



RESERVE BANK OF VANUATU

REPORT ON THE OUTCOME OF THE SECOND ECONOMIC SYMPOSIUM

**“Enhancing Financial Inclusion for a More Equitable,
Inclusive and Sustainable Economic Development.”**

May 2017



Reserve Bank of Vanuatu
Second Economic Symposium
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‘Enhancing Financial Inclusion for a More Equitable, Inclusive and
Sustainable Economic Development’

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SESSION 1: Informal financial instruments are ubiquitous across Vanuatu

“Informal financial instruments are ubiquitous across Vanuatu”; Chairperson: Mr. Benjamin Shing, Acting Director General, Ministry of Agriculture, Livestock, Forestry, Fisheries and Bio-security.

“Majority of adults and businesses in Vanuatu are most likely to use informal sources of savings and credit rather than other products and services from formal financial institutions. Furthermore, although the majority of adults in Vanuatu earn income from agriculture, a significant portion (31 percent) of agricultural income earners are unbanked” (DSS and MSME survey findings, 2016).

The focus of session 1 was to discuss potential ways to address the use of informal instruments by adults and MSME's in Vanuatu. The survey findings showed that “Majority of adults and businesses in Vanuatu are most likely to use informal sources of savings and credit rather than other products and services from formal financial institutions. Furthermore, although the majority of adults in Vanuatu earn income from agriculture, a significant portion (31 percent) of agricultural income earners are unbanked” (DSS and MSME survey findings, 2016).

The session Chairperson provided a brief remark to open the session, and introduced the panellists prior to discussions.

Topic 1: Bringing unbanked farmers and Agri-business establishments into the formal financial system.

“What has been done and still to be done to bring unbanked farmers and Agri-business establishments into the formal financial system.” Moderator: Mr. John Aruhuri, Head of Rural Banking Services, National Bank of Vanuatu.

1. Introduction

In his opening remarks, Mr. Aruhuri noted that rural banking is the most expensive service provided by NBV in its 27 branches and agency networks throughout the six provinces. The service is more of a social obligation than for profit making. According to Mr. Aruhuri, the Bank's financial literacy education program has been successful. NBV's channels of financial literacy comprised of i) published training manuals comprising of , financial literacy education, business start-up and financial records ii) workshops and seminars iii) national radio programs (twice weekly) and iv) rural community banking services.

The results of their financial literacy education program from 2012 to 2015 showed that, 680 workshops were delivered throughout the six provinces with 27,000 participants (46percent females, 54percent males). New accounts opened reached 30,000. A total of 2,200 microloans were disbursed. 1,400 new business were established and 2,700 new jobs created. The number of active customer accounts held at NBV branches in 2013 reached 56,200.

Mr. Aruhuri noted that the NBV has set up 370 banking centres to assist the rural community banking services in its 27 branch network. Credit access is now available from its 27 branches. Since 2003 to 2016, the bank served 8,000 Ni-Vanuatu and recorded an excess of VT2 billion borrowings with a successful recovery rate of 99 percent. The rural communities are serviced through motor bikes, sea, land and air transport.

Rural lending by sector of business showed that the bulk of the lending (76 percent) goes to retail and wholesale business, followed by land acquisition (14 percent), agriculture, (7 percent), and seasonal labour (3 percent).

Mr. Aruhuri said efforts have been made in NBV's rural electronic banking to reduce the cost associated with rural banking, through the introduction of ATMs in Lakatoro and Lenakel and other products such as ISiMS, ISiMani, Satellite accounts and Isinet.

Mr. Aruhuri outlined ways forward to bring the unbanked into the formal financial system and discussed what else can be done to increase lending to the agriculture sector. Deliberations under the latter point is captured under point 2, following this section.

In conclusion, Mr Aruhuri noted that there is a great potential for growth in rural agriculture lending but significant limitations, as outlined in the subsequent discussions, will need to be addressed. Since rural banking is the most costly service provided by the NBV, it meant that it could only roll out its financial education programs once a year, and donor support is essential for a nationwide financial literacy program.

2. Discussions and Policy Recommendations

The session identified problems faced by farmers in opening an account in a financial institution and proposals to address these barriers. A particular issue was how to address credit risks associated with lending to agri-businesses to enable improved or increased lending to the Agriculture sector. Mr. Aruhuri also discussed the potential benefits of using mobile platform applications through mobile phones to address the cost and distance of travelling to the nearest bank branch/agency in the rural areas.

a. Barriers faced by farmers to opening an account in financial institutions.

- i. Know Your Customer (KYC) requirement was identified as one of the main barriers to opening an account in financial institutions. Farmers do not have all documents required by banks necessary for opening an account.
- ii. Lack of financial literacy education for remote rural farmers. The findings of the MSME survey indicated that a higher percentage of business entrepreneurs in the rural areas only completed primary education.
- iii. Lack of confidence in using financial services, due to lack of awareness or low financial literacy levels.
- iv. Farmers in the rural areas are from diverse background and thus work in isolation contributing to the difficulty in opening a bank account in financial institutions.
- v. Limited government extension services for farmers on the ground limits potential assistance in accounts opening or accessing finance.
- vi. High transportation cost in accessing the nearest bank branch.

b. Proposal to address these barriers.

Increase collaboration between financial service providers, the RBV and different stakeholders to undertake following:

- i. Ministry of Internal Affairs – to ensure policies and procedure are put in place that would ease the process and cost to farmers in KYC identification
- ii. Ministry of Education and Training – to proceed with the inclusion of financial education in the Vanuatu curriculum. An MOU has been signed between the RBV and the MOET to address this. Adult literacy is also critical for financial inclusion.
- iii. Ministry of Agriculture, Livestock Fisheries, Forestry and Biosecurity (MALFFB) - to re-establish and expand the agriculture extension services throughout the rural areas to facilitate increased lending and farmer participation.
- iv. Donor support may be required in rolling out a nation-wide business skills training and ongoing programs of financial literacy education to reach out to areas not reached by the NBV.
- v. Limit KYC requirements for farmers.
The NBV has introduced reference from a high status person in the community to facilitate the process of KYC for farmers with no formal identification.
- vi. Creation of farmer associations in rural areas: Farmers should be encouraged to form associations similar to the operations of the cooperatives and credit unions so they can be regulated and formally recognised. This will further ease requirements of the KYC.

- vii. Government should find alternative ways to address the very high domestic transport cost for farmers.
- c. **Risk in lending to the Agri- business**
 - i. Risk of climate change is persistent and must be considered in development planning.
 - ii. High credit risk in agri-business is partly associated with the impact of seasonality and natural disasters and fluctuations in world commodity prices on income of farmers.
- d. **Proposal to increase lending to the Agriculture Sector**
 - i. Enhance collaboration between financial institutions and the MALFFB to address the following:
 - Ensure that domestic and/or export markets must exist or found to absorb supply by farmers.
 - Target industries in the copra, cocoa, coffee, kava, root crops, fruits/vegetables, beef and poultry and offer incentives to attract greater participation.
 - Joint efforts with the agriculture extension services to advice, mentor and support farmers' access to credit.
 - ii. The RBV, as a regulator and a promoter of financial inclusion, should consider exploring the possibility of setting up a credit guarantee or risk sharing facility to minimize lending risks.
 - iii. Improve turnaround time in lending approvals by financial institutions. Lengthy process in approving loans was indicated as one of the reasons limiting farmers from accessing finance in formal institutions.
 - iv. Government should consider addressing the high domestic cost of transport.
 - v. Provide business skills training to farmers. Ongoing business skills training for farmers are essential to sustaining business growth/ expansion.
 - vi. The EDF 11 program should be utilised to contribute to addressing some of these issues.
- e. **Potential for introducing mobile phone banking to address physical access to financial services.**

Based on the NBV experience, there is greater potential for electronic banking in the rural areas through mobile platforms; however there is lack of confidence among rural farmers and agri-businesses in its use and application. Farmer education on the use of electronic banking is important but takes time.

Topic 2: Creating an enabling environment to improve access to farmers and Agri-businesses

How can the Vanuatu Government collaborate with financial institutions to create an enabling environment to improve access to farmers and Agri-businesses"? Moderator: Mr. Antoine Ravo, Director, Department of Agriculture and Rural Development.

1. Introduction

Topic 2 of the first session focussed on how to ensure farmers can access and use financial services and products. The moderator, Mr. Ravo, introduced the topic and provided his insight from the view point of a policy maker. The group shared information about what has been done and discussed what is yet to be done to address the challenges faced by farmers and agri-businesses in accessing financial services.

The group discussion was mainly focussed on how to address the following main issues:

- a. The distance, time taken and cost incurred to access financial services.
- b. The challenge of literacy and numeracy or capacity building; and
- c. The difficulty in having or meeting collateral requirements.

2. Discussions and Policy Recommendations

Long distance, time taken and high cost incurred to access the financial services

- a. The group noted that the challenge of remoteness meant an inevitably high transportation and other incidental travel costs for agriculture farmers. The group also discussed the considerable time spent by the farmers to reach access points and recommended that the existing networks - ICT or organisations and institutions' networks - be further developed, strengthened and utilised to bring the financial services and products to the remote users. There is also the possibility for government to consider subsidizing banking cost to enable other banks branches in outer islands of Vanuatu.

Capacity building, literacy and numeracy

- a. Training programs have been rolled out in the rural areas by the Cooperatives Department, TVET and other training providers including the National Bank of Vanuatu. However, several concerns were raised. These include among others, the relevancy of the courses, the level or appropriateness of training language or language of instruction and whether there have been adequate awareness of the training courses, or, whether there have been incentives to make the training more appealing for the farmers.
- b. It was mentioned that in order to develop capacity among farmers, business training courses have to be tailored to suit the level and the needs of the rural farmers. It was reported that there are 3 business training courses accredited by the Vanuatu Qualification Authority (VQA) that are now being offered through TVET training programs as part of a government policy program called 'The Vanuatu National Policy for Adult Literacy and Numeracy'. This policy should be tailored to ensure farmers can use the banking system.
- c. It was also suggested that in order to increase awareness about the importance and the availability of business training courses, that existing networks (ICT communication networks, and the communication networks of the organisations and institutions, digital services, the churches, the Youth Council, the cooperatives, VTU networks etc.) be utilized to improve awareness about existing financial services and products.
- d. The group also discussed the need to encourage and motivate farmers' attendance of business training courses through incentives such as by pay checks and proper documentation. These can be in the forms such as allowance for farmers who successfully complete training courses, and the creation and publication of success stories of businesses that have benefited from financial and micro-finance schemes.

Because of lack of collateral the farmers have limited access to formal credit

- a. The group reiterated the issue raised by the Moderator in his introduction, concerning the need to encourage farmers to register and use their immovable and movable assets as collateral as provided under the Personal Property Securities Act, which was passed by the Government of Vanuatu in July 2008. An electronic registry was developed at the VFSC in April 2009 to register security interests. The most active users of the registry have been wholesaler businesses and the banks.
- b. The group also discussed and agreed that the Reserve Bank of Vanuatu should work in close coordination with the central government to review or encourage the use of farmers association and link agriculture farmers to the formal banking system. For example, farmers will register in an association and the association can collectively bargain and obtain loan on behalf of its members (farmers) and in turn lend concessional to individual farmers. This link through

associations is much better, realistic and workable according to some members of the panel during discussion. The Vanuatu government is embarking on the new Vanuatu Farmers Association Bill to be passed in parliament so the Reserve Bank of Vanuatu may want to look into supporting this.

Topic 3: Equating the access and usage of financial services and products offered by financial Institution to adults and businesses.

“How to equate the access and usage of financial services and products offered by formal financial institutions to adults and businesses.” Moderator: Mr. Johnny Wilson, Managing Director, Credit Corporation Vanuatu Limited.

1. Introduction

Mr. Wilson’s discussions evolved around the following sub questions:

- a. Discuss barriers preventing adults from transacting after opening a bank account.
- b. Discuss barriers preventing business from accessing and using financial services and products (loans, savings, insurance, internet banking).
- c. Is there a potential for digital finance (mobile phone banking, internet banking) to address access and usage for financial services, in particular for rural adults and businesses.
- d. Is equating access and usage of financial services and products feasible in Vanuatu?
- e. Discuss possible ways the RBV, as a promoter of financial inclusion, and financial service providers can collaborate to equate access and usage of financial services and products in Vanuatu.

In the discussions on the barriers to access and usage of financial services, Mr. Wilson shared his 20-year experiences working for the ANZ Bank. The main barriers and constraints for not using financial services of commercial banks or a more active use of existing bank accounts, are mostly due to the issues highlighted in the discussions below:

2. Discussions

- a) Savings habit (adult) - For instance, rural people have no access to commercial centers and supermarkets as compared to those who live in the urban areas. Therefore, most income earned through agriculture is saved within the household or hoarded (under the mattress, buried, etc.). The rural people have a “saving habit/mind”. Once they begin to save money, it can quickly develop into a saving habit which continues to improve overtime. But their bank accounts can become dormant given lack of activity compared to the saving habit of those in the urban areas.

MSMEs, by contrast, tend to hold onto cash and open a business saving account at a later stage.
- b) Income irregularities – Income earned in the rural areas, such as from copra and cocoa sales tends to be seasonal. Equally, fluctuations in income of fishermen depend on factors such as the weather and input costs, such as for fuel. Accounts or savings patterns can also be related to the motives of why the account was opened - whether it was savings or for transactional purposes. For instance, if it was savings for custom ceremonies, marriages and other rituals, the account will be used only when these events occur. On the other hand, in the urban areas, however, individual customer accounts are more active as the customer may have a regular income and need to withdraw regularly to meet basic needs. For such a customer, the account can become dormant during periods of unemployment.

- c) **Transport Cost** – Transport cost is a major barrier which discourages an individual adult or business to access or use a commercial bank services.
- d) **Lack of proper Infrastructure** – The lack of proper infrastructure such as roads is an important barrier concerning access to commercial bank financial services/products. For example in some remote islands (Malampa), individual adults need to travel by boat to access a commercial bank branch and the distance and cost to financial access points are significant obstacles to access financial services.
- e) **Account opening requirements** –The required documentation for account opening such as birth certificates, passports, and driver's license etc... for the purposes of KYC are not readily available for rural people and presents a significant barrier for access and usage of financial services.
- f) **Needed products for the rural and the unbanked** – The current products offered by commercial banks may not be suitable for the unbanked or rural people. Commercial banks need to provide products which is needed and affordable for rural clients.
- g) **"Frog-banking"** – "Frog banking" can also cause an account to be inactive due to customers having opened many other accounts in other banks. In other words, customers are looking for better financial services that meet their financial needs.

3. Policy recommendations

Given the barriers outlined above, several policy recommendations were discussed based on the following:

- a. **Fostering an enabling environment:** An environment enabling the establishment of more bank agents in the rural areas is of prime importance. This will enable easier access to financial services offered by bank agents in the rural areas.
- b. **Awareness, education, financial literacy in schools** is crucial. Many people found it difficult understanding products and services offered by commercial banks, such as loan products, term deposits, saving deposits etc. and how these suit their banking and financial needs and the community as a whole. The terminology used in banking products and services are also difficult to understand by rural people. It is recommended that awareness or marketing of bank products and services be made in a simple language which can be easily understood by the rural people. It was suggested that the awareness and marketing of bank products be conducted in Bislama as well as each individual island local dialect.
- c. **Mobile coverage:** Coverage for mobile banking services in rural areas is an ongoing activity but needs to be strengthened and broadened in areas where access is difficult or limited. Commercial banks also need to develop products and services that use the services of mobile network operators (Digicel, TVL) so usage and access to financial services can reach the rural people and the unbanked.
- d. **Financial literacy and entrepreneurship trainings** must be introduced in Rural Training Centers. Reports and experiences have shown that people in rural areas are business-minded. Therefore, focus should be concentrated in these training centers to enable those interested to start a business and have access to financial services and products immediately after their training.

- e. Develop suitable and affordable banking products. Commercial banks need to develop a uniform product for all ni-Vanuatu with no fees or charges. This product can be called “a Ni-Vanuatu account” targeting mainly the rural people. The awareness for this product is to be made simple as possible for understanding by the rural people and should be made more flexible.

Topic 4: **MSME entrepreneurs mostly excluded from accessing financial services and products.**

“Why are MSME entrepreneurs mostly excluded from accessing financial services and products from formal financial institutions?” Moderator: Mr. Ashok Kumar, Managing Director, Colorite Graphics Printers Ltd.

3. Introduction

The facilitator pointed out that MSMEs are marginalised in the formal financial system because they are not well supported by the financial institutions. He referred to issues such as very high interest rates offered by financial institutions, high debt repayment versus repayment capacity and other financial issues which are highlighted in the discussions, below.

He noted that non-financial factors which affect businesses in Vanuatu are vulnerability of natural disasters, high cost of production, lack of skilled labourers in specialised fields and very high government taxes/fees.

4. Discussion

MSMEs do not receive enough support from formal financial institutions to be able to develop and grow into larger corporations.

The arguments raised in support of the above includes:

- a. The interest rates offered by commercial banks and other financial institutions are very high and not affordable by MSMEs. Thus small businesses faced difficulties in capital investment needed to improve and grow.
- b. Due to very high interest rates, the cost of start-up capital and debt repayment are quite high for MSMEs compared to the profits they earned. Therefore, most businesses only break even or make losses and inhibits the development to larger corporations.
- c. Banking documentations and processes are very difficult to comprehend by small entrepreneurs, especially in the rural areas.
- d. There is less awareness of financial services and products available to MSMEs. Thus MSME entrepreneurs tend to rely more on informal financing to support their businesses.

5. Resolutions

- a. There is a need to create a platform to facilitate dialogue between the government (policy makers) and financial institutions for the development of products/services that suits the needs of MSMEs.
- b. There is a great need to educate or improve capacity building among small businesses at provincial levels.
- c. Government should consider subsidising loans for MSMEs especially in the agriculture sector.
- d. An inclusion policy should be developed by the Government which caters for the needs of MSME in the formal financial system and which will encourage establishment and operation of informal financial institutions in rural areas
- e. Government should work to improve land tenure system to enhance collateralised lending in rural areas.

Topic 5: A country case study

“A country case study: How do we address barriers such as lack of identification, distance to access points and preference for cash that prevent setting formal accounts in banks? Are there any policies to improve access to finance for adults and businesses?” Moderator: Mr. Eliko Boletawa, Head of Policy Programs and Regional Initiatives, Alliance for Financial Inclusion (AFI).

1. Introduction

Mr Boletawa introduced this topic by pointing out that compared to other topics in this session, topic 5 was a country case study which aimed to share a country experience on a particular topic and what Vanuatu can learn from this.

The case study was on Kenya and how it uses digital platforms to enhance access to finance for Agricultural farmers. Mr. Boletawa further pointed out that in Vanuatu, based on the findings from the recent DSS and MSME survey, it was noted that the use of mobile technology is very high, and that there is a rapid growth in the use of this particularly technology even in the rural areas. Therefore, Vanuatu can leverage off the Kenyan case and use digital platform to address Agricultural Finance.

A presentation was presented to members of the group before discussions. The details of the presentation is outlined below.

2. Presentation



Case Study: Kenya

AFI Member: Central Bank of Kenya

Policy Area: Agriculture Finance

Kenya is a country in East Africa with coastline on the Indian Ocean. It encompasses savannah, lakelands, the dramatic Great Rift Valley and mountain highlands. It's also home to wildlife like lions, elephants and rhinos.

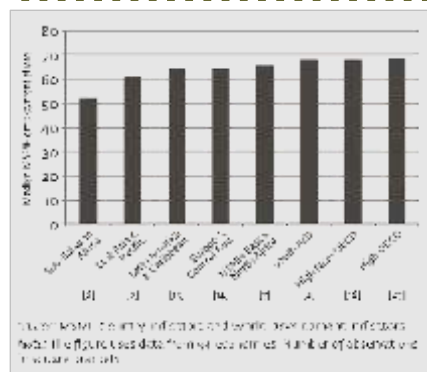
Capital: Nairobi
Population: 46.05 million (2015) World Bank
Currency: Kenyan shilling
Official languages: Swahili, English

Bringing smart policies to life

Africa - The Landscape: Some Facts

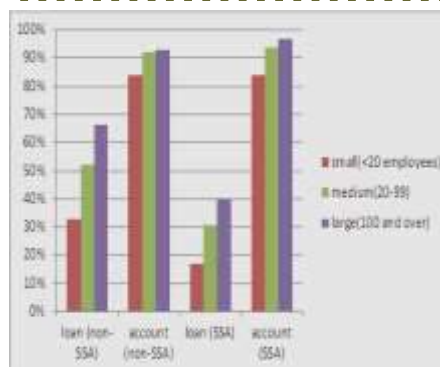


53% and 66%
of employment in sub-saharan Africa
and Middle East & North Africa are
created by MSME



Source: IFC, World Bank (2014), MSME Country Indicators 2014

16,5%
of MSMEs from African countries have
loan against 28,6% from the rest of the
world



Source: World Bank (2014), Working Paper 7018

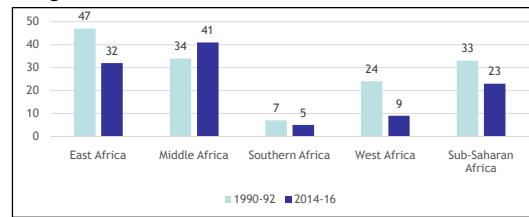
Bringing smart policies to life

...supports poverty reduction and food security



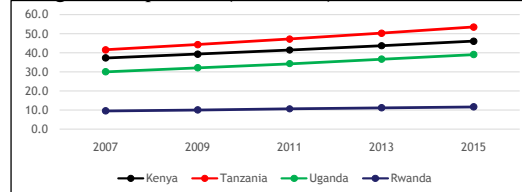
- Robust agricultural sector can:
 - ✓ Reduce poverty - agriculture-led growth significantly reduces poverty
 - ✓ Ensure food security - 23% of SSA undernourished
 - ✓ ...amid growing population: SSA population has grown by 28% in 2006-15, thus more people to feed
 - ✓ Food secure population improves their health and living conditions

Figure 4: % Undernourished, 1990-92 v. 2014-16



Source: FAO, 2015

Figure 5: Population (in millions), 2007-15



Source: World Bank, World Development Indicators

Bringing smart policies to life

...the finance gap persists due to supply- and demand-side barriers



On the supply side:

- **Limited ability to accurately assess risk in the rural agriculture sector** - lack of financial data, insufficient collateral, seasonal revenues, and unpredictable weather conditions;
- **High distribution and transaction costs** - distributing services in rural areas can be costly, and the value of financing for smallholder farmers is commercially unviable;
- **Insufficient sectoral expertise** - financial service providers may lack the sectoral know-how to link farmers with appropriate financial products tailored to their unique needs.

On the demand side:

- **Prohibitive red tape and collateral requirements by lenders** impacts smallholder farmers significantly;
- **Limited access to financial services** - limited financial touchpoints (bank branches or agents), especially in rural or remote areas, due to high costs;
- **Poorly-designed products and limited financial education** - many financial products are not tailored to the farmers' specific needs; they may also lack the knowledge to utilize these products
- **Limited access to markets** - due to several factors including infrastructure conditions and limited knowledge.

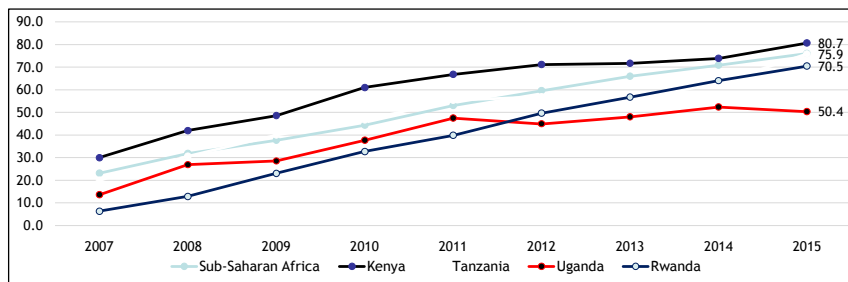
Bringing smart policies to life

Digital technology is transforming agricultural finance...



- Rapid expansion of mobile access across SSA, up to 76 percent in 2015:

Figure 10: Mobile subscriptions per 100 people, 2007-15



Source: World Bank, World Development Indicators

- Leveraging digital technology to enhance access to financial services among farmers → innovators are tapping into digital channels to address barriers and expand access and usage of financial services among smallholder farmers

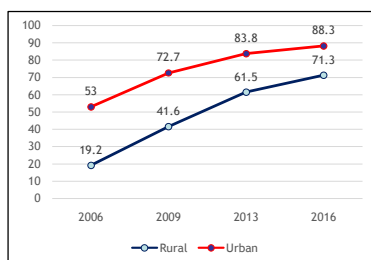
Bringing smart policies to life

...by expanding reach of services to rural populations, women



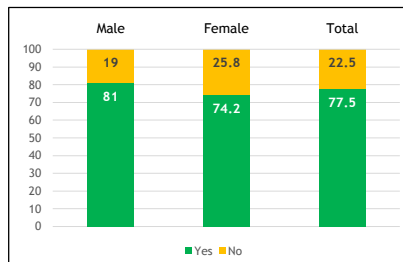
- Mobile connectivity creating opportunities for rural populations and women, historically under-served by financial institutions:

Figure 11: Kenya mobile ownership, 2006 - 16



Source: FinAccess Household Survey 2015/16

Figure 12: Kenya mobile ownership by gender, 2015-16



- In Kenya, **71.3%** of rural adult population and **74.2%** of women own mobile phones

Bringing smart policies to life

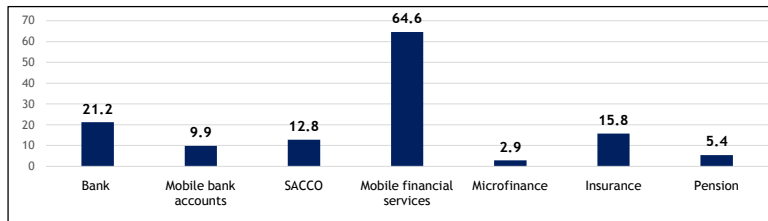
...digital platforms innovations for farmers



- Mobile financial services networks in many African countries has lowered transaction and distribution costs of reaching rural customers:

✓ In Kenya, nearly 65% of workers in the agricultural sector now use mobile financial services

Figure 13: Usage of financial services by Kenya's farmers, 2015/16



Source: FinAccess Household Survey 2015/16

- Credit providers leveraging mobile technology to introduce services/products for smallholder farmers. E.g. *KCB Kenya M-Kulima platform* -
 - ✓ enables small-scale farmers to access insurance, credit and savings via mobile phones;
 - ✓ allows farmers to share and access information on crop and livestock management, pricing, produce markets, production improvement and agricultural and entrepreneurship training sessions.

Bringing smart policies to life

...digital innovations for farmers



- Innovators are leveraging digital data to develop credit scores for assessing risks -
 - E.g. *FarmDrive in Kenya* - compiles data from various sources, including mobile phone use data, to generate credit scores for smallholder farmers; lenders use this data to develop small-scale agricultural loan products
- Lenders are mining customer data to understand agricultural clients and design suitable products
 - *KCB Kenya* uses data analytics to identify existing clients in agricultural sector, test how well current products meet their needs and develop new business models
- Supply chain frictions (lack of price transparency and high costs associated with delivering products to the marketplace) impoverish farmers. Innovators working on digital solutions to these frictions and enhance efficiency of agricultural supply chains:
 - *2KUZE (Kenya)* - uses mobile tech to provide price transparency and more direct access for farmers to buyers, thereby enabling farmers to capture a greater percentage of the wholesale value of their goods
 - *M-Soko (Kenya)* - web-based platform to connect buyers and sellers
 - *Twiga Foods (Kenya)* - mobile-based, cashless platform connecting *mama mbogas* with produce suppliers
 - *M-Cow Africa (Milk Cow Africa) Initiative* - Leverages on digital platforms to train youths, women, disabled people in rural areas; provides a dairy cow, makes feeds, breeds and livestock data management, installs biogas for cooking, lighting and running simple machines. Targets poverty alleviation and deforestation

Bringing smart policies to life

...digital innovations for farmers



- Kenya Agricultural Insurance and Risk Management Program (KAIRMP) - uses “area yield” approach where farming areas are divided into insurance units. If average production in one of the units falls below a threshold, all insured farmers in the unit receive a payout. KAIRMP introduces a digitalized method of collecting crop yield data, using statistical sampling methods, GPS-tracking devices, and mobile phones, hence greater accuracy and transparency.
- “Kilimo Salama” (Safe Agriculture) - a “pay as you plant” micro-insurance that allows farmers (especially small-scale) to insure their crops in Kenya against drought/floods. This leads to better productivity and increases food security. Kilimo Salama is distributed through 40 local agro-vets in Kenya, who register Kilimo Salama using a scanner with tailor-made software that allows for paperless registration and immediate confirmation to the farmer of the policy. The technology lowers transaction costs to about Ksh 5). Agro-vets collect premiums and transfer these in bundles through Mpesa to the insurance company.
- By end of 2015, nine (9) insurance companies in Kenya offered Agriculture Insurance Policy covering crops (damage or loss due to fire, windstorm, excessive rainfall, drought and uncontrollable pests and diseases), livestock (death and theft of animals), horticultural crops (against fire, theft, impact damage, plane crash and water damage. Machinery such as compressors, irrigation equipment, green houses), and Forestry (Tree Crop) Insurance (against damage from fire, lightning, explosion or windstorm).

Bringing smart policies to life

Questions to think about...



- The use of modern technology and innovative delivery channels and methodologies have transformed the financial services sector and expanded financial inclusion (access, Usage, Quality and impact) though gaps still exists:
 - Rural-urban gap
 - Gender, age and education gaps
 - Sectoral gaps especially agriculture, etc.
- Given the role of digital innovations in transforming agricultural finance, we need to ask ourselves:
 - What challenges and barriers exist in agricultural value chains that can be addressed by leveraging digital technology?
 - What are the key factors that enable the success of digital solutions for agricultural finance?
 - What policy and regulatory concerns need to be addressed to open up the sector to access markets and finance through innovations?
 - How can regulators stay ahead of these trends to foster innovation while ensuring financial stability and protection of consumers?

Bringing smart policies to life

3. Discussions

Discussions identified the following key areas as origins of the barriers outlined in the topic.

Lack of identification, due to:

- a. No form of national identification system
 - eg. tax identification system on registered businesses
 - eg. no government institution set up to facilitate and administer a nationwide identification system
- b. There is no formal record system in the rural areas to identify locals
- c. Access to formal identification records such as birth certificates is expensive
- d. Awareness to register oneself for identification is very low.

Distance to access points, due to:

- a. Geographical location of our islands from main centre points.
Government services are located only at Provincial headquarters, however, some islands and/or villages are isolated and further away from provincial headquarters.
- b. Poor road conditions, therefore transportation costs to access government services is high.

Preference to cash, due to:

- a. Again, similar to above, geographical location of our islands from main centre points.
Government services are located only at Provincial headquarters, however, some islands and/or villages are isolated and further away from provincial headquarters.
- b. Poor road conditions, therefore transportation costs to access government services is high.
- c. Financial literacy is very low, particularly in the rural areas.
- d. Financial services charges are very high.

The group also identified and addressed the following action points for consideration:

- a. A developed standard registration system is already set up by the Ministry of Education in collaboration with the Ministry of Health. (Source: Mr. Roy Obed, Director Department of Education).
- b. Average ni-Vanuatu is not that too concerned with personal identification documents, therefore advocacy and awareness is very important to address the issue on identification.
- c. There is need for more collaboration and partnerships between Financial Services Providers and Users. Provision of incentives – financial consumer protection scaled down to the lowest level of community.
- d. Telecom regulators to assist in raising awareness via mobile phone network to rural areas, on addressing the importance of having to register in a national registration system.

Awareness on Digital Financial Services to be specifically targeted to local businesses in rural/remote areas..f. To address the leverage of Digital Financial Services on agricultural financing as a platform connecting small farmers with the buyers via digital channels.

4. Policy recommendations

a. There is an urgent need for a national identification system.

Government should set up an institution that facilitates and administers a nationwide identification system that connects/collates beginning with health centres, civil status, registrations in schools, the electoral office, municipalities, provincial headquarters, and the customs department.

b. Advocacy and awareness is very important.

The general awareness on the understanding of the financial system, awareness of the convenient financial services available at your location, as a perspective from the nature of the business and the associated environment—the awareness of the risks associated with engaging in financial services, understanding the process of product delivery, understanding the benefits of engaging in financial services and awareness on use of digital payments compared to cash.

Summary statement by the Session Chairman

The Chairman of the first session, Mr. Benjamin Shing, wrapped up discussions and the 5 panellists' presentations with the following points:

1. Know your customers well (KYC)
2. Reduce regulatory requirement
3. Physical presences reduced
4. Regulate policy environment
 - support services, risk reduction opportunities
 - develop products to address value chain
5. Reoccurring issues: financial education, literacy and awareness

SESSION 2: Women and Youth.

“Women and Youth.” Chairperson: Ms. Patricia Fred, Program Manager, Governance (Gender and Community Partnership), AusAID.

“There is a significant gender gap in bank account ownership and business ownership in Vanuatu. According to the Demand Side Survey findings, 32 percent of female adults report owning a bank account, compared to 41 percent for men. Twenty (20) percent of business owners are women compared to 60 percent male owners, while youth ownership in business was 12 percent. (MSME Survey findings, 2016).”

This session focused on proposals to reduce the gender gap in terms of bank account and business ownership in Vanuatu. The Chairperson introduced the relevance of gender and financial inclusion, in her opening remarks followed by brief introduction of each of the panellist for the five groups before discussions.

Topic 1: Addressing issues of Gender Gap in bank account ownership

How can we address issues of Gender Gap in bank account ownership and the concerns of women clients, balancing protection with expanded outreach? Moderator: Ms. Astrid Boulekone, General Manager, Vanuatu Chamber of Commerce and Industry and President, Women in Business Vanuatu.

1. Introduction

The main emphasis of this panel topic was to put forward alternative ways to address the issues of gender gap in bank account ownership and the concerns to women clients, balancing protection with expanded outreach.

In commencing the dialogue Ms. Boulekone reiterated the survey findings to the group. Concerns were raised that the 32 percent of women owning a bank account is bias as it did not reflect the actual data of female customers in financial institutions (supply side data). Once these supply side data are known, the survey may focus on measures to promote women access and usage of financial services and products going forward. The group also noted that most financial institutions do not give preferences to women, youth or customers with disability.

2. Discussions.

Ms. Boulekone directed the discussions to the following points;

- a. **How to introduce women’s financial inclusion as a specific objective in national strategies?**
 - i. Foremost collect supply side data on women account ownership from financial institutions to supplement findings from survey. Based on these data, policy makers can then look at measures to promote women participation to include that in the national strategy
 - ii. Look at existing avenues that target women then improve on that.
- b. **Quantitative targets to make the gender gap transparent and motivate greater efforts to close the gap**

To increase the percentage of women owning a bank account from 32 percent to 80 percent required these efforts:

- i. Efforts from financial institutions to target segment markets for women.

- ii. Increase awareness from financial institutions on basic financial literacy into the communities to target women in rural villages. Currently, most of the awareness are done in suburban villages
 - iii. Financial institutions should introduce longer term incentives to invest as women are champions in savings for the future of their kids.
- c. How can financial consumer protection be strategically addressed and include suitability requirements, particularly with new product innovations such as digital financial services offerings?**
- i. The group understood that there is no legal framework for consumer protection for financial services in Vanuatu. The MTTCNVB is currently working on the competition and consumer protection policy for Vanuatu.
 - ii. Regarding suitability requirements, women or customers in general need be educated for the purpose of opening a bank account. Also it is vital to understand the financial institution KYC requirements before opening an account. Opening an account and leaving it dormant is a cost to financial institutions.
 - iii. Service providers should adopt a bottom-up approach by going down to the grassroots to understand the impact of financial service/product on the population.

Topic 2: Enhancing the active usage of gender specific products/services

How can we enhance the active usage of gender specific products/services offered to women and youth?
Moderator: Mrs. Caroline Kipe, Money-minded Facilitator, ANZ Bank

1. Introduction.

Points to Consider (while facilitating discussion)

- a. How do we increase research about the financial services needs of women, which would spur the development of better financial products and delivery channels?
- b. What is the regulatory space for innovation? How can legislation be modified to allow new product development and distribution channels so that women can make the most of the opportunities offered by digitization?
- c. How can financial support be given for experimental pilots rather than trying to scale rapidly?
- d. How can policymakers devise risk-based KYC regimes in relation to (women) client risk, which offer potential to increase access to financial services?

2. Discussion.

Following the introduction of the topic by the moderator, Mrs. Kipe, and her insight and view point as a service and products developer and provider, the group reviewed the issues and discussed ways forward to address them. Some of the issues were the low proportion of female employment, the distance and time taken from work to the access points, the inherent culture which intimidates women to be open and able to step forward, and the difficulties surrounding loan security (collateral). Although women are better at saving, it has been observed that women are more prone to hiding away money.

3. Policy recommendations

a. Working Partnership and collaboration among financial institutions and support service providers as a way forward

The group heard about the gender specific products designed for women such as by ANZ or what has been done by BSP in partnership with VANWODS, etc. It was observed that working in partnership using existing networks has been the way forward to address the challenges posed by distance, lack or poor infrastructure, and high cost of operation. Examples of these include, the ANZ (ANZ-Go Money) and BSP, in partnership with wholesale/retailers and VANWODS, respectively.

While acknowledging the developments done so far by the commercial banks and the micro-finance institutions etc., the group suggested that there should be more collaborative efforts between the current financial institutions, micro-finance institutions and providers of support services to further enhance and promote the existing and the newly developed products, and that the ICT networks be made use of to further develop digital financial services.

b. To develop gender friendly environment

In regards to ways forward to encourage women overcome fear and to come forward and become inclusive, it was recommended that Government should look into policies to address this issue from the level of households and business houses (as employers). Husbands and employers should take responsibility and develop gender friendly environment at home and at the workplace which will assist women overcome their fears.

c. To encourage the use of existing networks for the awareness about trainings and promotion of products and services

Furthermore, the awareness on existing financial products and the available training to women and youth groups should be channelled through the other networks such as VTU credit unions, youth council, vocational training centres (e.g. TVET), churches etc..

d. To integrate women and youth business development initiative into the rural cooperatives development initiatives

In addition to institutional networks, the group recommended that rural cooperatives be reintroduced to remote areas but they need to be integrated into other initiatives such as women and youth development initiatives.

Topic 3: Types of gender specific policies to be undertaken by the Government and stakeholders.

What kind of gender specific policies can be undertaken by the Government and other stakeholders to improve women's financial inclusion? Moderator: Dr. Andrina K.L Thomas, ETM Consultancy Services.

1. Introduction

The moderator commenced the discussion by explaining the Economic Symposium theme and advised the group that the panel discussion will evolve around the following sub questions:

- a. What are the latest Government policies and policy actions taken so far to improve the women's participation in business, and what else can be done to further improve the current situation?

- b. How can we increase efforts to collect more gender-disaggregated data and conduct more research (policy research and market research) on the economic and social dimensions of women's financial inclusion?
- c. How can we develop regulations allowing for moveable or reputational collateral that consider the structure of women's assets?
- d. How can countries establish collateral registries that accept all types of collateral that women may have access to?
- e. How can we expand the coverage of credit reference bureaus?
- f. How can we expand payment systems for innovative Government to People (G2P) programs, thereby allowing for initiatives of particular interest to women, such as conditional cash transfers linked to financial products and services?
- g. How can equal rights be codified by changing laws, specifically by removing discriminatory provisions in family and marital law, and removing legal restrictions for women to conduct certain activities?
- h. What steps can be taken to adjust the age of retirement, thereby allowing women to work longer and reinforcing women's participation in the economy?

2. Discussion

As the guiding questions require appropriate policy solutions to address the issues outlined, the facilitator was concerned that the disability issue was not considered in the topic questions and reminded the group audience that it be included in the financial inclusion agenda. Reaffirming her concern about disability in Vanuatu, she argued that Vanuatu does not have a proper policy to address the disabled. She gave an example of her son with disability who graduated with a degree but is still without employment. She noted that a healthy nation must include the issue of disability on its development agenda and requested that this be included when discussing marginalized groups such as women, youth and the disabled in financial inclusion. She also explained that women are vulnerable to violence, lack of access to finance and the job market etc. In terms of access to finance, women are less likely to access loans from commercial banks as they do not have direct control ownership on properties such as land in some parts of Vanuatu as loan collateral. Furthermore, there is no credit guarantee and credit bureau in Vanuatu to assist and improve women participation in business and financial inclusion as a whole. Therefore the group discussed some policy recommendations to be considered as outlined below.

3. Policy recommendations

- a. **Empower RBV to collect data:** The RBV Act should be reviewed and include a provision to allow RBV to collect data from financial institutions, service providers and other stake holders on the participation of women, youth and disability groups in the economy.
- b. **Central Data Base:** Discussions revolve around having a central data base system to collect statistics on the participation of marginalized groups as a first step (women, youth and the disabled) in the economy. This was seen as a major obstacle for the development of women, youth and the disabled. Therefore there was a suggestion for women reps/youths to act as enumerators to collect data using a standardized format (for longitudinal study) on a regular basis to be submitted to the central data base system for policy formulation and decision making. Enumerators for data collection should undergo consistent training on data collection surveys. It was also suggested that cooperative branches and other merchants in the rural areas can be utilized to collect data.;

- c. **Empower Women:** There is a gender protection equality policy section that addresses women empowerment (National Gender Equality Policy 2016). This policy needs to be reconsidered and enforced accordingly. In addition, retired women, after legal years of work years, should be offered some incentives for contractual employment.
- d. **Legislations to capture women empowerment:** There are sparse legislations for women empowerment in government ministries. There is need to **mainstream policies for targeted groups (women, youth, disabled) in every government line ministries** and the private sector.
- e. **Community rehabilitation program:** This needs to be strengthened and focus should be centered on advocacy and implementation of programs tailored to the development of women, youth and the disabled.
- f. **Establishment of a credit bureau:** The government should consider the establishment of a credit bureau that replicates accepted minimum standards of other Pacific island countries such as Fiji, which has established a credit bureau.
- g. **Establish Government- to- Person payment system.** The Government should consider the use of mobile platforms such as mobile phones to access financial services. This however should be based on RBV payment system policy.

Topic 4: Strengthening financial literacy program offered by different institutions to empower women entrepreneurship.

What and how can we strengthen financial literacy programs that are offered by different institutions to empower women entrepreneurship? Moderator: Mrs. Julie-Ann Sala, Chief Operating Officer, Vanwods MFI

1. Introduction

In her opening remarks, the facilitator, Ms. Sala gave a brief background on VANWODS Vanuatu, and what it has done with regards to MSME financing and women entrepreneurship programmes in the country. The brief background information are outlined below:

- a. VANWODS is a microfinance network working and dedicated to eradicating poverty by empowering women in rural villages with the opportunity to start, grow and maintain sustainable, income generating micro-enterprises.
- b. The success of this microfinance program is based on the products developed, which suits the need of the disadvantage groups (women, youth and disabled)
- c. The products are inclusive.
- d. VANWODS have been collaborating with the ANZ Bank to provide financial literacy trainings & services (ANZ Money-Minded program)

2. Discussion and Resolutions.

Discussion among members of the group shed light on some interesting issues that act as barriers to financial literacy and empowerment of woman entrepreneurship. The issues discussed involved:

- a. Financial literacy training providers such as VCCI, TVET and other financial institutions (ANZ, NBV), are very fragmented and not well coordinated in terms of the content of their training programs. They are all providing the similar type of training to entrepreneurs, which only lead to confusion.

- i. For example, ANZ might provide a book keeping training to a community this month, the following month TVET comes with training on another system of book keeping and other training providers may also do the similar programs.
 - ii. To solve this problem, the group noted that a well-coordinated training program between training providers is needed. This will ensure that all aspects of financial literacy programs are covered efficiently by the training providers.
- b. Adult literacy rate in Vanuatu is still an issue of concern, and needs to be addressed before financial literacy can be improved. According to the Vanuatu Qualifications Authority (VQA) representative, an adult literacy program bill have been passed by CoM (Council of Ministers) and should be discussed in parliament soon, which would pave the way for an improved adult literacy program in Vanuatu, and lead to an improvement (indirectly) in financial literacy.
- c. The government should encourage stronger donor partnership in the funding of financial literacy trainings and other related programmes.
- d. Financial literacy is an issue that must be addressed early in the beginning of a child's development. Parents should involve their children in simple saving strategies such as using piggy banks and how to spend money wisely. Furthermore, financial institutions should take the leading role in encouraging saving accounts for children. These strategies will enable children to be more aware of financial behaviours as they grow older and become more financially literate.

Topic 5: Measures to be taken by the Government and other stakeholders to bring more youths into the MSME/business sector

What measures can be taken by the Government and other stakeholders to bring more youths into the MSME/Business sector or moreover the Financial Inclusion space? Moderator: Mr. Joe Higgs Kalo, Principal Administrator, Vanuatu National Youth Council.

1. Introduction.

The moderator, Mr. Kalo began by introducing the topic and giving a brief summary of the work being done by the VNYC to address issues faced by young people in Vanuatu particularly in starting a business or accessing a financial service or product. He then opened up discussion to the group. The discussions were focused primarily on the current measures that are already in place such as:

- a. The Ministry of Education in collaboration with TVET, has implemented new teaching techniques to develop youth interest in business. Already implemented in the curriculum for Years 1 to 4 within the education system, this teaching technique is designed to address basic financial practices such as savings and expenditure.
- b. However, from a financial and commercial banking perspective, the curriculum should design teaching techniques that directly encourages youths to engage into business ventures and to be more formally aware of financial aspects of venturing into business activities.

2. Discussion and policy Recommendations

By way of policy recommendations to support the current existing measures that are already in place, the following recommendations and/or action plans were identified as outcomes from discussions:

- a. **Create an enabling environment**
Create an enabling environment to enhance and facilitate youth engagement into businesses. For example, the Government should introduce a venture capital financing scheme that enables

youths to access easy start-up capital for businesses. It should establish a Pool Funding Mechanism that is targeted to address and facilitate youth and women participation in business.

b. Incubation and mentoring program

Establish a mentoring program for the youths and women. This can be used as an initiative to boost general confidence. Establish a program that rewards and promotes the current successful young entrepreneurs as role models, particularly for the youth groups and women.

c. School of Business/ Business Training Faculty

For the government to set up a School of Business that is specifically tailored to teach youth and women on business startups and how to manage a business.

d. Use of Digital Financial Services

Since youths are well versed with technology, the government should capitalize on this and promote digital financial services via mobile platforms through phones, tablets, laptops, etc.

Summary statement by the Session Chairperson

1. Understanding of how to use money/ role of money or monetary value
2. Customer protection mechanism – right to information
3. Services providers to understand the impacts at the community level
4. Financial literacy to be addressed
5. Using the existing networks to collect and share standard data;

Information well-coordinated can be a powerful tool to bring about positive impact

6. Use of standardise forms (for comparability analysis)
7. Mentoring of Youth in business (TVET programmes)

SESSION 3: Problems faced by MSMEs in Vanuatu

“Problems faced by MSMEs in Vanuatu.” Moderator: Honorable John Silik Sala, Member of Parliament.

“Businesses indicated that the main problem for their businesses is lack of infrastructure, lack of training, and lack of support services for business development. Also businesses indicated that external financing through loans from commercial banks is the main problem due to high interest rates. Furthermore, businesses indicated that they do not need insurance. Why?”

Session 3 covers the problems faced by businesses. In this session discussions were targeted at the key problems identified by the MSMEs during the survey. The key problems were lack of infrastructure and support services for business development, high lending interest rates and lack of insurance on businesses. Guidance was provided by the Chairman, Honorable Sala, who introduced the topic and session panelists.

Topic 1: Equating the access and usage of financial services and products offered by formal financial institutions to adults and businesses.

How to equate the access and usage of financial services and products offered by formal financial institutions to adults and businesses. Moderator: Ms. Nancy Wells, Senior Country Coordination Officer, Extended Mission – Vanuatu, Asian Development Bank

1. Introduction

The discussions focused on proposals for the government to strengthen support services to MSMEs through infrastructure development. In opening the discussions, Ms. Wells gave a brief background on the importance of infrastructures and the current status on infrastructure development in Vanuatu. Ms. Wells strongly emphasized the importance of infrastructure in stimulating economic activity. Infrastructure involves transportation (roads, wharves, and airports), electricity, clean water/sanitation, solid waste and telecommunication. Infrastructure in either forms on land or marine is very critical for business development.

- The Government with support from its bilateral and multilateral partners has provided infrastructure development in Vanuatu both in the urban and rural areas. Examples of key infrastructure development that the government has implemented to date covers the transportation sector such as airports, marine transportation and roads. Airport development includes the following; the recent contract signed between the Vanuatu Government and the CCECC for the rehabilitation of the Bauer field airport, the repair and upgrades of White Grass and Pekoa international airports and government plans to expand and build few domestic airports. Projects in marine infrastructure include, the construction of the Lapetasi and Luganville international wharves. It included reforms in the office of Maritime Regulator, with regards of safety and price. This project also included the Implementation of the Vanuatu Interisland Shipping Support Project (VISSP) and the shipping subsidy scheme, to increase access. The road infrastructure development projects include the Port Vila Urban Development Project, the rural roads program (R4D), major roads program for Tanna and Malekula and others. Ms. Wells noted that as the majority of the infrastructure are in impoverished condition, there is need for additional infrastructure and road development to support business in all provinces.

In her brief on the current development in Electricity, Water, Sanitation and Solid waste and Telecommunication, Ms. Wells provided a survey findings on infrastructure development conducted by the ADB in 2015. The survey found that, over 25 percent of the population have access to electricity, of

which 75 percent were in the urban areas and over 20 percent in the rural areas. Electricity cost is high due to imported diesel fuel and low customer densities. For water, sanitation and solid waste, the survey showed that 99 percent of the urban population have access to good quality water, 65 percent of urban population have access to improved sanitation through decentralized septic systems. However there is still limited access to improved water sources and sanitation in Vanuatu's rural areas. Furthermore, some of these infrastructures were damaged by cyclone Pam. Telecommunication coverage was good, considering that 97 percent of the urban population possess mobile phones and 73 percent possess a mobile phone in the rural sector. However, the use of mobile phones in accessing financial services or product has not been effective. Internet usage has significantly increased especially in the urban areas. Although there is a significant potential in providing mobile banking services to the rural areas, prices for mobile phones and internet are high in Vanuatu.

Ms. Wells noted that the main challenges of infrastructure development in Vanuatu are to do with political instability; high vulnerability to natural hazards; lack of strategic planning in the infrastructure sector; weak implementation capacity and resource constraint as the majority of the infrastructure are donor funded. There is also the issue of limited budget for both infrastructure development and maintenance budget. She concluded by proposing the following recommendations as a prelude to the session discussions:

2. Discussion and Policy Recommendations

The proposals by the group on how to address infrastructure problems faced by MSME businesses are outlined as follows:

a. Economies of scale-concentrate on infrastructure with high returns

Due to the small size of the economy, infrastructure is very costly and policy makers need to concentrate on improving infrastructure that generates greater returns to the population and the economy.

b. Consider alternatives for less cost infrastructure

Labour cost was identified as a factor contributing to the high cost of infrastructure. Concerns were raised about the high cost of engaging foreign technicians associated with project design and implementation. It was noted that technical officials from abroad should be allocated with the supervisory role but the rest of the construction work should be localised using local labour to reduce project costs.

c. Establish Regulatory Bodies to regulate cost of doing business

The Government should consider setting up a separate regulatory authority to regulate the cost of doing business, similar to the URA and TRR. Legislation should be developed to regulate this and address high costs in the economy.

d. Revive National Infrastructure Investment Plan

Work of institutions involved in infrastructure development should be made coherent.

- Within the energy sector, an energy road map has been developed

There is a national infrastructure investment plan in place to strengthen the planning, financing and management capacities of key government agencies and to improve coordination amongst stakeholders and development partners in planning, prioritising and delivery of infrastructure services.

e. Resource prioritisation and debt sustainability

Since resource is a major constraint in Vanuatu, it should be prioritised to areas which are needed. Furthermore, the majority of Vanuatu's infrastructure project are financed by external borrowing and

prudent debt management must be exercised to prevent the accumulation of large debt repayments that could affect other essential services.

f. Strengthened partnership with private sector

Private sector participation should be strongly encouraged considering that donors will assist in funding infrastructure projects with strong private sector partnership. The government needs partnership with the private sector in addressing infrastructure repair and maintenance and should also focus on roads in the rural areas instead of largely focusing on infrastructure development in the urban areas.

g. Possible avenues to finance infrastructure

The current status of Vanuatu graduating from its LDC status to developing country status will affect its receipt of donor financing and support. Donor funding of infrastructure projects can be affected and the Government should seek other financing options of future infrastructure needs.

h. Government to subsidize cost of transport.

Set up a price control unit on fuel as an alternative to addressing high fuel, electricity and transport costs. Domestic fuel prices have been higher than world fuel prices. The Government should therefore consider encouraging competition in the utilities sector.

i. Promote Ni -Vanuatu business in areas where development already exists

The Government should focus on promoting ni-Vanuatu business in areas which are relatively more developed with easier access to business training and other forms of business technical support, coaching and mentoring of business. Focus should then shift to other areas.

Topic 2: Strengthening support services through training, coaching and mentoring for business development.

What and how can we strengthen support services through training, coaching and mentoring for business development? Moderator: Mr. Rob Kaanen, Technical Advisor, Financial Markets Department, RBV.

1. Introduction

The moderator Mr. Kaanen, introduced the topic and reviewed the survey findings. Discussions were focused on ways of overcoming lack of training, particularly relevant business related trainings (such as business management, marketing and computer training courses), low outreach to farmers, and low level of awareness on trainings offered.

2. Discussion and Policy Recommendations

- a. Identify and encourage potential group of people in doing business:** The upskilling and support programs that the seasonal workers have access to through the Recognised Seasonal Employer (RSE) Scheme, was highlighted as a good example for support services to rural businesses. Through the support program, the season workers are equipped with laptops and up-skilled through the scheme support services to be able to use laptops, access internet and to communicate with relatives and friends via email.
- b. Business trainings to be tailored to specific needs of business segments:** The group noted that TVET has started rolling out 3 business courses accredited by the Vanuatu Qualification Authority (VQA). While more accredited courses and more business incubators are encouraged in the rural areas, the group pointed out the need to assess the training needs of the businesses

from the rural areas in order to be able to tailor the topics to suit their needs and level of literacy. Furthermore, literacy is an issue of a concern, and the group noted TVET's training module on Adult Language, Literacy and Numeracy, which is now being made available via TVET's training programs.

- c. **Need for a coordinating mechanism/agency:** While the group acknowledged that some business training courses have been rolled out in the rural areas, it suggested that there should be a coordination mechanism or agency in place to document, coordinate and monitor the roll out of the business training courses, and be able to assess and report on the impact of such programs. The group further advised that the assessment may not necessarily be in the form of surveys, as findings from existing surveys are available and can be used and the administrative records from existing training providers, should be encouraged.
- d. **Better awareness and promotion of training programs:** Proper and better awareness on the importance and the availability of the business training program and the need to tailor the training packages to the needs of the rural businesses community were some of the concerns raised. As ways forward, the group encouraged a more coordinated approach via the existing networks in the rural areas such as cooperatives, the churches, the youth councils, the digital services and audio & video conferencing facilities for a better outreach. Finally, to appropriately tailor training needs and make the courses appealing, the panel suggested that in addition to the need to explain the importance of the business training courses to rural business communities, the training courses should be packaged in a way that caters for incentives such as training allowances, or even better, make recognition available to those who successfully complete a business training course.

Topic 3: Addressing the risks faced by Banks in lending to MSMEs, in particular the high interest rates.

What are the risks faced by Banks in lending to MSMEs? What can be done to address these risks, in particular the high interest rates? What role can the government and banks play to mitigate these risks? Moderator: Mr. Marakon Alilee, RBV Board Member

1. Introduction

Prior to proceeding with the discussion, Mr. Alilee explained the topic question and advised the group that the discussions will evolved around the following sub questions:

- a. What information can businesses provide to be able to access loans from banks?
- b. Do business understand how risk assessment are carried out by banks on business loans
- c. Are there obstacles for businesses in using the personal asset registry
- d. Are the businesses able to provide the required information requested from banks? How can the government help to assist businesses to access finance from commercial banks and other financial institutions?
- e. How can the government help businesses with insufficient collateral to acquire finance from banks?
- f. Do banks fully understand the nature of business of MSMEs? If not, how can this be improved to help banks with the required information to access loans? What roles can the government play in this area?

The composition of the audience was satisfactory as it included CEOs of the commercial banks, Government Regulators (Vanuatu Financial Intelligence Unit and Vanuatu Investment Promotion Authority), stakeholders and other businesses entrepreneurs.

2. Discussion and Policy recommendations

A lot of ideas were shared during the discussions, however the following are some of the key policy recommendations that were discussed:

a. *Relax Bank account opening requirements*

The VFIU has in 2016 relaxed its KYC regulatory requirement on account opening to include the consent of chiefs for rural communities. It also recommended for banks to consider other alternatives to relax account opening requirements for the unbanked population or rural people.

b. *Establish a Business Center*

The government to consider the establishment of a business center to provide support services to businesses such as assisting with the drafting of business proposals, cash flows etc., as support documents to be submitted together with their loan application as well as conduct business development trainings to businesses. Lessons should be learned from other Pacific islands or other countries.

c. *Establish appropriate accounting body for businesses*

Vanuatu to establish a regulatory body to regulate financial and accounting practices (as in Fiji).

d. *Movable assets to act as loan collateral*

Vanuatu to establish appropriate policies for movable assets in the rural areas to act as collateral or consider insuring assets to act as collateral for loans from commercial banks.

e. *Promote credit culture in Vanuatu*

Banks are faced with high credit risks in lending to customers giving rise to high cost of lending. Therefore, there is need to cultivate a credit culture in Vanuatu to encourage people to commit to loan repayments at all times.

f. *Strengthen Financial Literacy*

The government and regulators should work together with the commercial banks to see how the banks can strengthen financial literacy programs on financial services and products available to the rural communities.

g. *Utilize cooperative services in the rural area.*

The government to consider the use of cooperative centers in the rural areas in its services to help MSMEs.

h. *Establish a credit guaranty scheme.*

It is recommended that the government establish a credit guarantee scheme to subsidize loan collaterals for MSMEs during start-up and for capital funding.

i. *High interests rate perception.*

The government should reconsider the perception of the public on high interest rates and find solutions such as through providing interest subsidy on loans.

j. *Cost of doing business in Vanuatu.*

The government should review cost of doing business in Vanuatu.

Topic 4: Making innovative micro-finance products/services available and affordable to MSMEs.

What are some innovative micro-insurance products/services that can be made available and affordable to MSMEs? What do you foresee as hindrances in expanding coverage to the wider population and businesses? What role can the government and the insurance sector play to mitigate these limitations? Moderator: Mrs. Thelma Tapasei, Dominion Insurance

1. Introduction

In this session, Mrs. Tapasei's discussions were more related to the awareness of insurance policies, products available and the processes in insurance documentations. However, there was less emphasis on the questions to be addressed during the group discussion.

Although discussions were not related to questions intended to be addressed, there were few points that were worth noting and are outlined below:

- a. The Insurance products that were available and that are related to small businesses' include Medical Insurance, property cover and general insurance. However, the process to obtain these for MSMEs is quite lengthy and expensive.
- b. Milvik Vanuatu Limited trading as BIMA (an agent for Dominion Insurance Limited) has been in partnership with Digicel Vanuatu, to raise awareness on insurance products and services offered by Dominion to low income earners and underserved communities within the country.
- c. Currently the products and services for insurance companies operating in Vanuatu do not cater for the MSMEs needs.

2. Discussion and Resolutions

- a. Financial institutions/commercial banks should work in partnership with insurance companies to produce insurance products and dealings that will cater for the needs of MSMEs.
- b. A way forward could be for insurance companies to allow MSMEs to make instalment payments for their insurance premiums. This will make it more affordable for small businesses.
- c. To strengthen insurance awareness, the concept of insurance should be included in financial literacy programmes and use of simple technology as SMS via mobile networks to educate people about insurance.
- d. In terms of Government support towards the insurance business, the discussion covered the following points:
 - i. A subsidy could be provided by the government to finance MSME insurance.
 - ii. The inclusion of insurance awareness in the National Financial Literacy programs/curriculum should be considered.
 - iii. The government to work in collaboration with insurance companies and develop a policy for non-moveable assets, especially for agricultural products.
 - iv. Government to ensure certain policy covers are made compulsory such as workers compensation and third party cover.

The discussion in this group clearly indicated that the concept of insurance financing is still not well understood within our society. Though many businesses within the urban areas are familiar with insurance, there are still lots of confusion regarding insurance policies and its terms and conditions. Therefore, insurance companies, financial institutions and the government should work together and promote insurance awareness and make it more accessible for MSMEs.

Topic 5: What is important for creating an enabling environment and policy framework to effectively address problems faced by MSMEs.

Discuss what you think is important for creating an enabling environment and policy framework that can effectively address problems faced by MSMEs? Moderator: Mr. George Borugu, Acting Director General, Ministry of Trades, Tourism, Commerce and Ni-Vanuatu Business.

1. Introduction

After a brief introduction on the topic, Mr. Borugu further noted that the Vanuatu Government is currently working on an SME Bill to be tabled in parliament in the coming months. He further mentioned that the MTTCNVB currently has an MSME policy document in place, however, there is still issues that needs to be addressed, especially at a National level. The group was then given time to share ideas and discuss.

The group discussions identified the following key areas as origins of the barriers outlined in the topic.

- a. There is lack of chain-linked support services on a national level. Within the process of doing business, some government support services are disrupted or contribute to delaying essential and required services for individual businesses, particularly in the rural/remote locations around the country.
- b. Strengthen current existing institutions and/or programs that are already established.
- c. Lack of political will. There is need for political will to drive the approach in addressing issues related to MSMEs.
- d. Continue to support TVET Programs as an initiative to address issues related to MSMEs.

2. Discussion and Policy recommendations

The following policy recommendations and/or action plans were identified as outcomes from the discussions:

a. Holistic approach (political will)

The government should take a holistic approach in addressing MSME issues. There is need for political will to drive the government approach in addressing issues related to MSMEs.

- Create (a) a policy framework; and (b) policy environment; that will support the initiatives put forward to address the issues related to MSMEs.
- Government initiatives to addressing MSME-related issues must be coordinated and all stake holders must be well versed with the steps taken by the government.
- There needs to be institutions and/or programs set up to administer and monitor the government steps/initiatives on the different development stages taken towards addressing MSME related issues. Support services should be readily available.
- Continuity and successional planning is a priority to ensure that government initiatives and/or action plans are not disrupted.

b. Government initiatives/approach to addressing issues faced by MSMEs should be harmonized with standards that are comparable and equitable to international standards.

c. Reactivate or improved trade testing skills

- An appropriate approach is needed to further develop skills in tradesman ship.
- Upskilling locals from basic trade skills to a more target specific area of trade, so that locals are not only focused on engaging in simple business activities, but to ensure that they can broaden the scope and types of business activities available to ni-Vanuatu businesses, rather than having expatriates taking over high earned skilled jobs.

d. Business Resilience

- Local businesses need to be more resilient and adjust to the ever changing environment of business conditions.

Summary statement by the Session Chairman

The chairman of session 3, Honourable MP John Sala, summed up from the 5 panellists' presentations with three points:

1. The points discussed and the ways forward presented by the panellists have to be integrated into the Vanuatu 2030 "The People's Plan" or the "National Sustainable Development Plan (NSDSP) 2016-2030";
2. There has to be a holistic and coordinated approach; and
3. For all these discussions to eventually become a national policy framework and implemented, there has to be political stability and the political will to drive visions forward.

Finally he stated that he is looking forward to see the results of this consultation or symposium eventually tabled in the Parliament, and concluded with a statement - **"Plen I mas land"**.

III. APPENDICES

Appendix 1: The Economic Symposium Program



RESERVE BANK OF VANUATU



RBV ECONOMIC SYMPOSIUM "Enhancing Financial Inclusion for a More Equitable, Inclusive and Sustainable Economic Development" 17 May 2017 Venue: Warwick (Le Lagon) Resort, Port Vila	
7:30 – 8:30 am	Registration
8:30 – 8:35 am	Opening Prayer Vanuatu Christian Council
8:35 – 8:50 am	Welcome & Introductory Remarks Governor Simeon Athy, Reserve Bank of Vanuatu
8:50 – 9:05 am	Role Play on Financial Inclusion
9:05 – 9:25 am	Key note Address Honorable <u>Charlot Salwai Tabimasmas</u> , Prime Minister of the Republic of Vanuatu
9:25 – 9:40 am	Presentation of Key Findings – Financial Inclusion Demand Side Survey Mr. Krishnan Narasimhan, Deputy Programme Manager, Pacific Financial Inclusion Programme (PFIP)
9:40 – 10:00 am	Presentation of Key Findings – MSME Survey Governor Simeon Athy, Reserve Bank of Vanuatu
10:00 – 10:30 am	MORNING TEA BREAK (PHOTO SESSION)
10:30 – 12:00 noon	Session 1: Informal financial instruments are ubiquitous across Vanuatu Majority of Adults and Businesses in Vanuatu are most likely to use informal institutions and other financial institutions products and services other than the products and services offered by formal financial institutions. Although the majority of adults in Vanuatu earn income from Agriculture, a significant portion of agricultural income earners are unbanked.
Chairperson	Mr. Benjamin Shing, Acting Director General, Ministry of Agriculture, Forestry,

	Fisheries and Bio-security
Facilitators	Break-out Sessions Mr. John Aruhuri, Head of Rural Banking, National Bank of Vanuatu Mr. Antoine Rayo, Director, Department of Agriculture and Rural Development Mr. Johnny Wilson, Managing Director, Credit Corporation Vanuatu Ltd Mr. Ashok Kumar, Managing Director, Colorite Graphics Mr. Elik Boletawa, Head of Regional Initiatives and Working Groups, Alliance for Financial Inclusion (AFI)
12:00 – 1:30 pm	LUNCH BREAK
1:30 – 3:00 pm	Session 2: Women and Youth
	There is a significant gender gap in bank account ownership and business ownership in Vanuatu. Survey findings have indicated a lower portion of female adults owning a bank account, compared to male. Similar findings were reported in business ownership with male entrepreneurship having a larger portion than female entrepreneurs. Youth participation in business is still low in Vanuatu.
Chairperson	Ms. Patricia Fred, Director AusAID Gender Advocates, AusAID
Facilitators	Break-out Sessions President, Women in Business Vanuatu Mrs. Caroline Kipe, ANZ Bank Bank Negara Malaysia (TBC) Mrs. Julie-Ann Sala, CEO Vanwods Microfinance Mr. Joe Kalo, Vanuatu National Youth Council
3:00 – 4:30 pm	Session 3: Problems faced by Businesses in Vanuatu
	Businesses indicated that the main problem for their businesses is lack of infrastructure, lack of training, and lack of support services for business development. Also businesses indicated that external financing through loans from commercial banks is the main problem due to high interest rates. Furthermore, businesses indicated that they do not need insurance, why?
Chairperson	Mr. Tom Bayer, President, VCCI
Facilitators	Break-out Sessions Nancy Wells, ADB Liaison Office Office of the Small & Medium Enterprise, Thailand (TBC) Mr. Stefanou Benjamin Alexander, PFTAC Mrs. Thelma Tapasei, Dominion Insurance Mr. George Borugu, Acting DG, MTTCNVB
4:30 – 5:00 pm	AFTERNOON TEA BREAK
5:00 – 5:30 pm	Concluding Statement

2

	Governor Simeon Athy, Reserve Bank of Vanuatu
5:30 – 6:00 pm	Launching of the DSS and SME Survey Booklets Honorable Joe Natuman, Deputy Prime Minister and Minister of Trades, Tourism, Commerce & Ni-Vanuatu Business
6:00 – 9:00 pm	CLOSING DINNER Hosted by Honorable Gaetan Pikioune, Minister of Finance and Economic Management

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Appendix 2: Key Note Address for the Honourable Prime Minister, delivered by the Deputy Prime Minister**RESERVE BANK OF VANUATU**

PMB 9062 – PIERRE BRUNET STREET – PORT VILA – VANUATU

TEL: (678) 23333 – FAX: (678) 24231

EMAIL: rbvinfa@rbv.gov.vu / enquiries@rbv.gov.vu

**Keynote Address by the Honorable Charlot Salwai Tabimasmass, Prime
Minister of the Republic of Vanuatu**

**RBV Symposium: “Enhancing Financial Inclusion for a more Equitable,
Inclusive and Sustainable Economic Development in Vanuatu”**

Warwick Hotel, Port Vila: May 17, 2017

The Honorable Ronald Warsal, the Acting Deputy Prime Minister and
Minister of Justice and Community Services;

The Honorable Ishmael Kalsakau, Leader of the Opposition;

The Honorable Jean Pierre Nirua, Acting Minister of Finance and Economic
Management and Minister of Education;

Honorable Colleague Ministers;

Honorable Parliamentary Secretaries and Members of Parliament;

Chief Representative of Efate ~~Vaturisu~~ Council of Chiefs

Mr. Simeon Athy, Governor, Reserve Bank of Vanuatu and staff of the
Reserve Bank of Vanuatu;

Representatives of the Development Partners;

Representative of the Alliance for Financial Inclusion;

Representative of the Pacific Financial Inclusion Program;

Representatives of Provincial Councils;

Representatives of Women;

Representatives of Youth;

Representatives of business houses;

Members of Bankers Association of Vanuatu;

Members of the insurance companies in Vanuatu;

Ladies and gentlemen,

A very good morning to you all. I am honored to be with you this morning.

Let me first thank you for your presence here and the Reserve Bank of Vanuatu for organizing this important event to dialogue on what undoubtedly is an issue that goes to the heart of all of us. The symposium is timely and presents a platform to consult the wider community on ways forward in delivering greater financial inclusion for households and businesses across our provinces. I salute the work of those who continue to advance the agenda of financial inclusion in Vanuatu, particularly, the Reserve Bank of Vanuatu and to some extent, the banking industry.

Let me first acknowledge the nation-wide surveys on the financial inclusion **Demand-Side Survey** and the **Micro, Small and Medium-Sized Business Survey**, carried out by the Reserve Bank and its partners, which provided the empirical baseline data on the views of the ni-Vanuatu and businesses on use of and access to financial services in Vanuatu. The findings are unprecedented and will provide the basis for intervention by the Government and the Reserve Bank, as regulators, on policies to address a wide ranging financial inclusion agenda in Vanuatu.

In the past, the information about use and access – such as deposits, loans, money transfers and insurance – was provided from the supply side, that is, from financial institutions like the commercial banks. But we are seeing, for the first time, information on access and usage of financial services from the demand side – that is, from the perspective of our people, businesses,

the disadvantaged, women, youth and the low income ni-Vanuatu as consumers of financial services and products.

The Government recognizes that the agenda of financial inclusion must form an important component of an inclusive and sustainable development in Vanuatu. The Vanuatu National Sustainable Development Plan (NSDP): "Vanuatu 2030: The People's Plan", has encompassed financial inclusion as an integral part of its programme. So let me, at the outset assure you of the Government's strong support for the financial inclusion agenda in Vanuatu. Let me also take this opportunity to call for a strong partnership between the Reserve Bank of Vanuatu and the Government on this important agenda. I am encouraged to note that the Reserve Bank of Vanuatu has entered into three MOUs with the three ministries namely, the Ministry of Trade, Tourism, Commerce & ni-Vanuatu business, Ministry of Education and Ministry of Agriculture, Livestock, Forestry and Biosecurity to work together to advance financial inclusion in Vanuatu.

Our Constitution incumbents the Government to ensure the protection of the fundamental rights including to life and liberty and the protection for the privacy of home and other property from unjust deprivation of property of all its citizens. Financial inclusion forms part of rights to financial services as consumers. In delivering the agenda of financial inclusion, the Government and the Reserve Bank must ensure that no stone is left unturned and that no one is left behind.

I urge the Reserve Bank, and its partners, such as the Pacific Financial Inclusion Program (PFIP), to begin setting concrete financial inclusion strategies in Vanuatu that is deliverable based and aligned to Vanuatu's "National Sustainable Development Plan: Vanuatu 2030".

I call on the donor partners who have been supporting the work of the PFIP in the region to seriously consider a separate bilateral program for Vanuatu on financial inclusion that will support the work of the PFIP in the development of future strategies on financial inclusion in Vanuatu.

We must make financial inclusion every ones business and need to work together. Therefore I urge the Reserve Bank to work closely with the

Government, the NGOs, donor partners, the private sector, and our international partners such as the PFIP, and the Alliance for Financial Inclusion in framing our future financial inclusion journey.

The work ahead is substantial. The **Demand-Side Survey** showed that 32 percent of Ni-Vanuatu adults are completely unbanked and excluded from financial services compared to 27 per cent in Fiji and 31 percent in the Solomon Islands. The Reserve Bank **SME Survey** indicated that a high percentage of businesses in Vanuatu accessed informal financing, rather than formal financing sources for business startups.

I call on the financial institutions to continue to be responsive to the needs of the ni-Vanuatu women in gender-specific policies or products. Imagine the transformation it will bring if all women are empowered financially as men. I am aware from the Reserve Bank surveys that while men own more bank accounts in Vanuatu, women were found to be more active in using banking services than men. Similarly women own about 20 percent of the MSME businesses in Vanuatu so there is still a gender gap concerning bringing financial inclusion to women in Vanuatu.

Similarly we need to ensure financial inclusion captures our youth in access and usage of financial services and in empowering them to be able to engage in business.

There is also need for the financial inclusion agenda to be sector inclusive. In particular, the surveys showed that the agriculture sector remained the least banked and the least insured even though it provides for the livelihood of significant part of our population. To enhance financial inclusivity in this sector, we need to develop financial products suited for businesses in the agriculture sector and continue to help address the requirements for financial institution customer identification, distance to access points, preference for cash, and the perceived cost of setting up formal accounts.

We need to think of geographical inclusiveness in financial inclusion. A large segment of the low income and rural ni-Vanuatu remained unbanked. But the use of mobile phones, as indicated in the Reserve Bank

SME Survey, with instant internet access is prevalent among the rural ni-Vanuatu. Hence we must exploit the application of technology fully in enhancing our financial inclusion agenda.

Finally, I call on the Government and the Reserve Bank to make financial inclusion and in particular, MSME finance, elevated to a national agenda and the establishment of a national policy framework on MSMEs in Vanuatu.

I thank you for being here today and hope you take the opportunity to discuss freely the viewpoints of your respective area of expertise in a way that will assist us in advancing our strategies for a better financial inclusion in Vanuatu.

Excellencies,

Colleague Ministers, Members of Parliament;

Ladies and Gentlemen;

I now have the pleasure to pronounce this Economic Symposium officially OPEN.

I thank you all for your attention!

Appendix 3: The Economic Symposium Concluding Statement by Governor Athy.



RESERVE BANK OF VANUATU

Concluding Statement

Simeon Athy, Governor, The Reserve Bank of Vanuatu

RBV Symposium: "Enhancing Financial Inclusion for a more Equitable, Inclusive and Sustainable Economic Development in Vanuatu"

Warwick Hotel, Port Vila: May 17, 2017

I wish to take this opportunity, on behalf of the Reserve Bank of Vanuatu, to convey our sincere gratitude to you all. Your participation has made this Symposium truly successful.

I especially wish to thank the Acting Prime Minister, the Acting Deputy Prime Minister, the Acting Minister of Finance, Ministers and honorable MPs who gave up their busy schedules to be with us today.

I also wish to thank our guests from overseas – to Elik Boletawa and Krishnan Narasimhan, a big vinaka.

I make special mention of our session Chairpersons and our session facilitators. Thank you so much.

Let me now make our concluding statement based on our discussions today.

First I am encouraged that the road ahead is made very clear by the Acting Prime Minister of the Government's strong support and official recognition that the agenda of financial inclusion must form an important component of the Vanuatu National Development Plan: The People's Plan. This makes financial inclusion a national agenda for us all. The Reserve Bank and the Government will now move forward to begin setting up concrete financial inclusion strategies in Vanuatu that is deliverable-based and aligned to the "People Plan" – the National Sustainable Development Plan. The Honorable

Prime Minister also called for a national policy framework which will involve us all for supporting the MSME business sector in Vanuatu.

As I noted in my opening remarks, "financial inclusion should be viewed as a linchpin through which small island countries like Vanuatu can advance their economic development". So we view our discussions today with great optimism. Thank you very much for giving us that optimism.

Let me briefly capture some of our discussions today. As much as possible, I will be brief as a detailed capture of the discussions will be sent out to you for comments, later.

So let me begin. The discussions covered some of these areas:

- There was a call to have in place a National Identification System (ID) system;
- Concerns were raised concerning KYC requirements and the need to further re-look at improving the process;
- It was important to recognize partnerships as part of a more effective financial inclusion networking and support group;
- The lack of confidence in using formal financial services (commercial banks) was prevalent at both the household and the MSME sectors;
- The informal service providers including credit unions, the micro and the informal credit institutions play an important role in filling the space not covered by formal service providers. This area needs to be encouraged through proper legislation, regulation and other support;
- The need for financial education and literacy is significant, especially in rural areas and among farmers and there was need to explore ways of advancing this through the ICT platform;
- Financial education and literacy, through the formal school curriculum and other platforms such as rural training centers are important and donor participation is needed. Financial education needs to be harmonized, innovative and well-coordinated and should address the lack of knowledge concerning insurance.

- More awareness is needed in the understanding of the financial system and the different financial products and services available to the household and the MSME sectors;
- Some saw the need for further developing product markets for farmers similar to copra, cocoa and beef;
- There was a call to develop relevant and formal documentation for the process of accessing credit by farmers;
- There was also a call to promote promotional programs and documentation of success stories;
- Others called for use of well supervised cooperatives in addressing issues of confidence building in the use of formal financial institutions, in addressing the issue of credit risk and in the more active use of movable and non-movable assets in the agriculture sector;
- There was a need to promote mobile banking products and applications to promote financial inclusion;
- There was a call for Government subsidies of loans and in the provision of guarantees, special loans or other support to specific sectors such as the agriculture and the MSME sectors;
- There was a call for gender- friendly product and services and a focus on minority groups by financial institutions, the government, cooperatives, through use of existing institutional networks such as the National Youth Council and churches;
- Others noted the need for the establishments of business training faculties, pool funding and business role models;
- There was a call to improve information from supply-side data especially on gender and MSME-related data;
- Concerns were raised concerning the lack of proper infrastructure, the high cost of infrastructure and the lack of strategic planning in infrastructure development;
- There was a call for a regulatory framework to address the cost of doing business (CODB);
- Some saw the need for better follow-up on implementation such as policy and legislations;

- Finally, the discussions highlighted the prevalent need for insurance cover among MSMEs.

Let me end with this note.

The RBV recognizes that it will continue to strengthen its relationship with the Government. While a number of issues will still need to be addressed - such as in the area of Government regulation, or in areas such as credit guarantee schemes and infrastructure, we are also encouraged by the fact that much of the preconditions to enhance financial inclusion currently exist through existing networks and institutions. We therefore only need to enhance what we already have.

Excellencies,
Ladies and Gentlemen,
I thank you all

Appendix 4: Presentations.

Appendix 4.1: Demand Side Survey Findings, presented by PFIP

13/07/2017



1

13/07/2017

Financial Innovation: PFIP current partners



What is Financial Inclusion?

Financial inclusion means that all households & businesses have access to appropriate and affordable financial services they need to improve their lives.



- Roughly 2 billion people (over 50% of the world's adults) are 'unbanked'
- Financial inclusion is linked to economic & social development, playing a role in reducing extreme poverty

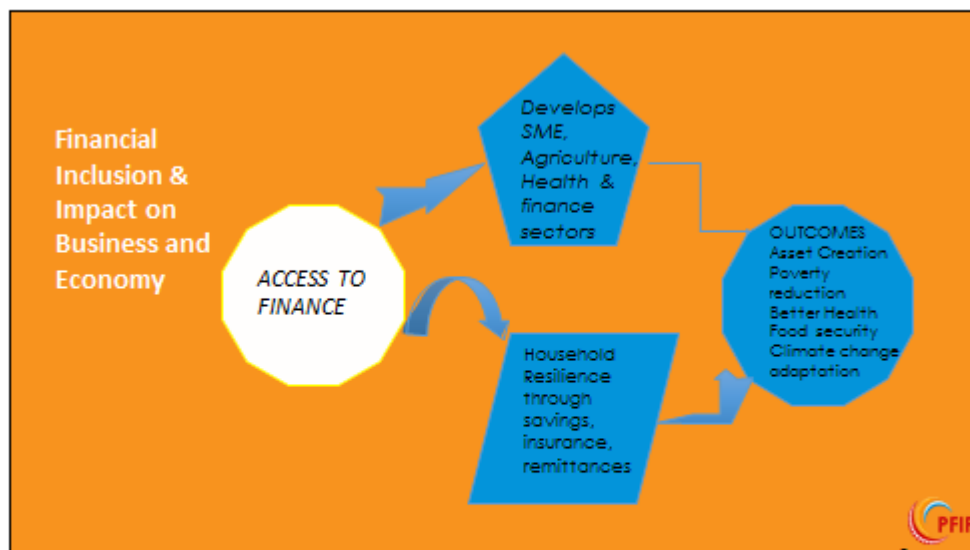
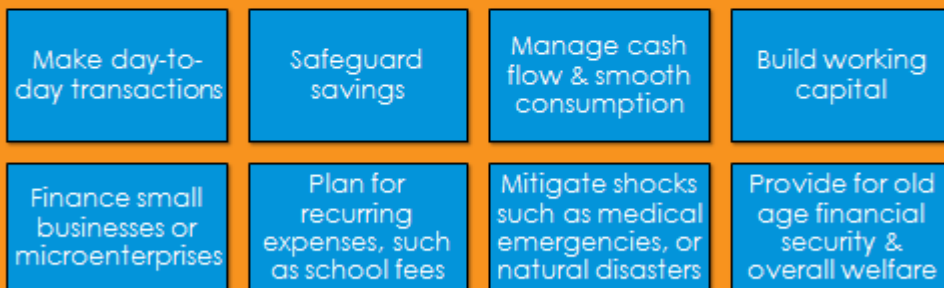
Source: CGAP



13/07/2017

Why is Financial Inclusion Important?

Being included in the formal financial system helps people:



3

13/07/2017

Vanuatu Demand Side Survey

Purpose



To understand financial inclusion from customer perspective

Assess access and usage of financial services in Vanuatu

Use results to shape next term FI strategy

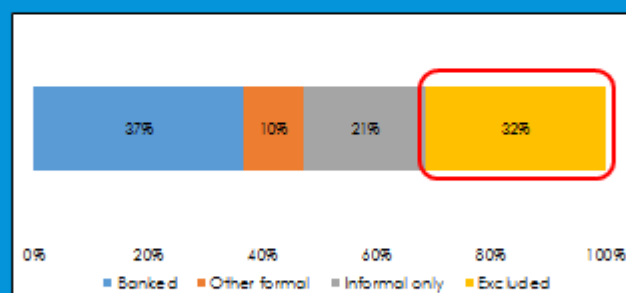
Scope & methodology



- Nationally representative survey
- Adults from 991 randomly-sampled households surveyed
- 6 provinces inc. 2 towns
- Data collected by RBV/VNSO in June 2016
- Random sampling covered wide area of Vanuatu

13/07/2017

Financial Inclusion in Vanuatu

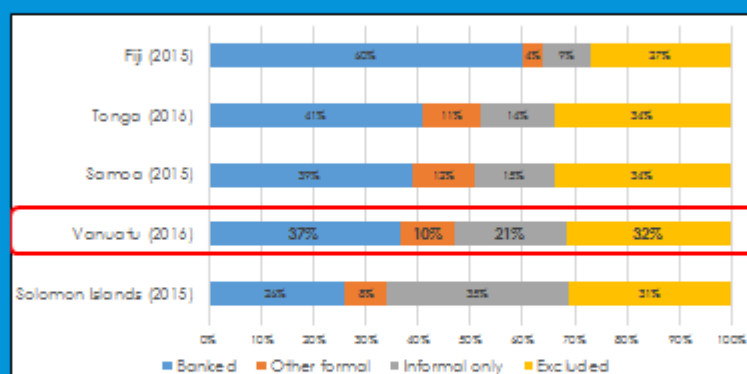


32%

of adults are excluded from financial services



Formal financial inclusion in Vanuatu comparable with Samoa



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13/07/2017

Who are the excluded?

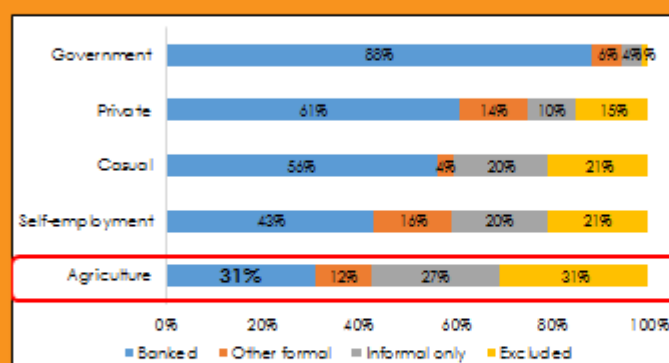


More likely to be:

- Lower income
- Women
- Earn income from agriculture
- Rural



Agricultural income earners are lagging behind



35%

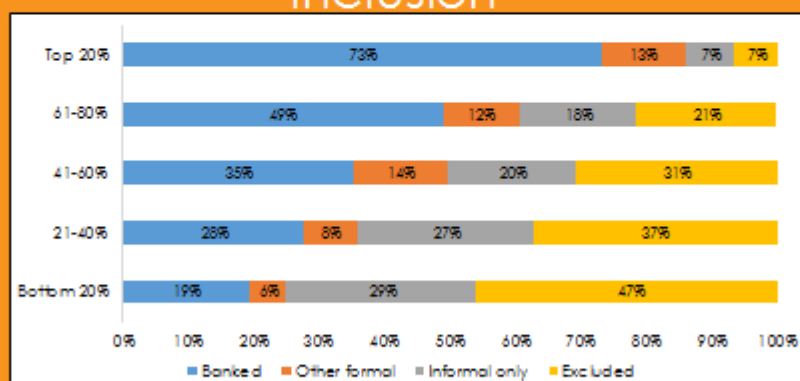
of households report agriculture as main income source



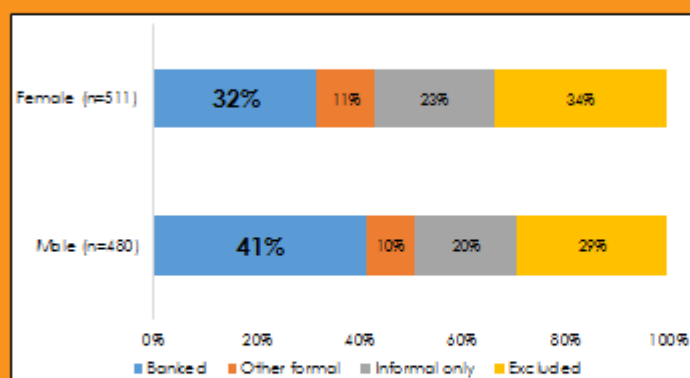
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13/07/2017

Higher income = higher financial inclusion



Women are lagging behind



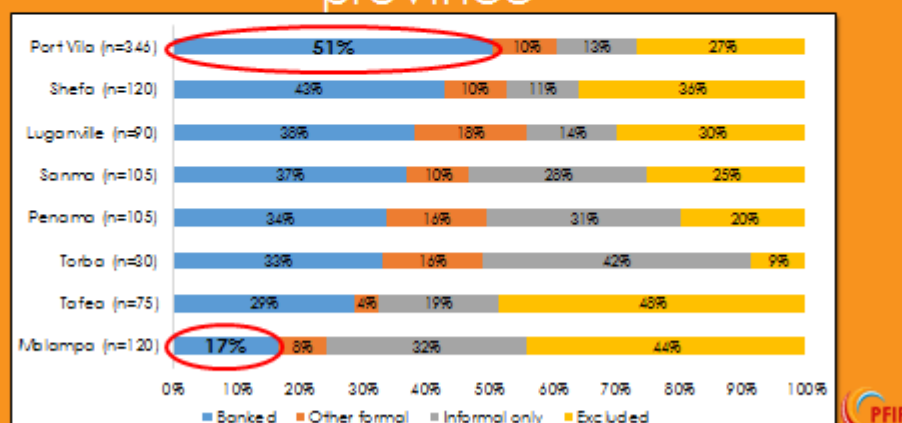
9%
Gender gap
in formal
financial
inclusion



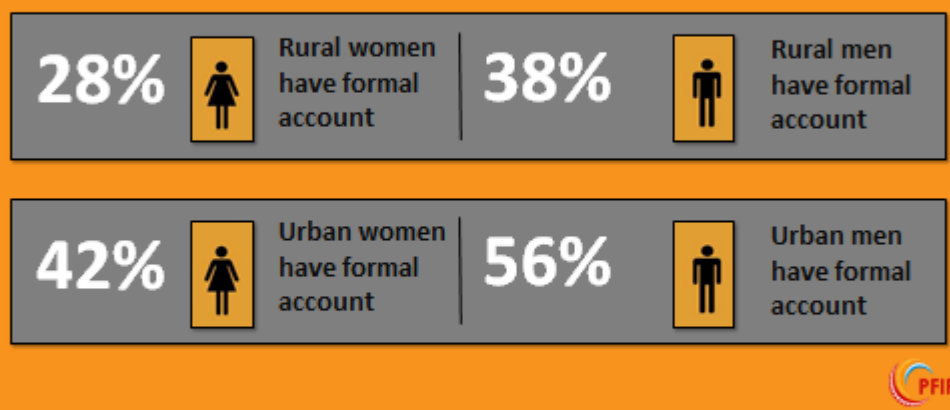
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13/07/2017

Wide variation in bank accounts by province

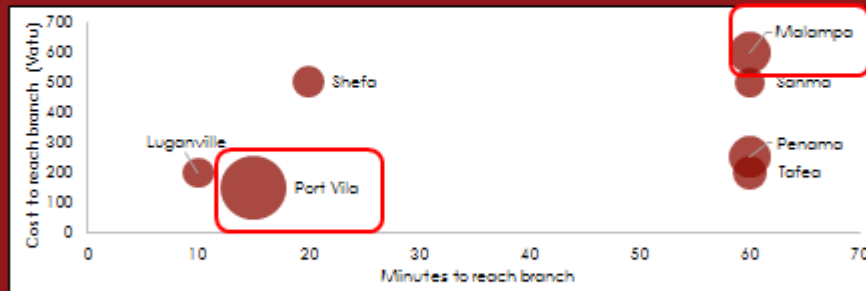


Rural women lagging behind the most



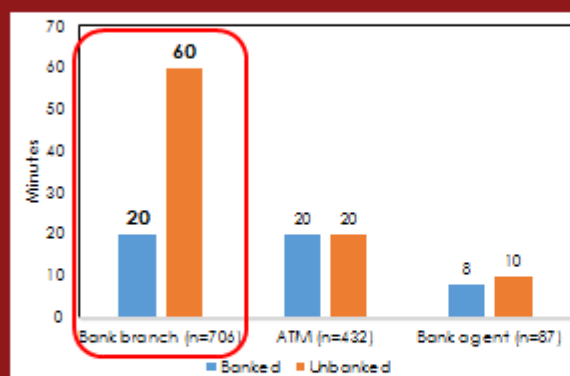
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Median time & cost to reach nearest bank branch



	Median Time	Median Cost
Malampa	1 hour	600 vatu
Port Vila	15 minutes	150 vatu

Median time to reach nearest bank service point

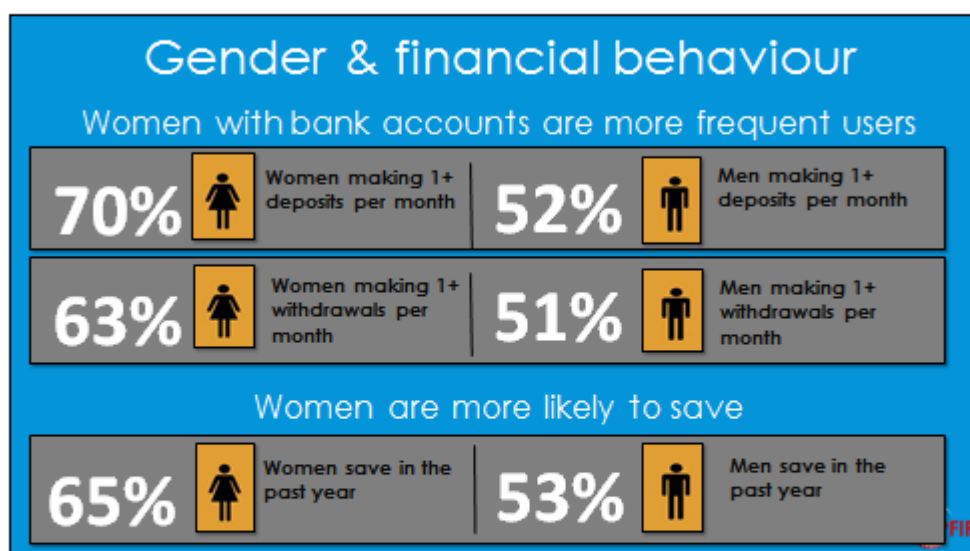
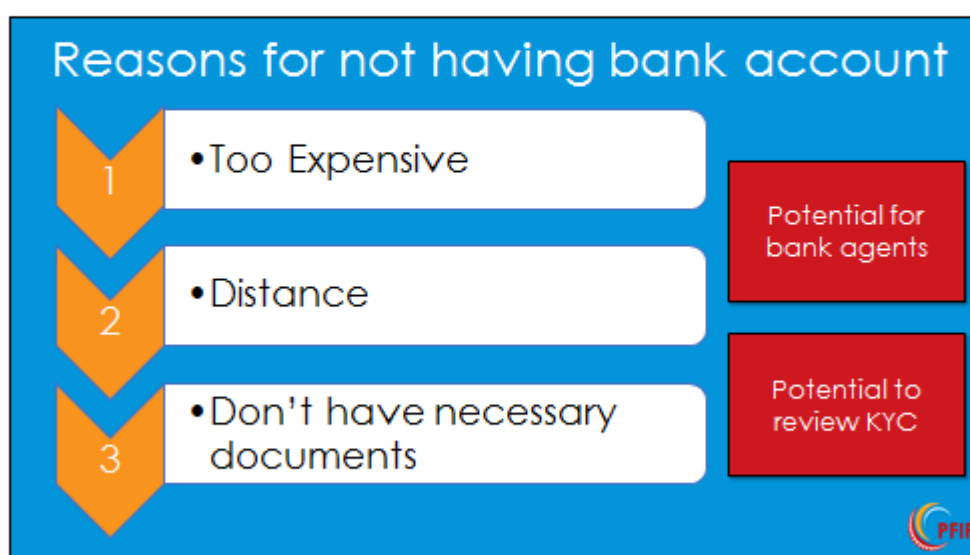


60 minutes
Travel for unbanked adults

20 minutes
Travel for banked adults



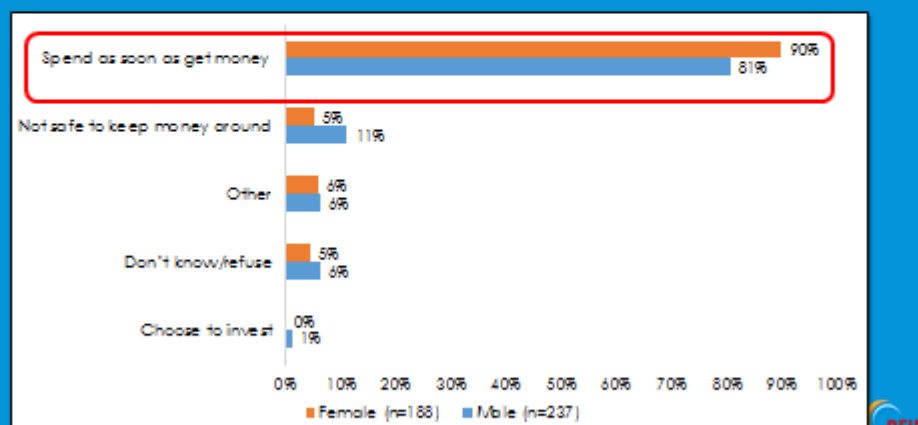
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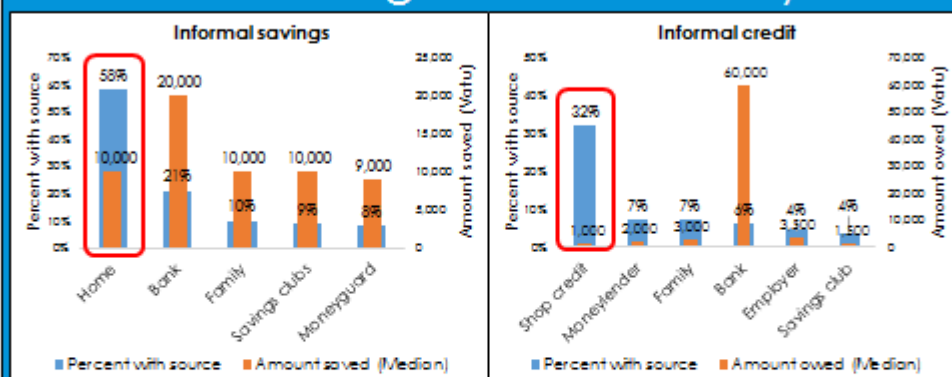
10

13/07/2017

Reasons for not saving



Informal savings & credit widely used



80% of adults have used informal credit or savings in the past 12 months

11

13/07/2017

Low awareness of mobile banking

OUT OF 100 ADULTS

84

Have regular access to a mobile phone

42

Have heard of mobile banking

67

Own a mobile phone

70

Own a sim card

2%

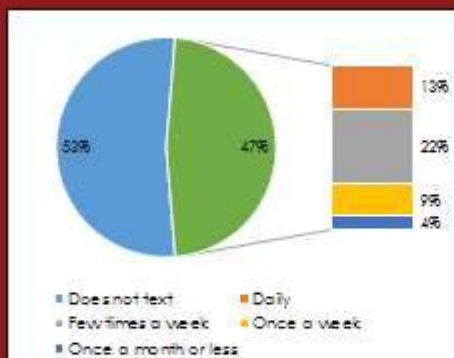
of adults used mobile banking in the past year

42%

of adults are aware of mobile money, suggesting awareness raising is needed



53% of adults do not text



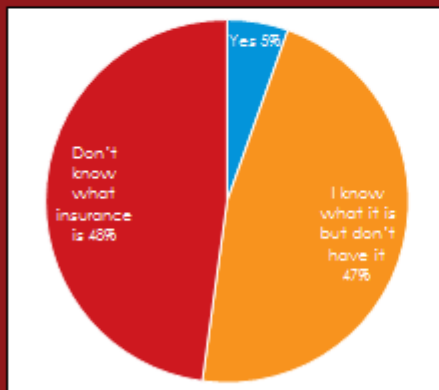
Mobile literacy would need to be increased before mobile banking could be used



12

13/07/2017

Low insurance awareness



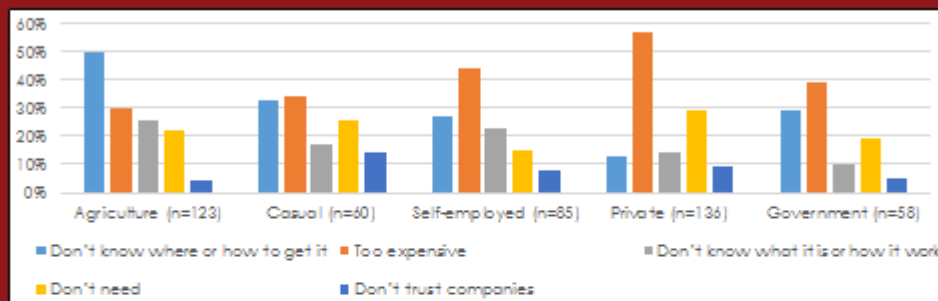
5%

of adults have insurance

Almost half of adults in Vanuatu do not know what insurance is



Reasons for not having insurance



1

Not knowing where/how to get it

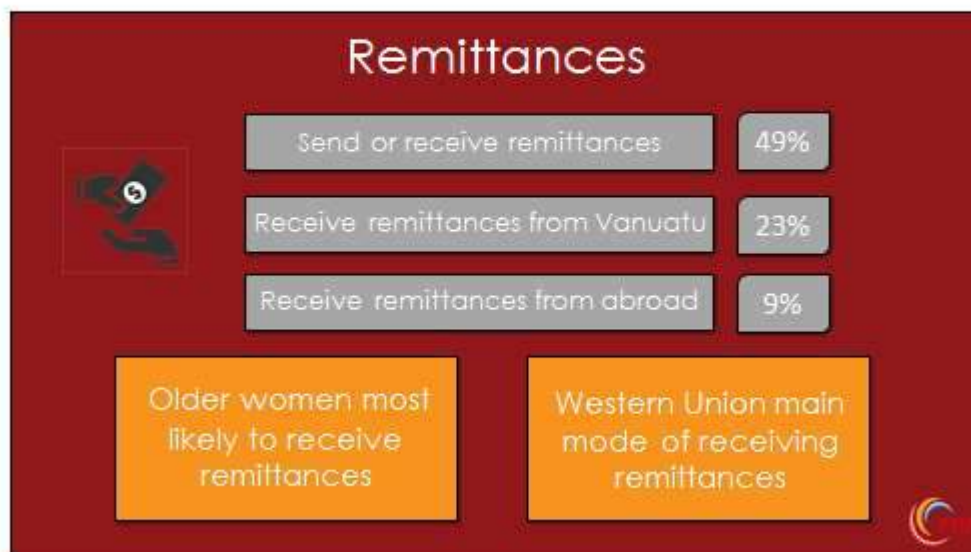
2

Too expensive



13

13/07/2017



14

Appendix 4.2: Micro, Small and Medium Enterprises (MSMEs) Survey Findings, presented by the Governor

Appendix 4.2.1: (MSMEs) Survey Findings, presentation Slides

13/07/2017



1

13/07/2017

1. Introduction

- First-ever Nation Wide MSME Survey
- Lack of MSME Data on "Usage and Access" of Financial Services
- Use survey findings to formulate future MSME Policy Framework
- Current dialogue will also incorporate your views to formulate this MSME Policy



2. Purpose

- To produce evidence for "access and usage" of financial services for MSMEs in urban and rural areas
- To compliment current indicators which utilize Supply-Side Data
- To compliment the Demand-Side survey on the access and usage of financial services from an individual adult perspective

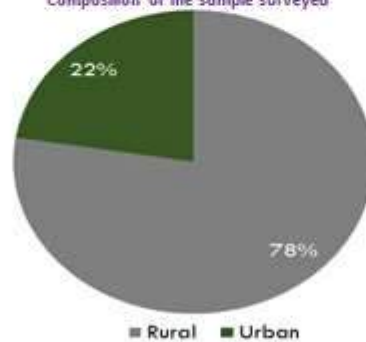


2

13/07/2017

3. Scope & Coverage

Composition of the sample surveyed



4. Key Findings

1. A high percentage of businesses in Vanuatu accessed informal sources for business start-ups
 - The main source of business financing for businesses is internal funds
2. The participation of women and youth in business is lower than among men
3. Access to Finance
 - Access to finance through commercial banks for business financing is perceived as a major problem in Vanuatu
4. Use of loans
 - Inadequate use of loans from commercial banks and other financial institution by businesses
5. Lack of infrastructural support for service delivery
6. Cash is the main means of payment used by businesses in Vanuatu
7. Internet banking is not widely spread amongst businesses
8. A significant proportion of MSME businesses in Vanuatu lack insurance cover



3

13/07/2017

5.1. A high percentage of businesses in Vanuatu accessed informal sources for business start-ups



5.1.1. The main source of business financing for businesses in Vanuatu is internal funds



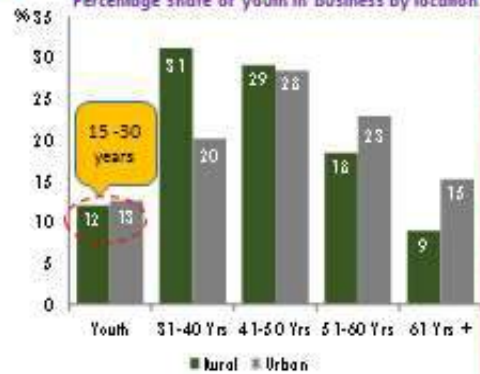
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5.2. The participation of women and youth in businesses is lower than among men

Percentage share of Female ownership

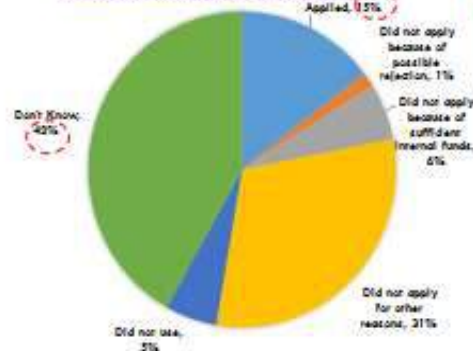


Percentage share of youth in business by location



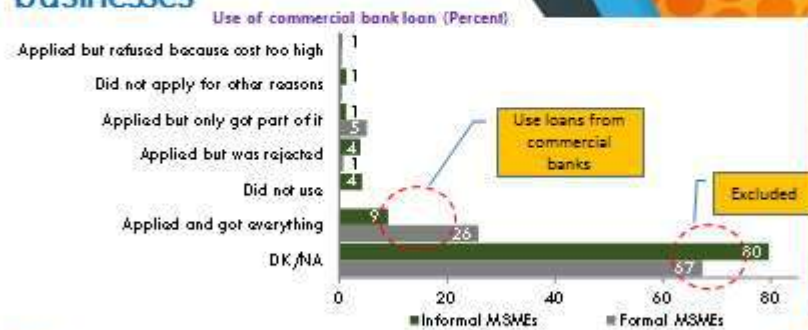
5.3. Access to finance for business financing is perceived as a major problem in Vanuatu

Access to a commercial bank loan



13/07/2017

5.4. Inadequate use of loans from Commercial Banks and Other Financial Institution (OFIs) by businesses



5.5. Major problems faced by businesses in Vanuatu.

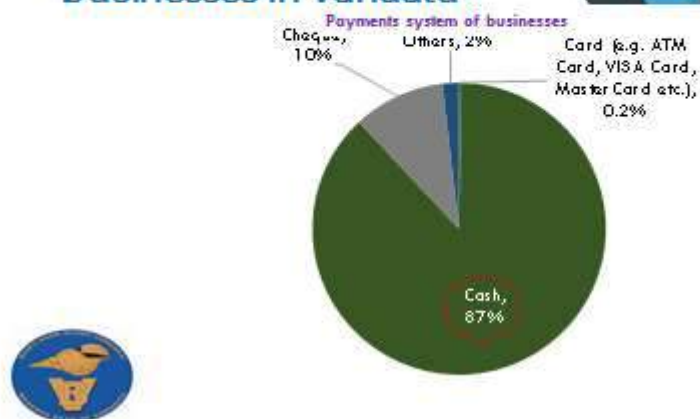
- Lack of adequate infrastructure (roads, ports etc.)
- Inefficient government service delivery
- Competition for cheap imported goods/services
- Small market size
- Lack of support services for business development



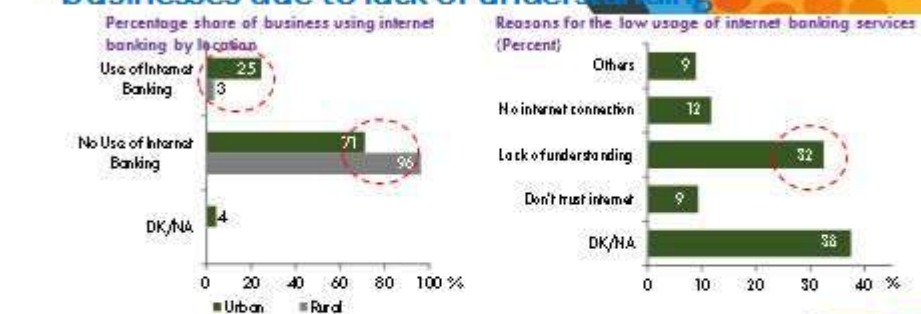
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13/07/2017

6. Cash is the main means of payment used by businesses in Vanuatu



7. Internet banking is not widely spread amongst businesses due to lack of understanding

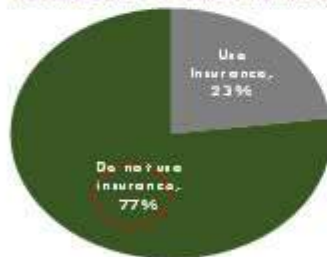


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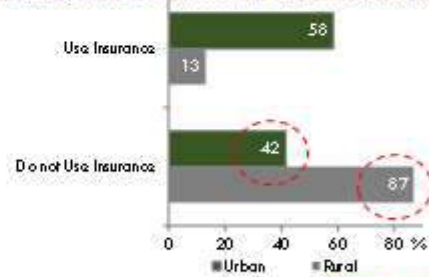
13/07/2017

8. A significant proportion of MSME businesses in Vanuatu lack insurance cover

Percentage share of business with insurance



Percentage share of businesses with insurance by location



Thank you



Appendix 4.2.2: (MSMEs) Survey Findings, presentation Notes

Presentation on MSME Survey Key Findings
Simeon Malachi Athy: Governor Reserve Bank of Vanuatu
2017 RBV Economic Symposium
May 17, 2017

Let me first acknowledge Mr. Krishnan, of the Pacific Financial Inclusion Program (PFIP), for presenting the key findings of the Demand-side survey. These findings very important. They will form the baseline data for Vanuatu in the process of formulating the next set of strategies for financial inclusion that are deliverable-based and part of the Vanuatu National Sustainable Plan – the “People’s Plan”.

Now let me turn to the findings of an equally important survey conducted by the Reserve Bank.

It is a pleasure to present the key findings of the first-ever, nation-wide survey conducted on Micro, Small and Medium-Sized Enterprises (MSMEs) by RBV as part of its Financial Inclusion Agenda. Let me state at the outset that the lack of past surveys on a national scale, and comprehensive database on MSMEs in Vanuatu, posed challenges in the initial survey design and the conduct of the survey itself. I am proud we overcome those challenges and able to present in the slides, important findings which will serve as input to our discussions today and as input to formulating our strategies on MSMEs as part of the financial inclusion agenda in Vanuatu. As part of this process, the current dialogue that will be undertaken during the break-out sessions later in this symposium will also incorporate your views to formulating these strategies that the RBV together with the Government and our partners will be developing in future.

The purpose of the MSME survey were to:

- To produce evidence for “access and usage” of financial services for MSMEs in urban and rural areas
- To compliment current indicators which utilize Supply-Side data

- To complement the Demand-Side survey on the access and usage of financial services from an individual adult perspective

The MSME survey covered:

- 2016 registered businesses with the Department of Customs and Inland Revenue & business registered in each provinces
- All six provinces and the two towns of Port Vila and Luganville
- All sectors including Agriculture, Industry, and Services
- The field work was conducted during October and November 2016.

Key Findings

The summary of the key findings are as follows:

1. A high percentage of businesses in Vanuatu accessed informal sources for business start-ups

- The survey found that a large proportion (68%) of businesses in the urban areas used “informal savings” rather than commercial banks (19%) to start their business
- However, in the rural area, a much higher proportion (81%) used informal savings while the use of commercial banks is much more limited (7%).

-
- The survey also found that a lot of businesses (72%) used internal funds over the past twelve months for their business operation rather than commercial banks (15%) for capital funding.

2. The participation of women and youth in business is lower than among men

- The survey found that the participation of women and youth in businesses is lower than among men
- A lower proportion of women (20%) participate in business compared to men (60%).
- This indicates a gap in Vanuatu's commitment under the Maya Declaration of elevating women ownership in business to 30%
- The proportion of youth participation in business is particularly low (12%)

3. Access to finance for business start-up through commercial banks is perceived as a major problem in Vanuatu

- The survey found that access to finance for business financing is perceived as a major problem in Vanuatu
- Only a small proportion of businesses (15%) have applied to access loans from commercial banks in the past twelve months
- A higher proportion of businesses (42%) indicated that access to finance from commercial banks is not applicable to their business or did not provide any response

4. There is inadequate use of loans from commercial banks and other financial institutions by businesses

- Only a small proportion (26%) of formal MSMEs and informal MSMEs (9%) used loans from banks over the past twelve months
- A higher proportion of formal MSME (67%) and informal MSME (80%) said use of loans from commercial banks is not applicable to their business or did not provide a response

5. Major problems faced by businesses in Vanuatu, include the following:

- Lack of adequate infrastructure (roads, ports etc.)
- Inefficient government service delivery
- Competition for cheap imported goods/services

- Small market size
- Lack of support services for business development

6. The use of cash is prevalent and is the main method of payment by businesses in Vanuatu

- The survey found that the use of "cash" is prevalent and is the main means of payment for businesses in Vanuatu compared to other means of payment such as cheque, electronic cards, and so forth.

7. Internet banking is not widely spread amongst businesses even though the use of mobile phones with relatively easy internet access is widespread among businesses

- Internet banking is not widely spread among businesses in Vanuatu due to lack of understanding
- Although internet access on mobile phone is widespread, internet banking is not.
- A high proportion of businesses reported they have not used internet banking.

8. A significant proportion of MSME businesses in Vanuatu lack insurance cover

- The survey found that a significant proportion of MSMEs in Vanuatu lack insurance cover
- Businesses without insurance cover in the rural were found to be much higher (87%) than in the urban areas (42%)

Thank you very much

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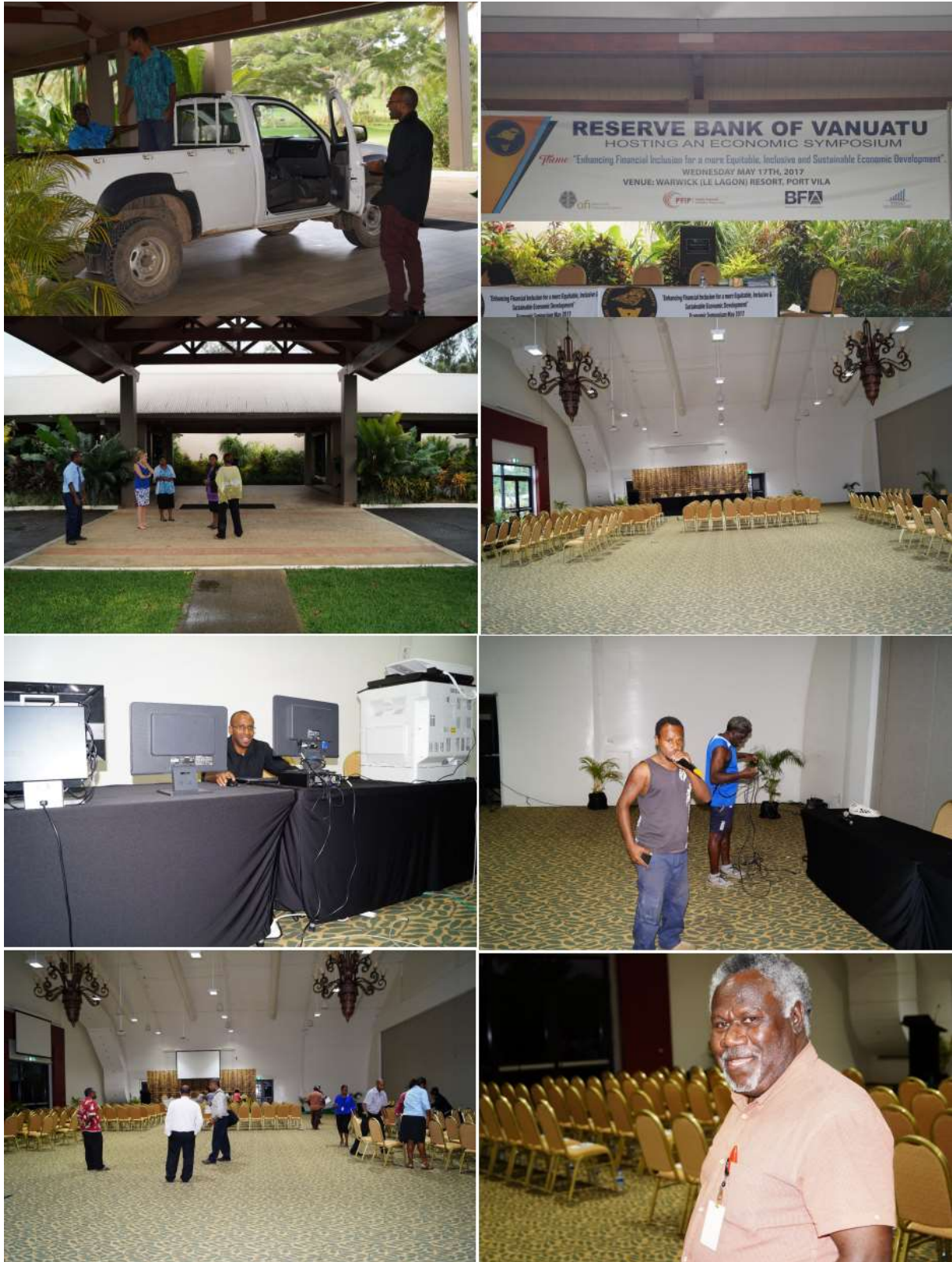
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Appendix 6: Photos Gallery for the Economic Symposium, 17th May, 2017





















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