Remarks of

Judith Karl, UNCDF Executive Secretary

on the occasion of the

Opening of the Pacific Microfinance Week

22 September 2015

CHECK AGAINST DELIVERY
Thank you for inviting me to join you at the fifth Pacific Microfinance Week, for which UNCDF is proud to be among the lead sponsors. Congratulations also to the Microfinance Pasifika Network for convening this conference, to the Central Bank of the Solomon Islands for hosting it, and to all other sponsors for their support.

It’s a pleasure to be back in the Pacific. Despite the long flight, I always arrive in the region motivated and leave inspired by the work of this fantastic financial inclusion community.

In his invitation letter to me, Stephen Taylor, from the Foundation for Development Cooperation, which is organizing this conference, suggested I talk about UNCDF’s view on what works in making finance and growth more inclusive.

Truth be told, in many ways it is all of you in this room who are leading the way -- whether it be your central banks’ leadership in developing national financial inclusion targets and strategies; cutting-edge work on mobile and branchless banking; mobile money; G2P social welfare payments; making financial education in schools part of the core curriculum; micro insurance pilots; or savings clubs.

Your innovations are providing many of the lessons UNCDF can apply elsewhere on how to overcome geographic and infrastructure challenges, and how to connect small, remote and dispersed populations to the financial services they need.

I come here then equally to share with you what UNCDF think works, and to listen and learn from you, so that we can together chart a path forward to provide tackle the theme of this conference: “Next mile financial services in the Pacific”.

Accelerating financial inclusion in the Pacific is now essential to the region’s evolution into a robust and inclusive economy.

Evidence from many parts of the world, including this region, indicates that through financial inclusion, even the smallest economic actor can benefit from and contribute to development.

Giving low-income families and small businesses access to formal financial services can be a ladder out of poverty, promote entrepreneurship, and support overall economic growth.
When more people have access to secure savings, reasonable insurance, lower-cost payment systems, and suitable forms of credit, this can boost sustainable growth and reduce economic vulnerability.

Policymakers at the highest level increasingly recognize these connections and the significance of financial inclusion to development goals.

Later this week in New York, Member States of the United Nations will gather to launch a development agenda which will guide us through 2030. At its heart are 17 Sustainable Development Goals.

Issues of financial inclusion are covered across many of the SDGs. There are also references to financial inclusion in SDG 1 on poverty eradication; SDG 2 on food security and agriculture; SDG 3 on health; SDG 5 on women’s empowerment; SDG 8 on economic growth; SDG 9 on infrastructure and innovation; SDG 10 on inequality; SDG 16 on promoting peaceful and inclusive societies; and SDG 17 on means of implementation. If ever you needed validation of the importance of what you’re doing, it’s in the SDGs.

More importantly, that validation should come from being seized each day by the challenges and exciting opportunities communities in this region face.

There have been many promising financial inclusion developments in recent years in the Pacific. Yet, the region continues to be one of the least-banked.

Beyond geography and market size, some of the challenges concern a need for better and more data, additional financial inclusion education, stronger regulations, alternative models of agent networks for last mile services, digital infrastructure investments, and more cost effective international remittance channels.

The impact across society of not having access to formal financial services can be significant.

If teachers and health workers need to travel to the nearest bank branch to get paid, they can miss out on serving their communities.

If women and men living in rural villages and on remote islands face unexpected costs related to floods or crop failures, without the right insurance they can fall into poverty. If households reliant on money sent from relatives working overseas live far away from
pay points, they can spend half the amount remitted to travel to the nearest bank branch or agent.

The good news is that there are programmes which work, and which are seeing important results in the region.

The Pacific Financial Inclusion Programme is one of UNCDF’s flagships initiatives, managed jointly with UNDP. Currently in its second phase, it aims to help reach one million low-income Pacific Islanders by 2019.

It will do this by supporting policy and regulatory initiatives, facilitating access to appropriate financial services and delivery channels, providing market information, and strengthening financial competencies and consumer empowerment.

When the programme started in 2008, there was very little research or documented evidence on the behaviours, perceptions and needs of the unbanked segments, mostly from the informal sector, low-income households, and predominantly rural areas.

There was also little uptake from the private sector to develop and introduce financial products and services that suit the needs of these segments.

Over the last few years, the financial inclusion agenda has been gathering steam. The Money Pacific Goals, endorsed in 2009, set impressive objectives, including halving the number of Pacific Islands without access to basic financial services by 2020.

Five Pacific Island countries - Fiji, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu- have signed the Maya Declaration, and have national financial inclusion units established in their central banks.

There is better stakeholder participation and coordination through the formation of national financial inclusion task forces. These are pushing forward financial inclusion, and have set firm commitments and targets.

There have been important policy interventions, including amendments to Central Bank acts, which now cover financial inclusion and financial literacy.

Several research studies reveal a better understanding of the market.
We are enthusiastic about the second phase of PFIP, and want to thank the very generous support of our partners, especially the Australian Government, the European Union, and the New Zealand Government.

Tragically, one of the driving forces of PFIP, and a wonderful colleague, Reuben Summerlin, passed away two months ago. Reuben was an extraordinary person who represented for many of us here today the passion, professionalism and selflessness needed to improve the lives of poor people. His drive and commitment was reflected in the impact PFIP has across the region.

At UNCDF, we count ourselves privileged to have worked with Reuben and to have learned personally from his vision for financial inclusion, especially digital finance.

The financial inclusion sector has lost one of its best and brightest. Reuben is sorely missed each day by his family, by his colleagues, and by those in the financial inclusion community more broadly.

To honour Reuben’s legacy, I am pleased to announce the launch of the Reuben Summerlin Innovation Award and Scholarship Award.

Recognizing the challenges of low usage of financial services in the region, the Award is designed to recognize those who succeed in designing innovative products, furthering the vision of the stakeholders of the region who launched PFIP.

Specifically, there would be two annual awards through at least to 2018 for programme partners of PFIP 2. First, there will be four recipients per year of Boulder Scholarships from financial service providers. These scholarships would be in addition to PFIP scholarships to government ministries or Central Banks. Second, there will also be an award to the financial service provider that has made the greatest contribution to financial inclusion in the Pacific.

More information on the criteria and application process will be forthcoming shortly.

As we continue the work under PFIP, we are inspired by Reuben’s deep dedication to the region and are committed to work with you to advance ‘last mile banking’.

Going forward, we need to build on what works in this region and elsewhere.
To help do just that, I return to Stephen Taylor’s request and present six lessons from across the world which we believe are important for stakeholders in this region to consider as appropriate.

First, financial inclusion policies and strategies need to be prioritized and data-driven, and there is a need to strengthen the supervisory capacities of regulators. Is it also important to conduct surveys to build the evidence base, and identify the status of financial inclusion so that strategies are targeted and their implementation monitored. It is important for governments to include financial inclusion in their national development plans.

UNCDF has developed a diagnostic and programmatic framework called Making Access Possible that builds on many of the lessons from the Pacific.

PFIP plans to develop a case study that captures the experience of how Central Banks have set targets and used National Financial Inclusion Task Forces to drive financial inclusion strategies, and share it with the countries MAP is engaged with in Asia and Africa. Such tools can be a powerful catalyst for donor harmonization and coordination in supporting financial inclusion.

Second, financial service products need to be differentiated by market and client-oriented. Building a savings culture must be part of this. This is very much at the heart of PFIP already.

For any financial inclusion strategy or product to work, it needs to understand who the client is and solve a real problem they face.

To give one example of how UNCDF does this, we know that young people across Africa are finding the school-to-work transition difficult and are hampered by a lack of access to financial services to start a business or increase their assets. We therefore combine access to youth-friendly financial services such as micro-leasing or flexible savings accounts, with financial literacy education to help young people make informed decisions and grow successful businesses.

This also means building on existing savings in the economy. In rural Tanzania, for instance, UNCDF is working CARE and a community bank to develop and offer formal financial products and services specifically for informal savings groups. This helps poor individuals invest in small businesses and grow their income, while providing a safe
place to save. This then increases their ability to pay for essential services, such as healthcare and education.

Through these and other projects, we see that even those living on $1 to $2 per day can be banked. Formal products and services can be developed to reach the last mile. The trick is to design them so they are at least as easy and affordable as more informal channels.

By focusing on pro-poor savings-led financial services, we provide an entry point to responsible financial inclusion and support growth that is built on the back of resources that already exist in the economy.

Third, partnerships of all kinds are important to financial inclusion.

Central banks, ministries of finance, ministries of communications, banks, non-bank financial providers, UN agencies, donors, and mobile network operators -- all have major roles in achieving greater financial inclusion. These entities should closely coordinate on policies and regulations – and is why many of these parties are present today.

Likewise, South-South cooperation can be a powerful force for financial inclusion, allowing sharing of knowledge, experiences, and technologies.

I commend the Pacific Central Bankers here for their best practice in peer-to-peer exchanges. This is another example of what the rest of the world can learn from this region.

UNCDF takes South-South cooperation seriously. Phase I of our MicroLead programme supported Southern microfinance market leaders with seed capital and technical assistance to enter least developed countries, with a focus on mobilizing savings from low-income populations. The competitively selected market leaders from the South brought approximately $100 million as their own equity to fund their expansion.

The results after five years are impressive, with over one million net depositors reached who are saving nearly $650 million. The deposits are intermediated and invested back in the local economy.

Fourth, while there are a variety of pathways to financial inclusion, having accessible and affordable digital networks can be hugely beneficial, especially where there is a lack
of established traditional financial institutions.

Services such as transfers, bill payment, savings, or micro insurance can be effective at reducing the need to carry cash or spend time travelling long distances to reach the nearest service points.

Mobile money has the potential to reach millions of users in the time it has taken traditional microfinance to reach thousands. But that potential is not always met.

Some developing countries present particular challenges for branchless and mobile financial services to reach scale, such as lower economic activity and disposable incomes; less developed business and regulatory environments; and poor physical, technological and financial infrastructure.

UNCDF, with support from a number of donor partners, has developed a programme to expand branchless and mobile financial services in a select group of least developed countries. Activities in each country are designed to support their specific needs.

What we are finding is that it is the correct mix of technical, financial, and policy support can assist in scaling up sustainable branchless and mobile financial services that reach the poor in least developed countries.

Fifth, building on the rails of digital platforms, financial inclusion models can support the achievement of diverse goals, such as clean energy, water, agriculture, and health. To give one example, UNCDF has an initiative called CleanStart. It partners with microfinance institutions and energy enterprises – offering seed capital and advice – to test scalable financing solutions which can expand energy access for the poor.

Agriculture, fisheries and forestry are mainstays of economic activity in the Pacific. Going forward, there could be scope to explore opportunities in value chain financing and delivery of low cost services through technology to these sectors.

Likewise, Pacific countries face climate-related risks. UNCDF will work with its financial inclusion partners on issues related to risk mitigation to infrastructure and businesses through appropriate insurance products.

Sixth, putting women at the heart of financial inclusion is essential. Women are particularly excluded from participation in the financial sector in the Pacific.
Yet, women assume greater responsibility for household money management.

Across the world, there is growing evidence that access to savings in particular leads to positive economic outcomes for women, including increasing productivity and profits, greater investment in their businesses, and greater legal and psychological control over funds.

Digital financial services such as mobile money give women more control over their financial lives and allow them to confidentially make financial transactions.

As I flew in to the Pacific, I was struck that this is a unique moment in time to be working on financial inclusion.

There is a strong convergence of factors that make now the time to drive the “next mile of financial services in the Pacific”.

There is strong political buy-in, fast-paced technological evolution, deepening client interest, and impressive development partner support.

For many years, it was high costs, poor infrastructure, small markets, vulnerability to natural disasters, and geographical spread which have kept people unbanked. These challenges still exist. But there is no iron law of nature that says they cannot be overcome. You are proving that every day.

Building on what works in the region and learning from what works around the globe, together we can expand access to financial services for all Pacific Islanders.

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