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CEFI E-NEWSLETTER ISSUE 21

QUARTER 2 APRIL-JUNE 2023



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NEWS

Launch of the Green Finance Policy in PNG



The Inclusive Green Finance Policy was officially launched today at the Hilton Hotel in Port Moresby, Papua New Guinea. The ceremony was presided over by the Rt. Honorable Prime Minister of Papua New Guinea, James Marape, who expressed his honor in inaugurating this significant policy. The Prime Minister encouraged government departments, state-owned enterprises, financial institutions, and MSMEs to collaborate and utilize this policy as a foundation for building a green business economy.

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assessment for Child Nutrition & Social Protection Project

PNG has one of the highest stunting rates in the world and stunting imposes heavy economic costs. With almost every second child under five years of age being stunted, an indication of widespread and chronic child malnutrition.

The World Bank is supporting the Government of Papua New Guinea (GoPNG) to implement the Child Nutrition and Social Protection (CNSP) Project which aims to improve utilization of priority nutrition interventions and purchasing power of first thousand-day households in selected districts. It has three components.

- Component 1 – strengthening health systems to deliver nutrition-specific services and implementation of a multi-sectoral community-based approach to reduce stunting
- Component 2 – design and implementation of a nutrition grant targeting first 1,000 days of life households
- Component 3 – support for a national level advocacy and coordinate cross-sectoral support at the national level to promote multi-sectoral nutrition interventions delivery at the community level, in addition to institutional strengthening and capacity building

As requested by the World Bank, CEFI staff carried out a baseline assessment at four selected districts, which include, North-Fly, Gazelle, Madang & Kundiawa-Gembolg, from 5-23 June.

The objective of the mission was to carry out a financial access point mapping exercise and assess capacity of payment service providers. This forms the basis of the Component 2 of the CNSP Project, which is the introduction of a child nutrition grant to address food insecurity among households with children in their first thousand days of life and incentivize the adoption of nutrition enhancing behavior changes.

commercial banks, microbanks, and a mobile network operator.

Interesting findings were derived from these studies, which will form the basis of a report for the implementation of this grant program.



CEFI and Department of Community Development sign MoU



The Centre for Excellence in Financial Inclusion (CEFI) and the Department of Community Development and Religion (DFCDR) signed a Memorandum of

promote and enhance financial inclusion activities in the country.

The MOU outlines the collaborative efforts between CEFI and DFCDR to promote and enhance financial literacy and financial inclusion in the country, especially in areas where informal economy activities are concerned through this established partnership.

For the purpose of driving financial inclusion activities and financial literacy trainings CEFI will provide technical support to ensure:

- Targeted District Community Development Centres (DCDC) within the eight provinces in Papua New Guinea. Districts to be covered in year one will be; Imbongu-Southern Highlands Province; Bialla – West New Britain Province; and Gazelle, East New Britain Province. Districts to be covered in year 2, will be Bogia – Madang Province, Yalibu/Pangia – Southern Highlands Province, and other 3 more districts to identified in year 2 also.
- Conduct 8 ToT Trainings, 30 per ToT batch per province reaching 240 trainers.
- Targeted ToT trainers will be a total of 240, of which 50 % has to be women trainers.
- One Trainer is to train 100 participant and admit them to account opening and accessing business loan products.
- Target per province 30 trainers to reach 3,000 admit them to account opening and accessing business loan products. Within 2 years of the life of the MOU, a total 240 trainers to be trained to reach 24,000 people within 8 provinces of 50 % of the respective targets has to be women.
- For the purpose of the sustainability of the financial inclusion activities both 24,000 Retail Training participants and 240 ToT trainers will be given a Business Startup Cash incentive by DFCDR.

CEFI's Executive Director, Mr. Garima Tongia said the MoU marked a very significant milestone where CEFI collaborates to promote financial literacy and financial inclusion in communities in Papua New Guinea.

"Financial literacy plays a very important role in bringing people into the monetized sector as well as banks and financial institutions and this are the service providers, the drivers of financial inclusion, we bring them to the end users," Mr. Tongia said.

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An important concern highlighted by Mr. Tongia is financially empowering Papua New Guineans so they are financially literate to appreciate financial services provided by banks and financial institutions.

“Unless we empower the end users and they are financially literate they can appreciate and use those financial services made available by the financial service providers. But if we are not able to make them financially competent (financially literate), the people will not utilize the financial services provided,” Mr. Tongia said.

According to statistics provided by the Executive Director, CEFI has trained 237,000 Papua New Guineans and 163,000 are yet to be trained.

“We are grateful to DFCDR for allowing CEFI to go into these communities through the MoU arrangement. CEFI will be able to train 24,000 Papua New Guineans which will leave us to reach 139,000 more under our other programs like the provincial government engagement,” said the Executive Director.

DFCDR Secretary Mr. Jerry Ubase expressed his sincere appreciation to CEFI for collaborating with DFCDR to venture into the MoU partnership to provide financial inclusion training and financial inclusion services.

“We (DFCDR) recognize that this partnership and collaboration is important in service delivery,” Mr. Ubase said.

“As a responsible government department we want to create dialogues and stakeholder engagements by creating enabling environment for people in the informal economy to access financial service and enable growth in their business and improve their standard of life,” the Secretary said.

“The signing of the MoU is seen as a major achievement for the department and CEFI to address the need for financial literacy in our country. The country needs a financial literate population to make better financial decision for tomorrow,” Mr. Ubase said.

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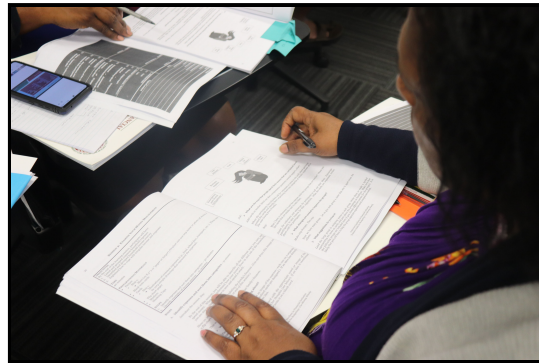
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The payment service providers who were involved in the exercise included the commercial banks, microbanks, and a mobile network operator.

Interesting findings were derived from these studies, which will form the basis of a report for the implementation of this grant program.

TRAINING



CEFI for the first time issued student identification numbers to its graduating trainees for the purpose of accessing a financial literacy application that CEFI is developing and planning to launch soon.

Head Trainer Jill Pijui made the announcement during presentation of certificates for 19 participants in a week long EOI (Expression of Interest) Training of Trainers Training in May.

“We will be doing back tracking of all our trainees whether Retail Training or Training of Trainers for the mass issue of student ID numbers,” Ms. Pijui said.

Ms. Pijui explained that CEFI is in the process of developing a financial literacy application (FL App) where these FL App will act as a reminder tool for the 250,000 trainers trained by CEFI.

budget, tracking of income and expenses and cash flow training, all these topics were covered in their respective training,” Ms. Pijui added.

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CEFI facilitated a Financial Literacy Training in Quarter Two (2) for the Australian Awards Alumni.

Twenty-two participants including 14 women attended the two day training on Personal Money Management Skills in Port Moresby.

Apart from NCD, other participants who attended the training came from, Autonomous Region of Bougainville (AROB), Enga, Eastern Highlands, East New Britain, East Sepik, Madang, New Ireland, Simbu, Western Highlands and West New Britain provinces.

Merilyn Donigi-Saiwa said her reason for attending the training was to give her the ability to make better financial decisions, enable her to effectively manage money and debts and to learn how to better regulate money and reduce expenses.

Priscilla Eka, an ICT Systems Administrator from the PNG University of Natural Resources and Environment in East New Province, said her objective at the end of the training was to gain improve financial knowledge, increase confidence in managing finances and setting realistic and achievable goals.

A Programme Analyst with the United Nations-Women, Fidelis Golu, from the Autonomous Region of Bougainville, emphasis that it was important for him to attend

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confidence in managing finances.

Steven Johnson, a Mental Health Nurse from the Pacific International Hospital in the National Capital District, revealed that the three key lessons he learnt from the training were, budget planning, savings and managing finances.

The participant's received Financial Literacy Training Certificates as well as ID Cards from CEFI at the successful completion of training.



Special Projects



Provincial Government Engagements Updates

Key progress was made during the second quarter (April, May, June) since the signing of MoUs in respective provinces, Western Highlands, Milne Bay, West New Britain, East New Britain and New Ireland.

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MoUs

CEFI recently signed a MoU with Western Highlands Province (WHP) on April 13th in Mt Hagen. WHP was the fifth province to enter into a partnership with CEFI to rollout financial activities in the province.

The event was attended by the Governor, Hon. Wai Rapa, the District Administrator and Financial representatives and other stakeholders from the province. The Western Highlands Provincial Government pledged their support towards rolling out Financial Inclusion activities in the province. The WHP MoU will lapse on April 13, 2026.

Milne Bay Province (MBP) was the second province to sign a formal partnership with CEFI to promote financial inclusion in their province. It was signed on the September 23rd, 2019. The MoU lapsed on the September 23rd, 2022. The MBP MoU has been reviewed and sighted by the Milne Bay Provincial Government. The date for the MoU signing between CEFI and MBPG is yet to be confirmed.

West New Britain Province was the first province to sign a formal partnership with CEFI to promote financial inclusion in their province. The WNB MoU was signed on August 02nd, 2019 and lapsed on August 02nd, 2022. The MOU has been reviewed and sighted by the WNB Provincial Government (WNBPG). The date for the MoU signing between CEFI and WNBPG is yet to be confirmed.

East New Britain and New Ireland Province MoU's are current, meaning that the implementation of Financial Inclusion activities are ongoing, such as the Training of Trainers trainings and Steering Committee Meetings.

The Annual Work Plans for next year (2024) will be tabled in the next Provincial Steering Committee Meetings.

Proposed MoUs

CEFI is looking forward to signing a MoU with Kerema District Authority in 2023. Negotiations and preparations are in progress for the MoU signing.

An induction meeting was conducted on May 04th, 2023 after the MoU signing in WHP. The purpose of the meeting was to formally induct the members of the Western Highlands Provincial Financial Inclusion Steering Committee (WHP FISC). The main focus was on educating the WHP FISC members on the content of the signed MOU, roles and responsibilities, the importance of financial inclusion and why it needs to be promoted and supported by the provincial government.

The meeting also discussed and mapped out key activities for the WHPG in relation to financial inclusion.

The key action items captured during the meeting included, conducting a Training of Trainers training in WHP, conducting the first Steering Committee Meeting and managing other financial inclusion activities.

At the conclusion of the meeting, representatives from the Financial Institutions and the WHPG pledged to support financial inclusion activities in WHP.

Training of Trainers Training (ToT)

CEFI conducted a ToT Training in Pomio District, East New Britain province from June 19th to the 23rd, 2023. A total 30 participants were trained including seven women.

Some of the proposed plans for the 2023 provincial government engagement activities include;

- Conduct School Savings Campaign in Milne Bay and West New Britain in Quarter Two (2),
- Tabling of the Annual Work Plan for Milne Bay, West New Britain and East New Britain provinces in their respective next Steering Committee Meetings,
- Convene the Steering Committee in the second quarter and
- Signing of revised MoU's with MBP and WNPB this month and next month.

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Market for Village Farmers Project - 2nd Quarter 2023 Progressive Updates



No training took place during the second quarter due to no funding from MVF PMU. IFAD's priority was to establish the MVF PMU's financial management system and other details of the project. However CEFI-MVF Project Officers continued to conduct some of the activities which are;

- Updating of Call 1 Village Farmers Livelihood Improvement Data Training for Simbu, Jiwaka and Western Highlands provinces.
- Preparing Village Farmers Livelihood Improvement Retail Training Plan for Simbu province.
- Attended FPDA-PMU meetings / briefings on MVF projects.

To read more download a copy of the MVF Project 2nd Quarter 2023

MEET OUR TEAM

Ruruva Ane - SENIOR DATA ANALYST



1. What does your work involve?

My core function at CEFI is the collection, analysis, and reporting of two categories of data for CEFI and these are: (i) Core FI Data Reporting and (ii) Financial Performance Data Reporting for partner financial institutions. Both reports are compiled and reported on a quarterly basis.

The core FI data report encompasses monitoring and reporting key performance data by financial institutions in PNG such as number of access points in number of branches, ATMs, EFTPOS merchants, and agents. It also reports on mobile access points and accounts, deposit and credit accounts, just to name a few of the core data indicators that are reported. Lately, we have expanded the report to cover digital wallets and key financial literacy training data which is a core mandate of CEFI.

The final FI data report goes to BPNG and is used for policy decision making and planning. I also update the core FI data report on the CEFI website when it has been approved by management.

The Financial Performance data report covers balance sheets and profit/loss

statements and other vital operational data like loan portfolios, borrower/depositor numbers, resourcing and staffing levels by institutions to determine certain ratios for aging schedules and capability by institutions in serving customer complaints for instance.

I am also tasked to create an important annual report for financial performance for participating financial institutions called the **Annual Benchmark Report**. As you know, capturing data and reporting it is of little significance if you cannot provide feedback reporting and analysis for institutions to gauge their performance against the overall benchmarks in the country and against peers (or like entity types), and the annual benchmark report provides that analysis.

2. Why is (your role) it important to Financial Inclusion?

Using data, every business makes insightful decisions for improving any area of a business or organization.

3. Where do you see your work in a few years?

I enjoy my work at CEFI and the staff are great, and we have bonded into a family. I'd like to see an expansion of data indicators been reported so our people can benefit from the impact that these data reports provide. For example, including the insurance data will assist financial institutions to market their insurance products to which Papua New Guineans can have access to.

And secondly, CEFI plays an important role for financial services access to ordinary Papua New Guineans so it deserves increased funding from the government. It is not a bad idea to make CEFI a department. I am already appreciating the significant role CEFI is playing and the positive impact it is having on our people.

And importantly, and last but not the least, it is always at the back of my mind, in light of all these data, the systems and data sources, to develop a centralized database so we can all have "one basket to store data and report from".

IMPACT STORY

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Mr. Joe Nete, a former Business Link Pacific Grant Recipient and owner of Global Products Sourcing & Distribution, shares his experience in receiving the business grant and how the grant has assisted his business grow.

PARTNERS CORNER

GREEN FINANCE

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The *Inclusive Green Finance Policy* project (IGFP) was launched in June 2021 with the goal of supporting Papua New Guinea's (PNG) financial sector transition into one that is more inclusive, sustainable, and resilient. There is a growing global consensus that financial institutions have an important role to play in addressing major social and environmental challenges such as climate change; the IGFP project was conceived against this backdrop and represents one of the first steps taken by the Bank of Papua New Guinea (BPNG) and other stakeholders to accelerate the transition of PNG's financial sector.

The IGFP project's main output is the *Inclusive and Green Taxonomy* (taxonomy). In addition, there are two accompanying documents:

olicies, strategies, and roadmaps issued by the PNG government as well as salient barriers hindering their implementation, and

- An *Implementation Roadmap* was developed to present a detailed list of activities that BPNG, financial institutions, and government agencies could undertake to create an enabling environment for the effective application of the taxonomy.

The project was led by a Steering Committee composed of BPNG (Chair), the Department of Treasury, the Climate Change and Development Authority, the Centre for Excellence in Financial Inclusion, the Alliance for Financial Inclusion, the Global Green Growth Institute, and the New Zealand Ministry of Foreign Affairs and Trade. A Technical Working Group composed of government agencies, financial institutions, non-governmental organizations, international organizations, industry associations, and academia offered valuable input based on their respective points of view. All project activities were funded with generous support from the New Zealand Ministry of Foreign Affairs and Trade.

The IGFP is comprised of 3 main component parts corresponding to the 3 main outputs. Each is outlined and briefly elaborated as follows:

Output 1| Part 1 (Main Output): Inclusive & Green Taxonomy of Papua New Guinea

The Green and Inclusive Taxonomy of Papua New Guinea is designed for investors, lenders, and other financial sector participants to identify, monitor, and demonstrate – through quantitative metrics – the scope and volume of their inclusive and green financial flows, whether it is in the form of a loan, equity, guarantee, or some other financial instrument.

The term “inclusive and green finance” here refers to public and private funds earmarked to support the transition to a low-carbon, inclusive, and climate-resilient economy. One of the key steps to mobilizing inclusive and green finance at scale is a consistent, transparent, and practical definition of what constitutes a green and/or inclusive activity. A comprehensive list of such definitions is referred to as an inclusive and green **classification system** or **taxonomy**, and it is key to operationalizing the transition to a low-carbon, inclusive, and climate-resilient economy.

Since the launching of the project in June 2021 the first interim output was an inception

well as a tentative structure of the taxonomy was presented to the Steering Committee. This was then followed by extensive stakeholder consultation-combination of conferences and one-on-one interviews including a pilot application of the taxonomy to a microfinance institution to better understand the technical and capacity related barrier. After several rounds of revisions based on inputs from the SC and TWG, the taxonomy was released to the public in August 2022 for comments.

The development of the taxonomy was guided by certain objectives, criteria, and principles. The 6 main principles considered and followed while drafting the IGFP include:

- Principal 1: Contribute to national policies and targets.
- Principal 2: Address and make a significant contribution(s) to addressing environmental challenges and promoting inclusive growth
- Principal 3: Cover priority economic sectors
- Principal 4: Align with international standards and good practices
- Principal 5: Comply with ESG standards
- Principal 6: Iterative, dynamic, and continuous review and development

The taxonomy is in a tabulated matrix with 11 key sectors each constituting several macro and sub-sectors grouping all the necessary activities/technologies with their respective technical screening criteria and PNG Agency Domain responsible for this being outlined.

The next steps here (after the policy is launched) would be setting up a Green Finance Centre and testing the Taxonomy in one or two financial institutions. This is a transition period set by the SC for a 2-year period (2023-2024) before requiring reports from financial institutions and other entities on their inclusive and/or green financial flows based on the taxonomy. During this time the SC will consider various matters concerning the taxonomy's application such as its (i) scope, (ii) modality, and (iii) type of support needed to build capacity and facilitate the transition process.

Output 2| Part 2: Diagnostic Report on the State of Inclusive and Green Finance in Papua New Guinea

This report contributes to the development of the Inclusive and Green Taxonomy and Implementation Roadmap for the banking sector in PNG. The main purpose is to

questions: How is PNG doing in terms of inclusive and Green Finance? what are the facilitating factors and the obstacles in financing inclusive and green activities and projects?

Hence, the goal of the project team was to quickly review information about the financial sector's supply and demand drivers and stakeholders (customers, suppliers, practices, goods and services, etc.) and provide a concise report with conclusions that can help provide future direction to the drafting of the taxonomy and roadmap. The intended users of the taxonomy are (i) PNG's financial sector stakeholders – regulators, banks, microfinance institutions, and saving and loan societies – who are being encouraged to channel more domestic finance towards inclusive and/or green projects, and (ii) supporting organizations such as the Centre for Excellence in Financial Inclusion (CEFI). It is also expected that the taxonomy will facilitate the inflow of international finance to support PNG's climate and other sustainability-related objectives.

The development and effective implementation of the taxonomy requires a solid foundation (i.e., laws, regulations, policies, practices, institutions, expertise, digitalization, etc.) and wide-ranging market knowledge which is data-driven. Likewise, the findings and conclusions of a diagnostic, or any intervention for that matter, should be based on data. Regrettably, market data in general in PNG is a very scarce commodity. Rather than being able to rely on data from the statistical office, the central bank, the financial institutions operating in PNG, and sources such as government agencies and donor institutions, we were compelled to take a different approach in drafting this report. Since there is little data available on FI's loan portfolios, FI loan clients, and other key driving factors around inclusive and green finance, we base our findings and recommendations mainly on one-on-one interviews with knowledgeable stakeholders from PNG – members of the Steering Committee (SC) and Technical Working Group (TWG) as well as other key market experts and government representatives – and international best practices from more developed countries.

As per the terms of reference of this project, the primary focus area was the financial sector. Regrettably, there is little to reflect on because financial institutions mostly do not disclose relevant information in their annual reports. None of the banks offer special loan products which target even simple activities which support environmental efforts, starting from, e.g., the purchase of solar lanterns and up to investing in energy-efficient

purpose of a loan in their Management Information System (MIS) other than if the loan is for working capital or capital expenditure. The sector-disaggregated portfolio data which is available about lending in PNG vaguely suggests that only a very small proportion of lending is allocated to activities that would potentially qualify as inclusive and/or green finance.

Additionally, MFIs and savings and loans societies have a very small share in the overall savings and credit portfolio of PNG's financial sector, and all information we were able to obtain – admittedly scarce – suggest they are not active in the sectors of interest, i.e., those that would be classified as green and/or inclusive. That said, these institutions could, in the near future, play a role, e.g., replicating models from other countries regarding saving, lending, and payment systems for small solar-powered or energy-efficient household appliances, green building material, or energy efficient machinery.

Our desk research indicates that three of the four commercial banks have fairly well-developed Environmental and Social Management Systems (ESMS); however, the two international banks have not applied them to their PNG subsidiaries to date. ESMS include strategies, policies, and tracking and reporting of inclusive and green finance – discussed later in this report.

Finally, the overall commercial market for inclusive and/or green investments in PNG is very small, as is the awareness among consumers and MSMEs. For the easily discernible market which does exist, such as PV installations or other small-scale renewables, there is minimum to no data (there is no central database of climate mitigation or adaptation projects). FIs, due to their limited MIS, cannot identify loans which could potentially be financing inclusive and/or green projects. Even donor-funded climate projects require extensive time and effort to discover across websites or press releases. The entire ecosystem for green investments is, as our interviews and research have indicated, very weak. So, the scale up of private investment in inclusive and green projects will require interventions on many dimensions and systemic changes, beyond just making loans available. Catalyzing commercial finance into activities which reduce environmental impacts of commodity driven sectors and deforestation, to mitigate emissions, and to adapt infrastructure to climate change will require a demand driven approach. The challenge is how to effectively influence market stakeholders' decision to invest in sustainable projects, activities, sources and supply chains. However, any

and clearly articulated incentives and penalties to promulgate Environmental, Social, and Governance (ESG) standards. Lack of capacity and experience inhibits banks from anchoring ESG-related opportunities in finance products that both safeguard environmental stability and generate profit.

Output 3| Part 3: Implementation Roadmap

This roadmap sets out practical steps necessary to implement the Inclusive and Green Finance Policy (IGFP) – in particular the Inclusive and Green Taxonomy (which is one of the components of the Inclusive and Green Finance Policy) – in Papua New Guinea (PNG). The roadmap is less of a high-level narrative or vague aspirational strategy document but more a step-by-step practical to-do list and work plan with deliverables and timelines essential to operationalize the taxonomy. The current version of the roadmap, therefore, is intended only for the Bank of Papua New Guinea (BPNG), Centre for Excellence in Financial Inclusion (CEFI), and PNG's financial institutions (FIs).

The specific objectives of this roadmap are to:

1. Integrate environmental and climate-resilient decision-making criteria into the financial sector
2. Provide broad guidance and good practices on low emission climate resilient development to financial system stakeholders
3. Help align and unify environmental and social policy actions across ministries, BPNG, and financial institutions
4. Strengthen the private sector ecosystem for inclusive and/or green finance
5. Ensure the stability of financial institutions and enable them to withstand the effects of climate change through effective climate risk management
6. Promote the development of inclusive and/or green financial products and services
7. Crowd-in private sector funding and mobilize predominantly private capital for sustainable investment
8. Introduce environmental, social, and governance (ESG) standards and risk management in FIs' lending and disclosure practices

We expect the implementation of the taxonomy to be challenging and involve significant resources and time from both the BPNG and the FIs. The process will be

and experts. we estimate that the transition process will require at least 24 months. we anticipate that the implementation will be an iterative, actively managed process and that the roadmap and necessary tasks will be amended occasionally to reflect challenges, the evolving needs of the market and international best practices, institutional capacities, skill levels, data availability, technologies, and priorities of the government of PNG (GoPNG) and stakeholders.

Developing the taxonomy, although a time-intensive and collaborative endeavor, can be considered an output and the easy part of the overall effort. It is what one does with the taxonomy that matters and will impact the intended outcome. The taxonomy is only a classification system that ensures everyone is speaking the same language when it comes to describing an activity as *inclusive* or *green*. Hence, the taxonomy – if applied in a robust manner – facilitates the reporting of inclusive and/or green loans and investments by the financial sector and prevents greenwashing.

The transition process is intended to provide FIs with sufficient time to consider the impact of their loans and investments through the sustainability lens, and also to develop a strategy to gradually redirect their financial flows towards inclusive and/or green projects. Disclosing their green activities through key performance indicators to the public and investors, FIs will be held accountable for their direct and indirect impact on PNG's environment and global climate change. The taxonomy and ESG reporting will also allow individuals and companies to determine the impact of their economic activity and if those activities are affecting PNG natural capital and contributing to environmental goals and in line with PNGs strategies and policies.

The roadmap has been uploaded as a read only Project Gantt chart:

<https://app.instagantt.com/shared/s/7ueSWolhHHI2hfcQ68TQ/latest>

It outlines a series of activities or tasks which are grouped by the organization which will be held accountable for delivering the planned activities or tasks. There are four organizations that are the main actors or stakeholders in implementing the IGFP:

- Green Finance Centre
- Bank of Papua New Guinea
- Commercial Banks
- Microfinance Institutions

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