



# ANNUAL REPORT 2020



**Creating Financial  
Freedom for  
Papua New Guinea**





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## Creating Financial Freedom for Papua New Guinea





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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 & GOVERNOR BPNG

LOI M BAKANI CMG



As the Chairman of the Board of CEFI, I am pleased to provide a foreword to this Annual Report which details CEFI's work and achievements for 2020. Despite the unprecedented challenges of COVID-19 this year impacting scheduled activities, the CEFI continued to be agile by swiftly responding with practical solutions with technology-based modalities that preserved and cushioned the gains of financial inclusion in Papua New Guinea.

Since its establishment in 2013, the CEFI has delivered two National Financial Inclusion Strategies 2014-2015 and 2016-2020. I am proud to state that over the span of 7 years, the institution has achieved significant milestones, one of which is the transition to utilising innovative online technology to scaling up financial inclusion, and promoting access and usage of digital financial services in Papua New Guinea.

A highlight of this stride, is the usage of online applications to convene the nation's first Virtual Digital Financial Services Symposium in July, connecting industry peers with participants and organisations with the latest insights and transformational trends in technology and innovation on digital financial services.

Also notable is the strategic alliances strengthened and established this year and this includes the launch Market for Village Farmers US\$38m project funded by International Fund for Agricultural Research (IFAD) and National Department of Agriculture and Livestock (DAL). The CEFI implemented the financial inclusion component of the project. In the same light, I would like to congratulate the Executive Director and staff on the CEFI's appointment as the secretariat to the Microfinance Pacifica Network (MFPN), placing CEFI as a key partner in progressing financial inclusion services in country and the region.

I applaud the CEFI ongoing partnership with government departments. The CEFI is liaising with Department of Education to introduce financial education to school curriculum for preparatory level to grade 12 in the country in 2021. In line with this, the nation-wide Inclusive Insurance awareness campaign with industry partners was a successful achievement to educate and improve the country's low insurance reach.

Though 2020 was quite a challenging year, the CEFI managed to achieve 1.6 million of the 2 million accounts targeted. I congratulate the Executive Director and the CEFI team who have already begun work on the formulation of the new National Financial Inclusion Strategy 2021-2025 with the appointment of steering committee that will the direction of the new NFIS.

These efforts cannot be achieved through the CEFI's efforts alone and I take this time to acknowledge and appreciate all our members and partners for your continuous support and commitment to maintaining the CEFI as a unique 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 certain that through coordination and public, private partnership we will continue to make significant impacts across the country and achieve our goal for greater financial inclusion for our people.

To conclude, I wish to appreciate the support extended by the CEFI board members, Working Committee members and Provincial Financial Inclusion Committee members for their continues support for Financial Inclusion.

**Loi Martin Bakani CMG**

**Chairman and Governor BPNG**



# MESSAGE FROM EXECUTIVE DIRECTOR

SALIYA J RANASINGHE

2020 had multiple unforeseen challenges that organizations and businesses experienced forcing many to adapt to new realities. It was a challenging year due to Covid-19 measures, hampering a majority of our planned activities in the year.

We remained on course and implemented the CEFI Business Continuity Plan which aligned our activities to online platforms to ensure CEFI continued to provide resolve to deliver the financial inclusion strategy 2016-2020. The virtual symposium on Digital Financial Services connected 100 participants across the financial and banking sector with 20 speakers under the theme, "Emerging future scenarios in DFS space for PNG".

Important strides were further made in extending financial services across the country with signed 5-year partnership agreement with the Department of Agriculture and Livestock through Fresh Produce Development Agency (FPDA), under the Market for Village Farmers Project (MVF) to facilitate access of 25 000 farming households to training, financial services and products in Western Highlands, Jiwaka, and Simbu provinces in Highland's region and Morobe and East New Britain Provinces.

Additionally, it was great to see some traction in our provincial government outreach with great support from government and heads of administration. We successfully hosted the "Banking our Oil Palm Growers' exposition in Kavieng, New Ireland Province and we are optimistic to expand the program to more provinces and districts in the years to come.

At National level, we envisaged to herald a landmark milestone through the Memorandum of Understanding with the Department of Education to introduce financial education in the national school curriculum from preparatory to grade 12.

CEFI continues to exceed expectations and I am proud to highlight that during the year, the following achievements were made;

CEFI Inclusive Insurance working group launched the campaign, "Get Insured, Rest Assured" campaign to improve uptake of insurance in the country.

Papua New Guinea through CEFI acquired the Microfinance Pacifica Network. CEFI will assume the role of the secretariat to lead important financial inclusion initiatives in the region.

Discussion on government partnership between CEFI and National Training Council to improve Financial Literacy training modules in the country

CEFI and National Volunteer Service signed Financial Literacy Training MoU for CEFI to deliver training for national volunteers in communities.

CEFI and APEC Secretariat collaboration to implement FINTECH incubator for innovative approaches for financial inclusion in PNG

Appointment of committee to formulate National Financial Inclusion Strategy 2021-2025

Launch of the SME product booklet to support SMEs a directory on different business loans provided by licensed financial institutions.

On behalf of CEFI, I wish to thank the Chairman and Board of Directors and CEFI Working Group Committees representing all key stakeholders for their oversight and strategic guidance, which has helped to strengthen CEFI's accountability and deliverables. I also commend the management and staff for their dedication and commitment to achieving CEFI goals.

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 and assistance of our network, we will be able to address the challenges and embrace the opportunities ahead.



**Saliya J Ranasinghe**

**Executive Director**

# CEFI BOARD & 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 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 PNG Federation of Savings & Loan Society Ltd, 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 ICC. 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 has 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 was 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 Solomon has more than 23 years' experience with the Public Service. Was 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 Executive Director of the 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 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.

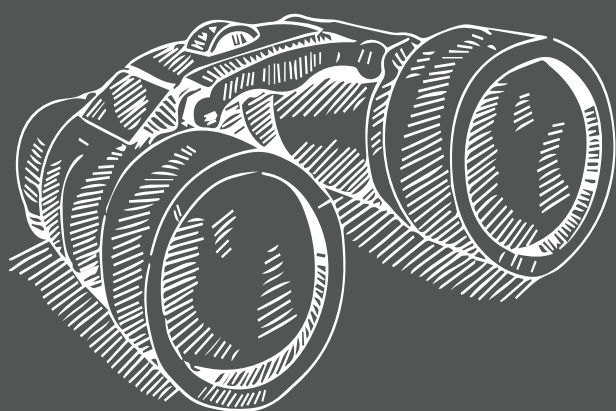
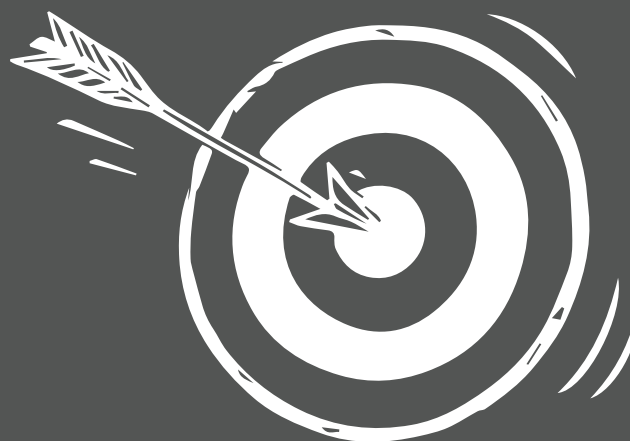
The CEFI team comprises of 15 highly experienced and dedicated financial experts who are passionate about the growth of financial inclusion in Papua New Guinea.



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.

## Mission

To promote the vision of quality financial services, develop innovative delivery channels and facilitate financial education. In this way, we will make financial services accessible to all people across PNG.



## Vision

To reduce poverty in PNG by developing financial inclusion that allows all citizens access to affordable financial services.

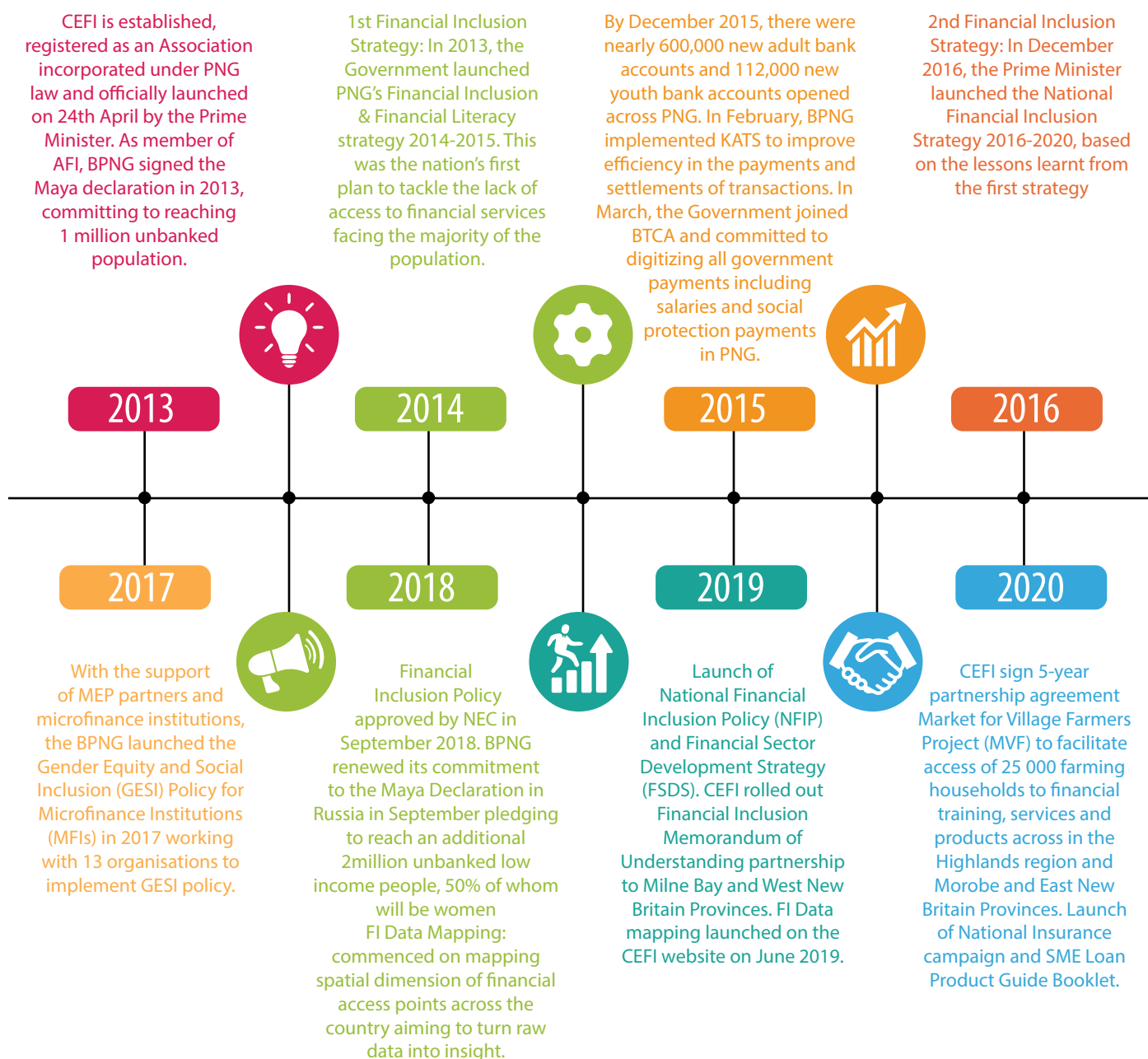
## Values

Quality, Transparency  
and Equity



# CEFI's JOURNEY

## CEFI's Journey







# 2020 IN REVIEW

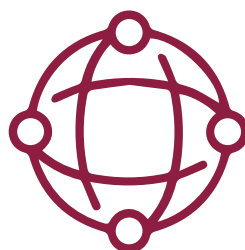
## CEFI 2020 Year in Review



**CEFI signed the memorandum partnership** with Fresh Produce Development Agency (FPDA) under the Market for Village Farmers (MVF) Project to deliver financial inclusion products, services and family farm team training to **25,000** fresh produce farmers in **six provinces**.



**CEFI delivered the first ever 2-day Digital Finance Symposium** in PNG via online platforms which reached over 300 participants throughout Papua New Guinea and abroad.



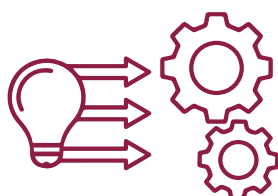
Papua New Guinea through CEFI acquired the Microfinance Pacifica Network. **CEFI will assume the role of the secretariat to lead important financial inclusion initiatives in the region.**



Discussion on government partnership between CEFI and National Training Council to improve Financial Literacy training modules in the country.



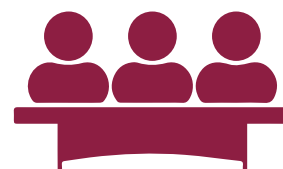
CEFI and National Volunteer Service signed **Financial Literacy Training MoU** for CEFI to deliver training for national volunteers in communities.



CEFI and APEC Secretariat collaboration to **implement FINTECH** incubator for innovative approaches for financial inclusion in PNG.



Inclusive Insurance launched the campaign, **“Get Insured, Rest Assured”** campaign to improve up-take of insurance in the country.



Appointment of committee to formulate National Financial Inclusion Strategy 2021-2025.

# A SNAPSHOT OF FINANCIAL INCLUSION DEVELOPMENT IN PNG

Financial inclusion is emerging as a priority for policymakers and regulators in financial sector development, with an increasing number of countries introducing comprehensive measures to improve access to and usage of tailored financial services, informed by a fast-growing body of experience and knowledge on its role in promoting inclusive growth.

Papua New Guinea, through the Bank of Papua New Guinea (BPNG), has made a strong commitment to the development and promoting financial inclusion by signing the Maya Declaration at the Alliance for Financial Inclusion's annual Global Policy Forum in 2013.

The BPNG with the support of development partners and in partnership with Department of National Planning and Monitoring, Department of Treasury, and Department of Community Development & Religion has created a dedicated entity – Centre for Excellence in Financial Inclusion (CEFI) – for all of the Government's financial inclusion initiatives. This Centre which is endorsed by the National Executive Council (NEC) is created as an apex organization to design, monitor and implement the financial inclusion activities in PNG.

## National Financial Inclusion and Financial Literacy Strategy 2014 Its Impact

The first strategy on Financial Inclusion and Financial Literacy was implemented during the years 2014 and 2015 (National Financial Inclusion and Financial Literacy Strategy 2014-15), under the Informal Sector Policy (2011-2015). The programmes of this was strategy implemented successfully. Data below shows the status of financial inclusion in PNG, as at September 2016.

|   |           |
|---|-----------|
| • Total Number of deposit accounts            | 2,673,782 |
| • New Accounts opened (2014-2016)             | 1,321,346 |
| • Accounts opened before 2014                 | 1,352,436 |
| • # of access points                          | 14,571    |
| • # of branches                               | 215       |
| • # of ATM                                    | 463       |
| • # of EFTPOS Merchants                       | 13,460    |
| • # of agents                                 | 573       |
| • # of mobile Financial Service accounts      | 497,169   |
| • Micro Insurance (54% Life and 46% Medicare) | 606,792   |

As at Sept 2016, 23% of the total 7.8 million people are banked which is 2.6 million, while the remaining 66% or 5.2 million people are unbanked.

This is an improvement from the 85% unbanked since 2013 and is a result of the commitment to the Maya Declaration by Bank of Papua New Guinea (BPNG) in promoting and expanding financial inclusion and financial literacy in PNG, in collaboration with the government, regulated financial institutions and development partners.

## Priority Financial Inclusion Activities

Five key priority initiatives that are in progress or a being promoted nationwide since 2014 are Financial education and Literacy, inclusive insurance, consumer protection, and Financial Inclusion Expositions and the Young Minds Savings Campaign.

### 1. Financial education & Literacy

Financial education is identified as a key pillar in financial inclusion strategy of PNG. Six financial education modules (Savings, Budgeting, Financial services, Digital Financial services, Financial negotiations and Debt management. Centre for Excellence in Financial Inclusion and Microfinance Expansion Project has reached 135,234 adults with financial education as at 30th September 2016 of that 63,676 (47%) for women.

### 2. Inclusive Insurance

Micro insurance is introduced in PNG under Inclusive Insurance component of the financial inclusion strategy. Micro insurance have taken off at a rapid phase with the introduction of Family Life and Hausik Insurance products through collaboration by Digicel, Bima and Capital Life Insurance Ltd with over 606,792 policy holders. With widespread realisation of the benefits, uptake is growing exponentially.

### 3. Consumer Protection

Bank of PNG is working towards ensuring a draft Consumer Protection Strategy. A workshop on Consumer Protection and Market Conduct was organised in 2016 and the recommendations from that workshop will culminate into the development of the strategy.

### 4. Electronic banking

Use of information and communication Technology to reach very remote parts of the country was an innovative intuitive of the strategy. Introduction of mobile phone banking have resulted in opening up of 497, 169 mobile financial service accounts.

### 5. Financial Inclusion Expositions and Young Minds Savings Campaigns

To eliminate financial information asymmetry and enhance financial competencies, Bank of PNG and its stakeholder partners have organised a number of Financial Inclusion Expositions around the country with the aim to:

- bring together key stakeholders of financial inclusion to interface with end-users of financial products and services;
- create awareness amongst people on developments in the financial sector, available financial products and services, innovative delivery channels with focus on electronic medium, support services such as financial education and business development skills training; and
- enhance financial education and literacy training to raise public awareness and education regarding available financial products and services and effective use thereof.



# A SNAPSHOT OF FINANCIAL INCLUSION DEVELOPMENT IN PNG (cont'd)

In the first phase, 4 mini and 3 major financial inclusion expositions were conducted, with the major one was held in Mt Hagen in July 2016. Of the total number of people attending these expos, some 84,000 rural people went through the financial inclusion booths to obtain more information of financial products and services. The exposure to financial institutions and having the information regarding availability of products and services suitable for grassroots has enabled more Papua New Guineans to open savings accounts resulting in the 1.3 million new accounts registered as at September 2016.

Another key Financial Inclusion initiative was to promote the habit of savings by children in schools through the Young Minds Savings Campaign. The BPNG and its partner participating financial institutions had visited 14 provinces of the 22 and reached 140 primary and secondary schools throughout the country. This saw the increase in the number of school children opening savings accounts for the first time. 130,000 new accounts were opened by students during this campaign.



## Second Financial Inclusion Strategy of PNG 2016- 2020

Based on the lessons learned from the first financial inclusion strategy and in consultation with all key stakeholders, the second financial inclusion strategy 2016-2020 was developed and launched by the Prime Minister of PNG in December 2016 on invitation by BPNG and CEFI. The new strategy has expanded the financial inclusion frontiers and has identified the following nine priority areas for intervention:

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

## National Financial Inclusion Policy

The Strategy also has work plans to reach an additional 2 million people by 2020 with a gender specific target of 50 percent additional accounts to be women. In September this year, the National Executive Council (NEC) also approved the National Financial Inclusion Policy, firmly placing financial inclusion as a key policy priority and recognizing financial inclusion as a driver for the country's economic and social development.

## Update on Other Developments

Other measures which are being implemented in PNG to support and complement the financial inclusion initiative are:

To download refer to link: <https://www.thecefi.org/wp-content/uploads/2019/01/2nd-NFIS-CEFI-PNG.pdf>

To download, refer to link: <https://www.thecefi.org/wp-content/uploads/2019/01/17-Jan-NFI-Policy.pdf>

- The Government of PNG has identified the need for a Financial Services Sector Review (FSSR) which will assist to develop a coordinated Financial Sector Development Strategy (FSDS) which was approved by National Executive Council (NEC) in September 2018, that will guide further development of the financial services sector to support broader economic and development goals, to promote inclusive growth. The FSDS focuses on the following areas: (a) National Payment System Development; (b) Government Bond and Capital Market Development; (c) Financial Inclusion and (d) Financial Sector Regulatory Architecture.

- The BPNG implemented a world class Kina Automated Transfer System (KATS) (real time gross settlement system) in February 2015, to improve efficiency in the payments and settlements (or clearing) of transactions. A further project proceeding from the KATS is for the establishment of a National Switch in PNG to ensure interoperability between all providers of Digital Financial Services. This project is currently in progress.

- National Financial Capability Survey (NFCS) – The Bank, in collaboration with World Bank and INA, completed the NFCS report for Morobe and Madang Provinces, which was focused on understanding the budgeting and cash-flow management and behaviour (financial management and control) of low income earners in selected households in urban and rural communities. The survey will be extended to other provinces to obtain national results that are representative of an average low income earner for use in financial inclusion planning and programmes.

- Better Than Cash Alliance (BTCA) – In March 2015, the Government of PNG joined the BTCA and committed to digitizing all government payments, including salaries and social protection payments in PNG. A pilot project in this regard (G2P payment) is currently in progress by the World Bank/IFC for testing with the New Ireland Provincial Government.

- Supporting increased Access to Finance by Small, Micro and Medium Enterprises (SMMs) through Risk Share Facility (RSF). A risk share facility was introduced to give confidence to partner financial institutions under a Risk Share Agreement (RSA) to lend to SMMs by covering 50 percent of the defaulted amount outstanding. To date 4 risk sharing agreements have been signed, 1,808 cumulated number of MSEs loans have been financed with PGK22, 322,959 cumulated value of loans covered by RSF. Of that value, more than 6 million Kina are loans covered for women.

- World Bank/IFC has partnered with (BSP) under the RSF to support grow the Small or Medium Enterprises (SMEs), by guaranteeing 50 percent of the loan to help mitigate the default risk that participating financial institutions face. To date PGK115m have been disbursed to 1,800 MSEs.

The National Government has now put in place a National SME Policy. Authorised de-posit taking institutions, including Savings and Loan Societies, are encouraged to develop specific policies and strategies to support business related lending for members to grow their small businesses and create wealth (assets) and savings. Financial institutions are being encouraged to develop and promote SME-relevant products and services for their customers to create wealth and savings.

### Financial Consumer Protection Framework

A diagnostic review and findings of the financial consumer protection laws, institutions and practices in PNG has been conducted by the IFC. This is an interim step to informing the pre-implementation phased of the PNG Consumer Protection project with the World Bank. The project is expected at the macro level to strengthen the stability and integrity of the PNG financial sector. Financial consumer protection is especially important where there is potential for rapid innovation in financial services and their delivery channels in a country like PNG.

### Gender Equity and Social Inclusion Policy (GESI) Implementation

With the support of partners and microfinance institutions, the Bank of PNG launched the Gender Equity and Social Inclusion (GESI) Policy for Microfinance Institutions (MFIs).

Practical implementation of the GESI policy is essential to build institutional capacity, influence behavioural change, develop awareness and create an accessible, equitable and inclusive environment for those who are currently financially excluded.

### Financial Inclusion Data Mapping

As geography is a particular challenge in PNG for the delivery of services, BPNG/CEFI now wants to include the spatial dimension of financial access points across the country. With the aim of turning raw data into insight, this BI and Mapping tool enables policy makers, regulators, financial service providers & users to understand the experience of financial inclusion. It provides an interactive interface for effective data analyses to work towards Financial Inclusion goals. This objective underpins the global and national frameworks calling for national financial inclusion commitments in these areas, including utilizing data for informed policy making and tracking of results and the NFIS 2016-2020: Strategic objective to continue regular collection of FI data and publish it for policy makers and commercial service providers to identify key dimensions & opportunities in Papua New Guinea.





# THE NATIONAL FINANCIAL INCLUSION STRATEGY 2016-2020 AND ITS IMPLEMENTATION

The National Strategy on Financial Inclusion 2016-2020 is the Government's 2nd strategy and is PNG's blue print document that provides the overarching strategic frame-work for addressing and achieving inclusive finance. A majority of PNG's population does not have access to financial services and the National Strategy provides the key strategies on how the government intends to address financial inclusion in the country.

The Centre for Excellence in Financial Inclusion is the government approved national entity to coordinate all financial inclusion activities in PNG.

The NFIS 2016 – 2020 incorporates global standards and initiatives of Alliance for Financial Inclusion (AFI), Money Pacific Goals, Better Than Cash Alliance, and G20 Principles; including overarching Government Vision and Policies namely:

1. Vision 2050
2. Development Strategic Plan 2010-2030
3. National Informal Economy Policy
4. National Financial Inclusion Policy (for NEC approval)
5. Financial Sector Development Strategy

The NFIS focuses on Creating an enabling environment, Access, Quality and Usage – recognising financial literacy and consumer protection as prerequisites of meaningful access to financial services of PNG's unbanked population.

**The 2nd NFIS 2016-2020 has the goal of reaching 2 million additional accounts by the year 2020 of which 50% additional accounts are women. The following are the key priority areas and strategic objectives identified in the NFIS 2.**

## Key Priority Areas and Strategic Objectives

### 1. Digital Financial Services

To continue to actively support innovative use of technology for scaling up financial access/usage and promote expansion of digital financial services to reach remote parts of the country.

### 2. Inclusive Insurance

To expand micro insurance to an additional 1.5 million people

### 3. Financial Literacy and Financial Education

To build on gains in financial education and extend it to educational institutions such as technical colleges, secondary and primary schools.

### 4. Financial Consumer Protection

To introduce and implement a consumer protection framework for regulated financial institutions.

### 5. Informal Economy and Agricultural Finance

To enhance access to and usage of finance for enterprises in the informal economy including agriculture.

### 6. SME Finance

To enhance access to and usage of finance for SMEs. (widening access to financing for small businesses)

### 7. Resources Sector Engagement

To leverage opportunities within the resources sector to advance financial inclusion.

## 8. Data Collection and Dissemination

To continue regular collection of financial inclusion data and publish it for policy makers and commercial service providers to identify key dimensions and opportunities in PNG.

## 9. Government Engagement

To promote the integration of financial inclusion in national and local level government planning and implementation processes.

## Coordination

Public, Private Partnership is solicited in all these areas to for the 2nd NFIS target to be achieved.

The first Strategy (2014-15) focussed on 'access to financial services' and in 2016, a second Financial Inclusion Strategy was developed in consultation with relevant stake-holders; this set a roadmap to advance financial inclusion for the period 2016-2020.

In line with these activities, great achievements have been made towards advancing financial inclusion.

PNG through the Central Bank and CEFI has rolled out its second national strategy on financial inclusion 'National Financial Inclusion Strategy 2016-2020'. The first strategy main indicator of 'access' was the opening of new bank accounts which the strategy set a numerical target of 1 million new banks accounts to be opened at the end of 2015, and this figure was exceeded. At the end of 2015, the number of new bank accounts opened was 1.2 million.

The second national strategy, which has a longer 4 year roll- out period is meant to build on the experiences of the first national strategy and its focus is on 'usage'; while noting that 'access' and 'quality' are prerequisites for effective usage. The strategy also notes that 'financial literacy' and 'consumer awareness' must be strengthened to drive usage. The second 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 ensuring that more women are reached.



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In the second strategy, the following 9 priority areas are identified for support to expand financial inclusion:

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

**NFIS Working Groups** - The 7 working groups have consequently been formed to implement the NFIS 2 and through working group meetings monitor the strategy's progress to ensure that the goal and vision is being met. Across the 7 working groups, there were altogether 9 meetings were held in 2018 all geared to implementing the NFIS 2 key activities and deliverables.

## **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: Launched the Insurance Campaign, "Get Insured, Rest Assured"*

*The Working Group facilitated discussions between the Insurance Counsel and the Office of the Insurance Commissioner to produce an annual industry wide report for PNG. The report when completed will provide the basic data on the level of insurance penetration in the country, and also determine areas where support is needed to advance uptake of micro-insurance, especially in the rural areas.*

## **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 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.

*Progress Update:*

*Progress was made towards registering all financial education and financial literacy training providers in the country with CEFI. 32 financial education training organisations and 4 individual trainers were registered. The data collected from the training providers will provide the basis for discussions for moving forward with the standardizing of the training materials, trainers' certification process and systems of monitoring and evaluation of financial education programs*

## **Working Group on SME Finance**

The Working Group to 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 facilitated dialogue with Department of Commerce and Industry to progress the work to carry out a feasibility study on Credit Guarantee Scheme for SMEs in PNG. The objective of the study is to facilitate access to sustainable credits for SMEs*

## **Working Group on Resources Sector Engagement**

The Working Group seeks to engage with resources sector organisations to digitizing community benefits payment so that payments are remitted to their respective bank accounts and are regularized. 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:*

*Working Group facilitated the development of a draft MOU between Mineral Resources Authority and CEFI to roll-out financial inclusion activities in mining project community areas in PNG, who receive royalties and compensation benefits from mining development on their land. These activities will include financial literacy and business development skills training, opening bank accounts, establishment of agency banking and digitizing mining royalties and compensation payments to local communities.*

## **Industry Working Group on Digital Financial Services**

The Industry working group focuses on innovative ways to expand access and encourage market using 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:*

*Working Group provides ongoing technical inputs to progress the work on the Retail Electronic Payment System (REPS) project undertaken by Bank of PNG to enhance inter-operability between financial institutions through the National Switching Facility on settling payments between the financial institutions.*

*Dialogue was established with NICTA to ensure sim-card registration progress with MNOs is not seen as a barrier to mobile banking customers of the financial Institutions as deregistration of sim-cards would affect business for the financial institutions.*

## WORKING GROUP UPDATES (cont'd)

### **Working Group on Financial Consumer Protection**

This working Group serves as a coordinating body for consumer protection and market conduct initiatives. It will work with industry bodies such as ICCC and other regulators to appropriately protect vulnerable users of financial services. In addition, the working group will promote globally accepted best practises in empowering clients and protecting their interest,

#### *Progress Update:*

*Working Group is working with the Bank PNG to provide inputs to implement the recommendations of the Financial Consumer Protection Diagnostic Study, undertaken by World Bank/IFC as the basis to advance the establishment of the financial consumer protection regulatory framework work in PNG*

### **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:*

*Working Group is establishing dialogue with Agriculture commodity Boards to develop a data-base on the level of access to credit by private sector for Agriculture enterprises and SMEs. The database will provide the basis for establishing dialogue with stakeholders to focus on services and products that enhances access to credits for informal and agriculture enterprises.*



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# MAJOR ACTIVITIES IN 2020

## CEFI activities impacted by COVID- 19

On March 2020, World Health Organisation (WHO) declared COVID-19 as a public health emergency of international concern. In Papua New Guinea, this led to the introduction of many preparatory measures to control and curb the spread of the virus by the national government. These measures restricted the movement of people and closure of business, limiting only to essential business in the country, particularly in Port Moresby. These measures impacted the Centre for Excellence in Financial Inclusion (CEFI) and its mandate of implementing the final leg of the National Financial Inclusion Strategy 2016-2020.

The CEFI engagement activities postponed to July of 2020. The activities include; Digital Financial Services Symposium, Financial Literacy Training program, and provincial engagement rollout program and significant reduction in account numbers which negated the financial inclusion targets.

## 2016-2020 Financial inclusion Strategy

Seven working group meetings were convened with online link provided to members to join meetings online. Digital Financial Services and Financial Literacy & Financial Education hosted 2 meetings each whilst SME Finance, Inclusive Insurance and Access to Finance for Informal and Agriculture Enterprises conducted 1 meeting each respectively.

Digital financial services Symposium conducted as a webinar on July 14 & 15 on the theme of "Emerging future scenarios in DFS space for PNG". Over two days the virtual conference facilitated deliberations among 20 industry peers, connecting close to 100 individuals and organisations with the latest insights and transformational trends in technology and innovation on digital financial services.

Results framework of the Strategy updated as at 30 September 2020 and a review of strategy implementation conducted by National Research Institute.

Financial Inclusion data collected from all the regulated financial institutions and consolidated data produced and published for Quarter 3, as at 30 September 2020.

## 2021-2025 National Financial inclusion Strategy Formulation

A NFIS 2021-2025 steering committee appointed to facilitate the formulation next strategy 2021-2025. Steering committee members include BPNG, CEFI, Department of National Planning, Department of Treasury, and SME Corporation. Two steering committee meetings conducted.

Activities commenced to transfer financial inclusion data collection to BPNG online data collection system (TM1) and are completed in June 2021. CEFI will analyse the data and produce reports.

## Partnership with Government Department

In 2020, CEFI extended its partnership to government departments. CEFI is liaising with Department of Education to introduce financial education to school curriculum for preparatory level to grade 12 in the country. MoU partnership will signed between CEFI and DOE for implementation in January 2021. A budget has been submitted to Department for Treasury for funding of financial activities in 2021.

CEFI commenced discussion with provincial government to partner with Department of Provincial and Local-level Government Affairs to roll out program as part of FI policy implementation.

In line with this, CEFI conducted a presentation to Department of Finance Secretary and department officials. A financial literacy training conducted by CEFI following the presentation for department staff. CEFI plans to conduct Financial Literacy Training of Trainer program in 2021 and work with Provincial and District Treasuries on financial inclusion activities.

## CEFI Human Resource

In 2020, CEFI lost two senior officers, Finance and Admin Manager and Data Analyst. CEFI will revisit all staff job descriptions to introduce leaner and effective organization structure.

CEFI appointed following officials during the period 2 Field Officers funded under Market for Village Farmers Project (MVFP), both officers are based in Mt Hagen and Goroka respectively. A Communications and Media Officer, CEFI trainer and Gender Activity Coordinator.

CEFI Finance Manager Position has been advertised and selection process completed with the new Finance and Administration Manager to be positioned in January 2021.

| 2020 ACCESS & USAGE POINTS |   |           |           |           |           |
|----------------------------|---|-----------|-----------|-----------|-----------|
| Dimension                  | Indicator   | Q1        | Q2        | Q3        | Q4        |
| Access                     | Number of Access Points/Cash-in & Cash-out Points | 15,258    | 15,352    | 13,923    | 14,205    |
|                            | Number of Branches                                | 230       | 233       | 221       | 221       |
|                            | Number of ATMs                                    | 470       | 470       | 469       | 473       |
|                            | Number of EFTPOS                                  | 14,317    | 14,317    | 12,870    | 13,099    |
|                            | Number of Agents                                  | 250       | 332       | 391       | 412       |
|                            | Number of Mobile FS Access Points                 | 15,027    | 15,119    | 13,576    | 13,984    |
| Usage                      | Number of Mobile FS Accounts                      | 752,279   | 812,367   | 866,881   | 848,695   |
|                            | Number of Women with Mobile FS Accounts           | 209,341   | 236,475   | 263,980   | 275,956   |
|                            | Number of Deposit Accounts                        | 3,381,267 | 3,365,982 | 3,355,121 | 3,301,496 |
|                            | Number of Credit Accounts                         | 241,711   | 241,116   | 240,166   | 250,233   |
|                            | Number of Women with Credit Accounts              | 75,686    | 75,538    | 75,427    | 88,341    |

Insurance awareness campaign launched on 27th October and 10 promotional videos re-leased. Campaign is financed by all the key insurance providers and stakeholders in the industry.

CEFI plan to Introduce Salary sacrifice for school fees and rent in 2021 to support staff meet financial needs.

### **Strategic Partnerships**

CEFI continues to provide maintain and progress its partnership with various organisations and projects to position Financial Inclusion expansion. In 2020, the following partnerships were established with work now in progress.

### **Market for Village Farmers Project**

A dedicated office for the MVF-CEFI project opened in Goroka in July 2020. Activities are progressing as planned. Technical assistance contracts are signed with CARE International and AFC Germany. Family Farm Training commenced for the first time targeting farming households. This training includes developing family vision, nutrition, and community mobilization in addition to financial literacy.

### **Microfinance data**

Data collection completed for September 2020 and CEFI produce a quarterly performance snapshot for all the microfinance institutions. Annual benchmark report and Annual fact sheet for 2019 published. CEFI have now developed the format for producing this reports annually without external support.

### **Improving Financial Access and Entrepreneurship Development Project -MEP next Phase**

CEFI is identified as the Implementing partner by BPNG (Executive Agency of the project) . Offsite ADB mission commenced and ADB will appoint full time coordinator to be based at CEFI office in January 2021. The project is expected to commence in later part of 2021.

### **PNG Agricultural Commercialization and Diversification Project (PACD)**

CEFI had initial discussion with World Bank and Agriculture Department to assess the possibilities of CEFI providing financial inclusion services positive feedback received.

### **Partnership with Training Council of PNG**

CEFI continued discussions with PNG National Training council (NTC) to enter into partnership to ensure high quality financial education/ Literacy in PNG.

### **Partnership with PNG National Volunteer Service (NVS)**

CEFI entered to partnership with National Volunteer service and provide training of train-er program for the volunteers to conduct financial literacy in rural areas.

### **Microfinance Pacifica Network (MFPN)**

CEFI is the secretariat of the PNG Micro Bankers Association. This is in line also with CEFI serving as the secretariat to the Microfinance Pacifica Network (MFPN) Executive committee have approved the progress of the following;

- Appointment of CEFI to take on the role of Secretariat and Fiscal Agent of MFPN
- MFPN to be registered as an entity in PNG (including transfer of assets from Vanuatu to the new entity)
- Registration documents submitted for approval.

### **Fintech Incubator**

CEFI is designing a fintech incubator in partnership with PNG AOEC office to support the BPNG regulatory sand Box. CEFI work with in close collaboration with PNG ICT cluster too. CEFI staff continues to attend Digital Identification Project, and have sponsored ICT Cluster 2020, Biannual Hackathon to provide opportunities in Financial inclusion space (Fintech).

### **Provincial Government engagement**

All the activities planned for 2020 differed due to travel restrictions. West New Britain & Milne Bay province financial literacy Training of trainer (TOT) programs planned for 2021. Drafts MoU submitted to New Ireland Province and work will commence in 2021. Madang, East/West Sepik , and Western highlands provinces are planned to added on to the program in 2021.

### **Green Finance**

As follow up of Pacific Islands Regional Initiative Forum, CEFI finalized partnership Global Green Growth Initiative (GGGI) to design PNG inclusive green finance policy with funding support from NZ Aid.

### **Partnership with Pacific Business link**

CEFI is in discussion with Pacific Business link to develop and launch an online SME lending market place for PNG as an extension to the SME lending guide booklet that was launched by CEFI.

### **Digital ID Project**

Support to PNG IT professionals – CEFI part sponsored Online payments – CEFI continue to make direct payments using the online payment platform of BSP

### **Financial Inclusion for Oil Palm industry**

CEFI with BPNG designed and implemented the Mini- Financial Inclusion Expositions for Oil Palm provinces and conducted the first exposition New Ireland province in November 2020.

CEFI will continue to assist in concept and design of a Savings and Investment Bank for Oil Palm farmers. This project to be implemented in West New Britain province.

### **CEFI Communications**

CEFI information newsletter subscription has increased from 306 in May 2020 to 405 in December 2020. A steady increase of website visitors with 32,570 hits by December 2020. The unit delivered Financial Literacy Training for 15 Port-Moresby based Media Agencies, in October.

There is gradual organic increase on CEFI social media sites. As at December 10 2020;

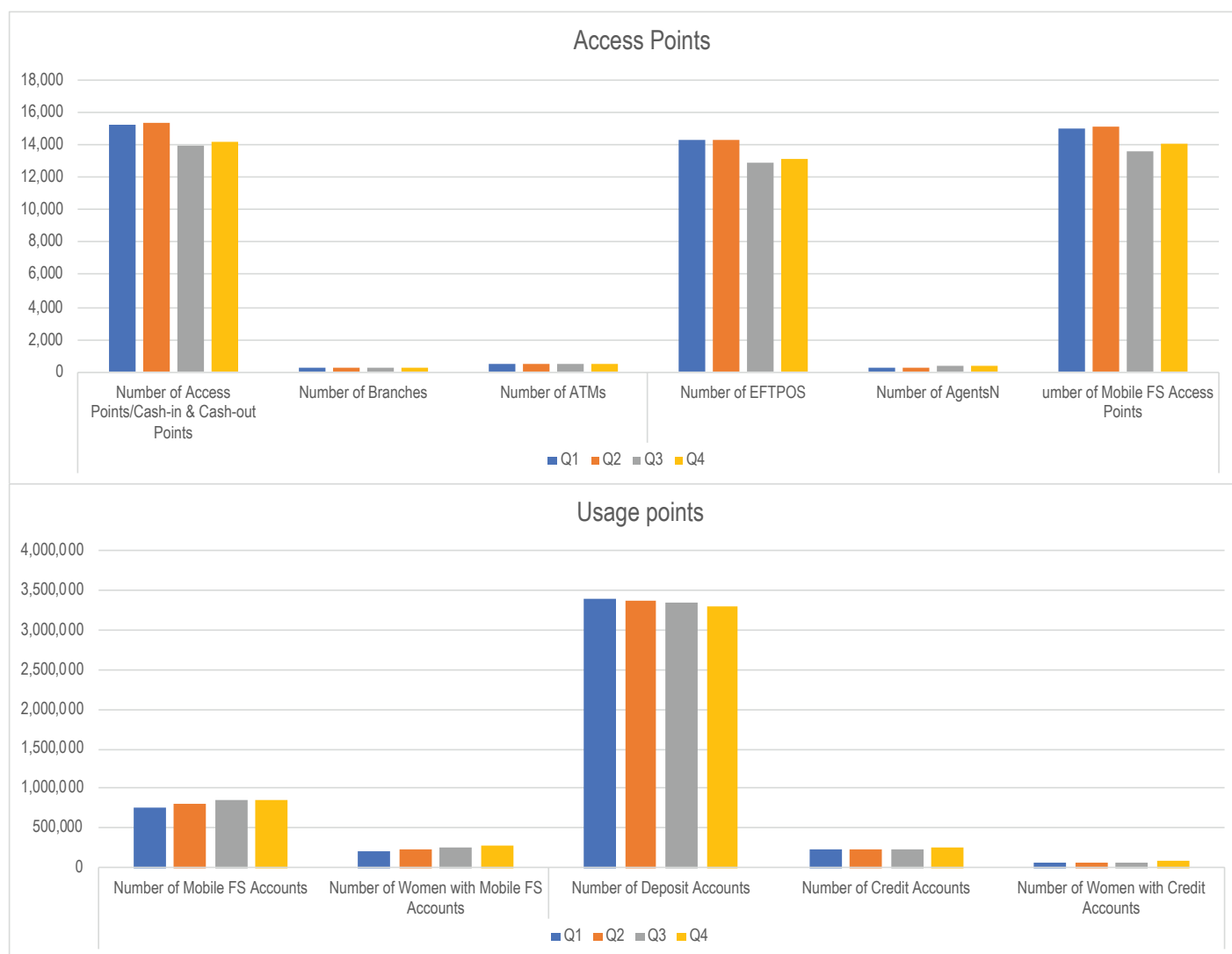
Facebook followers 2,448, LinkedIn 1138, Twitter 285 with 9 press statements released between July and December . The CEFI Annual Report 2019 published.

Work on CEFI SME Loan Guide Booklet Update commenced, with updated booklet to be published later reflecting updates on SME subsidy loan package.

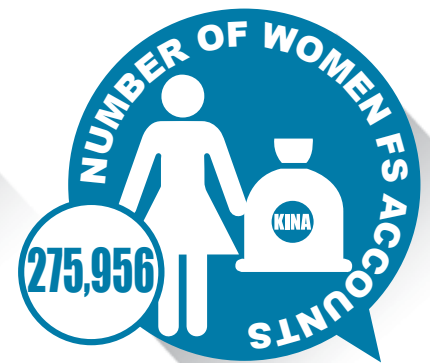
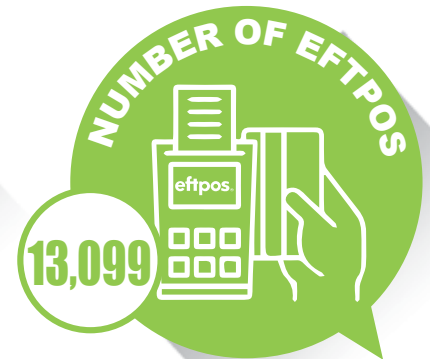
Partnership agreement drafted with NBC to promote CEFI activities and financial literacy. NBC will promote financial expositions using regional radio stations.

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|           | Number of Women with Credit Accounts              | 75,686    | 75,538    | 75,427    | 88,341    |

## 2020 ACCESS AND USAGE POINTS







# IN FOCUS: MARKET FOR VILLAGE FARMERS



## **CEFI implements market for village farmers project**

The Centre for Excellence in Financial Inclusion (CEFI) is implementing subcomponent 2.2 of the Market for Village Farmers Project which is focused on providing a livelihood and financial literacy training and provision of innovative financial products and services to improve the lives of farming households in six selected provinces in the Highlands region and Morobe and East New Britain Provinces.

The Fresh Produce Development Agency (FPDA) and the CEFI have signed a 5-year Sub Project Agreement (SPA) in June 2020 to improve access to financial inclusion services and products.

CEFI has already engaged CARE International to develop training material for the project while it is in the process of recruiting an international consulting firm with experience in product development and agriculture finance to conduct due diligence study, develop business plan including putting together a three-year training plan to build internal capacities of partner financial institutions. Through this intervention CEFI is confident partner financial institutions will provide affordable and diversified financial services to 25 000 farming households. CEFI has already secured interest from nine (9) financial institutions ranging from commercial banks, microfinance institutions to savings and loans societies.

CEFI Executive Director, Saliya Ranasinghe says CEFI has begun the ground works after the signing of the agreement with FPDA.

"CEFI has recruited full time staff and has established an office in Goroka, Eastern High-lands to administer the financial inclusion activities."

"We will also work with financial institutions to develop suitable agriculture lending products for the sector as well as digitising payment for farmers." Said Mr Ranasinghe.

Mr Ranasinghe says, "CEFI with its training partners and financial institutions will educate fresh produce farmers on money management skills, develop community-level savings and innovative lending schemes that will pave the way to support farmers to build a strong savings culture and grow their businesses into viable commercial businesses.

From October 12-27 2020, CEFI participated in four roadshow events hosted by Fresh Produce Development Agency through its Market for Village Farmers Project Management Unit across the highlands and Morobe province to promote the project and to seek partnership support from provincial administration to deliver the project in the selected provinces.

During the roadshow, Memorandum of Agreements (MOA) were signed between International Fund for Agriculture Development (IFAD), Department of Agriculture and Livestock (DAL), Fresh Produce Development Agency (FPDA) and the respective provinces to improve market access to farmers by facilitating their transition from semi-subsistence to agro farming businesses.

CEFI's Special Projects Manager Busa Jeremiah Wenogo said CEFI will work strategically to deliver the Financial Inclusion Component.

"Important thing to achieve in this project is for the banks to work with the farmers," Mr Wenogo told the participants at Banz.

"We will focus on two areas, training for farmers in financial literacy, community mobilization and nutrition with the training to target the family unit, primarily the father and mother. We will also work with financial institutions to offer innovative financial products and services to the households"



The Roadshow and Workshop concluded in Lae, Morobe province on October 27, with a Memorandum of Agreement signed between the Provincial Administration and Project Management Unit.

### **CEFI hosts first introductory workshop for Financial Institutions**

The Centre for Excellence in Financial Inclusion (CEFI) hosted its first ever Introductory Workshop for Financial Institutions on Friday 13th November in Port Moresby.

The financial institutions that attended the introductory workshops included Bank South Pacific, Westpac, Mi Bank, Women's Microbank, People's Microbank, Kada Poroman Micro Finance, Nasfund Contributors Savings and Loans and East New Britain Savings and Loans.

Also at the workshop were representatives from the Productive Partnership in Agriculture Project (PPAP) and World Bank.

The workshop was held purposely for financial institutions to partner with CEFI in agriculture lending and implementing the Market For Village Farmers Project.

The workshop also featured presentations from Department of Agriculture and Livestock, Deputy Acting Secretary Regina Nukudj and Market For Village Farmers Project Manager Robert Lutulele.

Thierry Mahieux, an international consultant with International Fund for Agriculture Development (IFAD), also spoke on Digital Financial Services For Agriculture-Innovation in Agriculture Lending and Risk Mitigation via zoom.

CEFI's Executive Director Saliya Ranasinghe in his opening remarks told representatives from the eight financial institutions that CEFI would like to be equal partners with the institutions in implementing the Market For Village Farmers project.

"One of the differences with this particular project is that we would like the banks to be equal partners in project implementation from the beginning, so you all will know what is happening and what each partner is doing and embrace the process of the project," Mr Ranasinghe said.

Mr Ranasinghe encouraged the financial institutions to share their perception about agriculture lending adding the project had all the important components to support the banks.

Some of these important components that Mr Ranasinghe highlighted included technical service provider, digital financial services (DFS) with addition to market information and product design and risk mitigation.

"We would also like to introduce some risk mitigation so one option is that we have Bank of Papua New Guinea (BPNG) to design a credit guarantee cooperation so we would have a special dedicated window for agriculture lending."

"To change agriculture in Papua New Guinea the banks should play a pivotal role and embrace risks and develop mitigation strategies. This project is expected to be a landmark for agriculture projects in bank finance," Mr Ranasinghe added.

Manager-Banking Supervision-BPNG Ms Sabina Deklin acknowledged and thanked the financial institutions for their commitment in continuing to bring financial services to Papua New Guineas.

"The focus for financial inclusion has been the focus of the Central Bank for a number of years and this is ensuring in partnering with the financial institution that we take these financial services to the rural areas and CEFI is a creation of this and its one of its core mandates," Ms Sabina Deklin added.

### **CEFI signs agreement to deliver family farm team training in highlands region for farmers**

The Centre for Excellence in Financial Inclusion (CEFI) has signed Partnership Agreement with three training agencies on Wednesday 18 November 2020 to deliver Family Farm Team Training (FFTT) for fresh produce farming households in Simbu, Jiwaka and Western Highlands Provinces.

The agreement between CEFI and Ambumangre Micro-Credit Scheme, Cliffy Contractors and Peoples Action for Rural Development (PARC) will target 5000 farming households in Simbu, Jiwaka and Western Highlands respectively, as part of Financial Inclusion Component under the Market for Village Farmers (MVF) project.

The FFTT will focus on reorienting men, women and youth in households towards a gender equitable and more effective planned approach to farming as a family business. The training will also introduce farming families to a livelihoods approach, good nutrition, better agricultural practice, foundational business and financial literacy.

CEFI Executive Director Saliya Ranasinghe in his address stated CEFI has selected the three training partners based on their track record, good reputation and experience in delivering financial literacy training.

"The signing and workshop signals the next phase in the implementation of the Financial Inclusion component under MVF Project. The trainers from the agencies will undergo a Training-of-Trainer (ToT) program to be conducted by CEFI's service contractor, CARE International PNG, on November 23 2020," Mr Ranasinghe said.

The ToT training will provide the agencies on approaches of FFTT and will cover Community Mobilizations, Financial Literacy and Nutrition before the training institutions go out to selected provinces to deliver the FFTT.

MVF Project Management Unit Manager Robert Lutulele told the participants that FFTT is part of the MVF deliverable to improve market access for Fresh Produce and Galip Nut in the country.

"This signing demonstrates that CEFI together with other lead partners are serious about improving the business opportunities for our farmers. Your roles are important in educating the farming households and farming groups so that they improve their livelihood and well-being," Mr Lutulele stated.

CEFI will be delivering the FFTT to 25 000 farming households in six-selected provinces in Highlands and East New Britain and Morobe Provinces. Commercial Banks, Savings and Loans Society, Microbanks have been invited to participate during the training and open bank accounts for farmers as well as innovating agriculture lending products for farmers.

Market for Village Farmers (MVF) is valued at \$USD38 million and is executed by the Government of Papua New Guinea through the Department of Agriculture and Livestock (DAL) and implemented by FPDA, with funding from the International Fund for Agricultural Development (IFAD).



# IMPACT STORIES HIGHLIGHTS

## Mini-Financial Inclusion Exposition in Kavieng New Ireland Province successful

Over 600 hundred residents and oil palm growers have attended a two-day Mini-Financial Inclusion Exposition in Kavieng, New Ireland Province on 27-28 November 2020, hosted by Bank of Papua New Guinea and Centre for Excellence in Financial Inclusion.

The exposition had participation from Bank South Pacific (BSP), Kina Bank, Westpac, Nationwide Micro-bank (MiBank, Nambawan Super Limited, National Superannuation Fund Limited, Nambawan Savings and Loan Society, Niu Ailan Savings and Loan Society, Small and Medium Enterprises Corporation (SMEC), Teachers Savings and Loan Society Limited, National Development Bank Limited and insurance industry.

In conjunction to the exposition, CEFI trainers delivered Financial Literacy, Business Development Skills and Train-of-trainers programs to over 100 oil palm growers, small business owners and residents in Kavieng District.

Hundreds visited stalls and received specific products and services information and contact details from the licensed financial institutions. There were special panel discussions, talk back series, and question and answers sessions with BPNG, CEFI and financial institution representatives.

The Governor of the Bank of Papua New Guinea, Loi M Bakani told the public in Kavieng to invest their earnings from oil palm related business to build better lives.

"Oil Palm brings over K21million in annual returns for the province, yet little seems to be transferred to empower the people and businesses.

This event is a financial inclusion intervention to support people make informed decisions on how to save, budget and spend money within the formal institutions," said Mr Bakani.

The Mini-Exposition is part of an on-going commitment undertaken by the BPNG and CEFI to provide an environment for oil palm growers to gain access to financial products and services, to raise awareness on new development in the finance and banking sector, including innovative financial services and delivery channels.



## Financial Literacy Training for staff from Department of Finance.

The Centre for Excellence in Financial Inclusion (CEFI) has delivered Financial Literacy Training for 16 employees from Department of Finance (DoF) in Port Moresby.

The training conducted by CEFI provided key techniques of savings and budgeting, setting financial goals, developing family budget, accounting risks and spending wisely.

CEFI Executive director Saliya J Ranasinghe encouraged the staff from the DoF to be role models and spread the message of savings and budgeting.

"Be role models and convey this message (what you have learnt from this training) as much as possible and I hope this training will help you all and change your life in the way you manage money," said Mr Ranasinghe said.

"Our (CEFI's) main intention is to bring people to the financial mainstream. When we started there was 85 percent of the people in this country that did not have a bank account, we only had 1.3 million bank accounts in the country but now it has come down to 65 (percent) and we have about 3.5 million bank accounts in Papua New Guinea now," Mr Ranasinghe told the staff from DoF.

DoF Deputy Secretary Special Projects, Samuel Penias thanked CEFI for making time available to deliver the training to his team.

"We were asked to run a financial literacy training and this the starting point and we don't want to go back and reinvent the wheel because CEFI has already done that," Mr Penias said.

"We understand there are a lot of issues people especially in the rural areas, are trying to access financial services. We want to be part of CEFI's team and drive the agenda of financial inclusion in the country," he added.

CEFI is delivering Financial Literacy retail training and Training-of-Trainers (TOT) in partnership with registered training institutions, Non-Government-Organisations, Faith-Based-Organisations, Civil-Based-Organisations, government institutions, private enterprises, resource sector and commodity boards.

CEFI's vision is to create financial inclusivity by promoting excellence in financial services, innovative delivery channels and facilitating financial literacy.



### **CEFI launches the national “get insured, rest assured” inclusive insurance campaign**

The Centre for Excellence in Financial Inclusion (CEFI) and Bank of Papua New Guinea (BPNG) in partnership with Inclusive Insurance Working Group on October 29 launched the National Inclusive Insurance Campaign, titled “Get Insured, Rest Assured.”

The multi-platform campaign aims to spread awareness among the public on the importance of insurance as a risk management instrument.

Only 2% of the 8-million strong population is insured in Papua New Guinea - a shockingly low penetration rate for a country that ranks high on risk perception. Mr. Loi Bakani, Governor for Bank of Papua New Guinea, attributes the low penetration to the Wantok system, lack of awareness and financial incompetence.

“Insurance in PNG has some constraints because of the Wantok system. But with growing number of nuclear families, a lot of people are getting more independent. They are realizing that there is too much pressure on one person. Depending only on your relatives isn’t reliable and people need to look at modern Insurance products as a safety net.”

Recognizing this as a priority area, CEFI with the inclusive insurance working group, is working towards increasing the negligible 660,000 active Insurance policies to 1.5 million in a 5-yr timeframe.

Mr. Saliya Ranasinghe, CEFI’s Executive Director, explains the way forward. ‘In the initial stages, the Government should look at subsidizing Insurance Premium so that the masses can be reached. Until we reach a substantial number of people, the cost of Insurance will always be an issue. If we increase the Insurance coverage amongst the population, the cost of the premium per person will automatically go down.’

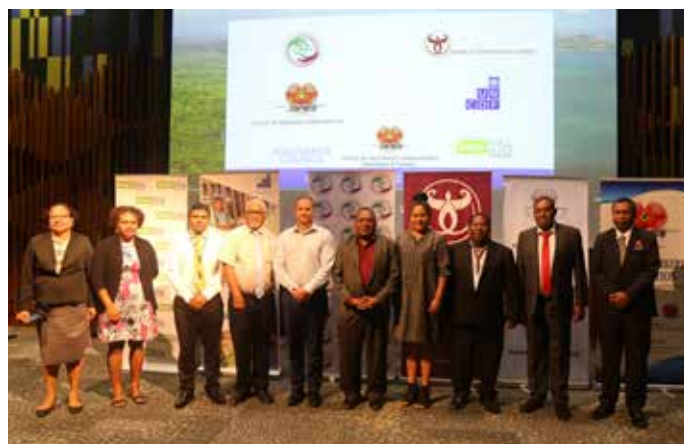
One of the crucial goals of the awareness campaign is to simplify the concept of Insurance, which is usually mired in technical jargon. Mr. Raka Taviri, Deputy Chairman of the Inclusive Insurance Working Group speaks of the urgent intervention required.

“What will make a huge difference is the awareness level of people, accessibility to the Insurance products, policy environment and the willingness of the players to go the extra mile. There needs to be greater innovation, both on the product aspect and the service from the Insurance providers.”

The awareness campaign showcase 10 high quality videos and info-graphic posters, to released on social media platforms over a period of 4 months. The videos feature customer testimonies and experiences with various products categories like Life, Health, SME, Corporate, Travel, and Comprehensive Car Coverage.

In addition, an integrated approach adopted, by putting educational print articles in newspapers, radio talk-shows and television appearances to reach a wider audience. The collaboration is driven by stakeholders such as the regulators BPNG and Office of Insurance Commissioner, industry players represented by the Council, the Office of Workers’ Compensation and the United Nations Capital Development Fund (UNCDF).

With the right push, the Insurance Landscape in Papua New Guinea is showing signs of massive potential.



# OUR 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.

## Founding Members



**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**

## Technical & Developmental Partners



**Alliance for Financial  
Inclusion (AFI)**



**Asian Development Bank**



**Enabling poor rural people  
to overcome poverty**



**Australian Government**



**Better than Cash Alliance**



**Pacific Financial Inclusion  
Program**





## FINANCIAL REPORT CONTENT

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

## **REPORT OF THE DIRECTORS – 31ST DECEMBER 2020**

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 2020.

### **DIRECTORS**

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

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

### **RESULTS**

The operating surplus for the year amounted to K1,358,392 (2019: K1,791,915).

### **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 13th day of August 2021**

  
.....  
**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 2020,
- (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 2020,
- (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 2020,
- (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 13th day of August 2021**

  
.....  
**EXECUTIVE DIRECTOR**



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

## **INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST DECEMBER 2020**

### **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 2020, statement of income 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 2020**

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 downturn in economic activity.

At 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 statements cannot be reliably estimated.

**Signed at Boroko**  
**This 13th day of August 2021**



**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 2020

|                             | NOTES | 2020<br>K         | 2019<br>K         |
|-----------------------------|-------|-------------------|-------------------|
| <b>INCOME</b>               |       |                   |                   |
| Grants                      | 9     | 5,767,321         | 4,959,483         |
| <b>EXPENDITURE</b>          |       |                   |                   |
| Depreciation                |       | 189,650           | 62,801            |
| Staff                       |       | 2,962,739         | 2,057,119         |
| Finance expenses            |       | 994               | 1,157             |
| Other operating expenses    |       | 1,756,046         | 1,114,351         |
|                             |       | 4,909,429         | 3,235,428         |
| <b>OTHER INCOME</b>         |       |                   |                   |
| Management fee              |       | 201,964           | -                 |
| Consulting fees             |       | 248,467           | 67,860            |
| Gain on sale of fixed asset |       | 50,000            | -                 |
| Interest                    |       | 69                | -                 |
|                             |       | 500,500           | 67,860            |
| <b>OPERATING SURPLUS</b>    |       | <b>K1,358,392</b> | <b>K1,791,915</b> |

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 2020

|                                      | NOTES | 2020<br>K         | 2019<br>K         |
|--------------------------------------|-------|-------------------|-------------------|
| <b>ASSOCIATION FUNDS</b>             |       |                   |                   |
| Surplus of funds                     | 4     | 3,348,183         | 1,989,791         |
| <b>SURPLUS OF ASSOCIATION FUNDS</b>  |       | <b>K3,348,183</b> | <b>K1,989,791</b> |
| Represented by:-                     |       |                   | -                 |
| <b>ASSETS</b>                        |       |                   |                   |
| <b>CURRENT</b>                       |       |                   |                   |
| Cash on hand and at bank             |       | 3,114,798         | 1,606,347         |
| Receivables                          | 5     | 71,008            | 285,314           |
|                                      |       | 3,185,806         | 1,891,661         |
| <b>NON CURRENT</b>                   |       |                   |                   |
| Fixed assets                         | 6     | 534,812           | 265,051           |
|                                      |       | 534,812           | 265,051           |
| <b>TOTAL ASSETS</b>                  |       | <b>3,720,618</b>  | <b>2,156,712</b>  |
| <b>LIABILITIES</b>                   |       |                   |                   |
| <b>CURRENT</b>                       |       |                   |                   |
| Payables                             | 7     | 192,478           | 166,921           |
| Lease liability - current portion    | 8     | 61,953            | -                 |
|                                      |       | 254,431           | 166,921           |
| <b>NON CURRENT</b>                   |       |                   |                   |
| Lease liability - noncurrent portion | 8     | 118,004           | -                 |
|                                      |       | 118,004           | -                 |
| <b>TOTAL LIABILITIES</b>             |       | <b>372,435</b>    | <b>166,921</b>    |
| <b>NET ASSETS</b>                    |       | <b>K3,348,183</b> | <b>K1,989,791</b> |

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 2020

|   | NOTE      | 2020<br>K         | 2019<br>K         |
|---|-----------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |           |                   |                   |
| Receipts from members and sponsors                          |           | 6,217,821         | 5,027,343         |
| Payments to suppliers for goods and services                |           | (4,479,916)       | (3,201,052)       |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                   | <b>10</b> | 1,737,905         | 1,826,291         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |           |                   |                   |
| Purchase of fixed assets                                    |           | (253,707)         | (313,038)         |
| Proceeds from sale of fixed assets                          |           | 50,000            | -                 |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                |           | (203,707)         | (313,038)         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |           |                   |                   |
| Payment of lease liability                                  |           | (25,747)          | -                 |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                |           | (25,747)          | -                 |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>            |           | 1,508,451         | 1,513,253         |
| Cash and equivalents at the beginning of the year           |           | 1,606,347         | 93,094            |
| <b>CASH AND EQUIVALENTS AT THE END OF THE YEAR</b>          |           | <b>K3,114,798</b> | <b>K1,606,347</b> |
| <b>CASH AND EQUIVALENTS ARE COMPRISED OF THE FOLLOWING:</b> |           |                   |                   |
| Cash on hand  |           | 1,500             | 1,500             |
| Cash at bank  |           | 3,113,298         | 1,604,847         |
| <b>CASH AND EQUIVALENTS AT THE END OF THE YEAR</b>          |           | <b>K3,114,798</b> | <b>K1,606,347</b> |

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 2020

### 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 of 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 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Right-of-use assets (ROU assets)

A ROU asset is recognised in relation to a lease which exceeds 1 year with material payments. It is initially measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made before the commencement date (reduced by lease incentive received), plus initial direct costs incurred in obtaining the lease and an estimate of costs to be incurred in dismantling and removing any underlying asset, restoring the site on which its located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

A ROU asset is subsequently measured using the cost model less any accumulated depreciation and any accumulated impairment losses. The ROU asset is depreciated over its useful life which is the shorter of the useful life of the asset or the lease term.

#### (f) 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.

#### (g) 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.

#### (h) 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.

# CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

### 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Lease liabilities

At the commencement date of the lease, the Association recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivables and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Association. Accordingly, the lease liability calculations do not take into account any future increments in rental payments unless the increments are contractually fixed.

In calculating the present value of lease payments, the Association uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the assessment to purchase the underlying asset.

### 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 commitments.

#### (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 2020

### 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.

|                                       | 2020<br>K | 2019<br>K |
|---------------------------------------|-----------|-----------|
| <b>4 ASSOCIATION FUNDS</b>            |           |           |
| Opening balance                       | 1,989,791 | 197,876   |
| Net surplus for the year              | 1,358,392 | 1,791,915 |
| Closing balance                       | 3,348,183 | 1,989,791 |
| <b>5 RECEIVABLES</b>                  |           |           |
| Goods and services tax                | 37,395    | 8,953     |
| Financial Sector Development Strategy | -         | -         |
| Microfinance Expansion Project        | -         | 140,000   |
| Prepaid expenses                      | -         | 85,145    |
| Staff                                 | 33,613    | 51,216    |
|                                       | 71,008    | 285,314   |

### 6 FIXED ASSETS

| Cost                            | 01.01.2020<br>K   | Additions<br>K     | Disposals<br>K   | 31.12.2020<br>K   |
|---------------------------------|-------------------|--------------------|------------------|-------------------|
| Motor vehicle                   | 267,000           | 95,000             | 92,000           | 270,000           |
| Office equipment                | 166,744           | 157,589            | -                | 324,333           |
| Furniture, fixture and fittings | 3,846             | 1,118              | -                | 4,964             |
| Right of use asset              | -                 | 205,704            | -                | 205,704           |
|                                 | 437,590           | 459,411            | 92,000           | 805,001           |
| <b>Accumulated depreciation</b> | <b>01.01.2020</b> | <b>Deprec. exp</b> | <b>Disposals</b> | <b>31.12.2020</b> |
| Motor vehicle                   | 137,740           | 81,222             | 92,000           | 126,962           |
| Office equipment                | 32,757            | 79,139             | -                | 111,896           |
| Furniture, fixture and fittings | 2,042             | 1,491              | -                | 3,533             |
| Right of use asset              | -                 | 27,798             | -                | 27,798            |
|                                 | 172,539           | 189,650            | 92,000           | 270,189           |

**Net book value at 31.12.2020**

534,812

**Net book value at 31.12.2019**

265,051

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 2020

|   | 2020<br>K | 2019<br>K |
|---|-----------|-----------|
| <b>7 PAYABLES</b>   |           |           |
| Trade creditors   | 20,000    | 35,718    |
| Salary and wages tax  | 73,691    | 98,537    |
| Payroll   | -         | 27,166    |
| Audit fee   | 7,450     | 5,500     |
| Superannuation  | 36,927    | -         |
| Accruals  | 54,410    | -         |
|   | 192,478   | 166,921   |
| <b>8 LEASE LIABILITY</b>  |           |           |
| <b>As at 1 January 2020</b>   | -         | -         |
| Additions   | 205,704   | -         |
| Accretion of interest   | 6,403     | -         |
| Payments  | (32,150)  | -         |
| As at 31 December 2020  | 179,957   | -         |
| <b>Lease liability is composed of:</b>  |           |           |
| Lease liability - current   | 61,953    | -         |
| Lease liability - noncurrent  | 118,004   | -         |
| <p>Upon adoption of IFRS 16, the Association recognised a liability in respect of its operating lease for its office. The lease liability was measured at the present value of lease payments to be made over the lease term.</p> <p>In calculating the present value of lease payments, the Association used the incremental borrowing rate of 10.00%.</p> |           |           |
| <b>9 GRANTS</b>   |           |           |
| The Association receives funding from independent donors either on a long-term basis or on a needs basis. These donors are:   |           |           |
| <b>(a) Bank of Papua New Guinea (BPNG)</b>  |           |           |
| Cash grants   | 1,549,648 | 939,805   |
| In-kind contributions   | 1,916,800 | 2,670,254 |
|   | 3,466,448 | 3,610,059 |
| <b>(b) Fresh Produce Development Agency (FPDA)</b>  |           |           |
| Cash grants   | 2,300,873 | 1,349,324 |
| In-kind contributions   | -         | 100       |
|   | 2,300,873 | 1,349,424 |
|   | 5,767,321 | 4,959,483 |

# CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

|  | 2020<br>K | 2019<br>K |
|--|-----------|-----------|
| <b>10 CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |           |           |
| Reconciliation of operating activity cash flow and net deficit |           |           |
| Operating cash flow  | 1,358,392 | 1,791,915 |
| <b>Non cash flow items</b>                                     |           |           |
| Depreciation   | 189,650   | 62,801    |
| Gain on sale of fixed asset                                    | (50,000)  | -         |
| <b>Movement in working capital</b>                             |           |           |
| Increase in receivables  | 214,306   | (190,096) |
| Decrease/(Increase) in payables                                | 25,557    | 161,671   |
| Net cash from operating activities                             | 1,737,905 | 1,826,291 |
| <b>11 AUDITOR'S REMUNERATION</b>                               |           |           |
| - Audit  | 7,450     | 5,500     |
| - Other services   | -         | 3,000     |
|  | 7,450     | 8,500     |

### 12 RELATED PARTY TRANSACTIONS

During the year, the Association paid a salary amounting to K540,000 to one of its directors.  
Other than the transaction mentioned above, the Association had no related party transactions during the year.

### 13 CONTINGENT LIABILITIES

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

### 14 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

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 position cannot be reliably estimated.

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.

The accompanying notes form part of these financial statements.

# CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

## STATEMENT OF INCOME - MAIN PROJECT FOR THE YEAR ENDED 31ST DECEMBER 2020

|                            | 2020<br>K       | 2019<br>K       |
|----------------------------|-----------------|-----------------|
| <b>INCOME</b>              |                 |                 |
| Grants                     | 3,466,448       | 3,610,059       |
| Management fee             | 201,964         | -               |
| Consulting fees            | 248,467         | 67,860          |
| Gain on disposal of asset  | 50,000          | -               |
| Interest                   | 69              | -               |
|                            | 3,966,948       | 3,677,919       |
| <b>EXPENDITURE</b>         |                 |                 |
| Advertising                | 104,552         | 117,098         |
| Audit                      | 7,450           | 6,947           |
| Bank fees                  | 543             | 898             |
| Car rental                 | 1,800           | 19,559          |
| Cleaning supplies          | 6,329           | -               |
| Communication and internet | 115,238         | 58,335          |
| Computer                   | 9,505           | -               |
| Consultancy                | 2,277,980       | 2,030,857       |
| Depreciation               | 156,222         | 62,801          |
| Equipment hire             | -               | 2,000           |
| Freight                    | 720             | -               |
| Legal                      | 21,749          | -               |
| Membership                 | 5,956           | -               |
| Motor vehicle              | 40,012          | 47,403          |
| Office                     | 53,848          | 113,812         |
| Printing and stationery    | 28,866          | 786             |
| Recruitment                | 11,053          | 15,734          |
| Rent                       | 773,900         | 308,285         |
| Repairs and maintenance    | 4,273           | -               |
| Staff accommodation        | 57,766          | -               |
| Staff amenities            | 7,314           | 10,528          |
| Travel and accommodation   | 37,623          | 107,019         |
| Uniforms                   | 6,873           | -               |
| Water and electricity      | 1,876           | 26,785          |
| Website development        | 4,195           | 9,626           |
| Workshop and conferences   | 72,960          | 282,465         |
|                            | 3,808,603       | 3,220,938       |
| <b>OPERATING SURPLUS</b>   | <b>K158,345</b> | <b>K456,981</b> |



# CENTRE FOR EXCELLENCE IN FINANCIAL INCLUSION ASSOCIATION INC.

## STATEMENT OF INCOME - SUB PROJECT FOR THE YEAR ENDED 31ST DECEMBER 2020

|                            | 2020<br>K         | 2019<br>K         |
|----------------------------|-------------------|-------------------|
| <b>INCOME</b>              |                   |                   |
| Grants                     | 2,300,873         | 1,349,424         |
|                            | 2,300,873         | 1,349,424         |
| <b>EXPENDITURE</b>         |                   |                   |
| Advertising                | 24,762            | -                 |
| Bank fees                  | 451               | 259               |
| Car rental                 | 5,800             | -                 |
| Consultancy                | 512,226           | -                 |
| Depreciation               | 33,428            | -                 |
| Freight                    | 5,839             | -                 |
| Fuel                       | 2,100             | -                 |
| Interest - lease liability | 6,403             | -                 |
| Management fee             | 196,131           | -                 |
| Office                     | 2,650             | -                 |
| Relocation cost            | 3,750             | -                 |
| Rent                       | -                 | -                 |
| Repairs and maintenance    | 44,917            | -                 |
| Staff amenities            | 500               | -                 |
| Software                   | -                 | 9,330             |
| Salaries and wages         | 85,277            | -                 |
| Superannuation             | 5,409             | -                 |
| Travel and accommodation   | 171,183           | 4,901             |
|                            | 1,100,826         | 14,490            |
| <b>OPERATING SURPLUS</b>   | <b>K1,200,047</b> | <b>K1,334,934</b> |

The accompanying notes form part of these financial statements.



## NOTES









CENTRE FOR EXCELLENCE  
IN FINANCIAL INCLUSION

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