

Remarks by the Governor of the Central Bank of Solomon Islands and Chairman of the National Financial Inclusion Taskforce, Denton Rarawa, at the Opening of the National Workshop for Financial Inclusion Strategy Review, 26th November 2015, Heritage Park Hotel, Honiara

Salutations:

Distinguished Participants;

National Financial Inclusion Taskforce and Working Group members;

Friends and fellow stakeholders in Financial Inclusion;

Ladies and gentlemen

Good morning and let me welcome you all to this Workshop this morning.

Introduction

Five years ago, in this same hotel and also in the month of November we took the first step of the financial inclusion journey here in Solomon Islands. It was a crucial first step of what has become an incredible journey of taking financial services and products closer to our people, especially the underserved population of our country. I can recall in our first workshop, the lively discussions and our agreed commitment to provide necessary platforms for our people, to step out and lift them out of poverty and become empowered citizens who can participate fully in economic development in our communities.

Recently, more people and governments are realising that financial Inclusion can contribute to economic growth, financial stability and alleviate poverty. In Solomon Islands, the informal sector accounts for almost 80% of our people. This large sector of our society for a long time has been excluded from accessing and using financial services and products in our country. I believe, this amounts to social injustice to the majority of our people and this has a direct link to economic inactivity. We have a responsibility and duty to ensure that the majority of our people have access to and enjoy the financial services and products on offer in the country.

This morning, I am happy to be here and to be part of this gathering to reflect on how far we have come and to hear from you, your experiences and to provoke your thoughts and ideas on how to progress financial inclusion in the next five years. I am confident that through our sharing and learning from each other's experiences, we will come up with a new strategy to advance financial inclusion, extending its boundaries and continuing to improve the wellbeing of our most vulnerable citizens.

How far we have come since the first workshop in November 2010

Some of us are sitting here in this room were part of our first workshop back in November, 2010.

Back then, you might recall that we had agreed to adopt a model that was led by a taskforce and that would be based on collaboration, partnership and membership from a wide range of stakeholders. Based on this agreement, we set up the National Financial Inclusion Taskforce (NFIT) embracing participation across the public and private sectors, civil society, NGOs and development partners.

NFIT was formed to provide leadership, play a coordination role and monitor progress on our financial inclusion strategies and goals. The Central Bank of Solomon Islands was then appointed to take the chairmanship and to provide the secretariat functions for the taskforce. This led to the setting up of the National Financial Inclusion Unit (NFIU) in the Central Bank in early 2011.

To assist the Taskforce, two working groups were formed; the Financial Literacy Working Group and the Financial Services Working Group. These two working groups were specifically tasked to focus on specific roles. A third working group, the Inclusive insurance Service Working Group has been formed but is yet to start its work.

Ladies and gentlemen, whilst I personally feel that this model has worked for us over the last five years, there is still room for innovations and improvements. Therefore, I would like to propose that at some point in our discussion today, that you use this opportunity to discuss the financial inclusion structure, whether it is still relevant and effective going forward.

The initial financial goal we set in November 2010

Again, some of us would be well versed with those goals set in 2010 and others might be wondering what they are. Let me inform you that first and foremost, we wanted a numerical target so that we could be able to monitor our progress. So the key goal was, "By 2015 we will have extended access to a variety of appropriate and affordable financial services, to an additional 70,000 (of which 30,000 are women) Solomon Islanders through sound and safe

institutions.” I am happy to say that we achieved this target in the 1st quarter of 2014, now the numbers have reached more than 240,000 clients.

We also agreed to other key result areas in that workshop and they included: financial literacy training and coordination, create a conducive regulatory environment, develop innovative distribution channels and products, financial competency; and last but not least good data collection and well established database.

Ladies and gentlemen, I would like to briefly report on how each of these KRA unfolded.

The level of functional literacy and numeracy in the country is very low and hence in order to promote greater consumer empowerment and increase financial competency of citizens, we really need to promote financial literacy training. Over the years we have seen increasing uptake in adult financial literacy on money management and product awareness by stakeholders. The Taskforce also place a lot of emphasis on the need to introduce financial education into the Solomon Islands National Curriculum for year 1 to year 9 to raise the level of financial competency in our next generations. Although this project took off successfully, its further progress was halted by a re-structuring exercise within the Ministry of Education and Human Resources Development (MEHRD). I am optimistic that in this workshop, you are going to find a way out to fast track this very important KRA. I look forward greater enthusiasm and renewed impetus from MEHRD to progress this KRA in our next five-year strategy.

In terms of the regulatory environment, we appreciate the pragmatic stance by stakeholders to maintain a balance between development and regulations. A clear example on this is the case of the introduction of mobile financial services in the country. We owed much to the tolerance of both providers and users in ensuring that such life-changing innovation is allowed to progress. More so, I would like to highlight the guideline issued by our Anti-Money Laundering Commission (AMLC) on the minimum Know Your Customers (KYC) risk-based classification for identification and verification. This guideline has turned around approaches by financial institutions, making it easier to access financial services by citizens who have been denied previously. However, we are mindful that such developments and innovations also require us to uphold and maintain high level of prudence and compliance.

Further, on developing innovative distribution channels and products, I am happy to see the active participation of all stakeholders, particularly our commercial banks and mobile network operators on the introduction and continuous uptake of mobile financial services or mobile banking as it is known by all of us in the country. This innovation, though a milestone innovation across the globe, is particularly a life changing development in developing countries such as ourselves. Mobile financial services are seen as the ‘super highway’ of

access to financial services and products for our unreached and underserved population. The increase in access and use of financial services today is attributed to the innovation. We would have not reached this far if we continued to operate under the traditional 'brick and mortar' model of providing financial services and products.

Ladies and gentlemen, finally I would like to say something about financial inclusion data collection and management.

We can all agree that lack of reliable data on financial inclusion hindered good policy interventions and prioritisation. Five years ago, we had none or very little data available to benchmark and measure the level of financial inclusion in Solomon Islands.

In its wisdom, NFIT agreed to embed this KRA in its first national strategy; and in 2012 NFIT rolled out its first financial competency survey. This survey was done to measure the level of competency of our households. The findings of this survey were used to develop or support our financial literacy strategy and efforts. Over the five years, we were able to conduct and complete other surveys such as, the Market Vendors study in 2012, G2P study in 2014, Savings Clubs study in 2014, and Strengthening Financial Inclusion study in 2015.

I would like to highlight the Demand Side Survey of Financial Services in Solomon Islands (DSS) conducted early this year. The report on this study was released in September and I believe a copy is included in your workshop pack. This report is very important as it presents the status of access to and use of financial services in the country. It also reveals areas and challenges we need to address if we want to bring the majority of our people into the formal sector. So I believe this report is an important reference point that should be used to shape our next financial inclusion strategy.

I am happy with the work of our data strategy in including gender as a key indicator to our data interventions. This has put us in the limelight as leader and the first country to have such an indicator in developing and emerging countries. We are now seeing countries emulating us in this work.

These data has enabled us to make evidence-based policy decisions and interventions in our financial inclusion efforts and especially our strategies going forward.

Ladies and gentlemen, it has been exciting to see the achievements we have made so far and on this note I would like to acknowledge the unreserved support we have received from all of you. However, more still needs to be done and the challenge now is to build on these achievements and to maintain the partnership and coordination in order to achieve more. I look forward to your deliberations today and hope that we will come up with a new vision that will challenge us to do more for a financially included Solomon Islands.

Mid-Term Review 2014-2017

In August 2014, NFIT reviewed the top-line numerical targets as the numerical target set in November 2010 was achieved in the first quarter of 2014. The review agreed to revise the numerical targets *“to an additional 160,000 Solomon Islanders by 2017. Out of this 160,000 at least 50% must be women and 50% must be from rural areas”*.

Some of the key result areas were also either modified or enhanced to capture developments and progresses.

The revised numerical target was also achieved in the second quarter of 2015, although the gender and rural components of the target were still unmet. The increase in bank accounts with commercial banks, although positive, in my view is not a complete indicator of greater financial inclusion. This is an area, I believe, we need to put more thought into when reviewing our next target.

Acknowledgement and our Partnership Going Forward

Ladies and Gentlemen, before I conclude, let me acknowledge some of our very important partners who have stood with us since we started this strategic journey.

We have seen tremendous interest picking up over the years in financial inclusion not only from the development partner community, but also from governments in developing, emerging and developed nations.

It has become increasingly clear that financial inclusion is now becoming part of world mainstream agendas and commitments. It has been part of white papers and charters in world governing and standard setting bodies. In September this year, we have seen 193 UN member states recognise the role of financial inclusion in supporting the 2030 Sustainable Development Goals (SDGs).

On this note, I would like to acknowledge and appreciate the support we have received from international institutions such as the Alliance for Financial Inclusion (AFI), CGAP and G20 for developing new research, models and standards promoting best practices to improve financial inclusion.

In 2012, Solomon Islands made its commitment as part of AFI's Maya Declaration, the first global and measurable commitments by developing and emerging countries. These commitments have helped reduce the number of unbanked people in the world from 2.5

billion to 2.0 billion in 2014. This commitment also helps us learn and share experiences with more than 90 other countries that have set financial inclusion targets.

It would be remiss of me not to thank our donor partners particularly, DFAT, PFIP, UNCDF, EU, NZ Aid, UNDP, WB, ADB and IFC. The work of financial inclusion in Solomon Islands would have not gone this far without their support.

My sincere appreciation and gratitude also goes to Mr Krishnan Narasimhan, PFIP Financial Inclusion Specialist for Solomon Islands for his support and contribution in the last few years.

I also wish to thank all the members of NFIT and the 3 Working Groups. The fact that it is all voluntary work shows your desire and heart to bring our country men and women out of their underserved status to become active participants in the formal economy.

Conclusion

Ladies and gentlemen, I will conclude by saying that the Central Bank of Solomon as the host of this workshop, greatly values your participation and presence here today. We have very important issues to discuss and I believe all of us in this room would contribute ideas and experiences that would help in charting and putting together our next five-year financial inclusion strategy for 2016-2020.

With this, I wish you all successful deliberations and I now have the honour to declare this workshop open.

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