



PIRI

THE PACIFIC ISLANDS REGIONAL INITIATIVE

OUR GOAL - TO ENABLE
ALL LOW-INCOME PACIFIC
ISLANDERS TO HAVE ACCESS
TO FORMAL AND INFORMAL
FINANCIAL SERVICES.



THE PACIFIC ISLANDS REGIONAL INITIATIVE (PIRI)

Created in 2014 at the Global Policy Forum in Maputo, Mozambique and was officially launched in Dili, Timor Leste in 2015.

Previously called the Pacific Islands Financial Inclusion Working Group (PIWG) and originally formed in 2009 at the request of the central banks of Fiji, Samoa, Solomon Islands, Vanuatu, Papua New Guinea, Timor Leste and Tonga. Central Bank of Seychelles became the 8th member in 2019.



Solomon Islands. (Photo by Oliver Foerstner / Shutterstock)

8 MEMBERS FROM 8 COUNTRIES

- BANK OF PAPUA NEW GUINEA (CHAIR)
- CENTRAL BANK OF SAMOA (CO-CHAIR)
- CENTRAL BANK OF SEYCHELLES
- BANCO CENTRAL TIMOR LESTE
- CENTRAL BANK OF SOLOMON ISLANDS
- RESERVE BANK OF VANUATU
- RESERVE BANK OF FIJI
- NATIONAL RESERVE BANK OF TONGA

POLICY CHANGES

Financial inclusion is a key driver to lifting the standards of living of the people within PIRI, in particular, those who are underserved and financially excluded.

It addresses the social and economic problems that people in the region encounter, thus enabling leaders to work together by bringing about effective financial inclusion policy solutions. The PIRI member countries have made progress in their financial inclusion journey although each is at differing stages, including with regard to their achievements. National Financial Inclusion Strategies are being completed, proper governance structures to lead the development of financial inclusion have been put in place with central banks taking a lead role together, and some

even having a national financial inclusion taskforce overseeing the development of financial inclusion. The importance of setting measurable targets and data collection has been recognized as key to progress. Each of the countries is pursuing the acquisition of data sets that will better help in their decision-making and the derivation of important key financial inclusion policies.

Each of the PIRI member countries have made commitments to the Maya Declaration, showing their commitment to pursuing financial inclusion. They have also committed to the subsequent AFI accords of Sasana on the importance of data, Maputo on MSME development, the Denarau Action Plan on the importance of gender, Sharm El Sheik Accord on the importance of climate change and green finance and the Sochi Accord on DFS and FinTech as potential drivers and catalysts to achieve their financial inclusion goals.



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POLICY CHANGES / REFORMS

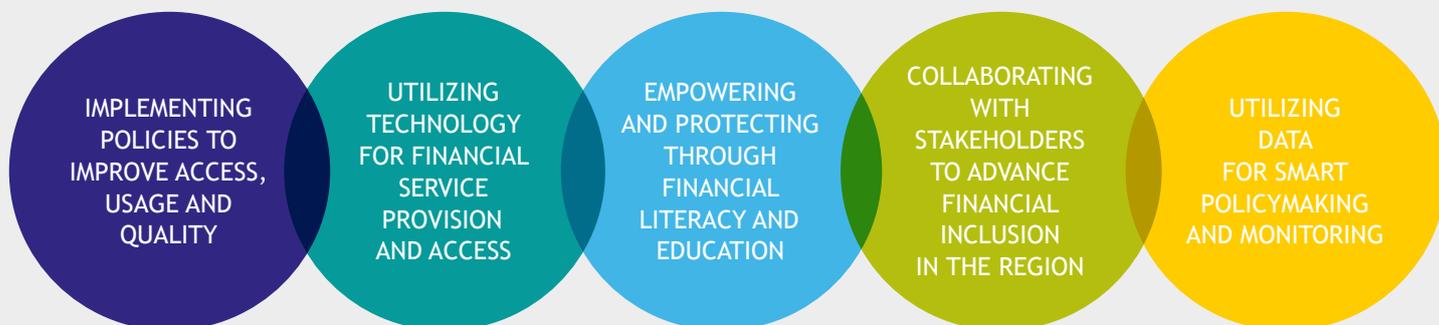
Tonga. (Photo by D.Lertchairit / Shutterstock)

KEY OBJECTIVES

The PIRI member countries have comparable characteristics and challenges. The challenges faced by most of these countries are very similar in nature due to their location, cultural and behavioural patterns, lack of resources, a narrow export base, vulnerability to economic shocks and slow or negative economic growth. Their geographical spread from east to west covers over 7000 kilometres of ocean. The ocean simultaneously demarcates their borders while also being the bond that unites their

economic and developmental initiatives. Moreover, due to the geographical dispersion of the islands, access to these areas makes it exorbitant for both suppliers and receivers of financial services.

The objectives of PIRI are to ensure that within the Pacific Islands region, their work shall be to assist/support:



FINTECH FOR FINANCIAL INCLUSION WORKSTREAM

Many countries have recognized the importance of the use of technology in the progress of financial inclusion.

Technology as an enabler to expand outreach and bring about efficiency and effectiveness in financial inclusion, in particular in the area of payments, is being advanced by many countries. Financial innovations that bring out added change to further financial inclusion, such as the use of mobile devices and payment cards, are among the technologies being adopted so that the benefits of innovation may be realized.

This is an emerging topic for many countries in AFI, and PIRI member countries are recognizing the importance of enhancing technology through “financial technology” or “FinTech” to help in their financial inclusion advancement.

Members are taking forward opportunities to adopt FinTech with a regional regulatory sandbox. Leading this effort, Fiji and Papua New Guinea (PNG) both made a start, where the Reserve Bank of Fiji (RBF) and the Bank of Papua New Guinea (BPNG) have announced setting up a regulatory sandbox that will allow financial innovators to test and deliver innovative digital financial products and services to promote financial inclusion.



Timor-Leste. (Photo by The Road Provides / Shutterstock)

APIA ACTION PLAN ON FINTECH FOR FINANCIAL INCLUSION IN THE PACIFIC ISLANDS

On the occasion of the 2018 AFI Pacific Islands Regional Initiative (PIRI) Leaders Roundtable in Apia, Samoa, we, the members of AFI from the Pacific and small islands states, strengthen our determination and affirm our commitment to FinTech. We recognize that disruption in FinTech offers great opportunities for developing and emerging economies to significantly drive the uptake of Digital Financial Services (DFS). We therefore agree to seize the opportunity to make further progress by implementing the Apia Action Plan on FinTech for Financial Inclusion in the Pacific Islands. PIRI Members agree under the Apia Action Plan to:

- > **Create opportunities** to systematically build knowledge on technological innovations which are relevant for Financial Inclusion and the mitigation of the challenges of de-risking
- > **Provide regulatory guidance** led by the Digital Financial Services Working Group and originating from peer learning efforts among AFI members inside and outside the region
- > **Allow for systematic and focused dialogue** with the private sector, development partners and other international stakeholders to enhance the mutual understanding of the risk profiles of FinTech innovations
- > **Rationalize and coordinate** the multiple support activities and offerings from stakeholders as policymakers and regulators in PIRI are facing resource constraints
- > **Enable test-and-learn approaches** for FinTech for Financial Inclusion such as Regulatory Sandboxes, Innovation Hubs or RegLabs which could also support the application of approaches such as tiered KYC, eKYC (including digital identification) and RegTech
- > **Undertake capacity-building activities** for staff of PIRI central banks such as practical exposure to FinTech innovations in pioneering countries and training for regulators in collaboration with technical partners on relevant issues such as cybersecurity and AML/CFT



Papua New Guinea. (Photo by imageBROKER / Alamy Stock Photo)



KNOWLEDGE PRODUCTS

PUBLICATION

- > Digital Financial Services in the Face of De-Risking (2017)
- > AFI Pacific Islands Regional Initiative (PIRI) Financial Inclusion 2017 Status Report (2018)
- > Pacific Regional Regulatory Sandbox Guidelines (2020)

FINTECH FOR FINANCIAL INCLUSION

- > Publication on implementation framework for regulatory sandbox and another innovative approach (Q4 2018)

ADDENDUM DILI CONSENSUS ON FINANCIAL INCLUSION IN THE PACIFIC ISLANDS

Endorsed in Apia, Samoa 7th June 2018

PIRI Member countries:

- 1 Acknowledge that innovative, technology-based financial services including FinTech hold great promise towards accelerating financial inclusion especially among vulnerable segments of society, such as rural, forcibly displaced persons and women. We also recognize that these innovations demand a progressive but prudent re-evaluation of existing regulatory approaches and structures.
- 2 Recognize the need to contribute to an inclusive, prosperous and environmentally sound future by designing and implementing financial inclusion policies and regulatory reforms which are aligned with the Sharm El Sheikh Accord on Financial Inclusion and Climate Change and the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change.
- 3 Acknowledge that there is a persistent gender gap in access to financial services and that close to one billion women globally are financially excluded. In this regard, proactive strategies to consider women's financial inclusion will better inform and enhance our policy objectives. It will also support the Denarau Action Plan on Gender and a global commitment to UN Sustainable Development Goal 5 to achieve gender equality and empower all women and girls.
- 4 Express solidarity with forcibly displaced persons and the countries who host them, and pledge to support the financial inclusion and economic empowerment of those who are forced to flee due to worsening crises and the impacts of climate change - especially on displaced citizens who are being relocated during to rising sea levels. We appreciate the interlinkages between this effort and the wider sustainable development agenda and are in alignment with the New York Declaration for Refugees and Migrants which has been adopted by our respective countries, and the Agenda for Humanity, in a promise to leave no one behind and in recognition that financial inclusion is a shared responsibility.

UPDATE TO 2019-2020

- > 2019 May Banco Central Timor Leste Study Visit to Malaysia on SME Development
- > 2019 June 10th Pacific Islands Regional Initiative (PIRI) EGFIP, Honiara, Solomon Islands
- > 2019 June VISA Training on Accelerating Digital Payments in the Pacific, Honiara, Solomon Islands
- > 2019 June RI 5th Pacific Islands Regional Initiative (PIRI) High-Level Forum, Honiara, Solomon Islands
- > 2019 Oct - Nov, Pacific Regional Regulatory Sandbox Roadshow and Workshop
- > 2019 Nov Workshop PIRI Regional Workshop on Derisking, Sydney, Australia
- > 2020 March 12th EGFIP & Technical Subgroup Virtual Meeting
- > 2020 June 13th EGFIP Virtual Meeting
- > 2020 June VISA Training on Continued Digital Transformation to Support Economic Recovery in the Pacific Islands
- > 2020 Oct RBF-AFI Joint-Learning Program on Inclusive Green Finance Implementation



Solomon Islands. (Photo by K.Pock Pics / Shutterstock)

PACIFIC REGIONAL REGULATORY SANDBOX

The Pacific Regional Regulatory Sandbox is a multi-tenant “test and learn” resource delivered via a formal framework and platform, governed, and operated by eight central banks, to allow FinTechs and interested innovators experiment novel financial services & technologies, business models and other financial innovations in a controlled live environment subject to specific safeguards and oversight.

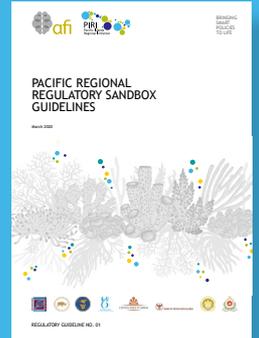
The sandbox is intended to foster, accelerate, and sustain an appropriate and balanced inclusive digital economy that supports the modernization and integrity of payment and financial systems, encourage innovation and competition, promote financial stability and security, and catalyze financial inclusion for all segments including youth, women, older people, rural communities, forcibly displaced, MSMEs and other vulnerable and disproportionately excluded due climate change events.

The financial services innovations, without prejudice to technology, expected to be tested in the regional sandbox must show great promise and progressive potential to benefit and deliver value across industries such as agriculture, tourism, fisheries, MSME, cross border commerce and trade etc., via relevant several use cases including but

not limited to, digital payments, digital credit, remittances, micro-insurance, innovative savings, investments and pensions products and services, payment aggregation, transaction processing and settlement, e-commerce, bill collections, green finance initiatives and much more

The sandbox is coordinated, operated, and availed through an integrated portal found here: www.pirisandbox.org; where expressions of interests, enquiries and applications are accepted without placing undue complexity, time, or effort on applicants with drawn-out duplicate processes probable with engaging with multiple jurisdictions.

More information on how innovators using technology for good can participate and do business in one of the thriving and beautiful regions of the world can be found in the Pacific Regional Regulatory Sandbox Guidelines.



THE SANDBOX PROCESS



Vanuatu. (Photo by Jantira Namwong / Shutterstock)

DE-RISKING IN THE PACIFIC

De-risking has been a significant issue in the Pacific Islands. According to the Financial Stability Board (FSB) Correspondent Banking Data Report the Melanesia and Polynesia sub-regions saw declines of 47.8% and 43.6% respectively in correspondent banking relationships (CBRs) in the period of 2011-2019, the top two highest sub-regions globally.

Apart from Samoa, all PIRI member countries fall into the top 50 countries globally which experienced the largest cumulative declines in the number of CBRs between 2011 and 2019, with Timor-Leste falling into the top ten with a decline of 73.6% in CBRs over the period.

REGIONAL DE-RISKING ACTION PLAN

The PIRI Leaders and EGFIP Members endorsed the development of a Regional De-risking Action Plan for the Pacific at the 10th PIRI Meeting in Honiara, Solomon Islands in June 2019.

The purpose of the Action Plan is to harmonize PIRI Members' efforts at the regional level and to then drive the formulation and implementation of National Action Plans to reverse or stem de-risking within their own jurisdictions.

Following that, PIRI conducted a two-day workshop in Sydney, Australia in November 2019 to further develop and finalize the action plan with key non-PIRI jurisdictions and regional partners. The workshop emphasized an open and inclusive consultative approach that ensured shared ownership among the stakeholders and attained a consensus on feasible timelines, roles and progress tracking mechanisms.



Papua New Guinea. (Photo by Image Professionals GmbH / Alamy Stock Photo)

OBJECTIVE:

“Increased economic stability in the Pacific region through stable global and regional banking relationships and financial services that are accessible to all Pacific islanders.”

ACTION PLAN CLUSTERS AND DELIVERABLES

CLUSTER 1

Inter-regulator and stakeholder coordination



CO-CHAIRS

Reserve Bank of Tonga,
Reserve Bank of Vanuatu

DELIVERABLES

Coordination strategy for engaging with key stakeholders particularly developed country stakeholders i.e. Australia, New Zealand, and United States banks, regulators, and AML/CFT supervisors.

CLUSTER 2

Diagnostics and monitoring frameworks to track implementation progress



CO-CHAIRS

Central Bank of Samoa,
Central Bank of Solomon Islands

DELIVERABLES

Joint paper presenting an analysis of consolidated de-risking data from regional partners.

De-risking diagnostic, baseline, and monitoring framework for each jurisdiction in collaboration with AFI members and regional partners.

CLUSTER 3

Compliance with AML/CFT standards and risk assessment



CO-CHAIRS

Banco Central de Timor-Leste,
Financial Supervisory Commission Cook Islands

DELIVERABLES

AML/CFT capacity assessment in the Pacific region

CLUSTER 4

Technology-based solutions



CO-CHAIRS

Bank of Papua New Guinea,
Reserve Bank of Fiji, Republic of the Marshall Islands Office of the Banking Commission

DELIVERABLES

Landscaping/feasibility assessment for testing de-risking technological solutions in the PIRI Regulatory Sandbox

TO LEARN MORE, PLEASE CONTACT: PIRI@afi-global.org eliki.boletawa@afi-global.org