



BANK OF PAPUA NEW GUINEA



NATIONAL FINANCIAL INCLUSION STRATEGY 2023 - 2027



DEEPENING
FINANCIAL
INCLUSION IN
PAPUA NEW GUINEA



Contents

ABBREVIATION	1
FORWARD	3
EXECUTIVE SUMMARY	5
INTRODUCTION	7
STATUS OF FINANCIAL INCLUSION	10
STRATEGIC FRAMEWORK	16
ENABLERS AND DRIVERS	19
COORDINATION STRUCTURE	24
INSTITUTIONAL COMMITMENT OF MEASURABLE INCLUSION TARGETS (I-COMIT)	27
MONITORING AND EVALUATION	28
FINANCIAL INCLUSION EXCELLENCE AWARDS	39
ANNEX - THE MAYA DECLARATION	40



Abbreviations

AFI	Alliance for Financial Inclusion
AFIA	Annual Financial Inclusion Awards
ATISG	Access Through Innovation Sub-Group
ATM	Automatic Teller Machine
BPNG	Bank of Papua New Guinea
CEFI	Centre for Excellence in Financial Inclusion
DFS	Digital Financial Services
FIEA	Financial Inclusion Excellence Awards
FIEG	Financial Inclusion Experts Group
FISC	Financial Inclusion Steering Committee
FIT	Financial Inclusion Target
FSP	Financial Service Provider
GoPNG	Government of Papua New Guinea
ICCC	Independent Consumer & Competition Commission
ICOMIT	Institutional Commitment of Measurable Inclusion Strategy
IFAD	International Fund for Agriculture Development
IFC	International Financial Corporation
IGPF	Inclusive Green Finance Projects
IPA	Investment Promotion Authority
KATS	Kina Automated Transfer System
KYC	Know Your Customer
MEP	Microfinance Expansion Project
MRA	Mineral Resource Authority
MSME	Micro, Small and Medium Enterprise



MTDP	Mid-Term Development Plan
NCSL	Nasfund Contributors Savings and Loan
NEC	National Executive Council
NFIP	National Financial Inclusion Policy
NFIS	National Financial Inclusion Strategy
NICTA	National Information and Communication Authority
NRI	National Research Institute
NTC	National Training Council
OIC	Office of Insurance Commissioner
PFIF	PNG Financial Inclusion Forum
PFIP	Pacific Financial inclusion program
PIRI	Pacific Islands Regional Initiative
PNG	Papua New Guinea
POS	Point of Sale
PPSA	Personal Property Securities Act
PSP	Payment Service Provider
REPS	Retail Electronic Payment System
RSF	Risk Share Facility
SGD	Sustainable Development Goals
SMEC	Small and Medium Enterprise Corporation
TOT	Trainer-of-Trainers
TWG	Technical Working Group



Forward



“All Papua New Guineans are financially competent and have access to a wide range of affordable financial services that address their needs and are provided in a responsible and sustainable manner”

Papua New Guinea’s National Financial Inclusion Strategy (NFIS) provides a roadmap for our country to accelerate financial inclusion efforts through a series of specific, delineated, and sequenced actions for a wide range of stakeholders, development partners and the financial institutions.

Over the years, our national policymakers have demonstrated commitment to both financial stability and financial inclusion, recognizing what the potential of attaining both would mean for achieving our national development goals.

Our national policymakers through the Vision 2050, SDG 2010-2030, and the MTDP III including the National Financial Inclusion Policy have demonstrated commitment to maintaining a resilient financial system and, most recently, to ensuring financial access to all individuals and businesses.

Further, financial inclusion will complement the Central Bank’s objectives of stability and integrity. With the launch of this third NFIS, PNG joins more than 60 countries that have or are developing national financial inclusion strategies.

Enhancing financial inclusion and stability have proven, in various countries across the world, to lead to the development of a stable, resilient, and competitive financial sector and contribute to broad based wealth creation, economic growth, and improved standards of living of people across socioeconomic and demographic indicators.

We have assessed in general the barriers to financial inclusion in PNG, especially when considering socioeconomic and demographic factors, income levels, age, and education, which are important drivers behind differences in access. This reveals that PNG is in line with some of the financial inclusion indicators reported for the Asia Pacific; there is much room for improvement.

Through the finance sector, the Bank of Papua New Guinea realises that a large population of PNG does not have access to any form of financial services and is a key driver for sustainable and balanced



economic growth. Given our unique challenges pertained by heavy terrains, high mountains, scattered islands, deep valleys, making government delivery services a very challenging task in most of the parts of the country, the actions in our strategy offer prescribed opportunities to mitigate and improve the conditions that PNG faces.

Centre for Excellence in Financial Inclusion (CEFI) established on 26th June 2013 was mandated to promote financial inclusion in the country. CEFI has successfully implemented in coordination with various public and private sector stakeholders two prior National Financial Inclusion Strategies (2013-2015) and (2016-2020). These National Financial Inclusion Strategies achieved tremendous strides in access, quality, usage and enabling policy and regulatory environment while deepening financial inclusion in Papua New Guinea.

A National Financial Inclusion Steering Committee (NFISC) was identified and developed these actions in close concert with a wider stakeholder group. The resulting NFIS consolidates

existing relevant strategies and new interventions into a single document, which includes an implementation plan for the Government and its agencies, the private sector, Financial Institutions, International Organizations, civil society, and other stakeholders.

As stated in this NFIS, our collective vision is “All Papua New Guineans are financially competent and have access to a wide range of affordable financial services that address their needs and are provided in a responsible and sustainable manner”. This means that regardless of social or economic status, gender, or level of education, we want to ensure that every citizen, especially low-income populations and micro, small and medium enterprises, have access to financial services. In so doing, we will equip Papua New Guineans with the knowledge and means to improve their economic circumstances through sound decisions and well-tailored financial products.

The overall objective of Third National Financial Inclusion Strategy (NFIS3) is to reach 2

million unbanked population by 2027 and 50% of whom will be women.

Financial inclusion cannot be achieved without meaningful partnerships with different contributing stakeholders. The strategy identifies different stakeholder as enablers and drivers based on the crucial role, they play to implement the project. Centre for Excellence in Financial Inclusion (CEFI) being agency to implement the strategy will coordinate the role of enablers and drivers,

The strategy recognises the important role played by the financial service providers and encourage to commit towards a measurable target through ICOMIT (Institutional Commitment of Measurable Inclusion Target). The strategy also ensure commitment from various enablers to create an enabling environment and knowledge sharing to augment financial inclusion.

Mrs Elizabeth Genia, AAICD

**Acting GOVERNOR, Bank of PNG and Chairperson,
Centre for Excellence in Financial Inclusion**



Executive Summary

The Central Bank of Papua New Guinea, in collaboration with the Department of Treasury launched PNG's National Financial Inclusion Policy in January 2019. Robust evidence shows that countries across the world that have introduced financial inclusion policies and strategies, have experienced poverty reduction and improvements to the stability and integrity of their financial systems.

Our national policy makers recognize the role of financial inclusion in enabling shared prosperity and reducing poverty; they have been pursuing the implementation of sustainable economic growth and development policies as outlined in the Vision 2050 and the Sustainable Development Goals (GSDS) 2010-2030.

The Principles for Innovative Financial Inclusion were developed in 2010 by the Access Through Innovation Sub-Group (ATISG) of the G20 Financial Inclusion Experts Group (FIEG), which resulted in the establishment of the Global Partnership for Financial Inclusion by G20 leaders in 2010 where PNG is committed to promote innovations in financial sector.

PNG made its commitment in 2013 to the Maya Declaration – a global initiative by Alliance for Financial Inclusion, to reach one million more unbanked low-income people in PNG and micro and small enterprises, with a diverse range of financial services, where fifty percent reached will be women. The commitment for 2018 was to reach an additional 2.0 million.

Further, the Central Bank embedded financial inclusion in its corporate as a primary objective in achieving economic growth and ensuring financial stability in PNG. National Financial Inclusion has, therefore, become a significant priority for PNG.

Efforts to coordinate various initiatives in PNG to fight financial exclusion can be traced back to the development of National Financial Inclusion and Financial Literacy Strategy 2014-2015 followed by the Second National Financial Inclusion Strategy (2016 - 2020).

Building on the success of the first and second national strategy implementations and lessons learnt

in the process, CEFI and BPNG has developed the third NFIS 2023-2027.

The third NFIS is built on experiences and learnings of previous two strategies and is the renewed commitment to achieve the NFIP vision and mission. The mission is further expressed as overall goal and strategic objectives. The policy framework identifies strategic partners - key enablers and drivers, where key enablers create an enabling environment addressing a set of policy priorities to overcome the financial inclusion barriers for the key drivers to achieve the financial inclusion targets (FIT). The drivers are strategic partners committed to achieve the financial inclusion targets.

The third NFIS derives its vision and mission from the National Financial Inclusion Policy (NFIP). The overall goal is to reach an additional 2.0 million unbanked population in PNG, 50% of whom will be women and to promote increased usage of bank account and other financial services by 2027. The strategy addresses the gender divide by promoting gender based financial inclusion.

The strategic objectives are to:

1. Build financial competency through financial literacy and education
2. Strengthen an enabling policy and regulatory environment
3. Develop efficient digital infrastructure
4. Promote effective public and private sector engagement
5. Develop an enabling environment for inclusive green finance
6. Deepen financial service delivery harnessing new emerging technology.

The objectives are further expanded to activities assigned to specific stakeholders. An effective coordination structure shall ensure seamless participation of all stakeholders who are participants from private and public sector with shared vision to achieve financial inclusion and committed to specific roles and responsibilities.



The third NFIS follows a tiered approach for governance and coordination with right balance of representation from stakeholders at appropriate levels and sufficient degree of freedom in decision making. The governance structure consists of:

- *PNG Financial Inclusion Forum (PFIF)* is an annual policy forum to discuss, exchange and learn on financial inclusion in Papua New Guinea comprised of policy makers, regulators, industry players.
- *Financial Inclusion Steering Committee (FISC)* oversees the implementation of the NFIS3 and provide overall policy guidance and assure commitment from various stakeholders.
- *Centre for Excellence in Financial Inclusion (CEFI)* to coordinate and monitor the implementation of NFIS.
- *Technical Working Groups (TWG)* are formed as and when required to support CEFI on topics that require wider consultation, coordination, and technical knowhow.

The third NFIS is designed to harness the potential of financial service providers (FSPs) using i-COMIT - a set of measurable commitments to partake in achieving the financial inclusion targets guided by the principles of Accountability, Competition and Transparency (ACT).

The monitoring and evaluation system (M&E) track the progress, ensure the implementation of actions plans by the responsible partnering institution and report regularly. The result framework provides measure on progress against Financial Inclusion Target (FIT) Score Card and action plan.

The third NFIS also recognise and celebrate financial institutions, people and organisations that have made a significant contribution towards its commitment to financial inclusion in PNG through Annual Financial Inclusion Awards (AFIA).





Introduction

Financial inclusion is a building block of economic development, as financial services are essential for individuals and businesses to manage financial lives, whether by organizing day-to-day expenses, investing in long-term goals, or being able to cope with inconsistent income or unexpected emergencies.

This National Financial Inclusion Strategy (NFIS) is a renewed commitment to achieving financial inclusion in PNG, building on previous efforts of the first and second NFIS and ongoing initiatives from across the public and private sector and civil society towards common goals of economic growth and stability.

Vision 2050

Economic resilience is one of seven core pillars underpinning the Government of Papua New Guinea's "Vision 2050". The Government commitment towards financial inclusion is clear and in fact that expressed in various policy documents.

The Vision 2050 for Wealth Creation (National Strategic Plan Taskforce, 2011) acknowledges the requirement to enhance financial literacy to increasingly monetize the economy. It also set the goal to establish banking services in all the 89 districts and to enhance credit for agriculture, forestry, fisheries, tourism, and manufacturing sectors.

Sustainable Development Goals

The Development Strategic Plan 2010-2030¹ lists "strengthen financial and banking services in PNG" as a key policy goal. It acknowledges that significant progress is required to extend the availability of low-cost financial services to the general population.

MTDP4

Financial inclusion is identified as a key enabler in MTDP4 (2023-2027) towards a more vibrant economy involving the bulk of the population, especially the informal sector in rural communities. The plan emphasises the need of an effective financial inclusion strategy that opens the financial market to provide access to the financial services access to bulk of the citizens that meet their needs (transactions, payments, savings, credit, and insurance) and encourages

financial and non-financial institutions and development partners and stakeholders to expand their financial inclusion services.²

National Financial Inclusion Policy (NFIP)

The NFIS is aligned with the NFIP launched in January 2019 as an arm of overall economic policy. The development of NFIP was spearheaded by the Department of Treasury and BPNG and driven and coordinated by CEFI. The drafting underwent a participatory and consultative process involving all relevant government departments, FSPs and development partners.

On successful completion of second strategy, this third National Financial Inclusion strategy 2023-2027 (NFIS3) will further the fulfilment of policy vision.

NFIP focuses the attention of the government on the positive contribution a fully inclusive financial sector can make on the growth and development of the formal economy to meet key constitutional objectives and emphasises financial inclusion as a tool for alleviating poverty and improving the distribution of income.

The public-sector goal is for financial inclusion to enable individuals and business to achieve their economic potential (to support economic development, increase incomes and improve the standard of living). For the private sector, the goal is to acquire new customers, access new market segments and ultimately to increase profit.

The National Financial Inclusion Strategy (NFIS):

Financial inclusion is viewed as a national development objective that requires commitment from all agencies at all levels of the government and from the private sector. In addition to national agenda the NFIP also address international attention towards financial inclusion and provides for fulfilling existing and future global commitments by the country towards financial inclusion.

The third National Financial Inclusion Strategy (NFIS3) is built on experiences and learnings of the previous two strategies and is the renewed commitment to

¹ Department of National Planning and Monitoring, 2010 (PNGDSP) ² This plan is in line with the life of the NFIS (2023-2027).



achieve the NFIP vision and mission. The mission is further expressed as overall goal and strategic objectives. The policy framework identifies strategic partners - key enablers and drivers.

The key enablers create an enabling environment addressing a set of policy priorities to overcome financial inclusion barriers while the key drivers are strategic partners committed to achieving the financial inclusion targets. The NFIS3 derives its vision and mission from the NFIP with the overall goal to reach an additional 2.0m unbanked population in PNG of which 50% will be women and to promote increased usage of bank accounts and other financial services by 2026. The NFIS3 gives prominence to six (6) strategic objectives which are to:

1. Build financial competency through financial literacy and education;
2. Strengthen an enabling policy and regulatory environment conducive for innovation and to promote the growth of inclusive green finance;
3. Develop efficient digital infrastructure;
4. Promote effective public and private sector engagement
5. Enabling environment for Inclusive green finance
6. Deepen financial service delivery harnessing new emerging technology

These actions are aligned with existing government and sector strategies but are specific to the goal of expanding financial inclusion in the country.

Additionally, the NFIS implementation also embraces the green policy which aims to increase and facilitate the flow of national and international funds and investments in a systematic manner towards businesses, projects, and initiatives that would further GoPNG's goals in and among others:

- (1) growth of green and sustainable industries
- (2) financial inclusion
- (3) climate change adaptation and mitigation.

The Inclusive Green Finance Project (IGFP) activities will complement CEFI's financial Inclusion initiatives to get the PNG populace into the formal financial sector through green finance.

Definition of Financial Inclusion

The NFIP sets out following definition for financial inclusion and is the centrepiece of the NFIP:

The NFIP defined financial inclusion as "individuals and business have access to and can effectively use affordable financial products and services that meet their needs - payments, savings, credit and insurance - which are delivered in responsible and sustainable manner".

The key principles underlying the definition of financial inclusion are:

- **Access to** - means proximity and convenience for Papua New Guineans to reach out FSPs and benefit the financial products and services offered. Access to FSPs can be either through physical access points or remotely using technology. Access to a wide range of financial products and services is also important.
- **Effective usage** - means the regularity, frequency, and sustainability of use of financial products and services to meet the needs to achieve economic potential. Usage reflects the suitability of the product, affordability, and convenience.
- **Quality** - Providing a range of affordable, customer-centric products and services. Enabling innovative financial solutions to influence diversity and competitiveness in the marketplace. Building consumer trust by ensuring they truly benefit from financial inclusion.

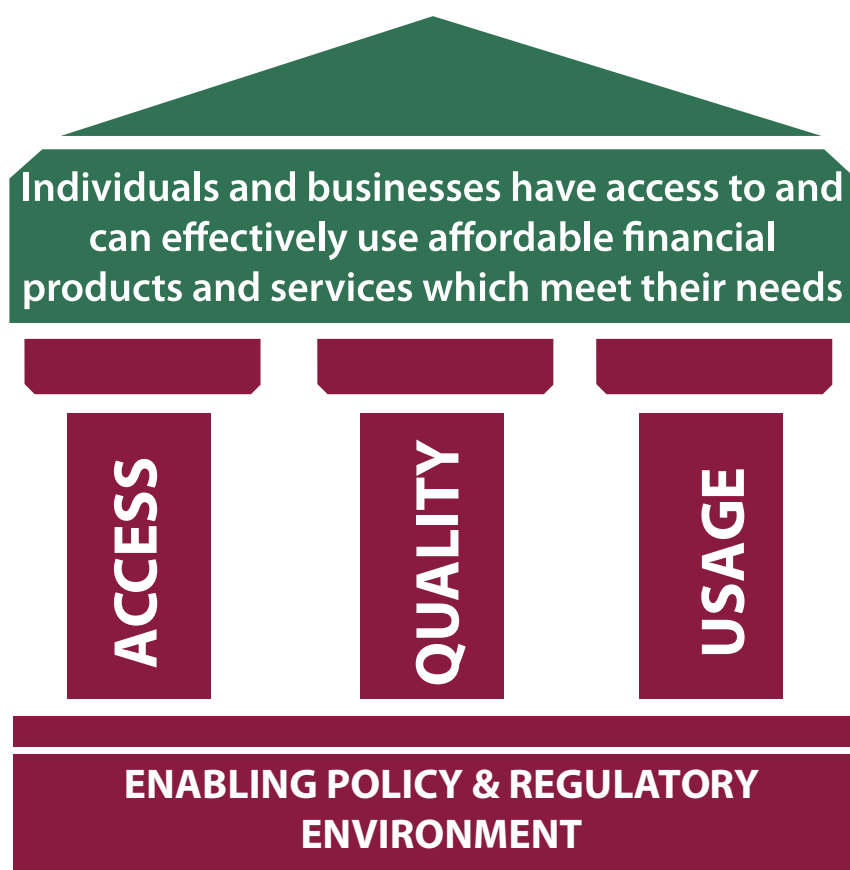
In drafting the strategy, an evidence-based and analytical approach that considered global best practices was followed. The document presents the following:

- Status of Financial Inclusion
- Strategic Framework



- Enablers and Drivers
- Coordination structure
- Institutional Commitment of Measure inclusion Targets (I-COMIT)
- Monitoring and Evaluation

The NFIP provides strategic direction for the constructive development of a fully inclusive financial sector and effectively drive financial inclusion in a coordinated manner. The policy is built on following framework:



NFIS3 also harness the potential of financial service providers (FSPs) using I-COMIT - a set of measurable commitments to partake in achieving the financial inclusion targets. The monitoring and evaluation system (M&E) will track the progress, ensure the implementation of actions plans by responsible partnering institutions and report regularly. The result framework provides measure on progress against Financial Inclusion Target (FIT) Score Card and action plan. NFIS3 will also recognise and award financial institutions, people and organisations that make significant contribution towards their commitment to financial inclusion in PNG through the Annual Financial Inclusion Awards (AFIA).

CEFI as the implementing agency for NFIS3 will continue to be responsible for organising the PFIF and the AFIA. Efforts to coordinate various initiatives in PNG to fight financial exclusion can be traced back to the development of National Financial Inclusion and Financial Literacy Strategy 2014-2015 followed by the Second National Financial Inclusion Strategy (2016 - 2020). On successful completion of second strategy, this third strategy NFIS3 (2023 -2027) will further the fulfilment of this policy vision



Status of Financial Inclusion and Barriers

NFIS achieved significant progress in deepening access to financial services among Papua New Guineans.

The financial sector in PNG is composed of different players and includes commercial banks (CB), Licensed Financial Institutions (LFI) ³, Microbanks (MB), Savings and Loan Societies (SLS), Mobile Money Operators (MMO), Superannuation Funds (SF), Life Insurance Companies (LIC), General Insurance Companies (GIC), Money Remitters (MR), Money Changers (MC) and Foreign Exchange Dealers (FXD) and the National Development Bank (NDB) ⁴.

Table 1: Composition of financial service providers

Type of Institution	As of Dec 2022
Commercial Banks	4
Licensed Financial Institutions	9
Microbanks	4
Savings and Loan Societies	16
Mobile Network Operator	1
Superannuation Funds	4
Life Insurance Companies	4

Source: CEFI

The banking sector is significantly concentrated among commercial banks and represent 91.6 percentage of total assets, 90.5 percentage of total gross loans.

PNG consumers have access to a suite of standard financial products and services. The commercial banks provide financial services covering savings, lending, securities, foreign exchange, money transfer, and funds management. Savings and loan societies are member owned mutual institution that offer savings and loan products to their member shareholders. Product offerings of micro banks and savings and loan societies are tailored mostly to address the needs of consumers at the base-of-the-pyramid and micro small and medium (MSME) enterprises. National Development Bank (NDB) offers subsidised loans at lower costs for SMEs.

The superannuation funds are another major repository for savings. These funds hold over K15.62 billion in accumulated savings for their members from largely mandatory superannuation contributions and earnings.

Significant progress has been achieved in the priority areas identified under Second National Financial Inclusion Strategy (2016-2020). The strategy targeted to achieve 2 million additional accounts by year 2020 of which 50% are women. Despite the impact of COVID 19 pandemic, significant progress has been achieved in various priority areas identified under Second National Financial Inclusion Strategy (2016-2020). The total number of deposit accounts held by commercial banks, micro-banks and savings and loan society was 2,299,251 as of January 2016 and has increased to 3,762,602 as of December 2022. ⁵Even though the number of deposit accounts incremented by 63%, the achievement is only 74% of the targeted 2 million additional accounts.

³ Besides LFIs there are non-licensed finance companies providing payday lending, asset financing and other credit products. ⁴ The National Development Bank, wholly owned by State, provides development credit to citizens engaged in income generation (MSMEs) especially in the rural areas at lower costs. In addition, there are non-licensed lending companies providing payday lending, asset financing and other credit products. ⁵ CEFI website



Seven working groups were formed with specific focus on each priority areas to facilitate implementation of the strategy. CEFI provided the secretarial role to coordinate the activities of the working groups. The second National Financial Inclusion Strategy 2016-2022 focused on following priority areas:

- Digital Financial Services (DFS)
- Inclusive Insurance
- Financial Literacy and Financial Education
- Financial Consumer Protection
- Access to Finances for MSME and Agricultural Enterprise
- Resource Sector Engagement
- Government Engagement
- Data Collection and Dissemination

Digital Financial Services (DFS)

The use of innovative technology for scaling up financial access/usage and expansion of digital financial services to reach more remote parts of the country was promoted. Access points in PNG for in-person transactions include branches, agents, ATMs, Point of Sale (POS) devices and Payment Service Providers (PSPs) agents. Merchants can function as cash-out points as the customers are allowed to cash-out by using POS machines along with their bill pay.

Access points for PNG for in-person transactions include branches, agents, ATMs, Point of Sale (POS) devices and Payment Service Providers (PSPs) agents. Merchants can function as cash-out points as the customers are allowed to cash-out by using POS machines along with their bill pay. In December 2022, the number of POS was 13,485 machines and 492 ATMs.

Table 2: Growth in access points

Access points	As of June 2016	As of December 2022
Branches	184	224
ATM	388	492
EFTPOS	11,415	13,485
Agents	460	589

Source: CEFI

Mobile wallet services are offered by Digicel Financial Services Ltd under the name CELLMONI. Commercial banks and Microbanks offer mobile banking services like Bank of South (Wantok Moni), Kina Bank (KINAKONNECT) and Nationwide Microbank (MiCash). The mobile banking allows customers to deposit, withdraw, receive, and send money, top-up services and bill payments like water, electricity etc. using their mobile phones. As of December, 2022 there are 1,270,206⁶ mobile banking accounts in PNG and 30% of the accounts are owned by women.

⁶ Data do not include CELLMONI accounts



The payment systems in PNG have significantly improved by the establishment of Kina Automated Transfer System (KATS) and Retail Electronic Payment System (REPS) by BPNG. REPS has facilitated an interoperable environment for digital financial offerings. Along with commercial banks REPS enabled two micro banks and a savings and loan society to offer digital service including mobile banking. Few FSPs are offering card services by entering bilateral agreements with commercial banks.

The REPS commenced its operations in July, 2019 and six institutions (Bank of South Pacific, Kina Bank, Westpac Bank, Nasfund Contributors Savings and Loan Society, Nationwide Microbank and Peoples Micro Bank Limited) are connected to the National Switch. In March, 2021 launched Instant Payment Transaction – a real time digital payment to be used by non-banks. The use of domestic debit cards has exponentially increased in PNG.

Domestic debit card details: REPS Transaction Volume

Period	# Transactions
2019	4,336,050
2020	13,825,488
2021	18,121,352
2022	25,937,214

Source: Bank of Papua New Guinea

Regulatory sandbox established at BPNG provides a controlled environment for the testing of new technologies to create new products and services that could enhance the provisions of financial services to enhance digital access to financial services.

Inclusive Insurance

Insurance sector has failed to create great impact in PNG. A pilot programs for mobile based micro insurance have been put in place but suffered a major setback following the disagreement between the channel provider and the insurance product provider. CEFI in association with Inclusive Insurance Working Group started an insurance awareness campaign to promote inclusive insurance in PNG. The campaign “Get Insured, Rest assured” is a multi-stakeholder driven campaign, aimed at creating awareness and popularising insurance in PNG.

The objective of the campaign was to raise awareness, and understanding of the concept of insurance, explain risk mitigation strategy for individuals and business and types of risks that are dealt by insurance. The campaign reached over 200,000 across all social media platforms, Campaign had 1000 followers, 100,000 views, 500 shares, over 10,000 likes and 200 inquiries.

Financial Literacy Training

Financial Literacy training is key derivable of CEFI and conducts 2 types of trainings targeting the general public due to the following reasons:

1. The first is the Training of Trainers (ToT) program; and
2. The second is retail training;

CEFI took lead role in conducting trainer-of-trainers (TOT) programs for Financial Literacy to create a qualified trainers of across PNG and coordinated various financial literacy initiatives in PNG.



Financial institutions and other development agencies have also implemented financial literacy initiatives as part of their corporate social responsibility programs or marketing efforts

As at 31st December 2022, CEFI delivered 55 ToT programs and reaching 9,548 retail trainings total number of people trained to date is 238,685 of which 113,476 are women representing 47.60% falling short by 2.4% as stated in the strategy. Majority of these trainings are delivered under a MOU arrangement between CEFI, private sector bodies and government institutions.

An MOU of partnership is signed with Department of Education to integrate financial education to the curriculum for preparatory level up to grade 12 students in the country. The curriculum development is in progress with the objective of educating school children about money management, income generation, savings and budgeting, investments, and credits.

The FE Curriculum Project Office and recruited 4 Content Writers to start writing the Teachers Resource Book and Student Activity Book, the office to be located in the Department of Education – Curriculum Development Division, CEFI was to take lead in outsourcing funding, budgets were developed and submitted to write authorities in the development space. CEFI continues to progress work with the DOE in the implementation of the NFIS 2023-2027

CEFI has partnered with the PNG National Training Council (NTC) to ensure high quality financial education/literacy training in PNG.

Financial Consumer Protection:

A survey conducted by International Financial Corporation (IFC) jointly with BPNG on the 'Financial Consumer Protection Legal and Regulatory Framework and Industry Practices in PNG' identified significant gaps in the current practices around disclosure requirements, fair trade practices, product suitability and consumer complaint redress mechanism in comparison to international best practices. The study recommended for a comprehensive Financial Consumer Protection Act to address the gap.

Efforts to establish a comprehensive financial consumer protection framework and supervision mechanism is in progress. The proposed bill will cover all institutions offering a financial product as defined within the Act and include non-deposit taking credit institutions. The financial consumer protection framework is built on internationally accepted principles - fair treatment, disclosure and transparency, product suitability, responsible lending, data protection and consumer recourse. The bill requires FSPs to establish an accessible and affordable internal complaint redress mechanism. An external consumer dispute redress mechanism as an appeal authority will be also established.

Access to Finance for MSME and Agricultural Enterprise:

Special attention is given to improve access to finance to MSMEs. Risk Share Facility (RSF) established by Microfinance Expansion Project (MEP) is covering under its facility the loan portfolio offered by licensed FSPs to micro entrepreneurs. The RSF has signed partnership with 9 financial service providers. Two of these FSPs (Nationwide Microbank and PNG Microfinance Limited) had amalgamated, leaving only 8 in operation. From the time of inception to the 31st of December 2022, the RSF had cumulatively guaranteed 4,185 loans covering a portfolio of K72million. Part of the arrangement was to cover loan losses in the form of credit insurance. By the end of 31st December, 2022, K786,213 (68%) worth of claims was paid from K1.2million received from the FSPs. With the establishment of the Credit Guarantee Corporation by the GoPNG, it is expected to improve the progress of credit to improve exponentially.

International Fund for Agriculture Development (IFAD) funded Market for village farmers project targeting fresh produce value chain is working with eight partner financial institutions to design and disburse Agri lending products in 6 provinces. Western Highlands, Jiwaka, Simbu, East Highlands, Morobe and East New Britain. Target is to reach 25,500 farming households.

Personal Property Securities Act and Registry made it easier to pledge movable property to stand good for loans providing a legal framework thereby



more people had the opportunity to participate in commerce. This framework addressed to an extent the issue of collateral, consolidating all laws on lending against movable property under one law. The online registry provides notices of all charges over moveable property and the registrations is done from the lender's own office, in real-time with clear priority position. The PPSA registry is searchable online in real time, allowing lenders to immediately assess whether someone seeking a loan has already pledged their collateral to another party.

Few pilots for rural finance, agriculture insurance, mobile micro insurance, microfinance, crowd funding and peer-to-peer lending platform has been put in place, yet these initiatives have never reached the scale.

Resource Sector Engagement

With the resource sector focussed to leverage opportunities within the resource sector to advance financial inclusion. The working group successfully engaged with the Mineral Resource Authority (MRA) to roll-out financial inclusion activities among communities within the mining project areas. The activities included financial literacy trainings, business development skills training, opening bank accounts and establishment of agency banking. Efforts were taken to promote digitisation of mining royalties and compensation payments to the local communities.

Government Engagement

The specific objective of government engagement is to promote the integration of financial inclusion in the planning and implementation processes of the national and provincial governments. Government engagement to support financial inclusion activities gained momentum by signing memorandum of understandings with Provincial Governments. Memorandum of understandings were signed with the Provincial Governments of West New Britain, East New Britain, Milne Bay and New Ireland. The engagement at the provincial level will be spearheaded and overseen by Financial Inclusion Steering Committee constituted (FISC) at the provincial level. The committee will prioritise the financial inclusion initiatives and get the political

support to implement the initiatives. CEFI will provide the required technical support to the steering committee.

Data collection and Dissemination

Financial inclusion data is managed by CEFI in collaboration with financial service providers and Bank of PNG. The financial inclusion data is collected from the financial service providers in a prescribed format with predefined data points or indicators. The objective is to monitor and track financial inclusion data indicator performance so that targets are met. The quarterly core FI data report is made available on the public domain for public consumption via the CEFI website.

Apart from the core FI data CEFI collects, participating micro-finance institutions also submit financial performance data (Balance Sheet, Profit and Loss) via a MFI factsheet. Again, a quarterly performance snapshot (QPS) report is furnished and currently shared with CEOs of respective micro-finance institutions (micro banks & savings & loan societies (S&LS)). CEFI also produces an annual benchmark report for the preceding year for micro-finance institutions to gauge their standing for financial indicators against their peer group (whether micro-finance institution or S&LS) or overall.

Even though the supply side data is available for licensed financial institutions in PNG, the demand side data is a challenge.

Key Barriers to Financial Inclusion

Concerted efforts towards financial inclusion have resulted in increased number of bank accounts, there is a need to increase the usage of this account for consumers to benefit from the financial services and FSPs to achieve scale and sustainability. Low usage is a barrier to customers from receiving benefits of financial services they signed for and FSPs from achieving the necessary scale and sustainability.

Following are the key barriers to enabling environment for access, usage, quality for financial services:

- Financial sector depends on tradition branch



banking. Migration to digital platform is slow as the economy is predominantly cash-based and lack of reliable communication infrastructure. Available access points for in-person transaction are disproportionately concentrated in the urban geographies. Agent banking is still at its infant stage

- The rugged terrain, sparsely populated regions, remote rural centres, low economic activity, and poor usage makes it difficult for FSPs to embrace a viable business model and hence lack motivation to address financial inclusion.
- Lack of product suitability, onerous documentation requirements, protracted and complex procedures and high account maintenance costs act as a deterrent for account ownership and usage.
- Limited risk-based approach to know-your-customer (KYC), stringent customer due diligence (CDD) and absence of digital identity (e-KYC) resulted in potential exclusion of certain customer segments.
- Lack of collateral, weak financial and entrepreneurial skills, unreliable financial records, and weak business proposals affects the efficiency and pricing for accessing finance to MSMEs.
- Insurance providers do not see a business case in serving low-income groups. Micro and small businesses especially those in the informal sector remain unattractive. There is no technology based (Insure-techs) operating in the market to serve low-income communities.
- Inadequate awareness among communities on insurance servicers and Benefits
- The legal, regulatory, and supervisory framework and institutional practices regarding financial consumer protection in PNG has significant gaps compared to international best practices. Information asymmetries exist that hinder consumers from exercising their rights and protect themselves from abusive practices or frauds. There exists lack of transparency and disclosure measures on fees and charges that ensures the comprehension by consumers and enables comparison across providers.
- Financial institutions internal complaint handling mechanism are weak and there is no effective alternate other than courts for dispute redress externally. Few financial institutions have internal procedure to deal with consumer complaints but are not well disclosed and/or designed to encourage the presentation of complaints.
- Modest coordination of financial inclusion initiatives exists between multiple stakeholders including regulators, policy makers, government bodies, local bodies, and other development agencies.
- The terms and incentives set by policy makers shall promote a competitive marketplace and do not deter new players especially those with a vision to serve low and middle-income population from entering the market.
- Absence of policies to manage stakeholder dependencies and engagements resulted in strained environment causing disengagement in the market and dissolution of partnerships creating market uncertainty and distrust.
- Use of regulatory sandbox need to potentially reduce reluctance to pilot innovative digital financial products.
- New risks introduced by adoption of technology like cybersecurity, financial scams and data privacy need to be addressed.
- Lack of sufficient resource allocation for adult financial literacy and education among schools and colleges is an impediment to the progress in this area. There is a need to create more public - private partnerships to promote financial literacy and education.
- Financial literacy programs customised for vulnerable groups like women, youth, MSMEs are limited.

⁶ Data do not include CELLMONI accounts



Strategic Framework

National Financial Inclusion Policy (NFIP) provides strategic direction for achieving full financial inclusion in PNG. The policy is the approach to develop and implement programs to enable people to access and use financial services that meet their needs and help them to achieve their economic potential.

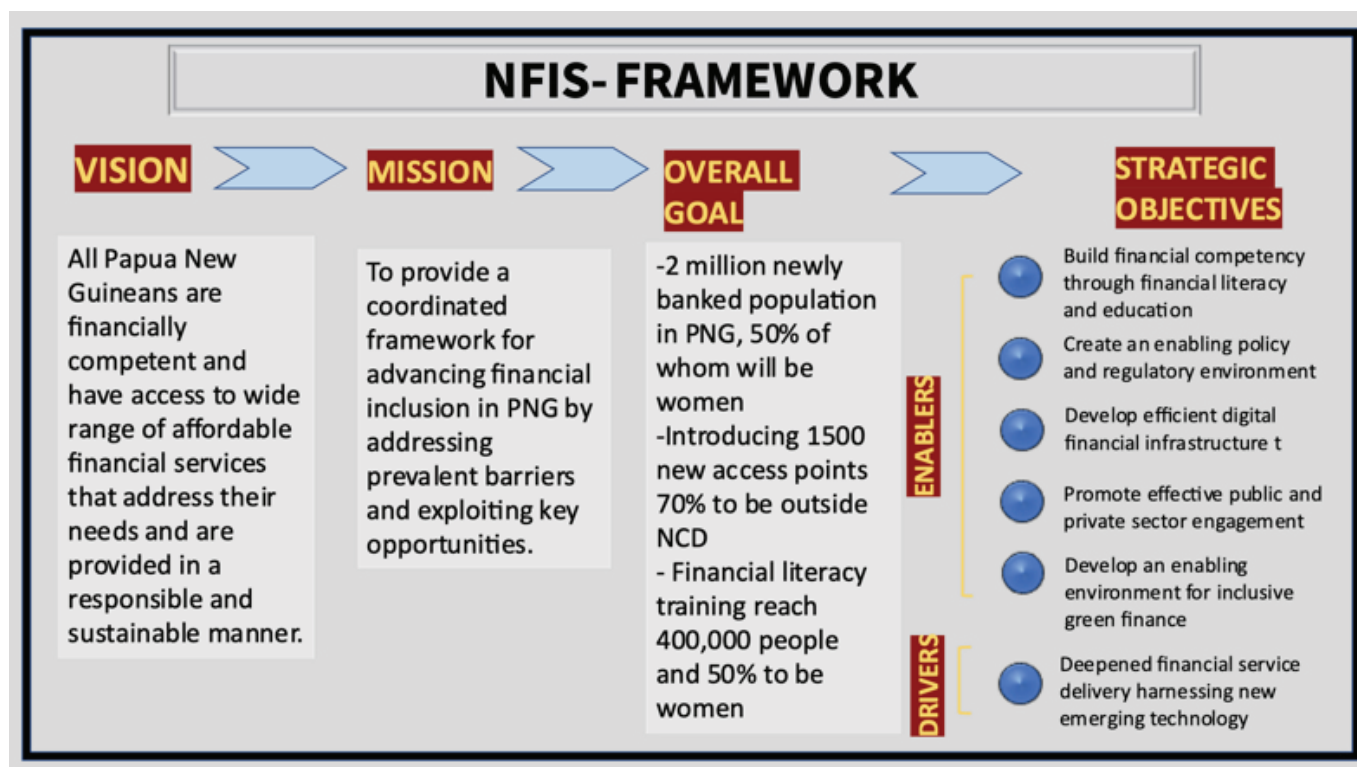
The vision, mission, and objective of NFIP are implemented through the National Financial Inclusion Strategies that are updated in a continuous basis.

NFIS3 is built on experiences and learnings of previous two strategies. Pacific Financial inclusion Program (PFIP) conducted the midterm evaluation and National Research Institute (NRI) conducted an independent policy implementation review of NFIS2. These reports discussed achievements in financial inclusion under NFIS2 analysing various financial inclusion indicators. The major learnings are:

- Certain priority areas considered under the NFIS2 are relevant to be considered under new strategy as they remain as key barriers to financial inclusion.
- A few priority areas under NFIS2 failed to attract right resources, expertise, commitment, and focus.
- Certain working groups were ineffective due to lack of commitment, resources, and technical expertise. Due to large number (nine) of working group and involvement required the stakeholders were strained to commit resources.
- Absence of baseline demand side data and failure to involve financial service providers (FSPs) in developing the NFIS targets caused unrealistic indicators in the NFIS result framework.
- Adequate technical expertise and financial resources are required for CEFI to performance as the champion institution for financial inclusion and as NFIS secretariat.
- Lack of information on other development partner funded financial inclusion initiatives
- There is a need for improvement in data collection, validation, and reporting process of impact indicators to monitor the progress of NFIS implementation.

The NFIS3 Framework provides conceptual foundation based on the learnings and sets a clear agenda based on renewed commitments and reprioritised objectives for achieving the NFIP vision and mission. The mission is further expressed as overall goal. The overall goal is achieved through identified strategic objectives.

To achieve overall goals through strategic objectives the policy framework identifies key enablers and drivers. The key enablers are strategic partners that create an enabling environment addressing a set of policy priorities to overcome the financial exclusion for the drivers to achieve the financial inclusion targets (FIT). The drivers are strategic partners committed to achieve the financial inclusion targets.



The NFIS3 derives its vision and mission from the National Financial Inclusion Policy (NFIP)

The policy objectives⁷ are:

- To enable more people to benefit from financial services which are tailored to their specific needs.
- To enable formal financial institutions to serve people across all regions of Papua New Guinea in sustainable manner
- To enable the financial sector to address more investment needs of individuals, households, and enterprises.

The target group is the low-income particularly vulnerable and marginalised segment of the population who are financially excluded or underserved.

The overall goal addresses the gender divide by promoting gender based financial inclusion embark upon socio-cultural issues, limited financial literacy, low awareness of financial products and services, low level of economic activities, inadequate knowledge on emerging new technologies and financial independence and better participation in household financial decisions. The 50% of every result target will be women.

Strategic Objectives

Build financial competency through financial literacy and education

The objective is to build financial competency through financial literacy and education. A financially competent population can responsibly use financial product and services to their best advantage and avoid exploitation by financial predators. Financial education may be provided by schools, training institutions, financial institutions, and development agencies, through channels ranging from classrooms to mass media and direct contact. Use of digital channels to improve financial literacy need to be further explored.

⁷ For this objective, bank account is defined as basic bank account including mobile-money (wallets) accounts held with banks or other authorised and/or regulated payment service providers (PSPs) which can be used to make and receive payments and to store values.



Create an enabling policy and regulatory environment

The objective is to create an enabling legal and regulatory environment and financial infrastructure to enhance financial inclusion. The progressive environment and infrastructure include explicit government policy, efficient and accessible financial inclusion infrastructure and favourable regulatory framework that facilitates growth, innovation and competition while safeguarding financial consumers

Develop efficient digital financial infrastructure

The objective is to leverage the opportunities offered by digital financial services to further access to financial services to wider geographies. The digital financial infrastructure includes maximise the use of payments systems (KATS and REPS) and use of Regulatory Sandbox to promote innovative solutions and access to digital KYC (e-KYC). Introducing digital ID is identified as an important activity to access banking services.

Promote effective public and private sector engagement

The objective is to have a strong commitment from public and private sectors to broaden financial inclusion. The stakeholders include policymakers, regulators, FSPs, development partners and the public and private sector to harmoniously work and commit resources to achieve effective implementation of NFIS

Develop an enabling environment for inclusive green finance

The objective is to integrate green finance policy to national financial inclusion that may cause positive outcomes for creating resilience to risk of climate change with special attention to communities that are vulnerable to climate change. The objective will be achieved by developing an inclusive green finance policy that include a green taxonomy and support development and deployment of green products that address the excluded who are disproportionately impacted by climate change.

Deepen financial service delivery harnessing new emerging technology

The objective is to deepen financial service delivery harnessing new emerging technology and provide cost effecting economically viable front end solutions. This will be achieved through the commitment of financial service providers.

As new digital technologies and experiences become mainstream, financial services Providers adapt them to keep up with consumer expectations. Emerging technologies also create opportunities for companies to transform their operations and processes; automating time-consuming manual processes, developing advanced analytic capabilities to provide better business insights and creating original and disruptive concepts like cryptocurrencies.



Enablers and Drivers

Active partnership with and coordination among various stakeholders from private and public sector is required for successful implementation of NFIS. These stakeholders share common vision to achieve financial inclusion and provide sector-based perspectives and resources. Based on the role each play in the successful implementation of the strategy; the stakeholders are organised as Key Enablers and Key Drivers.

The key enablers are strategic partners that create an enabling environment addressing a set of policy priorities to overcome the financial exclusion. The drivers are strategic partners that provides financial services and products (FSPs) who are committed to achieve the financial inclusion targets (FIT).

Key Enablers

Key enablers to the strategy are the critical participants who have control and authority over outcomes that build an enabling environment for financial inclusion. The role of the enablers is to set policy goals, enable regulatory environment, effectively supervise, adequately resource and aid financial infrastructure.

The Key enablers identified are:

Government

Government leadership and commitment is an essential requirement for the success of NFIS3. The role of the Government is to set the policy goals, develop the required infrastructure, address market failures and provide incentives to achieve financial inclusion. Government departments shall ensure that the vision and mission of the NFIP and this strategy to be reflected as where relevant in the department's activities.

The departments including the Department of Treasury, the Department of National Planning and Monitoring, the Department of Finance, the Department of Education, the Department of Community Development and Religion, Department of Provincial and Local Government Affairs, Department of Commerce and Industries and Department of Agriculture and Livestock had an enabler's role in achieving the NFIS3. Provincial and Local Level Governments plays an important role for extending formal financial services to the last mile by integrating financial inclusion goals to their planning process.

Regulators

A progressive regulatory environment is essential to expand financial inclusion. The regulatory environment shall facilitate innovation, competition and protection. The lead enabler is the Central Bank (Bank of PNG) mandated to ensure financial system stability. National Payment System (KATS and REPS) and customer due diligence requirements shall be conducive to reach more unbanked/underserved populations. For promoting digital financial services, the active involvement from National Information and Communication Authority (NICTA), which regulate the telecommunications is important. The availability of affordable communication means is the backbone for DFS. The other Regulators – The Insurance Commissioner, Investment Promotion Authority (IPA) and ICCC plays crucial role under their respective mandates for actively promoting financial inclusion.

Sectoral Agencies

The presence and engagement of resource companies in the remote rural communities can be leveraged for expanding financial inclusion. Along with the large resources development projects the companies are also involved in associated "enclave developments" which employ significant numbers of low-income men and women. The companies and agencies working in this sector can be utilised to improve the uptake of formal financial services especially DFS and to offer financial literacy. Mineral Resources Authority have significantly contributed for the previous strategy and is a key enabler for NFIS3.



Agriculture Boards and other commodity boards can also be utilised through active coordination for financial inclusion.

SME Corporation is mandated to facilitate the growth and development of Micro, Small & Medium Enterprises in PNG creating a vibrant economy and thereby contribute to the financial inclusion.

Industry Bodies

The industry body's role is to bring in affordable and accessible financial products and services to a wider population and set in standards for service delivery.

Development Partners

Development partners are the catalyst to implement the financial inclusion strategy. The development partners are capable of providing financial and technical resources for the successful implementation of the strategy.

The key enablers are responsible for achieving following NFIS3 objectives.

SO1: Financially Competent Population		
OBJECTIVE	GOAL	ENABLER
Build financial competency through financial literacy and education.	Promote structured financial literacy trainings that address the low levels of financial competency.	CEFI, Provincial and Local-level Government, Sectoral agencies, Development agencies, FSPs
	Develop pool of qualified financial literacy trainers/institutions by offering training of trainers' program.	CEFI, NTC, and other training providers
	Develop and implement digital financial literacy training modules to deliver digital financial literacy trainings	CEFI
	Assist FSPs to provide financial literacy to existing and prospective customers.	CEFI
	Develop alternative delivery channels	CEFI, Development Partners , NGO's, Media Institutions
	Create technology driven, impartial information dissemination tools and resources to provide targeted guidance and support.	CEFI, BPNG
	Integrate financial education to the curriculum of primary and tertiary education.	Department of Education, CEFI



SO2: Enabling Policy and Regulatory Environment		
OBJECTIVE	GOAL	ENABLER
Strengthen an enabling legal and regulatory environment	Reduce documentation barriers to account ownership (risk-based customer due-diligence and e-KYC requirements).	GoPNG, BPNG, FASU, NICTA
	Reform legal and regulatory framework to facilitate growth, innovation, and competition in financial sector	GoPNG, BPNG, ICCC, NICTA, Insurance Commission
	Establish comprehensive financial consumer protection framework and complaint redress mechanism	BPNG, ICCC
	Establish comprehensive credit reporting system	GoPNG, BPNG, CDB, FSPs
	Establish credit guarantee scheme to promote access to finance	GoPNG, BPNG, CGC, SMEC
	Improve financial inclusion data infrastructure and information dissemination mechanisms	CEFI, BPNG, FSPs

SO3: Efficient Digital Financial Infrastructure		
OBJECTIVE	GOAL	ENABLER
Develop efficient digital financial infrastructure	e-KYC (Digital KYC) and interoperable depository for e-KYC.	BPNG
	Maximise the use of Retail Electronic Payment System (REPS) enabling more participants	BPNG, NICTA,
	Maximise the use of Regulatory sandbox to promote innovations in financial sector	BPNG
	Promote affordable and accessible telecommunication infrastructure	NICTA, Mobile Network Operators, FSPs
	Improve digital financial literacy and use of electronic payments.	CEFI, FSPs, Sectoral Agencies, Provincial Government.



SO4: Effective Public and Private Sector Engagement		
OBJECTIVE	GOAL	ENABLER
Promote effective public and private sector engagement	Improve cross-agency (government departments, commodity boards and sectoral agencies) coordination for financial inclusion.	CEFI, Provincial Governments, Sectoral Agencies
	Engage Provincial and Local Government for financial inclusion	CEFI, Provincial Governments
	Endeavour support from development partners	CEFI, Development Partners
	Facilitate peer learning among stakeholders using appropriate platforms	CEFI, FSPs

SO5: Enabling environment for inclusive green finance		
OBJECTIVE	GOAL	ENABLER
Develop an enabling environment for inclusive green finance	Develop inclusive green finance to mitigate and build resilience against the negative impacts of climate change	GoPNG, BPNG, CEFI, Development Partners
	Develop inclusive green finance policy	GoPNG, CEFI
	Establish Green Finance Centre to promote inclusive green finance	CEFI, BPNG
	Promote green products in association with financial service providers	CEFI, Development Partners, FSPs

KEY DRIVERS

Key drivers are the crucial players who can provide financial services and thereby contribute to achieve the objectives of NFIS3. The drivers are the stakeholders that support activities that will help to achieve the overall goal. The key drivers are responsible for achieving following NFIS3 objectives.



SO6: Deepened Financial Service Delivery		
OBJECTIVE	GOAL	ENABLER
Deepen financial service delivery harnessing new emerging technology	Increase bank account ownership: Develop and provide basic bank account including e-money (e-wallets) accounts which can be used to make and receive payments and to store values with little or no fees, minimum balance requirements. and documentations.	FSPs.
	Expand insurance cover: Develop and offer inclusive insurance products using convenient delivery mechanisms including technology-based solutions for consumer on boarding, premium collection, claim processing and insurance pay-outs.	Insurance Service Providers
	Add access points and digital channels: Increase the accessibility, quality and functionality of delivery channels which includes branches, agents, ATMs and POS Machines, mobile banking services and other digital financial services	SPs.
	Promote access to finance to MSME and agriculture sector: Develop and promote market-centric products that meet the financing needs and cash-flows of MSME and agriculture sector and assist MSMEs and agriculture entrepreneurs to access government financing schemes and policy initiatives	FSPs.



Coordination Structure

An effective coordination structure is critical for effective implementation and achievement of financial inclusion objectives and targets. The coordination structure shall ensure seamless participation of all stakeholders and benefits to every participating stakeholder out of achieving the financial inclusion targets.

Stakeholders

The stakeholders are participants from private and public sector with shared vision to achieve financial inclusion, providing sector-based perspectives and resources. The stakeholders are categorised as drivers (FSPs), enablers, supporting institutions and beneficiaries. The segmentation is based on the roles and responsibilities each stakeholder is expected to take to achieve the financial inclusion objectives.

The roles and key motivation of various stakeholder are:

Stakeholder type	Stakeholder Roles	Key Motivation
ENABLERS Regulators and Government agencies	Responsible for setting regulations and policies on financial Inclusion	Government commitment towards financial inclusion
DRIVERS Banks, Licensed Financial Institutions, Micro Banks, Savings and Loan Societies, Superannuation Funds, Insurance Providers, Mobile Financial Service Providers etc	Offer products and services, as well as infrastructure and technology required for the implementation of the NFIS	Opportunity to expand business into the untapped, potential market of the unbanked and underserved people
SUPPORTING PARTNERS Development partners, Commodity Boards and other government and non-government partners	Development partners, experts and public institutions offering technical assistance in the implementation of the strategy	Achieve their institutional mandate and corporate social purpose
BENEFICIARIES Population, Entrepreneurs, Business etc	Patronise with FSPs responsibly	Opportunity to save, borrow, transact, invest, business expansion, manage risks and improve financial management capabilities.

NFIS3 follow a tiered approach for governance and coordination with right balance of representation from stakeholders at appropriate levels and sufficient degree of freedom in decision making.



Governance and Coordination

NFIS3 follow a tiered approach for governance and coordination with right balance of representation from stakeholders at appropriate levels and sufficient degree of freedom in decision making.

Financial Inclusion Policy Forum (PFIF)

PNG Financial Inclusion Forum (PFIF) is an annual policy forum to discuss, exchange and learn on financial inclusion in Papua New Guinea. The PFIF comprised of policy makers, regulators, industry players, development partners, donor agencies and invited intellectuals in different sectors.

The policy forum will:

- Discuss progress of NFIS.
- Develop recommendations and action plans for deepening financial inclusion.
- Exchange public and private sector views on the financial inclusion trends, recent achievements, challenges, and opportunities in PNG.
- Share experiences and lessons learned to promote peer learning.
- Recognise outstanding performers in financial inclusion space.

Centre for Excellence in Financial Inclusion (CEFI)

CEFI is endorsed by NFIP as apex organization to coordinate and implement financial inclusion targets of Papua New Guinea. CEFI successfully coordinated the implementation of First National Financial Inclusion and Financial Literacy Strategy (2014-2015) and Second National Financial Inclusion Strategy 2016-2020). NFIP mandates CEFI to coordinate and monitor the implementation of NFIP using NFIS.

To drive NFIS3, CEFI will

- Coordinate and monitor implementation of NFIS3.
- Measure, monitor and evaluate progress of NFIS3.
- Coordinate with government bodies/departments and private sector stakeholders.
- Coordinate development partner programs and initiatives.
- Build and maintain financial inclusion database.
- Prepare and publish formal progress reports for NFIS Steering Committee.
- Coordinate and publish sectoral studies and other knowledge products.
- Organise technical working groups to provide guidance on technical matters.
- Engage subject experts as required to support NFIS3 implementation.
- Encourage peer learning and knowledge sharing among stakeholders.
- Provide secretarial function to various committees.
- Organise Financial Inclusion Policy Forum and nominate Annual Financial Inclusion Awards (AFIA).



Financial Inclusion Steering Committee (FISC)

FISC oversees the implementation of the NFIS3 and provide overall policy guidance and assure commitment from various stakeholders for the successful achievement of the overall objective. The FISC is chaired by BPNG, Co-chaired by Department of National Planning and Monitoring and include senior level representation from Department of Treasury, Department of Finance, relevant Regulators (ICCC, Insurance Commission), Industry Groups and Development Partners. The FISC will meet bi-annually to:

- Evaluate progress of NFIS3.
- Coordinate and liaise with government agencies, regulators, FSPs and development partners.
- Ensure Government budgetary allocations and additional resources to support implementation.

Technical Working Group

Technical working groups are formed as and when required to support CEFI in the implementation of NFIS3 on topics that require wider consultation, coordination, and technical knowhow. On recommendation of CEFI, Steering Committee may organise technical working group under specific terms of reference. The technical working group members consist of practitioners, academicians, and subject experts.

The technical working groups will, as per the terms of reference, assess the market developments, recommend policy solutions, support FSPs.





Institutional Commitment of Measurable Inclusion Targets – [i comit]

While recognising the important contribution of FSPs in providing every individual access to quality, affordable financial services, NFIS3 is committed to harness the potential of FSPs in achieving the Financial Inclusion Targets.

i-COMIT is a set of measurable commitments by the financial service providers to achieve the financial inclusion targets and thereby contribute to sustainable and inclusive economic growth in PNG.

i-COMIT is the commitment signed by FSPs to agree to partake in creating an ecosystem to achieve NFIS3 objective by steering the key drivers. i-COMIT is guided by the principles of Accountability, Competition and Transparency (ACT).

Each FSPs will be encouraged to set its own targets aligned to their business projections and commit to be accountable to the Financial Inclusion Targets (FIT) on a set timeline.

The commitments are to

- Increase bank account ownership among unbanked population, 50% of whom will be women.
- Promote usage of financial products and services through customer centric products and services with special attentions to women, youth and rural population.
- Expand insurance cover among non-insured population.
- Add access points including branch, agent, ATM, POS Machine and harness technology to increase access to financial products and service (internet/mobile banking).
- Promote access to finance and other financial services to M/SMEs and Agriculture sector.
- Build financial competency through financial literacy.
- Promote fair pricing, transparency, consumer protection and strengthen consumer complaint mechanisms.
- Regularly collect progress data and report to track progress of implementation of NFIS3.
- Participate in knowledge sharing and promote peer learning.

CEFI as secretariat to NFIS3 will provide support services to the participating FSPs to achieve i-COMIT and including

- Publication of knowledge products and facilitation of meetings, conferences, workshops, trainings etc.
- Organise working groups, subject-matter experts and other skills required.
- Policy coordination and advocacy to create an enabling environment.
- Support for monitoring and evaluation systems to measure the progress.
- Recognise and reward FSP's and other participant's contribution to financial inclusion



Monitoring and Evaluation

The measurement of progress toward financial inclusion objectives set out in an NFIS3 requires well organised monitoring and evaluation system. M&E framework requires a robust financial inclusion data infrastructure that provide reliable, timely and comprehensive information. CEFI will be responsible for monitoring and evaluation of the result framework.

The monitoring and evaluation system (M&E) has three major functions:

- Track progress of achieving financial inclusion targets.
- Ensure that the actions plan outlined in NFIS3 are being executed by the responsible partnering institution in accordance with the specified timeline and as planned.
- Report implementation status, impact of completion, relevant obstacles, and solution if any to overcome the obstacles.

Financial Inclusion Target Score Card				
Impact: All Papua New Guineans are financially competent and have access to a wide range of affordable financial services that address their needs and are provided in a responsible and sustainable manner				
Drivers	Indicators	Baseline Q4 2022	Target Q4 2027	Source
Increase bank account ownerships	Number of adults having a bank account	3,374,823	5,747,219	FIs
	Percentage of women having a bank account	29%	50%	FIs
	Number of new adults having bank account		2,000,000	FIs
	Percentage of new women having a bank account		50%	FIs
Expand insurance cover	Number people covered under Life Policies	49,532 ⁸		BPNG
	Annual Premium Collections for General Insurance	K506 M ⁹		OIC
Add access points and digital channels	Number of access points	14,566	1,500	FIs
Access to finance to MSMEs and	Number of MSMEs with outstanding loans or line of credit at FSPs			FIs
	Percentage of outstanding loans or line of credit with women run MSMEs		50%	FIs
Build financial competency	Number of total trainers trained	1372	400,000	CEFI
	Percentage of total women trainers	36.40% ¹⁰	50%	CEFI

⁸Data is for the year 2021 ⁹Data is for the year 2019 ¹⁰Data is for the year 2022



Result Framework

The result framework is to provide evidence-based measure on progress towards strategic objectives and to focus on the defined outcome. The data includes both quantitative and qualitative gathered from primary and secondary sources in active coordination with different stakeholders. The result is verified against Financial Inclusion Target (FIT) Score Card

Financial Inclusion Target Score Card				
Impact: All Papua New Guineans are financially competent and have access to a wide range of affordable financial services that address their needs and are provided in a responsible and sustainable manner				
Drivers	Indicators	Baseline	Target	Source
Increase bank account ownerships	Number of adults having a bank account	3,374,823	5,747,219	FIs
	Percentage of women having a bank account	29%	50%	FIs
	Number of new adults having bank account		2,000,000	FIs
	Percentage of new women having a bank account		50%	FIs
	Percentage of youth having bank account			
	Percentage of rural adults having bank account			
	No of MSMEs having a bank account			
Expand insurance cover	Number of adults having life insurance cover			
	Percentage of women having life insurance cover			
	Annual Premium collection for General Insurance			
	Number MSMEs having insurance cover			
Add access points and digital channels	Number of access points per 100,000 adults			
	Percentage of adults having bank account using digital channels			
	Percentage of women having bank account using digital channels			
	Number of MSMEs that send or receive digital payments			



Financial Inclusion Target Score Card				
Impact: All Papua New Guineans are financially competent and have access to a wide range of affordable financial services that address their needs and are provided in a responsible and sustainable manner				
Drivers	Indicators	Baseline	Target	Source
Access to finance to MSMEs and agriculture sector	Number of FSPs offering access credit products to MSMEs			
	Number of MSMEs with outstanding loans or line of credit at FSPs	120,000		FIs
	Percentage of outstanding loans or line of credit with women run MSMEs			
	Amount of outstanding loans or line of credit provided to MSMEs			
	Percentage of outstanding loans or line of credit with women run MSMEs	50%		FIs
	Number of new loans or line of credit provided to MSMEs			
	Amount of loan or line of credit provided to MSMEs			
	Amount of loan guaranteed by credit guarantee schemes			
Build financial competency	Number of adults trained in financial literacy	236,797	400,000	CEFI
	Percentage of women trained in financial literacy	47%	50%	CEFI
	Number of trainers trained to offer financial literacy training			
	Percentage of women trainers trained to offer financial literacy			



Activity Plan

The following activity plan is developed to achieve the objectives under Key Enablers.

Objective	Goals	Activities
SO1: Build financial competency through financial literacy and education.	Promote structured financial literacy trainings that address the low levels of financial competency.	Assess and refine financial literacy modules currently in use in the interest of the population.
		Develop tailored financial literacy modules for specialised audience like entrepreneurs, farmers, youth, and women
		Develop principles/guidelines/quality standards about the design/implementation of financial literacy initiatives by private stakeholders and monitor the quality.
		Evaluate the impact of financial literacy training on enhancing financial competency.
	Develop pool of certified financial literacy trainers/ institutions by offering 'train the trainers' program.	Identify trusted partner to deliver retail financial literacy trainings and thereby foster outreach.
		Train the trainers to have adequate subject knowledge and confidence to offer financial literacy trainings.
		Develop detailed guidance for evaluating financial literacy program and regularly evaluate the quality of training delivery.
	Develop and implement digital financial literacy training modules to deliver digital financial literacy trainings	Develop digital financial literacy training modules to deliver digital financial literacy trainings
		Develop channels to deliver digital financial literacy trainings
		Evaluate the impact of digital financial literacy training and improve the modules.
	Assist FSPs to provide financial literacy to existing and prospective customers.	Identify and exploit teachable moments and training environment appropriate for FSPs to deliver financial literacy/awareness
		Adapt and tailor financial literacy modules for the use of FSPs to exploit available training moments



Objective	Goals	Activities
	Create free, impartial information tools and resources and provide targeted guidance and support.	Develop centralise information on financial product and services and develop tools to disseminate the information.
		Establish financial literacy resource centre/desk at provincial and district centres in association with local governments
		Establish support/guidance centre to assist financial consumers.
		Develop technology platforms to assist with budget planners, price calculators and product comparison.
		Harness the use of emerging technology for promoting financial literacy
	Integrate financial education to the curriculum of primary and tertiary education.	Develop a baseline about the financial education is currently integrated in primary and tertiary education.
		Develop Teacher Resource Book and Student Activity Book on financial literacy
		Provide specialised in-service financial education training for primary and tertiary teachers
		Develop extra-curricular financial literacy activities for primary and tertiary students



Objective	Goals	Activities
SO2: Enabling legal and regulatory environment	Reduce documentation barriers to account ownership (risk-based customer due-diligence and e-KYC requirements).	Implement proportionate AML-CFT regime to lower-risk financial inclusion products and customers.
		Promote full suite of inclusion products (savings, credit, insurance, and payment) that deemed to be lower ML-TF risks.
		Adopt digital identity and e-KYC Regulations to enhance customer on boarding and monitoring.
	Reform legal and regulatory framework to facilitate growth, innovation, and competition in financial sector	Develop proportionate supervisory approach and strong but simple prudential regime for new and non-systemic financial service providers (microbanks, savings and loan societies, FinTech, micro-insurers and Insure-Tech).
		Develop DFS Regulations to accelerate financial inclusion through nonbank e-money issuers (pre-paid or stored-value accounts), payment service providers and agent banking
		Identify and address new and emerging risks in financial sector
		Build Institutional capacities to offer innovative products in the market.
	Establish comprehensive financial consumer protection framework and complaint redress mechanism	Develop and implement comprehensive financial consumer protection regulatory and supervisory framework
		Establish free and accessible financial consumer complaint redress mechanism
		Create public awareness on financial consumer protection regime
	Establish comprehensive credit reporting system	Develop credit reporting legal and regulatory framework
		Develop the institutional capacity of CDB to include comprehensive credit reporting
		Promote public awareness and understanding on comprehensive credit reporting



Objective	Goals	Activities
	Establish credit guarantee scheme to promote access to finance	Develop and establish institutional structure for Credit Guarantee Corporation
		Develop institutional capacities and demand-based guarantee products
		Promote public awareness and understanding on comprehensive credit reporting
	Improve financial inclusion data infrastructure and information dissemination mechanisms	Assess the data gap and improve the data definitions for financial inclusion
		Coordinate with the Central Bank for integrating and automating data collection
		Publish financial inclusion progress reports at regular intervals for the public consumption.

Objective	Goals	Activities
SO3: Develop efficient digital financial infrastructure	e-KYC (Digital KYC) and interoperable depository for e-KYC	Develop policy framework for e-KYC
		Implement e-KYC interoperable depository and promote its usage in coordination with various agencies including financial service providers
	Maximise the use of Retail Electronic Payment System (REPS) enabling more participants	Identify and assist FSPs to participate in REPS including payment service providers and mobile network operators
		Maximise the use of Regulatory Sandbox to promote innovations in financial sector
		Improve digital financial literacy and use of electronic payments
		Campaign among financial service customers, the use of cash light payment models including mobile banking.
	Promote affordable and accessible telecommunication infrastructure	Develop memorandum of understanding with telecom providers to provide services for financial services at affordable prices
		Expand service coverage and internet access in association with service providers



Objective	Goals	Activities
SO2: Enabling legal and regulatory environment	Reduce documentation barriers to account ownership (risk-based customer due-diligence and e-KYC requirements).	Implement proportionate AML-CFT regime to lower-risk financial inclusion products and customers.
		Promote full suite of inclusion products (savings, credit, insurance, and payment) that deemed to be lower ML-TF risks.
		Adopt digital identity and e-KYC Regulations to enhance customer on boarding and monitoring.
	Reform legal and regulatory framework to facilitate growth, innovation, and competition in financial sector	Develop proportionate supervisory approach and strong but simple prudential regime for new and non-systemic financial service providers (microbanks, savings and loan societies, FinTech, micro-insurers and Insure-Tech).
		Develop DFS Regulations to accelerate financial inclusion through nonbank e-money issuers (pre-paid or stored-value accounts), payment service providers and agent banking
		Identify and address new and emerging risks in financial sector
		Build Institutional capacities to offer innovative products in the market.
	Establish comprehensive financial consumer protection framework and complaint redress mechanism	Develop and implement comprehensive financial consumer protection regulatory and supervisory framework
		Establish free and accessible financial consumer complaint redress mechanism
		Create public awareness on financial consumer protection regime
	Establish comprehensive credit reporting system	Develop credit reporting legal and regulatory framework
		Develop the institutional capacity of CDB to include comprehensive credit reporting
		Promote public awareness and understanding on comprehensive credit reporting



Objective	Goals	Activities
	Establish credit guarantee scheme to promote access to finance	Develop and establish institutional structure for Credit Guarantee Corporation
		Develop institutional capacities and demand-based guarantee products
		Promote public awareness and understanding on comprehensive credit reporting
	Improve financial inclusion data infrastructure and information dissemination mechanisms	Assess the data gap and improve the data definitions for financial inclusion
		Coordinate with the Central Bank for integrating and automating data collection
		Publish financial inclusion progress reports at regular intervals for the public consumption.

Objective	Goals	Activities
SO3: Develop efficient digital financial infrastructure	e-KYC (Digital KYC) and interoperable depository for e-KYC	Develop policy framework for e-KYC
		Implement e-KYC interoperable depository and promote its usage in coordination with various agencies including financial service providers
	Maximise the use of Retail Electronic Payment System (REPS) enabling more participants	Identify and assist FSPs to participate in REPS including payment service providers and mobile network operators
		Maximise the use of Regulatory Sandbox to promote innovations in financial sector
		Improve digital financial literacy and use of electronic payments
		Campaign among financial service customers, the use of cash light payment models including mobile banking.
	Promote affordable and accessible telecommunication infrastructure	Develop memorandum of understanding with telecom providers to provide services for financial services at affordable prices
		Expand service coverage and internet access in association with service providers



Objective	Goals	Activities
SO4: Promote strong commitment from public and private sectors	Improve cross-agency (government departments, commodity boards and sectoral agencies) coordination for financial inclusion.	Coordinate financial inclusion initiatives with various Government departments and sectoral authorities to integrate financial inclusion in national development policies and plans.
		Engage with commodity boards to integrate financial inclusion activities into respective planning and execution.
		Encourage use of shared services, infrastructure, delivery platforms and other resources to enhance financial inclusion
	Engage Provincial and Local Government for financial inclusion	Engage with provincial and local governments to integrate financial inclusion activities into respective planning and execution.
	Endeavour support from development partners	Engage with development partners in various projects to achieve common vision of financial inclusion.
		Develop access to technical assistance, capacity-building assistance, and knowledge products.
	Facilitate peer learning among stakeholders using appropriate platforms	Conduct research, studies and develop financial inclusion knowledge products in association with various stakeholders.
		Develop technology enabled platforms to share the knowledge products for the consumption of stakeholders.
		Organise workshops, policy forums, trainings, dialogues, broadcasts, websites and social media platforms to encourage peer learning and information sharing.



Objective	Goals	Activities
SO5: Develop an enabling environment for inclusive green finance	Develop inclusive green finance policy framework	Develop green taxonomy in the context of PNG
		Establish the current state of green finance in PNG conducting diagnostic study
		Develop and implement green finance policy framework
	Establish Green Finance Centre to promote inclusive green finance	Establish Green Finance Centre to promote inclusive green finance in PNG
		Develop knowledge materials in inclusive green finance and promote peer learnings
		Develop campaign materials to prepare the financial service providers and customers to offer and receive financial services
	Promote green finance products in association with financial service providers	Assist financial service providers to develop customer centric green products.
		Establish Green Finance Facility to mitigate risk and thereby promote green financing

Objective	Goals	Activities
SO6: Deepen financial service delivery harnessing new emerging technology	Increase bank account ownership:	Develop and provide basic bank account including e-money (e-wallets) accounts which can be used to make and receive payments and to store values with little or no fees, minimum balance requirements. and documentations.
	Expand insurance cover	Develop and offer inclusive insurance products using convenient delivery mechanisms including technology-based solutions for consumer on boarding, premium collection, claim processing and insurance pay-outs.
	Add access points and digital channels:	Increase the accessibility, quality and functionality of delivery channels which includes branches, agents, ATMs and POS Machines, mobile banking services and other digital financial services
	Promote access to finance to MSME and agriculture sector:	Develop and promote market-centric products that meet the financing needs and cash-flows of MSME and agriculture sector and assist MSMEs and agriculture entrepreneurs to access government financing schemes and policy initiatives



Financial Inclusion Excellence Awards (FIEA)

Annual Financial Inclusion Awards (AFIA) are to recognise and celebrate financial institutions, people and organisations that have made a significant contribution towards its commitment to financial inclusion in PNG. The awards are presented on PNG Financial Inclusion Forum to individuals and institutions who have excelled in achieving their commitments towards financial inclusion efforts in the country. The contribution can be in leadership, innovations, product and service, knowledge sharing, financial literacy and consumer protection.

The awards will be decided by a committee taking into consideration various aspects including,

- Contribution in the implementation of NFIP and NFIS3 objectives.
- Demonstrated involvement in financial inclusion of unserved and underserved and the impact on Papua New Guineans especially women, youth and MSMEs
- The level of customer uptake and relevance and convenience to the applicable customer segment and transparency and disclosure measures taken.
- Degree to which the institution has shared, used and promoted learning related to financial inclusion within and outside the institution.
- Promotion of consumer protection including complaint redress mechanism
- Promotion of financial literacy and contribution to build financial competency.

The Awards celebrate the dedication and leadership of network members and other stakeholders in accelerating financial inclusion. The winner will include financial sector policymakers and regulators who have gone above and beyond to develop and implement high-impact policies that are improving the access, usage and quality of formal financial service to those populations most in need.

CEFI honours outstanding performance, innovation and excellence in the corporate and investment banking industry in the country. The Awards recognise

banks, financial institutions, other institutions and individuals who have demonstrated exceptional performance and have made significant contributions to the financial inclusion domain. The awards are given in the following categories:

Financial Inclusion and Deepening Award

The award is to recognise the FSP that championed to enhance access to financial services for Papua New Guineans, especially the low-income population and women.

Financial Innovation Award

The award is to recognise the FSP for the implementation of innovative digital initiative, product or services or delivery model that assisted to overcome the barriers for financial inclusion and improved customer experience.

Inclusive Green Finance Award

The award is to recognise the FSP for the implementation of green product or services or delivery model that mitigate the risk of climate change in PNG.

Financial Inclusion Media Contribution Award

The award recognises the media institution that consistently promotes, educates and create awareness of financial inclusion through their platform.

Financial Inclusion Advocate Award

The award recognises an individual/Professional who outstandingly rendered their skills, commitment, and leadership to advance financial inclusion in PNG.

Financial Inclusion New Player Award

The award recognises a new entrant to PNG financial inclusion landscape and contributed significantly to achieve financial inclusion target.



Annex - The Maya Declaration

The AFI member commitment to financial inclusion

Maya Declaration is the first global and measurable set of commitments by developing and emerging country policy makers to unlock the economic and social potential of the 2.5 billion poorest people through greater financial inclusion. More than 80 institutions from developing and emerging countries – representing over 75% of the world's unbanked population – have endorsed the Declaration.

BPNG's MAYA DECLARATION COMMITMENT

"To reach an additional 2.0 million unbanked low-income people in PNG, 50% of whom will be women and to promote increased usage of bank accounts and other financial services and products by existing and newly included population".

Bank is committed

- To lead efforts to create a financially competent generation of Papua New Guineans through financial education and financial literacy.
- To create an enabling environment to harness new emerging technology that increase access to financial services and financial literacy that lowers cost of financial services, and to promote and assist SMEs to use technology innovation.

- To strengthen consumer protection by developing regulations and issuing guidelines that promotes fair pricing and strengthen complaints handling mechanisms.
- To begin the process of integrating financial inclusion in local and national government structures.
- To increase gender based financial inclusion in Papua New Guinea by enabling women to access, and effectively operate, useful and affordable financial products and services that meet their needs through the implementation of Gender Equity and Social Inclusion Policy.
- To promote regular collection and utilize financial inclusion data to inform policy making and track results of financial inclusion in PNG.
- To optimise the results through knowledge sharing and effective coordination of stakeholders including development partners and private sector driven through the coordinating body - the Centre for Excellence in Financial Inclusion (CEFI).

The above commitments are set out in the National Financial Inclusion Strategies.



Notes



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CENTE FOR EXCELLENCE
IN FINANCIAL INCLUSION

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