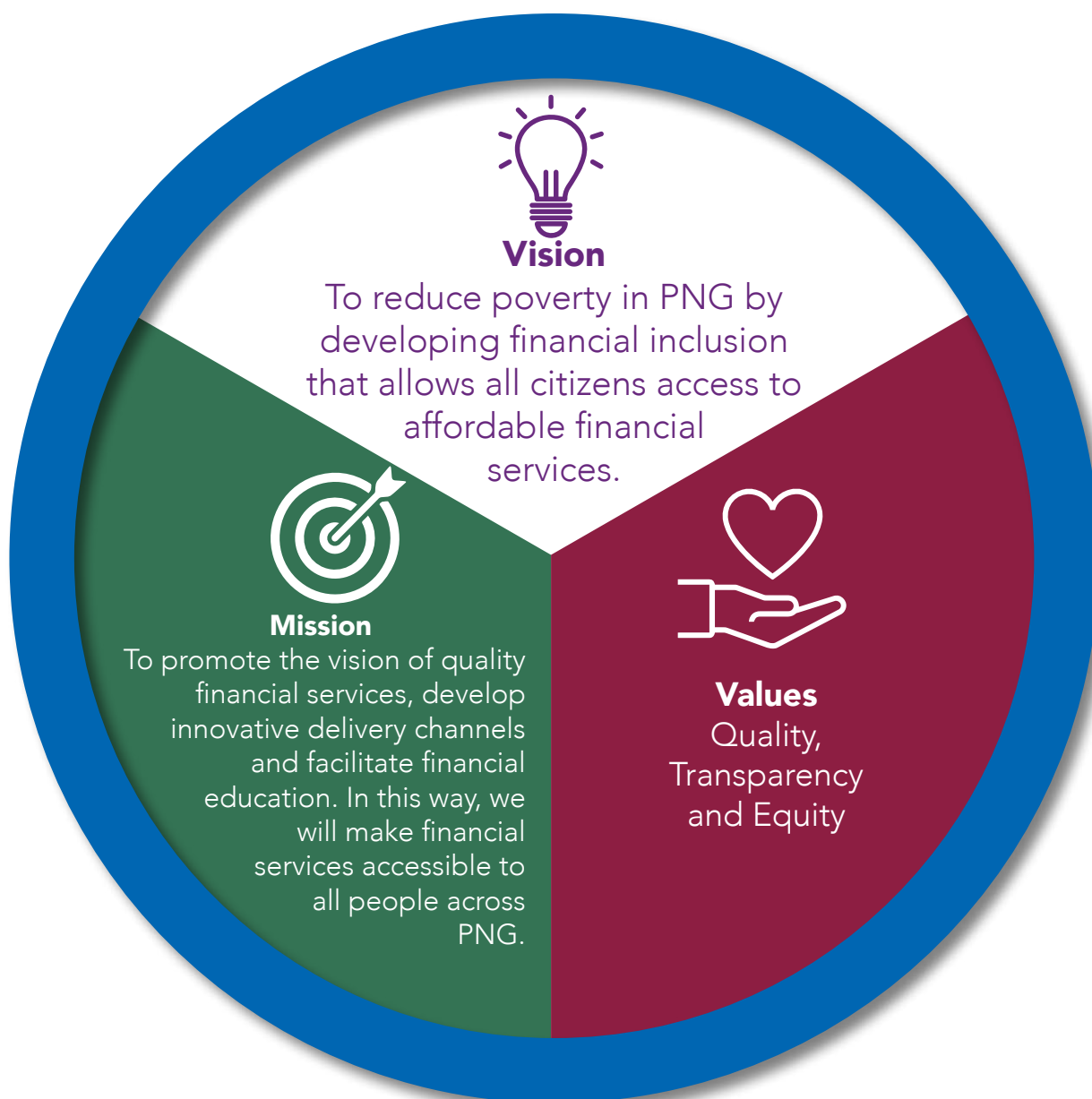
Centre of Excellence for Financial Inclusion (CEFI) is a membership –based association with the purpose of promoting greater access to financial services and products in Papua New Guinea. The organization was established and endorsed by the government in 2013 as the industry apex organization for coordinating, advocating and monitoring all financial inclusion activities in PNG.

Staff

The CEFI team comprises of 15 highly experienced and dedicated professionals who are passionate about the growth of financial inclusion in Papua New Guinea. CEFI also reports to a Board of Directors, which includes an elite field of key stakeholders representing government, financial sector, and the Bank of Papua New Guinea.

Vision Mission and Values

CEFI's vision, mission and values focus on financial inclusion and literacy, poverty reduction and the promotion of vibrant financial institutional operation in Papua New Guinea.



Working Groups

The 7 Working Groups comprises stakeholders from the CEFI network. Their main responsibility is to implement and deliver the NFIS 2016-2020 and monitor its progress to ensure the goal and vision is being met. A total of 16 meetings were held to deliberate on key activities and deliverables in 2019. A midterm review of the Financial Inclusion Strategy Implementation was conducted in partnership with Pacific Financial Inclusion program (PFIP) in the first quarter of 2019 to review the performance of the strategy. Following from the midterm review, CEFI conducted an annual review workshop in December 2019 with the seven working groups to review the progress of the NFIS implementation and identified areas for development.



CEFI has trained over 200 000 people in Papua New Guinea as of December 2019. A CEFI partner trainer, conducting Financial Literacy training in East Sepik Province.

Industry Working Group on Digital Financial Services

The Industry working group focuses on innovative ways to expand access and encourage market using Information and Communication Technology (ICT). It will facilitate the development of payment systems that serve the low-income population sustainably in order to reduce the time and money that low-income earning people spend to conduct financial transactions. The Industry Group will also identify pertinent research that will enable service providers to better serve low-income and remote communities

Progress Update: Digital Financial Services (DFS) Symposium concept note was developed to convene a forum of experts to share information on innovations in the DFS space with participation from local and international speakers to be conducted in 2020. In conjunction, the Bank of Papua New Guinea launched the Retail Electronic Payment System in July 2019 to allow interoperability between banks for ease of payment transactions at reduced cost.

Industry Working Group on Inclusive Insurance

The Industry group serves as a coordinating body to promote and advocate for the development of Inclusive Insurance policies and regulatory regime that will enable the growth of the insurance market for the general population including low-income individuals. It will facilitate partnerships between government and private sector for educating and offering products to the poor, including the use of alternate channels for distribution.

Progress Update: A sub-committee appointed by Inclusive Insurance Working Group to develop work plan and budget for conducting a nationwide awareness raising campaign on insurance in 2020. CEFI will coordinate and engage a service provider to develop the concept guideline and communication

and media products for Insurance awareness campaign. The insurance campaign will educate and inform public on the benefits of insurance and the products and services on offer by the insurance companies.

Working Group on Financial Literacy and Financial Education

The Working Group serves to strengthen coordination amongst financial education providers to harness the capacities of member organisations to support and implement cost effective financial education programs. It will have special focus on facilitating actions to introduce financial education into public and private school curriculum and to promote standardization and certification processes for the delivery of financial literacy training in PNG.

Update: A concept note on Financial Education has been developed and dialogue has commenced on a draft Memorandum of Understanding between CEFI, BPNG and Department of Education to establish dialogue to plan, design and implement incorporation of financial education into the nation education curriculum.

Working Group on Access to Finance for Informal and Agriculture Enterprise

The working group serves as a coordinating body to facilitate access to finance for informal and agriculture enterprises. It will encourage key stakeholders including financial institutions to provide access to innovation products and services for informal and agriculture enterprises. The working group is expected to conduct research into financial opportunities for access to finance by informal and agriculture enterprises.

Progress Update: A draft workshop concept was completed for Access to Finance for Informal and Agriculture Enterprises (AFIAE) working group and discussed with World Bank for technical and funding support. The workshop will provide linkages between commodity Boards and informal sector participants on the demand for financial services and on the supply side the financial institutions through financial products and services been offered for agriculture and informal sector enterprises.

Working Group on Resources Sector Engagement

The Working Group seeks to engage with resources sector organisations to digitize community benefits payment so that payments are remitted to their respective bank accounts and are regulated. It will also facilitate partnerships with government and private sector for offering financial literacy training to affected communities, including the establishment of facilities to enable communities to have increased financial services access points.

Progress Update: CEFI through the working group engaged a consultant who completed a baseline study report for Simberi. The recommendations of the report will inform CEFI's engagement with partner financial institutions and stakeholders to rollout financial inclusion activities within the Simberi mining communities, who receive regular royalty and compensation payment from mining project. Subsequently a rollout of Financial Inclusion training was held at Simberi for 102 FE Training Participants and a BSP Agent.

Working Group on SME Finance

The Working Group will serve as a coordinating body to promote and advocate for SME financing. It will work with regulated financial institutions to identify and facilitate actions to increase loan portfolio to SMEs. It will also have specific focus to work with government and development partners to assist institutionalize risk-sharing and guarantee scheme facilities as a platform for increasing loan financing to SMEs by financial institutions.

Progress Update: Working group has appointed CEFI to develop a loan guide booklet, a one-stop reference guide with information on loan products available at licensed banking institutions, including client requirements and contact details of the institutions. The guide will assist individuals and businesses to access appropriate loans to start, develop and expand their businesses.

Working Group on Data Collection and Dissemination

To regularly collect financial inclusion data and publish it using visualization tools (financial inclusion mapping) for policy makers and commercial service providers to identify key dimensions and opportunities in PNG.

Progress Update: CEFI Financial Inclusion Mapping Tool went live in June 2019 on the CEFI website to demonstrate the spatial overview of Financial Inclusion indicators. CEFI collected financial inclusion data from financial institutions for 30 December 2019 and published on CEFI website. CEFI has ongoing training for new microfinance data template and associated tools. Two financial inclusion data analyst from CEFI attended a member training on improving implementation of Financial Inclusion Strategy using Monitoring and Evaluation Data in Malaysia organized by AFI and Bank Negara Malaysia in November 2019.

Stakeholders

CEFI's activities are supported by a governance structure comprising of its board and management. The CEFI Management main responsibility is providing strategic guidance, oversight and monitoring of the work plans of CEFI's Initiatives, which address national financial inclusion challenges. Together, the board and management maintain partnerships with a range of national stakeholders including finance and banking industry, donor and training partners, and the government of Papua New Guinea.

Founders



**Bank of Papua
New Guinea**



**Department of National
Planning and Monitoring**

Members



Department of Finance



Department of Treasury



MiBank

Sepik Savings and Loan



Kada Poroman

**Niu Ailan Savings and
Loan**

Partners



**Alliance for Financial
Inclusion (AFI)**



Asian Development Bank



Australian Government



Better than Cash Alliance



**Pacific Financial Inclusion
Program**

CEFI's Journey

2019

Financial Inclusion Policy approved by NEC in September 2018. BPNG renewed its commitment to the Maya Declaration in Russia in September pledging to reach an additional 2million unbanked low income people, 50% of whom will be women

FI Data Mapping: commenced on mapping spatial dimension of financial access points across the country aiming to turn raw data into insight.

Launch of National Financial Inclusion Policy (NFIP) and Financial Sector Development Strategy (FSDS). CEFI rolled out Financial Inclusion Memorandum of Understanding partnership to Milne Bay and West New Britain Provinces. FI Data mapping launched on the CEFI website on June 2019.

2018

With the support of MEP partners and microfinance institutions, the BPNG launched the Gender Equity and Social Inclusion (GESI) Policy for Microfinance Institutions (MFIs) in 2017 working with 13 organisations to implement GESI policy.

2017

2nd Financial Inclusion Strategy: In December 2016, the Prime Minister launched the National Financial Inclusion Strategy 2016-2020, based on the lessons learnt from the first strategy

2016

By December 2015, there were nearly 600,000 new adult bank accounts and 112,000 new youth bank accounts opened across PNG. In February, BPNG implemented KATS to improve efficiency in the payments and settlements of transactions. In March, the Government joined BTCA and committed to digitizing all government payments including salaries and social protection payments in PNG.

2015

1st Financial Inclusion Strategy: In 2013, the Government launched PNG's Financial Inclusion & Financial Literacy strategy 2014-2015. This was the nation's first plan to tackle the lack of access to financial services facing the majority of the population.

2014

CEFI is established, registered as an Association incorporated under PNG law and officially launched on 24th April by the Prime Minister. As member of AFI, BPNG signed the Maya declaration in 2013, committing to reaching 1 million unbanked population.

2013

Part Two: CEFI Performance



Home-based bakery owner Karie Laveil with new baking equipment purchased through small business lending products provided by People's Microbank. MiBank is a CEFI partner institution and part of the Microfinance Banking Association.



Launch of the Financial Inclusion Policy (NFIP) and Financial Sector Development Strategy (FSDS) prioritizing financial inclusion as a driver for PNG's economic and social development.



2 Memorandum of Understanding partnership with West New Britain and Milne Bay Province to promote the integration of financial inclusion in Provincial administrations' planning processes.



Financial Inclusion Mapping Tool went live on CEFI website to demonstrate the spatial overview of Financial Inclusion indicators in country.



16 technical working group meetings conducted in 2019 with midterm review and an annual review workshop in December on the progress of NFIS 2016-2020.



35 institutions registered with CEFI as financial inclusion trainers.



APEC Financial Inclusion Capacity Building package launched with inputs from CEFI in partnership with Bank of PNG and Department of Treasury.

Strategic approach and implementation of national financial inclusion strategies

CEFI continues to take direction from the two consecutive national strategies (NFIS 2013-2016 and NFIS 2016-2020) which is guided by the recently launched Financial Inclusion Policy (NFIP) and Financial Sector Development Strategy (FSDS). This creates enabling environment and best practices to create economic opportunity for citizens to access, use, and benefit from the high-quality, affordable financial services they need to build better lives.

We offer following services with simplicity



Customer Enrollment



Transaction Savings Account

- Meri Moni Savings
- Meri Business Savings
- Meri Group Savings
- Salary Deduction Savings

FD /Term Deposit accounts

- Term Deposits
- Monthly Income Scheme
- Saving Deposits
- Investment Savings
- Pikinini Savings
- School Savings

Loan Products

- Start Up Loan
- Meri Loan
- Agriculture Loan
- Salary Loan
- Group Loan
- CBO Loan

Trainings

- Life Training
- Investment Training

Contact D

(675) 2

(67

Women's Microbank staff Jill Nibabe conducting bio-metric identification for a new account user. Women's Microbank is a CEFI partner institution and part of the Microfinance Banking Association.

Financial Inclusion Policy

The launch of the National Financial Inclusion Policy (NFIP) and Financial Sector Development Strategy (FSDS) strategically prioritizes financial inclusion as a driver for PNG's economic and social development. The policy is housed by Department of Treasury. The implementation will be coordinated and driven by CEFI and BPNG in collaboration with key government departments, civil societies, and private sector institutions.

Preceding the launch, CEFI in partnership with Department of Treasury conducted a one-day workshop in the June 2019 to raise awareness on the financial inclusion policy. The workshop was attended by Department of Finance, Department of Planning and Monitoring, Department of Education, Department of Provincial and Local Level Government Affairs, Department of Education, Department of Commerce and Industry and Department of Community Development and Religion.

Similar awareness workshops will be delivered in 2020 to engage and garner support from state agencies to integrate and promote financial inclusivity in their programs.



National Financial Inclusion Strategy review in Port Moresby, December 2019.

Financial Inclusion Strategy 2016-2020 Review

Significant progress in financial inclusion has been achieved between June 2013 and June 2016, more than 1.2 million new deposit accounts were opened at licensed financial institutions. In the same period, the percentage of adults with an account increased from 20% to almost 37%.

Since the launch of PNG's First National Financial Inclusion and Financial Literacy Strategy 2014-2015, financial access points in the country have grown by 56% in during the three years. Papua New Guineans can now access the formal financial sector at 12,599 physical access points, as well as via their mobile phones. However, the majority of the population continues to lack access to formal financial services, and financial exclusion affects specific groups more than others: it is more prevalent in rural communities, among women and microenterprises, especially those within the informal economy and in agriculture. Therefore, financial exclusion remains a fundamental challenge.

The implementation of the First Strategy ended in 2015. To provide a strategic framework for financial inclusion going forward, a new National Financial Inclusion Strategy (subsequently referred to as "Second Strategy") has been developed.

The Second Strategy has been developed in a consultative and participatory process with inputs from all key stakeholders, acknowledging lessons learnt from the First Strategy, and considering international best practices.

This Second Strategy provides continuity as it pursues the routes embarked upon in the First Strategy that have proven effective. Furthermore, it provides an update by identifying new Priority Areas, Strategic-Objectives, and fine-tuning implementation mechanisms. It sets the national strategic framework for financial inclusion until 2020.

The NFIS 2016-2020 implementation focuses on usage, access and quality. The strategy notes that financial education and literacy and consumer awareness must be strengthened to drive usage. This strategy has a gender specific numerical target of 2 million additional accounts, of which 50% to be owned by women by the end of 2020.

The following seven priority areas were identified to expand financial inclusion:

- (1) Digital Financial Services
- (2) Inclusive Insurance
- (3) Financial Literacy and Financial Education
- (4) Informal Economy and Agricultural Finance
- (5) Resources Sector Engagement (mining areas)
- (6) Data Collection and Dissemination
- (7) Government Engagement.

A total of 16 meetings were held to deliberate on key activities and deliverables in 2019. A midterm review of the Financial Inclusion Strategy Implementation conducted in partnership with Pacific Financial Inclusion program (PFIP) in the first quarter of 2019. Following from the midterm review, CEFI conducted an annual review workshop in December 2019 with the seven working groups to review the progress of the NFIS 2016-2020 implementation and identified areas for development.

CEFI 5-year corporate plan

A two-day planning workshop conducted in February 2019 gave CEFI's management and staff, representatives from BPNG, its member-Financial Service Providers an opportunity to revisit its vision and mission statements formulated in 2013. To reflect the dynamic and changing landscape of CEFI's institutional environment and given the government's promulgation of policies to support financial inclusion, a revised vision and mission statements were crafted. It envisions CEFI to continuously strive for excellence and pro-actively be socially responsive to the current and changing needs and preferences of its stakeholders and becoming financially sustainable in the process. The corporate plan draft has been completed and work is being undertaken currently to align the corporate plan to the next financial inclusion strategy in 2021.

Financial Inclusion Data Mapping

CEFI Financial Inclusion Mapping Tool went live in June 2019 on the CEFI website to demonstrate the spatial overview of Financial Inclusion indicators. This tool can be used by government and development partners to make informed decisions to improve access points of financial services and products in provinces and districts.

A subsequent data mapping training was undertaken by CEFI and BPNG staff to update the maps. Financial Inclusion map is available on CEFI website and updated every quarter.

Financial Inclusion Engagement in Provinces

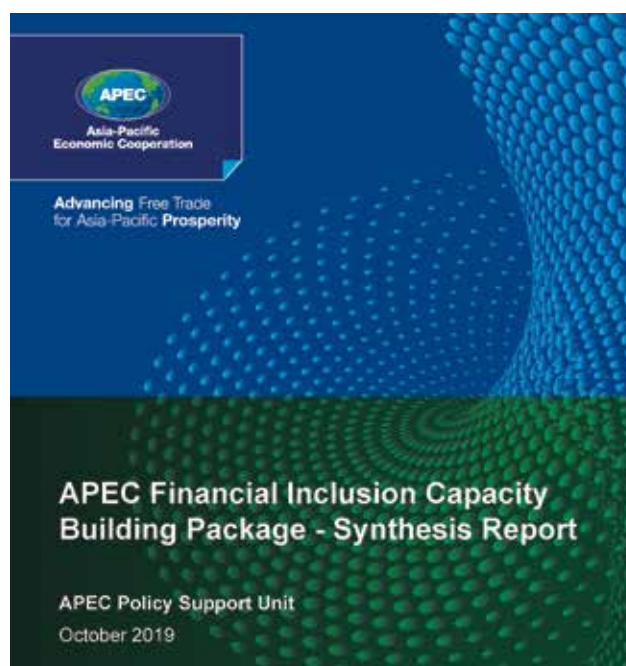
Two Memorandum of Understanding (MOU) partnerships were signed between CEFI and West New Britain in August, and Milne Bay

Province in November 2019.

The partnership will promote the integration of financial inclusion in Provincial administrations' planning and implementation processes and also build the capacity of the Administration staff to implement important financial inclusion activities.

The activities will include integrating the PNG financial inclusion strategy in provincial government planning process to expand banking and financial services network, increase formal bank accounts for residents, financial literacy and business development training and digitizing provincial government payments. Respective Project Steering Committee headed by Provincial Deputy Administrator with heads of divisions has been appointed to direct and guide these activities.

Official invitations have been extended to East New Britain and New Ireland Provinces to participate in this initiative in 2020.



APEC Financial Inclusion package

Financial inclusion is a key enabler of economic participation, opening up opportunities for people to upskill, work, and invest. Financial technologies (fintech) could be a game-changing catalyst in promoting financial inclusion, but economies need to manage risks related to consumer protection, privacy, and security. In 2018, a Financial Inclusion Capacity Building Package was initiated by the APEC Finance and Central Bank Deputies with the aim of examining issues related to the use of fintech for financial inclusion and consumer

protection. This synthesis report provides a background on financial inclusion in APEC economies as well as the opportunities and risks of fintech.

CEFI provided its technical input and assistance to prepare the PNG country paper on Financial Inclusion Capacity Building package and finalized the synthesis report to Bank of PNG and Department of Treasury. This report was launched in October 2019.

Microfinance Expansion Project (MEP)



On June 30, 2019 marked the conclusion of Microfinance Expansion Project (MEP), the following activities under MEP were amalgamated into CEFI; (1) Supporting microfinance industry (2) Promoting financial inclusion training (3) Working on standards of micro finance industry.

CEFI created three additional positions in its structure and have recruited a senior trainer, senior data analyst and trainer to continue the project activities.

Financial Education and Literacy

In May 2019, a total of 35 institutions throughout the country have registered with CEFI as financial inclusion trainers and they are currently using CEFI training modules. CEFI also conducted a training workshop with 15 institutions to provide CEFI training material to review, upgrade and standardize financial education training materials.

In conjunction, CEFI will progress the improvement of Financial Education learning modules for Financial Literacy and Financial Education training in partnership

with Department of Education and Treasury Department. This coincides with CEFI's plan to incorporate financial education to primary and secondary schools' curriculum with the commencement of a pilot by 2021.

CEFI staff recruitment

CEFI created three additional positions in its structure through the recruitment of a senior financial inclusion trainer and trainer who are responsible for implementing the Financial Education and Financial Literacy (FEFL) training, and oversee the CEFI training modules with training partners. A senior data analyst was also recruited to manage and update data information from licensed financial institutions in PNG, and collate annual benchmark reports. A communications manager, an accountant and information technology officer were recruited to the structure to provide strategic leadership on CEFI visibility, accounts and ICT services respectively.

Capacity Building for CEFI staff

The Alliance for Financial Inclusion (AFI) and Bank Negara Malaysia (BNM) co-hosted the training on Digital Economy for Financial Inclusion on July 1-3, 2019. This is a new program hosted by AFI, which was attended by 2 CEFI Data Analysts with regional representatives from 21 AFI member states. The training coincided with VISA's training on 'The Future of e-Commerce' centered on VISA's core business. The trainings were designed for professionals working in Payments, Policy/Regulations and Financial Inclusion areas.

The training will support CEFI in identifying steps to deal with the imminent shift to platform based transaction, examine platform service providers and their impact on financial inclusion, support with technical inputs to the design of policy solutions to expand financial inclusion through digital platforms.

CEFI Communications Officer attended a 2-day communications training from 21-22 September 2019 in Singapore. The participants were trained on corporate communications, public relations, effective community engagement and changing perceptions. The training will support and inform CEFI communications and advocacy roles in financial inclusion endeavor.



Microfinance Expansion Project (MEP) Manager Jacob Gob presenting a participation certificate to a trainee in Jiwaka Province. CEFI has amalgamated MEP training functions since the project closure on June 30, 2019.

CEFI communications

CEFI launched its new website and online newsletter for the public to access the latest news and updates by subscribing to www.thecefi.org

The CEFI rebranded e-newsletter is distributed to over 300 stakeholders, media and the interested public and is a step toward informing public on important initiatives delivered by CEFI in partnership with its stakeholders and working groups.

CEFI has social media presence via Facebook, Twitter and LinkedIn. CEFI social media channels are used by communication team to disseminates information and awareness on financial inclusion, including events and activities.

Global Money Week (GMW) to Empower Children and Youth

GMW is an annual financial awareness campaign built to inspire children and young people to learn about money matters, livelihoods and entrepreneurship. Initiated by CYFI in 2012, it is now organised by the OECD International Network on Financial Education (OECD/INFE). CEFI hosted an art competition from 25 – 31 March to commemorate the 2019 Global Money Week (GMW) with the theme of LEARN. SAVE. EARN. Winners of the competition were provided financial rewards with free student account opened by partner banking institution, Bank of South Pacific (BSP). CEFI is part of the program that is observed in 175 countries.

Strategic Alliance / Special projects

Partnership with MIX - CEFI's partnership with Mix Market (International Microfinance Information Exchange) to disseminate information on Microfinance institutions in PNG and publishes annual benchmark reports continued in 2019. Nine microfinance institutions provided data to Mix Market and latest reports that include PNG Annual Microfinance Benchmark report for 2018 are released and published on Mix market and CGAP websites.

MIX have decided to refocus efforts on its catalytic data initiatives in digital, fintech and agriculture finance, which ensure equitable capital flows, encourage the growth of inclusive markets, and support informed thinking on the future of financial services. Data portal is taken down in December 2019. Past PNG Data of MIX Market is now transferred to World Bank's data catalogue which consolidates access to the World Bank's flagship datasets. CEFI has now adopted an existing off-the-shelf tool, BRS Microfact collecting and aggregating / analysing data. This process commences from September and CEFI will produce Annual Benchmark Report and the Annual Factsheet reports for 2020.

Partnership with Market for Village Farmers Project

Market for Village Framers Project is executed by the Department of Agriculture and Livestock and implemented by Fresh Produce Development Authority. The project aims at

improving the livelihoods of village farming households in five target provinces of PNG (Western Highlands, Jiwaka, Simbu, Eastern Highlands, Morobe and East New Britain) by facilitating their transition from semi-subsistence agriculture to market oriented production and framing as a business. CEFI signed a partnership agreement with the project to implement the financial inclusion component during the next five years

Baseline study on Simberi Mining area

A baseline study for financial inclusion activities was conducted in Simberi Mining area of New Ireland Province to establish the status of banking services in the locality and to develop a work plan to establish the viability of banking and mobile banking services and roll out financial literacy. Initial financial literacy training was conducted in June 2019.

Support for Productive Partnerships for Agriculture Project (PPAP) - PPAP is a World Bank funded flagship Project to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and the sustainability of value chains in cocoa-and coffee-producing areas. As part of the long term sustainability CEFI developed business plans for three lead partners of the project that can be used for funding from financial institutions. In addition, CEFI provided recommendations on institutional development of the partners and implementation of financial inclusion activities on the project next phase.



MiBank Lending officer Samantha Sakala speaking to a vegetable market vendor on saving products provided by MiBank.

2019 Financial Inclusion Data

CEFI continues to collect, verify and consolidate financial inclusion data from all the regulated financial institutions every quarter which is then published on the Alliance for Financial Inclusion (AFI) and CEFI websites. CEFI conducted the review of the financial inclusion data points and collection process in June through an external international consultant and the recommendations of the study is considered for implementation in stages.

The following is Financial Inclusion data as of Dec 2019;

2019 ACCESS & USAGE POINTS					
Dimension	Indicator	Q1	Q2	Q3	Q4
Access	Number of Access Points/Cash-in & Cash-out Points	16,623	15,942	15,351	14,050
	Number of Branches	216	218	226	228
	Number of ATMs	464	468	465	471
	Number of EFTPOS	15,505	14,907	14,326	13,032
	Number of Agents	458	371	357	327
	Number of Mobile Financial Service Access Points	16,392	15,718	15,148	13,698
Usage	Number of Mobile FS Accounts	628,231	652,334	719,663	739,115
	Number of Women with Mobile FS Accounts	173,952	179,358	199,695	206,903
	Number of Deposit Accounts	3,278,342	3,299,046	3,186,565	3,259,843
	Number of Women with Deposit Accounts	919,657	926,872	970,519	995,315
	Number of Credit Accounts	246,493	248,583	280,508	240,426
	Number of women with Credit Accounts	75,034	75,500	84,319	75,032
Progress (+/-)	New Accounts opened under 2nd NFIS (after June 2016)	979,091	999,795	887,314	960,592
	Percent achieved against target from NFIS of 2 million	49%	50%	44%	48%

Note: *A decreased in the number of Deposit Accounts as well as Access Points was due to acquisition of ANZ retail by Kina

Acquisition of ANZ Bank retail business by Kina Bank resulted in reduction of substantial number of deposit accounts and CEFI decided to remove the inactive savings and loan societies.

Inactive agents, EFTPOS Machines, and ATM's were removed from the respective financial institutions



13,032

Number of Eftpos



327

Number of Agents



739,115

Number of mobile FS accounts



471

Number of ATMs



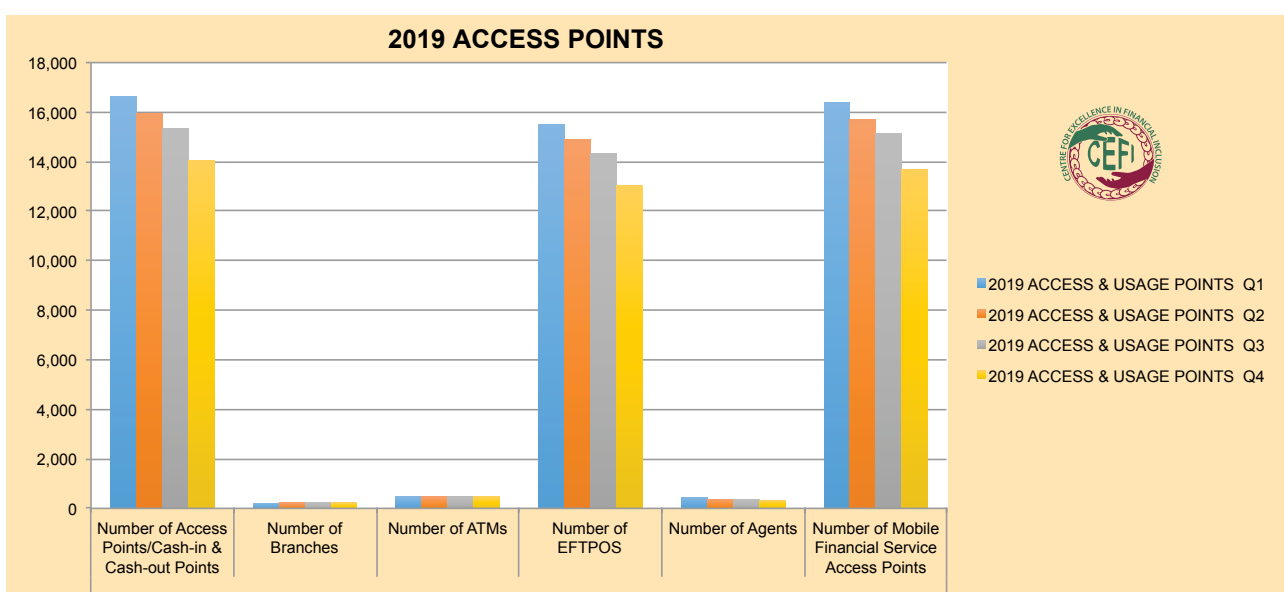
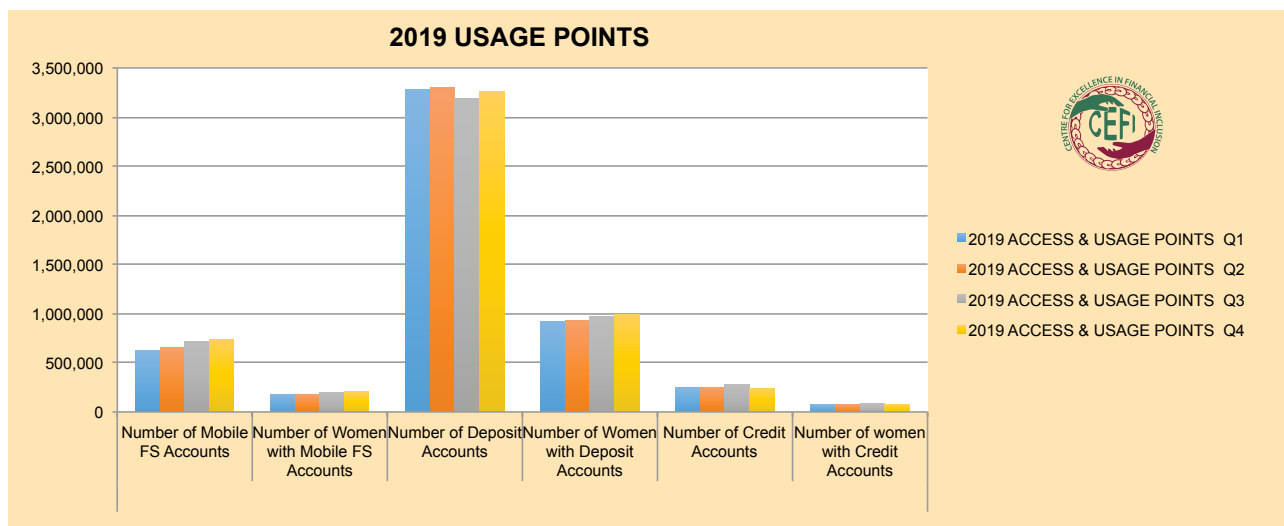
228

Number of Branches



206,903

Number of women FS accounts



CEFI financial inclusion data recorded there are 327 agent banking in PNG as at December 2019. Daniel Sani, a Mibank Banking Agent operating in Gerehu Suburb.

National Financial Inclusion Strategy

2013 - 2016: Achievements

1.2M

Significant progress in financial inclusion has been achieved between June 2013 and June 2016, more than 1.2 million new deposit accounts were opened at licensed financial institutions.

37%

Between June 2013 - June 2016, percentage of adults with an account increased from 20% to 37%

56%

Financial access points in the country have grown by 56% in the 3 years.

12,599

Papua New Guineans can now access the formal financial sector at 12,599 physical access points as well as via their mobile phones



National Financial Inclusion Strategy 2016 - 2020: Goals

2M

2 million additional accounts

50%

50% of the additional 2M accounts to
be owned by women

NFIS 2016-2020: Progress as at December 2019

42%

% of New Deposit
Account opened after
implementation of 2nd NFIS
as a % of baseline (2million)

50.7%

Between June 2016 - Dec 2019,
percentage of adults with a new
account was 50.7% against 2nd NFIS
target of 2million

236,515

Total trained with financial literacy
training

112,117

about 47.4% of total trained with
financial literacy training are women

Assumptions

- * Calculations using Population Data as at last Census in 2011 at an annual growth rate of 2%
- * 65% of total population are Adult - 2011 Census



Sinai Tine is a Microfinance customer of People's Microbank who successfully acquired a loan to start his Kula Fried Lamb Flaps business at Erima in Port Moresby.

Provincial Engagement



BPNG Assistant Governor Ellison Pidik (second right) with Milne Bay Deputy Administrator Sharon Mua and administration staff at the Financial Inclusion Workshop in Alotau, Milne Bay Province.

West New Britain Province and Milne Bay Province became the first provinces in Papua New Guinea to sign Memorandum of Understanding (MOU) partnerships with the Centre for Excellence in Financial Inclusion (CEFI) to advance financial inclusion activities in the provinces.

The Bank of Papua New Guinea Governor and Chairman of CEFI Loi M Bakani and West New Britain Provincial Administrator Hosea Williamson signed the MoU on August 2019 to promote the integration of financial inclusion in the West New Britain Provincial administration. Similarly, in Milne Bay Province, the Provincial Administrator Ashan Numa and BPNG Deputy Governor Joseph Teria signed the partnership in November 2019.

The activities will include integrating the PNG financial inclusion strategy in provincial government planning process to expand banking and financial services network, increase formal bank accounts for residents, financial literacy and business development training and digitizing provincial government payments.

CEFI as the custodian of the PNG Financial Inclusion Strategy and the implementer of Government financial inclusion Policy will be working closely two provincial administrations to train and build their capacity and knowledge to roll out financial literacy and business development services training to reach a wider population in provinces, targeting mainly youths

and women.

The Bank of Papua New Guinea Governor Loi M Bakani noted the significance of improving financial capability of communities in West New Britain and Milne Bay Provinces.

"The provinces' host the country's largest oil palm industry, including timber and tourism. Together, these industries contribute over K200million to the national purse."

"By improving access to banks, micro banks, banking agents, ATMs, formal banking products and financial literacy training there, will enable people to understand skills, attitudes and especially behaviours in order to make sound financial decisions suited to improving their standard of living," says Governor Loi Bakani.

West New Britain Provincial Administrators of the two provinces stated the signing demonstrates a new phase in development for their provinces to improve the savings culture of the people who have access to cash because of oil palm, cocoa, copra, timber and fisheries products.

"Financial Inclusion is increasingly becoming a new development agenda for provincial governments and ward levels. Individuals, families, public servants and SMEs stand to benefit from this Financial Inclusion Program." Said West New Britain Provincial Administrator Hosea Williamson.

"Business Development services covering various topics will be taught and this will be

aligned into the Financial Inclusion Program. When people are financially literate, they can apply this knowledge to their business activities to improve their lives,” said Ashan Numa, Milne Bay Administrator,

The Provincial MoU is an outcome of the provincial rollout project under the National Financial Inclusion Strategy 2016-2020 to reach provincial, local level and wards to promote and ensure quality financial services are delivered by a range of providers at affordable cost, in a convenient manner, and is user-friendly for the users.

CEFI Supports Milne Bay lead Financial Inclusion services



West New Britain Administrator Hosea Williamson and Governor of BPNG, Mr. Loi M. Bakani signing the MOU in Kimbe, West New Britain Province in August 2019.

In the lead up to the Milne Bay MOU signing on November 2019, CEFI in partnership with the Bank of Papua New Guinea delivered a financial inclusion workshop to support Milne Bay Provincial administration to improve access to formal financial services in the province in September 2019.

CEFI as the custodian of the PNG Financial Inclusion Strategy and the implementer of Government financial inclusion Policy will be working closely with Milne Bay Provincial administration to train and build their capacity and knowledge to roll out financial literacy and business development services training to reach a wider population in province, targeting mainly youths and women.

The Bank of Papua New Guinea Assistant Governor Ellison Pidik encouraged administration staff to prioritise financial inclusion agenda as an important development

tool to improve the livelihood of people in the province.

“In Milne Bay Province, most of the financially excluded are located in rural areas that are too far away from the nearest banking outlet. The workshop will help the administration and its partners to identify and close the gap with delivering basic services like savings, credit, insurance, and payment services from a formal financial service provider” says Assistant Governor Pidik.

Milne Bay Deputy Provincial Administrator Sharon says workshop will help the administration have a holistic and comprehensive understanding of financial inclusion.

“The program will improve knowledge, understanding, skills, attitudes, and especially behaviours which people need in order to make sound personal finance decisions, suited to their social and financial circumstances,” said Ms Mua.

Milne Bay Provincial Administrator Lauds Financial Inclusion partnership with CEFI



Milne Bay Provincial Administrator Ashan Numa presenting appointment letters to senior administration staff, Alotau, Milne Bay Province in September 2019.

The CEFI Financial Inclusion data information denotes Milne Bay as gaining only 2.32 percent account opening as at June 2019, compared to southern regional reach of 7.57 percent with lower numbers of women accounts opened at 3.60 percent compared to 12.84 percent reach in the region. These poses serious concerns for the provincial economy as it demonstrates the low penetration of financial services and products reaching the people of Milne Bay Province.

In recognition of this gap in the province, CEFI with BPNG embarked on a partnership dialogue with the Provincial Administration, to establish a broad framework of collaboration, identify areas of mutual cooperation in financial inclusion, joint sharing of information and implementation of identified financial inclusion activities.

On 24 September 2019, a financial inclusion workshop hosted by CEFI and BPNG commenced in Alotau to deliberate on these challenges with Milne Bay Provincial Administration.

In attendance at the meet were, Bank of Papua New Guinea Assistant Governor Ellison Pidik, CEFI Executive Director Saliya Ranasinghe, senior management and staff of CEFI and BPNG. The provincial administration included Deputy Provincial Administrator Ms Sharon Mua and heads of the executive management of the administration.

"The workshop will help the administration and its partners to identify and close the gap with delivering basic services like savings, credit, insurance, and payment services from a formal financial service provider" BPNG Assistant Governor Pidik.

CEFI as the implementer of PNG Financial Inclusion Strategy and the Financial Inclusion Policy began the strategic partnership, through the a MOU partnership.

Preceding the workshop, Milne Bay Provincial Administrator Ashan Numa and BPNG Deputy Governor Joseph Teria penned the MOU partnership for the province on 25 November 2019.

The MOU partnership will endeavour to reach the following achievements;

- To implement Financial Inclusion activities in MBP as part of implementing NFIS 2016-2020
- Include FI indicators and activities on MBP budgeting & planning process
- Expand banking & financial services network
- Increase the number of people with bank accounts mainly women and youths
- Explore possibilities and ways to digitize provincial government payments
- Work with FIs to expand outreach
- Conduct TOTs for Financial Literacy and Business Development Services
- Sign 3 years MOU to implement FI activities
- Establish Project Steering Committee(PSC)

The signing also coincides with appointment of Provincial Steering Committee Members which will be headed by Deputy Provincial Administrator Sharon Mua.

The MOU will enhance cooperation and relationship between CEFI and Milne Bay Administration by promoting stable and transparent financial services as well as contribute to strengthening wealth creation and economic empowerment for the people in the province.

"By improving access to banks, micro banks, banking agents, ATMs, formal banking products and financial literacy training there, will enable people to understand skills, attitudes and especially behaviours in order to make sound financial decisions suited to improving their standard of living," said BPNG Deputy Governor Joseph Teria.

Under the MOU, CEFI will be working with Milne Bay Provincial administration through a project steering committee staff to train and build their capacity and knowledge to roll out financial literacy and business development services training to reach a wider population in province, targeting mainly youths and women.

Provincial Administrator Ashan Numa is especially proud of the partnership with CEFI.

"Milne Bay has four districts, and 16 local level governments, which are far flung across the mainland to islands, it is quite expensive for people to participate fully in formal economic activities in the province." Mr Numa expressed.

Mr Numa stated, "through this partnership, we endeavour to reach over 100 000 people in the province through financial education, provide access points for financial services that will improve greater economic empowerment for the people."

He says this will address the gap that the province is currently facing.

The MOU partnership is the second signed by CEFI with a provincial administration. CEFI has signed the first MOU with West New Britain Provincial Administration in August 2019.

The MOU is an initiative that supports the implementation of the second National Financial Inclusion Strategy to enable financial access/ literacy for districts and local level government wards to partake in wealth creation and economic development.



Women's Microbank Melisha Sindiwan and young female client discussing account opening form at the Mama bank Waigani branch, Port Moresby.

Success Stories Highlights

CEFI and BPNG Showcase Financial Inclusion at the Morobe Show

CEFI in partnership with the Bank of Papua New Guinea made their second debut at the 58th Morobe Agriculture Show on the 12-13 October 2019 at the Lae showgrounds.

The show is held annually to show-case and promote a variety of agri culture, horticulture, livestock, commercial, industry, education and culture activities to the public.

This annual event is hosted by the Morobe Province Agriculture Society and attracts visitors from all over Morobe province including the Highlands and Momase regions.

CEFI Financial Inclusion Coordinator Albert Mokis Ahabh and Stakeholder Mobilisation Officer Percy Larry were at the show to raise awareness on the role and function of CEFI. The officers handed out information brochures, merchandise and publications.

This included awareness on the National Financial Inclusion Strategy 2016-2020, the government's National Financial Inclusion Policy and the Financial Sector Development Strategy and CEFI financial inclusion training modules.

A total of 1500 people enquired at the stall with over 2,000 information brochures distributed over the 2-day event.

The CEFI officers met with horticulturist and farmers operating agribusinesses in Morobe Province and discussed potential collaborative opportunities for the provision of financial literacy and business development skills training.

"Financial inclusion is increasingly becoming an important agenda for the country and CEFI as the custodian of the financial inclusion activities in the country, we are committed to engage with stakeholders at the provincial and district level to promote our function and get more people educated about the importance of accessing financial services and products to improve their livelihood." Says Saliya Ranasinghe, CEFI Executive Director.

CEFI Staff Attend 5th Pacific Islands Regional Initiative (PIRI) in Solomon Island

CEFI and BPNG Staff were part of the 5th Annual Pacific Islands Regional Initiative (PIRI) High-Level Forum from June 3-6, 2019 in Honiara, Solomon Island.

The Central Bank of Solomon Islands (CBSI)

and the Alliance for Financial Inclusion (AFI), co-hosted the weeklong event which began with the Experts Group on Financial Inclusion Policy (EGFIP). This followed by the training on Accelerating Digital Payments in the Pacific delivered through AFI's Public-Private Dialogue(PPD) platform and concluded with a High-Level Forum on 5-6 June 2019.

BPNG Governor Loi M Bakani officially took over the PIRI reins following a ceremonial handover by Reserve Bank of Vanuatu (RBV) Governor Simeon Athy. In his first speech as chair of the regional initiative, Mr Bakani said he will use his two-year tenure to promote several cross-cutting themes, including financial technology and consumer protection.

He also raised the importance of research and collaboration between different stakeholders. This sentiment was mirrored by Athy, who advised attendees against staying in "silos" and not cooperating with private and public sector stakeholders.

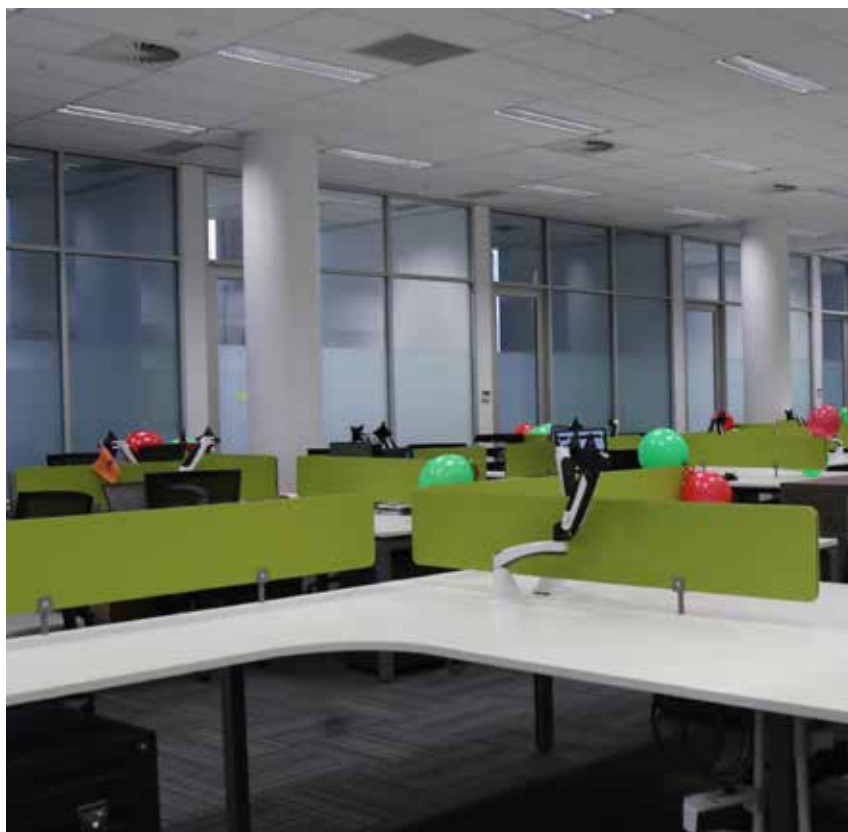
"It's an uphill task, but without [collaboration] you cannot move a lot of things. You will find that most of the things lie outside your jurisdiction," he said.

"There have been excellent and productive discussions around solutions for green financing, and ways we can continue to address the mitigating measures in our part of the region," Bank of Papua New Guinea Governor -and newly appointed PIRI Chair Loi Bakani said in his closing remarks, as he congratulated the attendees for their hard work.

This regional initiative provides a long-term opportunity for member institutions to share a common vision, while working towards ensuring financial services are widely accessed throughout a region with one of the highest unbanked rates due to factors that include geographically dispersed islands with low density populations, and challenges related to physical and financial services infrastructure.

BPNG Launches REPS to Support Financial Inclusion Expansion in PNG

The Retail Electronic Payments System (REPS), with the National Switch at its core, commenced operation in 21st July 2019, with three inaugural members, namely BSP, Kina Bank and NCSL and three more institutions joined on 1st September 2019. They were Westpac Bank, PMBL and



CEFI's new office on the ground floor of Credit Haus, Cuthbertson Street in down town Port Moresby.

MiBank. This brings the total of six (6) financial institutions connected to National Switch. Another important development during the period was the acquisition of ANZ Bank Retail Customers by Kina Bank on 23rd September, which resulted to significant increase in volumes processed by the National Switch.

After the launch in July 2019, REPS continued to deliver improved access with minimal disruptions and processed over 16 million chargeable transactions (excluding balance enquiries), valued at K2.65 billion to November 2020. The Project Team has completed the plans for the remainder of the first phase to add payments initiated through mobile channels and more members joining to improve access and increase competition.

CEFI Moves to New Office

On Wednesday 25 September 2019, Bank of Papua New Guinea Assistant Governor Ellison Pidik and CEFI Executive Director Saliya Ranasinghe officially cut the ribbon to CEFI's new office on the ground floor of Credit Haus, Cuthbertson Street in down town Port Moresby. Formally, CEFI operated from a small office space on the first floor of the Post Office Building in down town Port Moresby. The move to the state-of-the-art office is in response to the recognition

of the growing profile, and the rollout of the financial inclusion agenda in Papua New Guinea. With operations commencing at the new office, Papua New Guineans can access financial inclusion services, advice, and training through the centre. The office will provide a hub to financial technology innovators to test and trial their applications and access research resources for initiatives that promote financial inclusion.

"The key focus of the new office will be to promote excellence and promote high quality of life as stated in the National Financial Inclusion Strategy and Policy to support people to manage their money well, save in formal financial services and deliver activities that will help citizens live an abundant life." Assistant Governor Ellison Pidik said.

The new office includes two training rooms, a research and library resource room, a hub for Fintech development, a gallery room and a spacious boardroom.

"I thank Bank of Papua New Guinea in recognising CEFI as an important facilitator of financial inclusion activities and provided the funding support for the new office."

"CEFI's presence is set to grow across services, resources and the agriculture sectors as partnership between CEFI and relevant institutions continues to strengthen," says CEFI Executive Director, Saliya Ranasinghe.

Financial Education Training Institutions Review and Standardise Training Manuals

On 6 May 2019, a total of 15 registered Financial Education Training Institutions from around the country attended a one-day workshop conducted by the Centre for excellence in financial inclusion (CEFI) in partnership with the microfinance expansion project (MEP) to review and standardise financial education training materials.

CEFI and MEP developed six financial education training materials, budgeting, savings, debt management, bank services, financial negotiations and mobile money. The workshop was an opportunity for CEFI and MEP to introduce to the partners the current modules of financial literacy training materials and to see how the partners could integrate the modules into their training materials.

The workshop also focused on discussions on improving partnerships between the financial education training institutions and CEFI and to have a more collaborative approach in rolling out financial inclusion services for communities.

Assistant Governor of Bank of Papua New Guinea, Ellison Pidik in his opening remarks of the workshop described Financial Education as key to spearheading Financial Inclusion into rural areas

for people who have not being served.

"The role of trainers is very important; you give power to an individual to make the right decision concerning their finances to improve their standard of living," he said.

Partners have agreed to consider using the CEFI modules and to customize it to suit their audience and this is a great step in developing and providing quality training to the people.

A Port Moresby based Financial education trainer and consultant Mavaro Ravian says these manuals will support her raining services in Port Moresby's North-East Electorate.

"I have been developing my own materials which do not have a measurable outcome; and the manuals will be of great help to my financial education training," says Mavaro Ravian.

The workshop is one of CEFI's initiatives to improve and drive financial education in PNG and to ensure coordination and consistency of financial education content.

CEFI is also facilitating actions to introduce financial education into public and private school curriculum and to promote standardization and certification processes for the delivery of financial literacy training in PNG.



Financial Education and Financial Literacy Workshop.



Part Three: Financial Report 2019



**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

REPORT OF THE DIRECTORS – 31ST DECEMBER 2019

The Directors of CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC. have pleasure in presenting their annual report together with the statement of financial position and the income and expenditure statement for the year ended 31st December 2019.

DIRECTORS

The following persons served on the board of directors at the date of this annual report.

Loi Martin Bakani
Michael Tumbo Kumung
Saliya Ranasighe
Mark Baker
Paulus Laveil
Anna Kavana Bais
Sweta Sud
Roddie Wada
Tony Westaway

RESULTS

The operating surplus for the year amounted to K1,791,915 (2018: an operating loss of K32,797).

DIVIDEND

The directors recommend that no dividend be paid.

AUDITOR

The Association's financial statements have been audited by Sinton Spence Chartered Accountants and should be read in conjunction with the Independent Audit Report set out on pages 3 and 4.

PRINCIPAL ACTIVITY

The principal activity of CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC. is to promote financial inclusion and innovation in financial inclusion.

Signed at Port Moresby

This 24th day of June 2020



.....
EXECUTIVE DIRECTOR

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

STATEMENT BY THE DIRECTORS

In the opinion of the Directors of CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.: -

- (a) the Statement of Income is drawn up so as to give a true and fair view of the results of the operations of the Association for the year ended 31st December 2019.
- (b) the Statement of Financial Position is drawn up so as to give a true and fair view of the affairs of the Association as at 31st December 2019.
- (c) the statement of cash flows is drawn up to exhibit a true and fair view of the movements in cash of the Association for the year ended 31st December 2019,
- (d) at the date of this statement there are reasonable grounds to believe that the Association will be able to pay their debts as and when they fall due.

Signed at Port Moresby

This 24th day of June 2020



.....

EXECUTIVE DIRECTOR

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2019**

Report on the Financial Statements

We have audited the accompanying financial statements of **CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.**, which comprise the statement of financial position as at 31st December 2019, income and expenditure statement and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

As auditor, we are required to be independent of the Association and free of interests that would be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by Certified Practising Accountants Papua New Guinea.

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST DECEMBER 2019**

In our opinion: -

- (i) the financial statements including the statement of income, statement of financial position, statement of cash flows and notes thereto of the **CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.** are properly drawn up so as to give a true and fair view of the Association's financial affairs.
- (ii) the books of account and other records examined by us have been properly kept and;
- (iii) we have obtained all the information and explanations we have required and requested.

Significant matter

Since the emergence of the COVID-19 pandemic in January 2020 the Papua New Guinea Government has imposed restrictions on the movement of the population and social distancing measures. As a consequence, there has been an overall in economic activity.

And as the date of this report, the full effect of the pandemic on the Association's future operations or its effect on the Association's financial statement cannot reliably be estimated.

Signed at Boroko

This 24th day of June 2020



BY J.S. SPENCE
(Registered under
the Accountants Act 1996)
SINTON SPENCE
CHARTERED ACCOUNTANTS
2ND Floor Brian Bell Plaza
Turumu Street, Boroko, NCD
P.O. Box 6861, Boroko, NCD
Papua New Guinea

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**STATEMENT OF INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019**

		2019 K	2018 K
INCOME			
Grants	8	4,959,483	1,930,213
Consulting fees		67,860	53,600
Interest		-	66
		<u>5,027,343</u>	<u>1,983,879</u>
EXPENDITURE			
Advertising		117,098	87,309
Audit		6,947	5,898
Bank fees		1,157	1,130
Car rental		19,559	9,295
Communication		58,335	12,167
Consultancy		2,030,857	1,275,526
Depreciation		62,801	2,978
Equipment Hire		2,000	-
Motor vehicle		47,403	13,856
Office		113,812	96,505
Printing and stationery		786	-
Recruitment		15,734	-
Rent		308,285	60,000
Repairs and maintenance		-	-
Staff amenities		10,528	-
Software		9,330	-
Travel and accommodation		111,920	3,000
Water and electricity		26,785	-
Website development		9,626	274,401
Workshop and conferences		282,465	174,611
		<u>3,235,428</u>	<u>2,016,676</u>
OPERATING SURPLUS (LOSS)	K	<u>(1,791,915)</u>	<u>K (32,797)</u>

The accompanying notes form part of these financial statements

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019**

	NOTES	2019 K	2018 K
ASSOCIATION FUNDS			
Surplus of funds	4	1,989,791	197,876
SURPLUS OF ASSOCIATION FUNDS		K 1,989,791	K 197,876
Represented by:-			
ASSETS			
CURRENT			
Cash on hand and at bank		1,606,347	93,094
Receivables	5	285,314	95,218
		<u>1,891,661</u>	<u>188,312</u>
NON CURRENT			
Fixed assets	6	265,051	14,814
		<u>265,051</u>	<u>14,814</u>
TOTAL ASSETS		2,156,712	203,126
LIABILITIES			
CURRENT			
Payables	7	166,921	5,250
TOTAL LIABILITIES		166,921	5,250
NET ASSETS		K 1,989,791	K 197,876

The accompanying notes form part of these financial statements.

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	NOTE	2019 K	2018 K
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and sponsors		5,027,343	1,983,879
Payments to suppliers for goods and services		(3,201,052)	(2,108,166)
NET CASH USED IN OPERATING ACTIVITIES	9	<u>1,826,291</u>	<u>(124,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(313,038)	(15,965)
NET CASH USED IN INVESTING ACTIVITIES		<u>(313,038)</u>	<u>(15,965)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,513,253	(140,252)
Cash and equivalents at the beginning of the year		93,094	233,346
CASH AND EQUIVALENTS AT THE END OF THE YEAR		<u>K 1,606,347</u>	<u>K 93,094</u>
CASH AND EQUIVALENTS ARE COMPRISED OF THE FOLLOWING:			
Cash on hand		1,500	1,000
Cash at bank		1,604,847	92,094
CASH AND EQUIVALENTS AT THE END OF THE YEAR		<u>K 1,606,347</u>	<u>K 93,094</u>

The accompanying notes form part of these financial statements.

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements comply with applicable financial reporting standards and other mandatory professional reporting requirements approved for use in Papua New Guinea by the Accounting Standards Board (ASB).

The fundamental accounting assumptions recognised as appropriate for the measurement and reporting of results, cashflows and the financial position have been followed in the preparation of these financial statements.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The financial statements have been prepared on a going concern basis.

(a) Historical Cost Convention

The financial statements have been prepared under the historical cost convention and have not been adjusted to take account of the current costs of specific assets or their impact on the operating results, or changes in the general purchasing power of the kina.

(b) Recognition of Revenue and Expenditure

All revenue and expenditure is taken to account in accordance with the principle of matching income and expenses.

Revenue from donations and fund raising activities is recognised only when received.

(c) Cash

For the purpose of the cash flow, cash includes cash on hand and current accounts in banks, net of bank overdrafts. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation. The carrying amount of fixed assets is reviewed periodically by the directors to ensure it is not in excess of the recoverable amount of those assets.

Depreciation is calculated on the straight line method so as to write off the new costs of the various classes of fixed assets during their effective working lives. Additions are depreciated from the date of purchase in the year of acquisition.

The principal annual rates in use are:-

Motor vehicles	30.00%
Office equipment	30.00%
Furniture, fixture and fittings	11.25%

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Comparatives

Where necessary, comparative figures have been adjusted to conform to current disclosures and reclassification of balances. This has not resulted in any adjustment to net assets or the members' funds account.

(f) Impairment of Assets

The Association assesses impairment at each reporting date evaluating conditions specific to the association that may lead to impairment of assets. Where an impairment trigger exists, the receivable amount of the asset is determined. Value-in-use calculations performed in assessing reasonable amounts incorporate key estimates.

(g) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In which case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

2 FINANCIAL RISK MANAGEMENT

The Association's activities expose it to a variety of financial risks as follows: -

(a) Liquidity risk

The Association maintains sufficient cash to meet all future commitment.

(b) Fair value estimation

The estimated fair values of the Association's financial assets and liabilities are equivalent to their carrying values as listed in these financial statements.

(c) Market risk

Foreign exchange risk

The Association does not operate internationally and therefore is not exposed to foreign exchange risk.

Price risk

The Association is not exposed to significant price risk.

Cash flow and fair value interest rate risk

The Association has no significant interest-bearing deposits and the Association's income and operating cash flows are subsequently independent of changes in market interest rates.

The Association has no borrowings which attract interest.

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

2 FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit risk

The Association has no significant exposure to credit risk.

3 TAXATION

The Association should be exempt from income tax under Section 27 (b) of the Income Tax Act of Papua New Guinea 1959 as amended. At the date of this report, an application for exemption is in the process of being lodged.

			2019 K	2018 K
4 ASSOCIATION FUNDS				
Opening balance			197,876	230,673
Net surplus (loss) for the year			1,791,915	(32,797)
Closing balance			<u>1,989,791</u>	<u>197,876</u>
5 RECEIVABLES				
Goods and services tax			8,953	-
Microfinance Expansion Project			140,000	90,000
Prepaid expenses			85,145	5,218
Staff			51,216	-
			<u>285,314</u>	<u>95,218</u>
6 FIXED ASSETS				
Cost	01.01.2019	Additions	Disposals	31.12.2019
	K	K	K	K
Motor vehicle	92,000	175,000	-	267,000
Office equipment	29,406	137,338	-	166,744
Furniture, fixture and fittings	3,146	700	-	3,846
	<u>124,552</u>	<u>313,038</u>	<u>-</u>	<u>437,590</u>
Accumulated depreciation	01.01.2019	Deprec. exp	Disposals	31.12.2019
Motor vehicle	92,000	45,740	-	137,740
Office equipment	16,070	16,687	-	32,757
Furniture, fixture and fittings	1,668	374	-	2,042
	<u>106,738</u>	<u>62,801</u>	<u>-</u>	<u>172,539</u>
Net book value at 31.12.2019				265,051
Net book value at 31.12.2018				<u>14,814</u>

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	2019 K	2018 K
7 PAYABLES		
Trade creditors	35,718	-
Salary and wages tax	98,537	-
Payroll	27,166	-
Audit fee	5,500	4,500
Other	-	750
	<u>166,921</u>	<u>5,250</u>
8 GRANTS		
The Association receives funding from independent donors either on a long-term basis or on a need basis. These donors are:		
(a) Bank of Papua New Guinea (BPNG)		
Cash grants	939,805	277,136
In-kind contributions	2,670,254	1,653,077
	<u>3,610,059</u>	<u>1,930,213</u>
(b) Fresh Produce Development Agency (FPDA)		
Cash grants	1,349,324	-
In-kind contributions	100	-
	<u>1,349,424</u>	<u>-</u>
	<u>4,959,483</u>	<u>1,930,213</u>
9 CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of operating activity cash flow and net deficit		
Operating cash flow	1,791,915	(32,797)
Non cash flow items		
Depreciation	62,801	2,978
Movement in working capital		
Increase in receivables	(190,096)	(95,218)
Decrease/(Increase) in payables	161,671	750
Net cash from operating activities	<u>1,826,291</u>	<u>(124,287)</u>

**CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION
ASSOCIATION INC.**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

	2019 K	2018 K
10 AUDITOR'S REMUNERATION		
- Audit	5,500	5,250
- Other services	3,000	-
	8,500	5,250

11 RELATED PARTY TRANSACTIONS

During the year, the Association paid a salary amounting to K540,240 to one of its directors.

Other than the transaction mentioned above, the Association had no related party transactions during the year.

12 CONTINGENT LIABILITIES

At the date of this report, the directors are not aware of any contingent liabilities which would materially affect these financial statements.

13 POST BALANCE DATE EVENTS

Since the emergence of the Covid-19 pandemic in January 2020, the Papua New Guinea Government has imposed restrictions on the movement of the population and social distancing measures. As a consequence, there has been an overall downturn in economic activity

As at the date of this report, the full effect of the pandemic on the Association's future operating results or its effect on the Association's financial statements cannot be reliably

Other than the matter referred to in the preceding paragraph, the directors are not aware of any events which occurred since the end of the financial year to the date of this report which would materially affect these financial statements.

Appendix I

CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

STATEMENT OF INCOME - MAIN PROJECT FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 K	2018 K
INCOME		
Grants	3,610,059	1,930,213
Consulting fees	67,860	53,600
Interest	-	66
	<u>3,677,919</u>	<u>1,983,879</u>
EXPENDITURE		
Advertising	117,098	87,309
Audit	6,947	5,898
Bank fees	898	1,130
Car rental	19,559	9,295
Communication	58,335	12,167
Consultancy	2,030,857	1,275,526
Depreciation	62,801	2,978
Equipment hire	2,000	-
Motor vehicle	47,403	13,856
Office	113,812	96,505
Printing and stationery	786	-
Recruitment	15,734	-
Rent	308,285	60,000
Staff amenities	10,528	-
Travel and accomodation	107,019	3,000
Water and electricity	26,785	-
Webiste development	9,626	274,401
Workshop and conferences	282,465	174,611
	<u>3,220,938</u>	<u>2,016,676</u>
OPERATING SURPLUS (LOSS)	K 456,981	K (32,797)

Appendix II

CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

STATEMENT OF INCOME - SUB PROJECT FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 K	2018 K
INCOME		
Grants	1,349,424	-
Consulting fees	-	-
Interest	-	-
	<u>1,349,424</u>	<u>-</u>
EXPENDITURE		
Bank fees	259	-
Software	9,330	-
Travel and accomodation	4,901	-
	<u>14,490</u>	<u>-</u>
OPERATING SURPLUS (LOSS)	K 1,334,934	K -



CENTRE FOR EXCELLENCE
IN FINANCIAL INCLUSION

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