



**VANUATU NATIONAL FINANCIAL  
INCLUSION STRATEGY  
2018 - 2023**

**RESERVE BANK  
OF VANUATU**



## **Vision**

Create an enabling environment for enriching the livelihoods of the people and MSMEs in Vanuatu through inclusive financial services and consumer empowerment and protection.

## **Mission**

By 2023,

- Ensure an additional 54,000 (total of 130,000) adults will be active users of formal or semi-formal financial services, of which 50% will be women.
- Ensure 40% of the financially included will be active users.
- Ensure a suite of MSME business financing products are available, which are tailored also to the needs of businesses led by women and youth

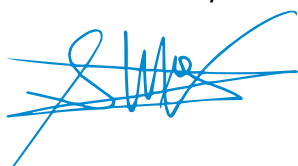
## Foreword

The *Vanuatu National Financial Inclusion Strategy 2018 – 2023* is the policy document that provides the road map of the financial inclusion journey with the ultimate aim of improving access to and usage of appropriate financial services by the underserved adult population and micro small and medium-sized enterprises (MSMEs) in Vanuatu. It provides an important means to improve livelihoods, strengthen financial resilience and provides an avenue for the ni-Vanuatu to better able to save for the future, invest to generate income and insure against unforeseen events. Because these goals are multifaceted their success and the barriers to achieve a more financially inclusive society can only be attained with the support and collaboration of the different stakeholders. This cooperation will be critical in the period ahead because of the different sphere of responsibilities of different agencies and policy makers within the financial inclusion agenda. There is need therefore to recognize this shared responsibility among the different stakeholders for the common good of the ni-Vanuatu.

The development of the financial inclusion strategy drew from lessons, experiences and best practices around the world and particularly from among the Pacific island countries. But more importantly, it reflected the aspirations and needs of the ni-Vanuatu. The baseline data of the 2016 nationally-represented financial inclusion demand side survey, provided data on access and usage of financial services, determined the need for a suite of financial services, provided a profile of the different users of financial services and identified the main barriers to access and usage of financial services for individuals in Vanuatu. Furthermore, the strategy was developed from consultation with relevant key financial inclusion stakeholders, including the Government and those within the private sector, financial services providers and other agencies. A nationally represented MSME survey conducted by the RBV towards the end of 2016 provided data on access and usage of financial services by MSMEs.

The strategy provides the means to achieving the vision of creating an enabling environment that will lead to enriching the livelihoods of the people and MSMEs in Vanuatu through more inclusive financial services and consumer empowerment and protection and will in itself, be an important guide for the Government, the RBV, the NFIC, and important financial inclusion stakeholders in Vanuatu. Its goals are to facilitate an enabling regulatory and supervisory environment, enhance access and usage of financial services, foster financial deepening, strengthen financial competencies of financial services users, facilitate consumer protection and enable a more concerted and comprehensive approach to address financial exclusion. It has four key priority areas that are critical to achieving progress in the financial inclusion agenda in Vanuatu.

I am grateful for the commitment of the stakeholders during the consultation phase and look forward to the role they will play in the future in the implementation of the strategy. Finally, I wish to sincerely thank the Reserve Bank of Vanuatu Technical Committee on Financial Inclusion and the Pacific Financial Inclusion Program (PFIP), which is itself backed by the UNCDF, UNDP and the Alliance for Financial Inclusion (AFI) for the development of a comprehensive financial inclusion strategy which will form the key policy strategy in improving the livelihoods of the ni-Vanuatu in the years ahead.



**Simeon Malachi Athy**

Governor

Reserve Bank of Vanuatu

Chairperson –Financial Inclusion Taskforce

# Reserve Bank of Vanuatu Financial Inclusion Commitments

## Maya Declaration

Maya commitment made in 2012/Updated at 2015 AFI Global Policy Forum

	Thematic Area	Commitment – Concrete Target	Current Status
1	National Financial Inclusion Strategy	Council of Ministers to endorse the newly established National Financial Inclusion Strategy and the National Financial Inclusion Taskforce before quarter 1 of 2013.	Completed*
2	Data and Measurement	Conduct survey on financial access and demand for financial services by end of 2014.	Completed June 2016 and launched 2017.
3	Consumer Empowerment, Consumer Protection & Market Conduct	Review legislation and regulation on use and delivery of financial services to strengthen client protection by end of 2014.	Being pursued at the regional level via PIRI. A draft regulation is in place for PIRI members. Further, the draft Vanuatu National Competition Policy (CP) is currently under consultation. The CP for the banking & insurance industries is the 9 <sup>th</sup> priority area within.
4	Financial Literacy	Incorporate financial education in the core school curriculum by 2013. Expected to be completed by 2016.	FinEd integrated within Year 1-3 core curriculum.
5	Overarching National Goal	To enable the increased access and usage of basic financial services like savings, micro-credit, micro-insurance, remittances and a range of appropriate and affordable finance to MSME businesses.  The overall goal is to cover additional 76,000 unbanked Ni-Vanuatu (at least 38,000 to be women) by December 2016, through a nationally coordinated effort, in partnership with a range of service providers and relevant government institutions, offering a broad range of relevant and cost effective financial services.	Not yet achieved. According to the Vanuatu 2016 Mini Census report a total of 63,224 of the total adult population are banked, of which 26,985 are women. Included in NFIS 2018-2023.

\* Informed by Alliance for Financial Inclusion 2016 Maya Declaration Progress Report.



## Additional Maya commitments made at 2016 AFI Global Policy Forum

	Thematic Area	Commitment – Concrete Target	Current Status
1	Financial inclusion of Women in MSME Finance	Put in place policies to support access for MSMEs, targeting 30% women.	Included in NFIS 2018 - 2023
2	Consumer Protection	Implement a Secured Transaction Act	Completed
3	Consumer Protection in MSME Finance	Promote consumer protection and empowerment specific to MSME finance	Included in NFIS 2018 - 2023

## Money Pacific Goals 2020

In 2009, the Reserve Bank of Vanuatu joined 7 Pacific central bank governors and endorsed the following Money Pacific 2020 regional goals, whilst making a commitment to lead action on building financial competency within individual countries.

### 2020 Money Pacific Goals

In each Pacific Island nation by 2020, through the combined actions of public and private sectors, our goals are:

- All school children to receive financial education through core curricula.
- All adults to have access to financial education.
- Simple and transparent consumer protection to be in place.
- To halve the number of households without access to basic financial services.

## Maputo Accord

In 2015 the RBV made a commitment during the Alliance for Financial Inclusion Global Policy Forum held in Mozambique, to become a member of the AFI's Small and Medium Enterprises Finance Working Group. The commitment included putting in place policies to support SMEs, the implementation of the Personal Properties Securities Act (Secured Transaction Act), review of legislations and regulations to strengthen client protection and empowerment, and market conduct in relation to the use and the delivery of financial services for SMEs.

## Denarau Accord

At the 2016 Alliance for Financial Inclusion Global Policy Forum held in Fiji, the Reserve Bank of Vanuatu joined other countries in agreeing to work towards addressing the gender gap in financial inclusion.

# Table of Contents

LIST OF ACRONYMS AND ABBREVIATIONS USED .....	6
ACKNOWLEDGEMENT .....	8
EXECUTIVE SUMMARY .....	9
FIGURES .....	10
1. BACKGROUND .....	11
2. GUIDING PRINCIPLES .....	12
3. FINANCIAL INCLUSION IN VANUATU .....	13
3.1 FINANCIAL INCLUSION STRAND .....	13
3.2 SAVINGS .....	14
3.3 CREDIT .....	14
3.4 BANK ACCOUNT USAGE .....	14
3.5 INSURANCE .....	15
3.6 REMITTANCES .....	16
3.8 FINANCIAL INCLUSION STRAND FOR MSME FINANCING .....	18
3.9 MSME: ACCESS TO CREDIT FOR BUSINESS START-UP .....	19
3.10 MSME: ACCESS TO CREDIT FOR BUSINESS FINANCING .....	19
3.11 MSME: APPLICATION FOR AND USE OF CREDIT .....	20
3.12 MSME: USAGE OF CREDIT FOR BUSINESS FINANCING .....	20
3.13 MSME: PAYMENT INSTRUMENTS .....	21
3.14 MSME: INTERNET BANKING .....	21
3.16 GENDER IN BUSINESS .....	22
4. VISION, MISSION AND OBJECTIVES .....	23
4.1 VISION .....	23
4.2 MISSION .....	23
4.3 OBJECTIVES .....	23
5. FINANCIAL INCLUSION STRATEGY 2018 – 2023 .....	24
5.1 STRATEGIC GOAL 1 – CREATE AN ENABLING POLICY ENVIRONMENT AND FINANCIAL INFRASTRUCTURE .....	24
5.2 STRATEGIC GOAL 2 – PROMOTE AND FOSTER INCLUSIVE PRODUCTS, SERVICES AND CHANNELS .....	25
5.3 STRATEGIC GOAL 3 - MICRO, SMALL AND MEDIUM ENTERPRISE FINANCING .....	25
5.4 STRATEGIC GOAL 4 - FINANCIAL LITERACY AND CONSUMER EMPOWERMENT .....	26
5.5 STRATEGIC GOALS AND ACTION PLAN .....	27
GOAL 1: CREATE AN ENABLING POLICY ENVIRONMENT AND FINANCIAL INFRASTRUCTURE .....	27
GOAL 2: PROMOTE AND FOSTER INCLUSIVE PRODUCTS, SERVICES AND CHANNELS .....	29

GOAL 3: MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT .....	31
GOAL 4 - FINANCIAL LITERACY AND CONSUMER EMPOWERMENT .....	34
<b>6. STAKEHOLDERS.....</b>	<b>35</b>
<b>7. COORDINATION, MONITORING AND EVALUATION .....</b>	<b>37</b>
7.1 COORDINATION .....	37
7.2 MONITORING AND EVALUATION FRAMEWORK .....	39
<b>ANNEX 1: KEY EVALUATION INDICATORS .....</b>	<b>40</b>
1.1 ACCESS CHANNELS BY URBAN AND RURAL .....	40
1.2 ACCESS CHANNELS BY GENDER .....	40
1.3 USAGE ACCOUNTS AND CHANNELS.....	40
<b>ANNEX 2: NFIC, FIT AND WORKING GROUP REPRESENTATIVES .....</b>	<b>41</b>
2.1 NFIC MEMBERS.....	41
2.2 FIT MEMBERS .....	41
2.3 REGULATORY WORKING GROUP .....	41
2.4 INCLUSIVE PRODUCTS AND SERVICES WORKING GROUP .....	41
2.5 MSME FINANCE WORKING GROUP .....	42
2.6 FINANCIAL LITERACY AND CONSUMER EMPOWERMENT WORKING GROUP .....	42

## List of Acronyms and Abbreviations Used

Acronym	
<b>ADB</b>	Asian Development Bank
<b>AFI</b>	Alliance for Financial Inclusion
<b>AML/CFT</b>	Anti-Money Laundering/Combating the Financing of Terrorism
<b>ANZ</b>	Australia and New Zealand Bank Corporation
<b>ATM</b>	Automated Teller Machine (or) Automatic Teller Machine
<b>BAV</b>	Bankers Association Vanuatu
<b>BB</b>	Branchless Banking
<b>BRED</b>	Bred (Vanuatu) Ltd
<b>BSP</b>	Bank of South Pacific
<b>BVL</b>	Bred (Vanuatu) Limited
<b>DARD</b>	Department of Agriculture & Rural Development
<b>DLA</b>	Department of Local Authorities
<b>DMT</b>	Domestic Money Transfer
<b>DFAT</b>	Department of Foreign Affairs & Trade, Australian Aid Program
<b>DFS</b>	Digital Financial Services
<b>DSS</b>	Demand Side Survey
<b>EFTPOS</b>	Electronic Funds Transfer at Point of Sale
<b>FIT</b>	Financial Inclusion Taskforce
<b>FSPs</b>	Financial Service Providers
<b>G2P</b>	Government-to-person
<b>GDP</b>	Gross Domestic Product
<b>IFC</b>	International Finance Corporation
<b>KYC</b>	Know Your Customer
<b>MALFFB</b>	Ministry of Agriculture, Livestock , Forestry, Fisheries and Biosecurity
<b>MFAT</b>	New Zealand Government’s Ministry for Foreign Affairs and Trade
<b>MFEM</b>	Ministry of Finance and Economic Management
<b>MFI</b>	Microfinance Institution
<b>MFS</b>	Mobile Financial Services
<b>MJCS</b>	Ministry of Justice and Community Services
<b>MM</b>	Mobile Money
<b>MNO</b>	Mobile Network Operator
<b>MOET</b>	Ministry of Education and Training
<b>MFAICET</b>	Ministry of Foreign Affairs, International Cooperation and External Trade
<b>MSMEs</b>	Micro, Small and Medium Enterprises
<b>MTTICNVB</b>	Ministry of Trade, Tourism, Industry, Commerce and Ni-Vanuatu Business
<b>NBV</b>	National Bank of Vanuatu
<b>NFIS</b>	National Financial Inclusion Strategy
<b>NFIC</b>	National Financial Inclusion Council



<b>NGO</b>	Non-Government Organisation
<b>NTDC</b>	National Trade Development Committee
<b>NZAID</b>	New Zealand Aid Programme
<b>OGCIO</b>	Office of the Government Chief Information Officer
<b>ORCBDS</b>	Office of the Registrar of Cooperatives and Business Development Services
<b>PIRI</b>	Pacific Island Regional Initiative
<b>P2G</b>	Person-to-Government
<b>P2P</b>	Person to Person
<b>PFIP</b>	Pacific Financial Inclusion Programme
<b>PMO</b>	Prime Minister's Office
<b>RBV</b>	Reserve Bank of Vanuatu
<b>RTC</b>	Rural Training Centres
<b>SDGs</b>	Sustainable Development Goals
<b>TRBR</b>	Telecommunications, Radio communications and Broadcasting Regulator
<b>TVET</b>	Technical and Vocational Education and Training
<b>SMS</b>	Short Message Service
<b>URA</b>	Utilities Regulatory Authority
<b>UNCDF</b>	United Nations Capital Development Fund
<b>VCCI</b>	Vanuatu Chamber of Commerce and Industry
<b>VFIU</b>	Vanuatu Financial Intelligence Unit
<b>VFSC</b>	Vanuatu Financial Services Commission
<b>VNPF</b>	Vanuatu National Provident Fund
<b>VNSO</b>	Vanuatu National Statistics Office
<b>VSP</b>	Vanuatu Skill Partnership
<b>VUV</b>	Vanuatu Vatu
<b>VQA</b>	Vanuatu Qualification Authority

## Acknowledgement

The Reserve Bank of Vanuatu (RBV) acknowledges and thanks the valuable contribution of all stakeholders, and development partners for contributing to the national financial inclusion strategy for Vanuatu. We wish to acknowledge the contribution of the Pacific Financial Inclusion Programme (PFIP) during stakeholder consultations carried out in 2017 and in drafting this document.

The Reserve Bank of Vanuatu also wishes to make mention the Alliance for Financial Inclusion (AFI), Bankable Frontier Associates (BFA), the Government of Vanuatu through the Vanuatu National Statistics Office (VNSO) for their contributions to the Demand Side Survey (DSS) and the Micro, Small and Medium-sized Enterprises (MSME) survey.

Also the Bank wishes to thank our stakeholders for their feedback at the consultation period and consultation workshop, as well as the immense contributions from the members of the Technical Committee on Financial Inclusion at the Reserve Bank of Vanuatu, the Governor and Deputy Governor of the Reserve Bank of Vanuatu for their commitment towards this strategy document.

## Executive Summary

Financial Inclusion or Inclusive Financing is an initiative to deliver financial services such as deposits and savings accounts, credit, payment channels and insurance services, affordable and accessible to the disadvantaged, low income earners, the underserved or unserved segments of the society. Financial Inclusion is now widely accepted as an effective strategy for equitable economic growth, through which low income earners can be economically empowered and can improve their standard of living.

Financial Inclusion has become an important policy and development agenda for many developing countries including Vanuatu. Vanuatu is amongst the many developing and emerging countries globally that have made measurable commitments under the AFI's Maya Declaration to achieve financial inclusion.

The Vanuatu National Financial Inclusion Strategy (NFIS) 2018 - 2023 presents the medium-term road map to drive financial inclusion across the country. This five year strategic plan is linked to Pillar 3 of the Vanuatu Government's National Sustainable Development Plan 2016-2030. Pillar 3 seeks to ensure a stable economy through sustainable and equitable growth and has nine main objectives, the latter two being *"ECO. 1.8 - Ensure financial sector stability and make financial services affordable and accessible for all through pursuing financial inclusion strategies. ECO 1.9 Promote financial literacy and consumer empowerment."*

In addition, the NFIS is further informed by the work of the Pacific Islands Regional Initiative (PIRI) in the region, together with the recently launched Vanuatu Financial Services Demand Side Survey on Financial Inclusion and the MSME Finance survey.

The NFIS has been developed after a series of consultations with key financial inclusion stakeholders across the private and public sectors and includes a series of structured consultations with civil society, non-governmental organisations and development partners. These consultations have been jointly facilitated by the Reserve Bank of Vanuatu and the Pacific Financial Inclusion Programme, including consultations prior to, during and post the preparation of the NFIS.

## Figures

No.	Title
1a	Financial Inclusion Strands
1b	Financial Inclusion Strands Table
2	Savings by source and value (VT)
3	Credit
4	Bank account usage
5	Insurance
6	Remittances
7	Financial Inclusion in PIRI member countries
8	Number of commercial banks branches
9	Number of ATMs
10	Gender access to financial services in PIRI member countries
11	Financial Inclusion Strands for MSME Financing
12	MSME: Access to credit for Business Start-ups
13	MSME: Access to Credit for business financing
14	MSME: Use of Credit
15	Use of credit for business financing
16	Mode of payments for MSME
17	MSME: Internet Banking
18	MSME: Insurance
19	Gender in Business
20	Diagrammatic framework of the 4 strategic goals
21	Key financial inclusion stakeholders
22	Structure of the National Financial Inclusion Council
23	Indicators – Access, Usage, Quality and Financial Literacy
24	Key Evaluation Indicators

# 1. Background

Financial inclusion is defined as creating an enabling environment whereby all adults, households and micro, small and medium enterprises (MSMEs) in Vanuatu, both have access to and use affordable and appropriate formal financial services to improve their lives. These financial services are complemented by financial literacy and consumer empowerment & protection.

Being part of the formal financial system, helps individuals to improve their welfare by:

- Safeguarding savings, which can help individuals, households and MSMEs manage irregular cash flow, smooth consumption and build working capital;
- Conducting day-to-day transactions effectively and efficiently, including making payment for basic needs, sending and receiving money;
- Mitigating shocks and managing expenses related to unexpected events such as medical emergencies or natural disasters;
- Planning and paying for recurring expenses, such as utilities and school fees; and
- Financing small businesses or microenterprises by helping owners invest in assets and grow their businesses.<sup>1</sup>

The RBV is committed to and has taken a strategic lead in driving financial inclusion in Vanuatu. The Financial Inclusion journey began with a National Financial Inclusion Workshop held in early 2012. The workshop gathered together stakeholders from the public and private sector, civil society groups, donor agencies and development partners to take stock, consult and strategize on a way forward for the development of financial inclusion in Vanuatu.

In late 2012, the RBV took a step further and joined other countries to make global measurable commitment to the Maya Declaration at the 4<sup>th</sup> AFI Global Policy Forum (GPF) in Cape Town, South Africa. The four main areas of focus were: (1) national financial inclusion strategy; (2) data and measurement; (3) consumer empowerment, protection and market conduct; and (4) accessible and appropriate financial literacy and education.

To date, significant achievements have been made to most of the above targets. These included: the integration of financial education (FinED) into the school curriculum at primary level (years 1 – 3); the issuance of guidelines to commercial banks for reporting of data on access and usage of financial services; and public awareness and community outreach through a variety of initiatives offered by various institutions including the RBV.

In spite of these achievements, there still remains a lot to be done to ensure more ni-Vanuatu are financially included.

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<sup>1</sup> CGAP <http://www.cgap.org/about/fag/what-financial-inclusion-and-why-it-important>

## 2. Guiding Principles

The NFIS has its foundations in the guiding principles for innovative financial inclusion established by the G20 Financial Inclusion Experts Group. These principles are built on the experiences and lessons learned from policymakers across the world, including leaders from developing countries.

1. **Leadership:** Cultivate a broad-based government commitment to financial inclusion to help alleviate poverty.
2. **Diversity:** Implement policy approaches that promote competition and market-based incentives for delivery of sustainable and affordable services, as well as a diversity of service providers.
3. **Innovation:** Promote technological and institutional innovation as a means to expand financial system access and usage, including by addressing infrastructure weaknesses.
4. **Protection:** Encourage a comprehensive approach to consumer protection that recognizes the roles of government, providers and consumers.
5. **Empowerment:** Develop financial literacy and financial capability.
6. **Cooperation:** Create an institutional environment with clear lines of accountability and co-ordination within government, and encourage partnerships and direct consultation across a range of stakeholders.
7. **Knowledge:** Utilize improved data to make evidence-based policy, measure progress, and consider an incremental “test and learn” approach acceptable to both regulators and service providers.
8. **Proportionality:** Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in existing regulation.
9. **Framework:** Consider the following in the regulatory framework, reflecting international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

These principles are a reflection of the conditions conducive to spurring innovation for financial inclusion while protecting financial stability and consumers. They are not a rigid set of requirements but are designed to help guide policymakers in the decision making process. They are flexible enough so they can be adapted to different country contexts.



### 3. Financial Inclusion in Vanuatu

Financial inclusion is a journey that begins with enrolment with a formal financial service provider and develops as the customer uses savings, credit, insurance, and payment services to manage his or her daily financial life.

In Vanuatu, **37% of adults aged 15 years and over have a commercial bank account**, while another **10%** access financial services from other formal providers such as credit unions, microfinance, insurance, mobile money, or finance companies. **32%** of adults are excluded from both formal and informal financial services.

#### 3.1 Financial inclusion strand

Figure 1a: Financial Inclusion Strands

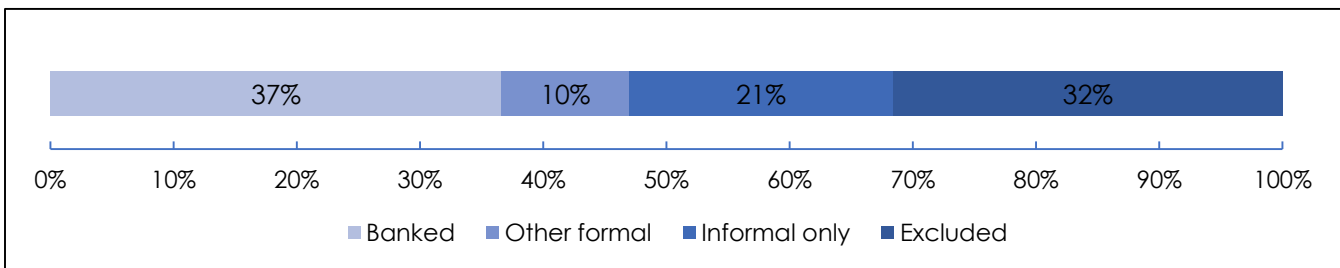


Figure 1b: Financial Inclusion Strands

Financial inclusion strand	
<b>Banked</b>	The respondent currently has a formal bank account.
<b>Other formal</b>	Over the past 12 months, the respondent used the services of a credit union, microfinance institution (MFI) <sup>2</sup> , pension, investments (stocks, bonds and others), insurance or owns a mobile money account.
<b>Informal only</b>	Over the past 12 months, the respondent has used a savings club or other non-regulated financial instrument, such as taking credit from a shop, moneylender, or hire purchase.
<b>Excluded</b>	Over the past 12 months, the respondent has not used any of the services mentioned for the other three categories, but may have borrowed from or lent to friends and family, saved money in the house, pawned goods, borrowed from an employer, saved with a money guard, or trusted person, etc. This category would include respondents who only use money transfer services, as well.

The excluded are more likely to be:

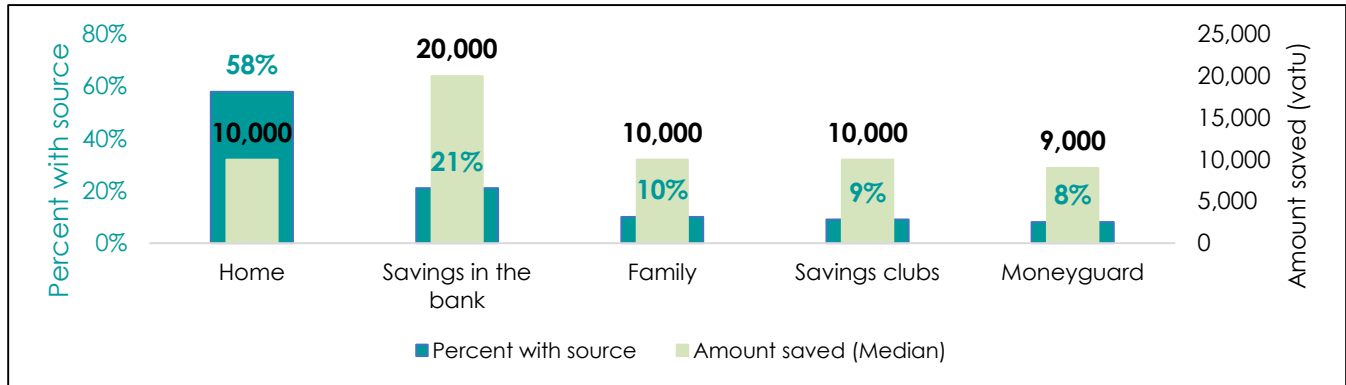
- Lower income earners
- Women
- Earn income from agriculture
- Rural

<sup>2</sup>VANWODS Microfinance, Inc. is the only MFI operating in Vanuatu. It is a registered NGO.

### 3.2 Savings

According to the DSS report, **59% of ni-Vanuatu adults saved money in the past year**, with women much more likely to be savers. Informal instruments are more commonly used for saving than bank accounts, with **58%** of adults saving a median of 10,000 Vatu (USD 94) at home. While just **21%** of adults saved in the bank in the past year, they saved double that amount.

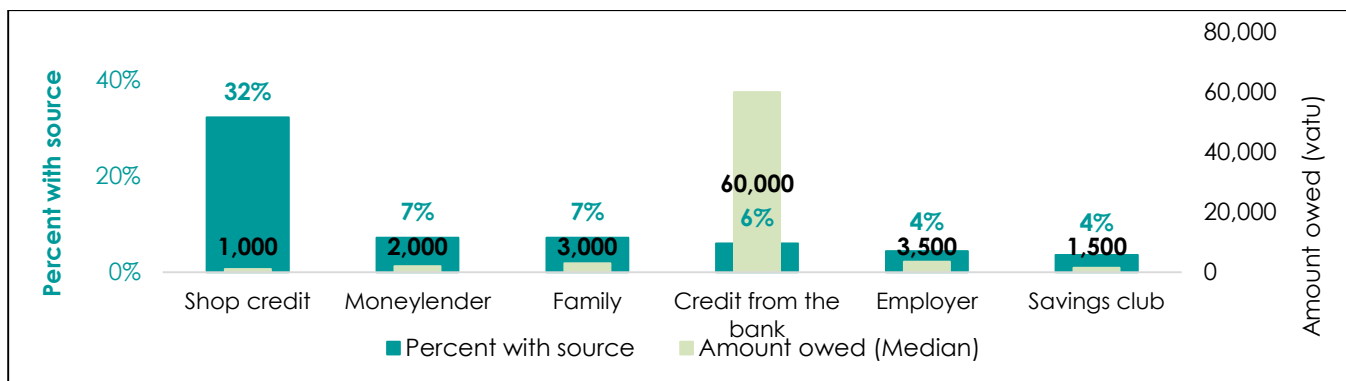
Figure 2: Savings by source and value (VT)



### 3.3 Credit

**Forty six (46%)** of adult DSS respondents took some form of loan in the past year, with informal instruments such as shop credit, **(32%)**, moneylenders and family being the most commonly used. The largest credit amounts come from the bank, but only **6%** of adults have taken credit from a bank in the past year.

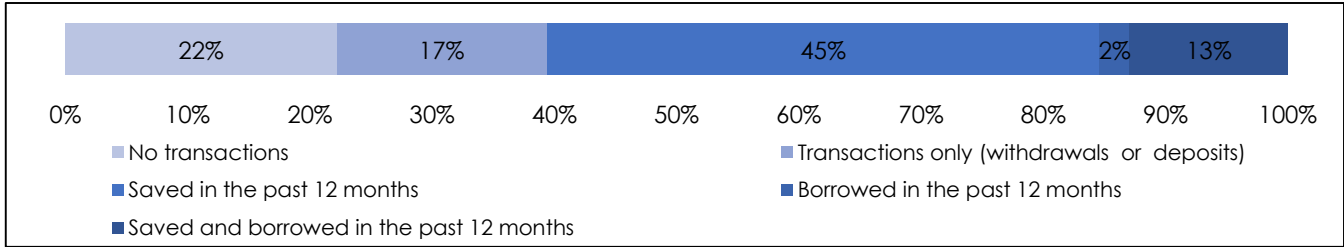
Figure 3: Credit



### 3.4 Bank account usage

The DSS depicts that even **among banked adults (37%)**, almost **40% are not saving or borrowing regularly with banks**: **22%** of banked adults reported no transactions in the past 12 months and a further **17%** of banked adults only use their accounts for deposits or withdrawals. Women are significantly more likely to use their accounts to save than men.

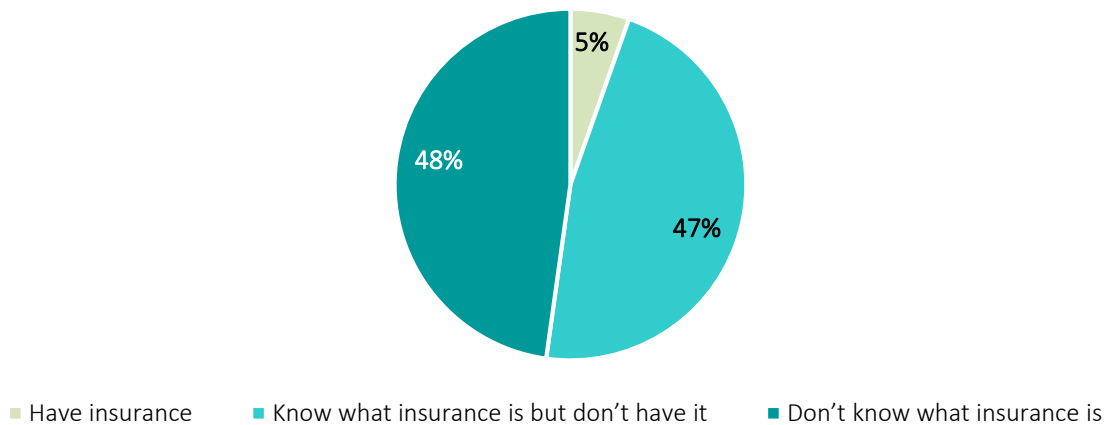
**Figure 4: Bank account usage**



### 3.5 Insurance

Almost half of adults in Vanuatu do not know what insurance is. The DSS finds that only **5% have some form of insurance coverage**. The main reasons stated by respondents for not having insurance cover are that it is too expensive (over 1/3 of respondents), not knowing where or how to get it (over ¼ of respondents) and not knowing what it is or how it works (nearly 1/5<sup>th</sup> of respondents).

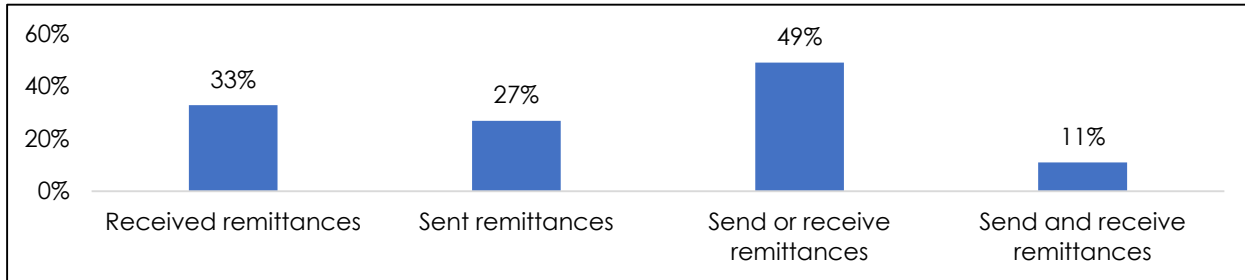
**Figure 5: Insurance**



### 3.6 Remittances

Almost 50% of adults of the DSS respondents have either sent or received remittances in the past year. In Vanuatu, the majority of remittances are sent from within the country, with 55% of these sent through Western Union. Due to the timing of the survey, this result may have been influenced by inward remittance flows related with Cyclone Pam.

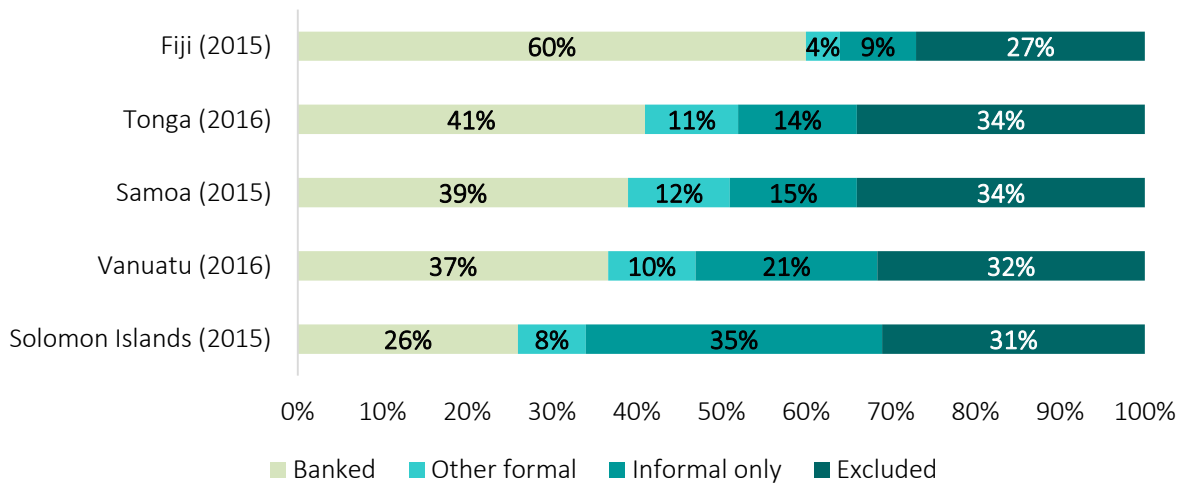
Figure 6: Remittances



### 3.7 Regional Comparison

In Vanuatu, the percentage of banked adults (37%) appears to be lower across other Pacific Island Regional Initiative (PIRI) member countries: Samoa (39%), Tonga (41%) and Fiji (60%), however higher than Solomon Islands (26%).

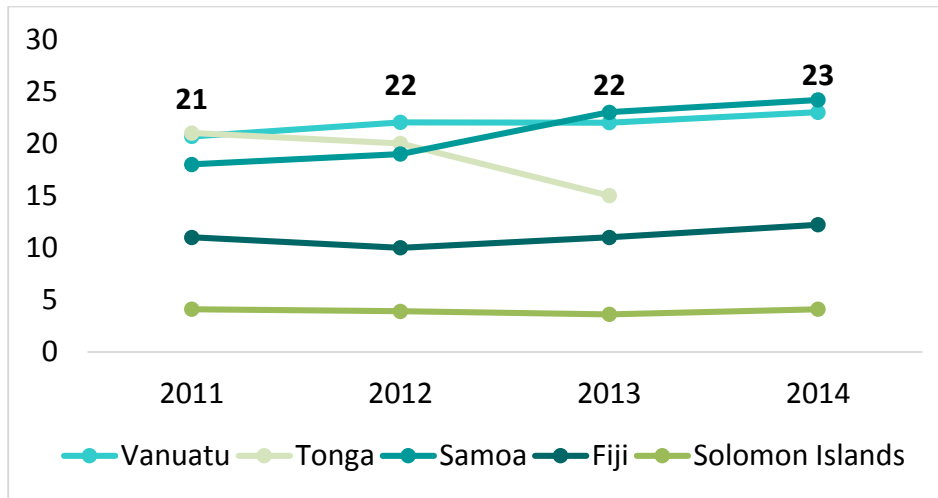
Figure 7: Financial Inclusion in Vanuatu compared to other PIRI-member countries



The data collected by the International Monetary Fund’s Financial Access Survey (FAS) helps to explain the variation between countries. Vanuatu has financial inclusion levels in the middle of other PIRI-member countries, and it is similarly situated according to supply-side measures like the penetration of commercial bank branches and ATMs.

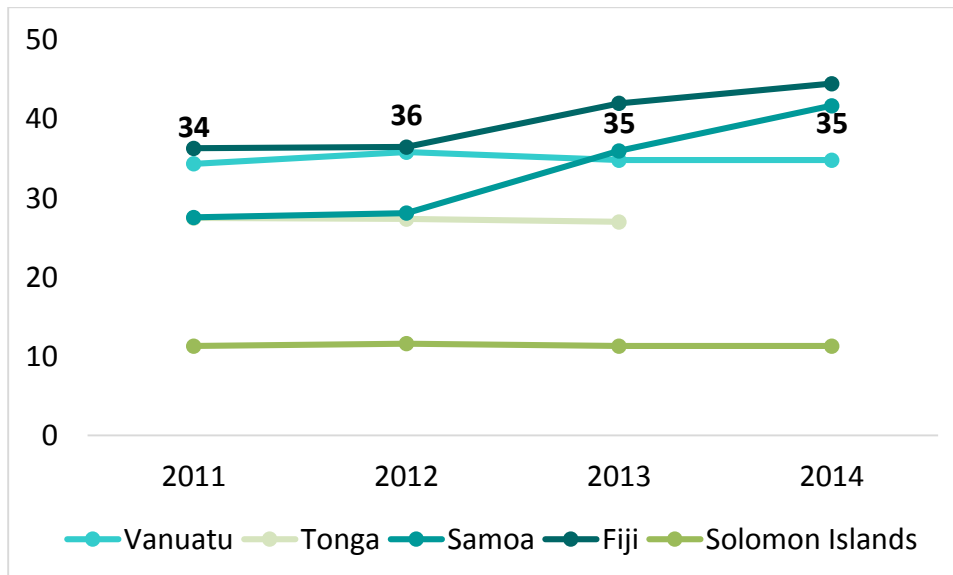
As Figure 8 shows, in 2014 Vanuatu had the second highest levels of commercial bank branches per 100,000 adults, behind Samoa, and the third highest number of ATMs per 100,000 adults, behind Fiji and Samoa.

**Figure 8: Number of commercial banks branches per 100,000 adults**



Source: IMF Financial Access Survey, available at <http://fas.imf.org/>

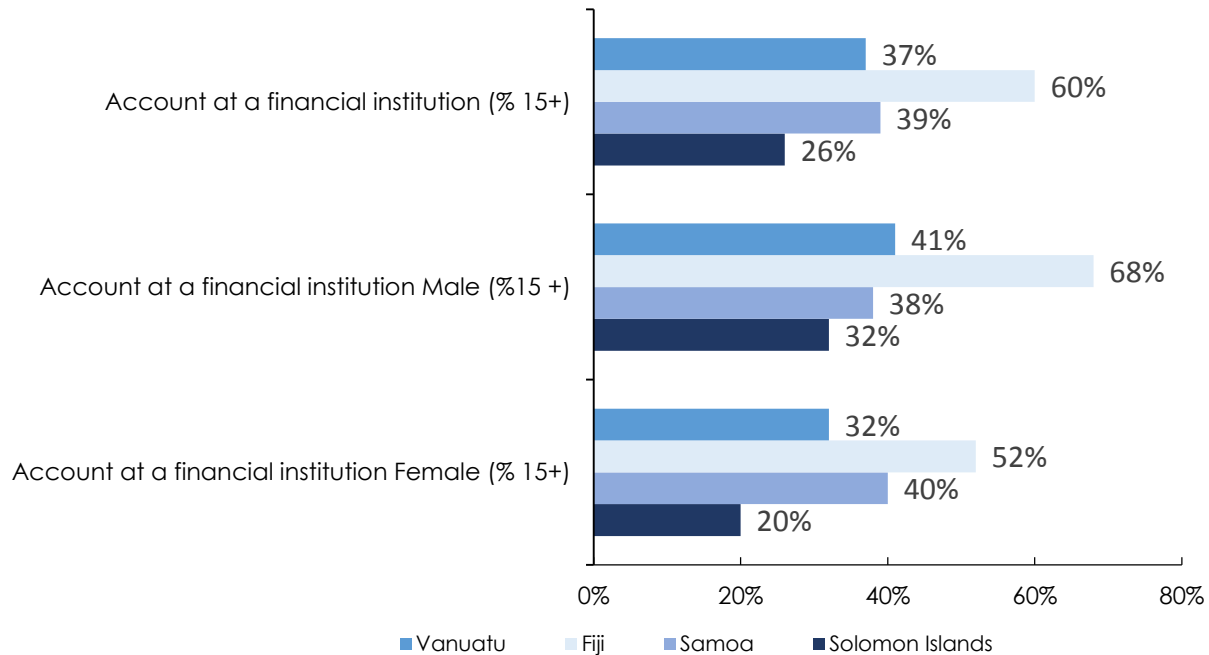
**Figure 9: Number of ATMs per 100,000 adults**



Source: IMF Financial Access Survey, available at <http://fas.imf.org/>

In Vanuatu, the percentage of adult females with bank accounts (32%) appears to be lower than across other Pacific Island Regional Initiative (PIRI) member countries: Fiji (52%) and Samoa (40%) though higher than Solomon Islands (20%).

**Figure 10: Percentage of female who have bank accounts**



Source: National Financial Inclusion strategies for Fiji, Samoa and Solomon Islands

### 3.8 Financial inclusion strand for MSME Financing<sup>3</sup>

**Figure 11: Financial Inclusion Strand for MSME financing**

Financial Inclusion Strand for MSME Financing	
<b>Commercial banks</b>	<p><i>MSMEs accessed commercial banks loans for starting their business</i></p> <p>Over the past 12 months the MSME have accessed and used loans and overdraft from commercial banks for financing their business</p>
<b>Other financial Institutions</b>	<p><i>MSME accessed and used loans from Credit Corporation Vanuatu, Vanuatu Agriculture Bank, Vanwoods, Apma Financial Investment Corporation (AFIC) and Other financial Institutions (OFI) for business startups</i></p> <p>During the past 12 months businesses have accessed and used credit from Credit Corporation Vanuatu, the Vanuatu agriculture bank, Vanwwods, AFIC and OFI for the financing of their business</p>
<b>Informal savings</b>	<p><i>Business used savings ( held at home) for business startups</i></p> <p>Over the last 12 months Buisness used (savings) retained earnings from buisness for financing their business</p>
<b>Informal credit</b>	<p><i>Business borrowed money lender family and friend for busines startups</i></p> <p>MSME borrowed from the informal sector to finance their buisness</p>
<b>Excluded</b>	<p><i>MSME did not access the above categories for business start-up, however may have used other sources such as sale of assets, Buisnesses who have enquired from financial institutions but were rejected.</i></p> <p>Over the past 12 months the businesses have not accessed and used any services provided by the said categories OR do not know of the services available or though it was not applicable to their business</p>

<sup>3</sup>Due to resource and data limitations encountered during the MSME survey, the financial inclusion strand for MSME finance is a summary of the findings and may not be used as a baseline indicator. These indicators are subject to improvement in the next MSME survey.



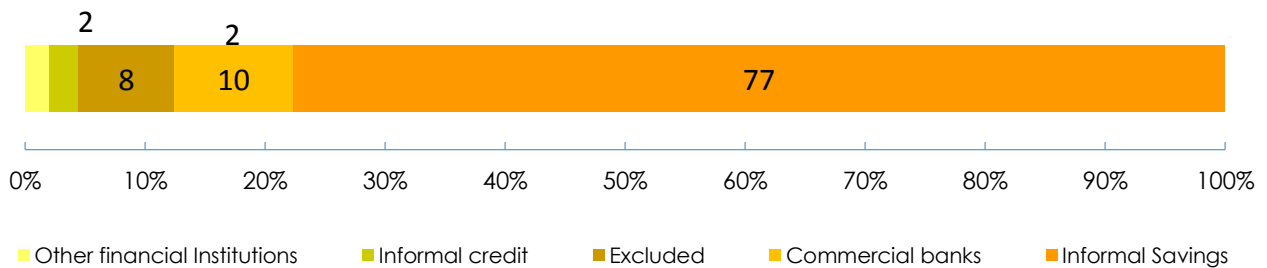
The excluded are more likely to be:

- Seasonal workers
- Agri- businesses
- Irregular income earners

### 3.9 MSME: Access to credit for business start-up

Seventy seven (77) percent of MSMEs in Vanuatu used informal savings for business start-ups, followed by 10 percent borrowed from commercial banks, 8 percent use other sources not specified in the survey, while 2 percent used informal credit and loan from other financial institutions respectively.

Figure 12: Access to credit for business start-ups



### 3.10 MSME: Access to credit for business financing

Sixteen (16) percent of MSMEs applied for loans from commercial banks during the past twelve months. Forty two (42) percent did not apply for other reasons and 42 percent were excluded. Similarly, only 2 percent of MSMEs applied for loans from other financial institutions, 32 percent did not apply for other reasons and 66 percent were excluded.

Figure 13: Access to credit for business financing

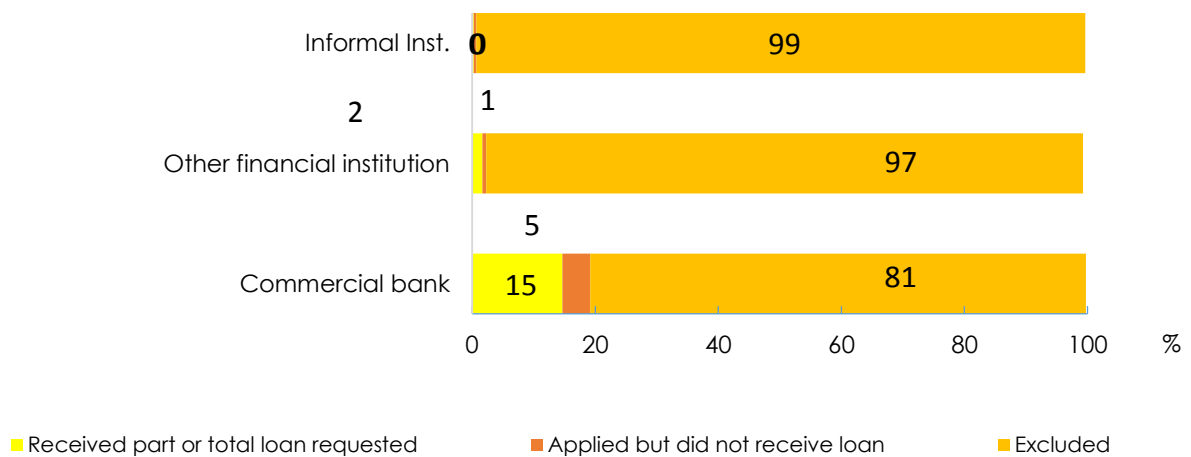


### 3.11 MSME: Application for and Use of Credit

Of those MSMEs which applied for loans, only 15 percent received part or total loans requested from commercial banks, 5 percent of businesses which had applied for credit were rejected while 81 percent were excluded. With regards to other financial institutions, only 2 percent of MSMEs which applied for loans from other financial institutions received part or everything, 1 percent were rejected and 97 percent were excluded.

Fifty three (53) percent of the MSMEs used the loans for working capital, 30 percent for purchasing land, buildings or equipment and vehicle, 6 percent, for buying another business, 7 percent for restructuring and process development, less than 1 percent on research & development and promotion, respectively and 2 percent spend on others.

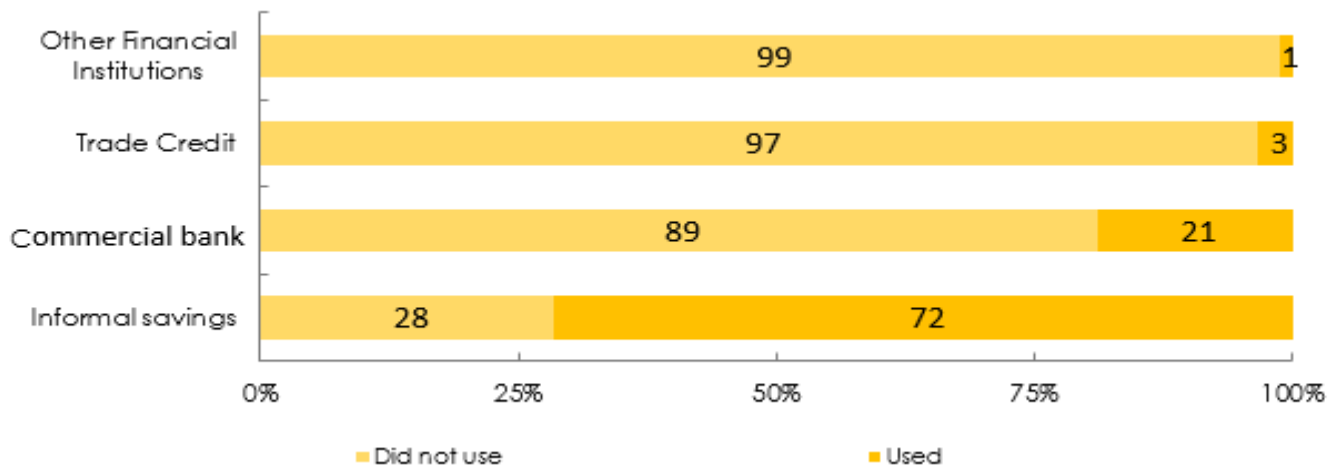
Figure 14: MSME Credit Application



### 3.12 MSME: Usage of credit for Business financing

In terms of the financing structure of the business, 72 percent of businesses in Vanuatu used internal funds for financing their business, 21 percent used commercial bank loans and overdrafts, 3 percent used trade credit and 1 percent borrowed from other financial institutions.

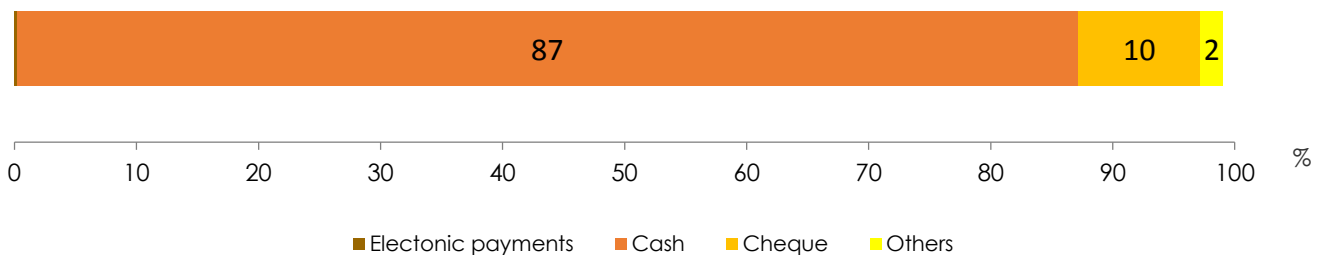
**Figure 15: Use of credit for business financing**



### 3.13 MSME: Payment Instruments

Eighty-seven (87) percent of the total businesses surveyed used cash for transactions, 10 percent used cheques, 2 percent used other modes of payment<sup>4</sup>, and only 0.2 percent used electronic mode of payments such as ATM card, Visa card and MasterCard.

**Figure 16: Mode of Payments of MSME**

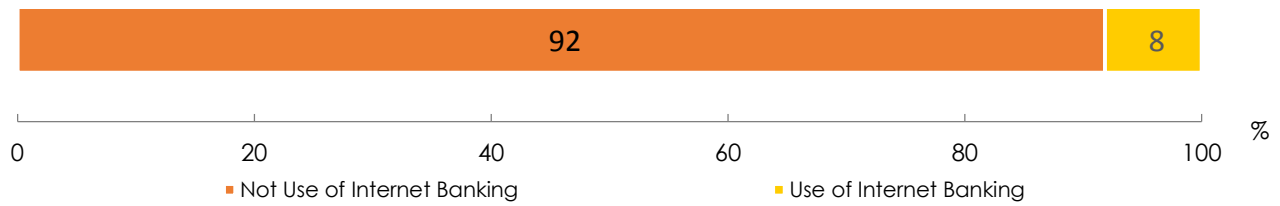


### 3.14 MSME: Internet banking

According to the MSME survey, 8 percent of the MSME in Vanuatu used internet banking for business transaction while 92 percent did not use internet banking.

<sup>4</sup> Other modes of payment for this purpose includes, bank telegraphic transfers and direct debits from bank accounts

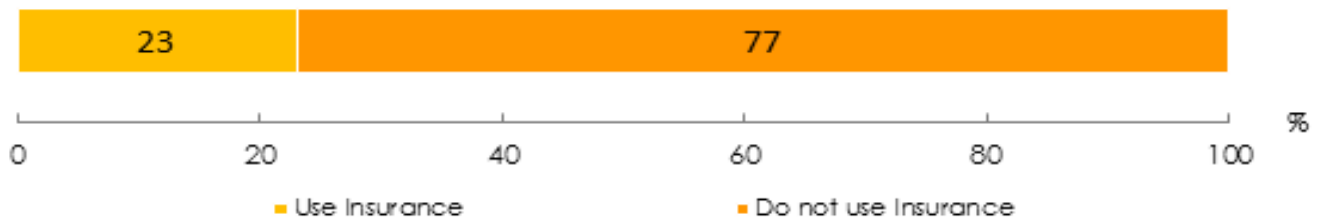
**Figure 17 Proportion of MSMEs using Internet Banking**



### 3.15 MSME: Insurance

Twenty three (23) percent of MSMEs in Vanuatu had insurance cover, while 77 percent did not. This slow uptake in insurance cover may be attributed to the lack of awareness and understanding by potential insurance buyers (businesses), and its affordability.

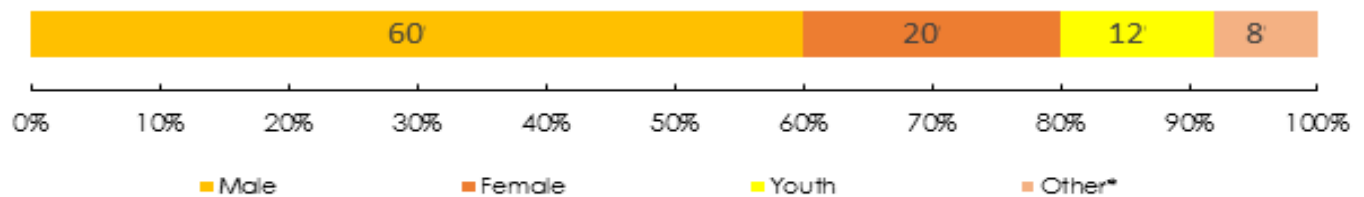
**Figure 18: Percentage share of business with insurance**



### 3.16 Gender in Business

In Vanuatu, 60 percent of MSMEs are owned by male followed by 20 percent female, 12 percent are within the youth category and 8 percent, other category\*.

**Figure 19: Percentage share of male, female and youth in business**



\* includes Shareholders, business associates, family entrepreneurs

## 4. Vision, Mission and Objectives

### 4.1 Vision

Create an enabling environment for enriching the livelihoods of the people and MSMEs in Vanuatu through inclusive financial services and consumer empowerment and protection.

### 4.2 Mission

By 2023,

- Ensure an additional 54,000 (130,000) adults will be active users of formal or semi-formal financial services, of which 50% will be women.
- Ensure 40% of the financially included will be active users.<sup>5</sup>
- Ensure a suite of MSME business financing products are available, which are also tailored to the needs of businesses led by women and youth.

### 4.3 Objectives

- 4.3.1 To facilitate an enabling regulatory and supervisory environment for providers and users of financial services.
- 4.3.2 To enable the people and MSMEs in Vanuatu to have access to a range of appropriate and sustainable financial services at an affordable cost.
- 4.3.3 To foster financial inclusion deepening and resilience via increased and regular usage of financial services.
- 4.3.4 To strengthen the financial competencies of the people of Vanuatu to enable better informed financial decision making together with the optimal use of financial services to better their livelihoods.
- 4.3.5 To facilitate consumer protection of consumers of financial services and for MSME finance.
- 4.3.6 To use a multi-stakeholder and multi-sector approach to enable a concerted and comprehensive national approach to addressing financial exclusion.
- 4.3.7 To promote the development in the MSME sector to improve financial users' income.

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<sup>5</sup> Active users conduct at least one transaction within a 90 day period.

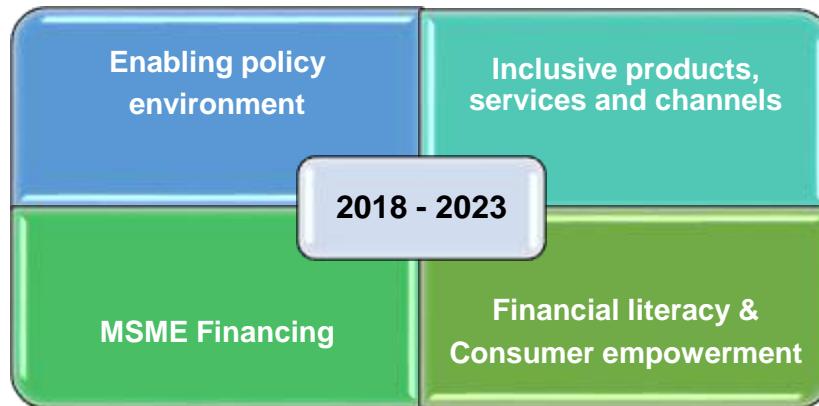
## 5. Financial Inclusion Strategy 2018 – 2023

The Strategy sets out a clear direction for financial inclusion and is driven by the overarching goals of improving both, access to and usage of appropriate financial services by the Ni-Vanuatu population and micro small and medium enterprises in Vanuatu.

These financial services could include formal and informal financial services for the adult population and formal and informal business financing for MSMEs, in addition to consumer empowerment and protection via financial literacy programmes, consumer protection mechanisms and equitable market conduct standards.

Based on recent findings of the DSS report, an estimated 32% of adults are the underserved, comprising individuals in the informal sector together with excluded as per the financial inclusion strands in Figure 1a above. Also the MSME survey indicated that around 42% and 66% of MSMEs are excluded from accessing credit from commercial banks and other financial institution, respectively.

**Figure 20: Diagrammatic framework of the 4 strategic goals**



### 5.1 Strategic Goal 1 – Create an enabling policy environment and financial infrastructure

- 5.1.1** Establish a forum through which legally appointed regulators and supervisors can interact and share information regularly on financial inclusion-related policy, regulation, supervision and financial service provider or industry data.
- 5.1.2** Develop and strengthen financial infrastructure, policy and regulatory environment and ecosystems that balance opportunities and innovations in financial markets leading to improved access, usage and quality of financial services.
- 5.1.3** Ensure consistency in Know Your Customer requirements across all financial service providers and ensure that they facilitate the changing market whilst meeting regulatory and other needs for KYC.
- 5.1.4** Bridge the data gap to enable rigorous data collection for evidence-based policy making and effective product and services development.
- 5.1.5** Create a coordinated effort to build a financial inclusion eco-system and to provide oversight of the implementation of the NFIS.



## 5.2 Strategic Goal 2 – Promote and foster inclusive products, services and channels

- 5.2.1 Improved access to formal financial services for all, particularly the rural population, women, individuals engaged in agriculture and lower-income households.
- 5.2.2 Encourage a suite of financial products and services, including digital financial services and inclusive insurance that suit the needs of the excluded population.
- 5.2.3 Implement interoperability of electronic payment platforms between formal financial service providers such as banks and further between financial service providers and mobile network operators.
- 5.2.4 Promote electronic payment channels in Government transactions, including state-owned enterprises.
- 5.2.5 Encourage digital payment channels among medium to large private sector employers and associations for business-to-business transactions.
- 5.2.6 Explore green finance vis-à-vis financial inclusion to extend the outreach and usage of financial services.
- 5.2.7 Test and roll-out institutional innovations including technology, agent networks and shared platforms that can improve both outreach and access whilst reducing costs and addressing agent liquidity and other agent-related administrative issues.
- 5.2.8 Test digital solutions for informal financial service providers, including electronic book-keeping and financial literacy applications.
- 5.2.9 Enhance the range of financial services by strengthening existing financial service providers across the formal, other formal and informal sectors, inclusive of aligning human resource and capacity training with international best practice.

## 5.3 Strategic Goal 3 - Micro, Small and Medium Enterprise Financing

- 5.3.1 Introduce policies and a regulatory environment to support access to finance for MSMEs, with a specific target of 30% of women.
- 5.3.2 Coordinate and harmonize Government’s work through a variety of line Ministries to mainstream financial inclusion products and Programmes targeted at MSME, rural entrepreneurs and women-owned institutions.
- 5.3.3 Ensure there is effective collaboration between Government and the private sector in regard to improving access and usage of financial services for MSMEs.
- 5.3.4 Promote the development of an accessible suite of quality, affordable and easily accessible financial services, including insurance for MSMEs and value chains in the agriculture, fisheries and tourism sectors.
- 5.3.5 Simplify loan application processes for small rural entrepreneurs.
- 5.3.6 Encourage widely available financial literacy Programmes targeted at building entrepreneurial and financial management skills, including women entrepreneurs.
- 5.3.7 Promote consumer protection and empowerment in MSME Finance.

## 5.4 Strategic Goal 4 - Financial Literacy and Consumer Empowerment

- 5.4.1 Strengthen financial education in educational institutions at the national and sub-national level, the latter being within the TVET sector or other tertiary institutions.
- 5.4.2 Integrate financial literacy and product awareness by financial service providers into financial services offerings.
- 5.4.3 Raise awareness of the general public vis-à-vis the Secured Transaction Act and other Financial Services-related consumer impact legislation.
- 5.4.4 Ensure consistency in financial services product disclosure and transparency on fees and charges across all financial services providers.
- 5.4.5 Ensure consistency in or wide awareness of financial services redress and recourse mechanisms across financial services industries.
- 5.4.6 Develop a financial literacy strategy.

## 5.5 Strategic Goals and Action Plan

### Goal 1: Create an enabling policy environment and financial infrastructure

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
1. Establish a forum through which legally appointed regulators and supervisors can interact and share information regularly on financial inclusion-related policy, regulation, supervision and financial service provider or industry data.	Financial Inclusion Taskforce to create a separate working group of regulators and supervisors.	Meetings once every two months, attendance/representation.	FIT, RBV, TRR, VFSC, OGCIO, ORCBDS, VFIU, URA	Q3, 2018 and ongoing
	Map full spectrum of financial service related legislation and policies.	Map of financial service regulators and supervisors and related financial service-related legislation and policies created.		Q1, 2019
	Data of the financial services industry extended beyond the purview of the RBV.	Consolidated financial services industry data		Q1, 2020
2. Develop and strengthen financial infrastructure, policy and regulatory environment and ecosystems that balances opportunities and innovations in financial markets leading to improved access, usage and quality of financial services.	Collaborate with development partners on diagnostic exercises and assessments of financial infrastructure, including reviewing the design of, prioritization and sequencing of financial sector reforms, key interventions and policies.	Regulatory Impact Assessment Study report.	FIT, RBV, VFSC, OGCIO, ORCBDS, VFIU, TRR, URA	Q2, 2019 and ongoing
	Review existing and proposed regulation and supervision to establish areas of conflict with financial inclusion and financial stability needs.			Q1, 2019
	Identify financial services and channels for which “No Objection” letters are possible.	No. of financial services for which the regulatory sandbox is being applied.		Q2, 2019
	Encourage innovation through amendment of financial system rules and regulations to address financial inclusion target groups.	Put in place Payment System Infrastructure.		Q4, 2020

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
3. Ensure consistency in Know Your Customer requirements across all financial service providers and ensure that they facilitate the changing market whilst meeting regulatory and other needs for KYC.	Develop reduced KYC requirements that can be used across all financial service industries and the MSME sector and undertake awareness on the same.	Reduced KYC requirements with industry-wide acceptability.	RBV, VFSC, OGCIO, VFIU, PMO, MFEM	Q3, 2019
4. Bridge the data gap to enable rigorous data collection for evidence-based policy making and effective product and services development.	Build database leveraging off existing regulatory data collection from financial service providers, requirements to inform commitment compliance and obligations under the AFI Data Project, amongst others. Share pertinent information with other regulators and supervisors in the market. Engage with FSPs for regular timely reporting	Database of key financial inclusion indicators. Data reported semi-annually and/or quarterly.  MOUs between RBV and other supervisors/regulators or non-regulated institutions for the purpose of financial inclusion data collection.	FIT, RBV, VNSO	Q4, 2019
	Undertake 1 additional DSS activity to inform progress.	DSS Report. Proxy demand side data tracked semi-annually	FIT, RBV, VNSO	Q3, 2023
5. Create a coordinated effort to build a financial inclusion eco-system and to provide oversight of the implementation of the NFIS.	Review of FIT mandate and prepare TORs for Working Groups, which includes quarterly reporting on NFIS targets.	No. of quarterly reports of progress against NFIS targets.	FIT, RBV	Q4, 2018 and ongoing
	Clear regulatory backlog of draft legislations: Payment System, Competition and Consumer Protection	2 Legislations enacted	RBV, MFEM, VFSC, OGCIO, MTTICNVB	Q1, 2020

## Goal 2: Promote and foster inclusive products, services and channels

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
1. Improved access to formal financial services for all, particularly the rural population, individuals engaged in agriculture, lower-income households, women and youth.	Develop synergies and build public/private partnership models to progress financial inclusion.	Public/private partnerships	FIT, RBV, donors, ORCBDS, MNOs	Ongoing
	Develop and maintain a publicly available online geo-spatial map of financial access points, updated quarterly.	Financial inclusion map posted online and updated quarterly.	FIT, RBV	Ongoing
2. Encourage a suite of financial services, including digital financial services that suit the needs of the excluded population.	Research and pilot new services and approaches, including digital financial services.	DSS 32% are financially excluded	FIT, RBV, FSPs (mainly Commercial banks), MNOs,	Ongoing
3. Implement interoperability of electronic payment platforms between formal financial service providers such as banks and further between financial service providers and mobile network operators.	Implement Payment Systems Act	Act finalized and enacted	RBV, MFEM	Q2, 2019
	Introduce ATM interoperability for banks	Interoperability. No. of transactions	RBV, Commercial Banks, MNOs	Q3, 2019
	Introduce EFTPOS interoperability for banks	Interoperability. No. of transactions	RBV, Commercial Banks, MNOs	Q2, 2020
	Undertake mobile money pilot	No. of transactions	FSPs (mainly Commercial Banks) MNOs,	Q2, 2020
	Introduce MNO interoperability for users	Interoperability. No. of transactions	RBV, MNO	Q4, 2022
4. Promote electronic payment channels in Government transactions, including state-owned enterprises.	Map government payment and receipt flows.	More than 60% of Government payments and receipts flow through electronic channels	FIT, RBV, MFEM, FSPs, Commercial Banks, MNOs	Q4, 2019
	Undertake pilot to digitize G2P/P2G Payments within a Government ministry/department with potential to rollout to wider Government.	2 pilots using electronic payment channels in Government transactions	FIT, MFEM, RBV, MNOs, FSPs, Commercial Banks	Q4, 2019

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
5. Encourage digital payment channels among medium to large private sector employers and associations for business-to-business transactions.	Working Group to initiate discussions with industry bodies or large private sector employers	No. of companies making payments for taxes, goods & services and wages & salary electronically.	FIT, RBV, VCCI, MNOs, FSPs (mainly Commercial banks)	Q2, 2019
	Conduct B2B study and support selected field trials			Q2, 2020
	Promote digital/electronic payment options via Vanuatu Chamber of Commerce & Industry			Q2, 2019
6. Explore green finance vis-à-vis financial inclusion to extend the outreach and usage of financial services.	Undertake 1 green finance pilot, preferably impacting women or a segment of the low-income and rural population	No. of customers, new financial inclusion service.	FIT, RBV, FSPs, MNOs, ORCBDS	Q3, 2022
7. Test and roll-out institutional innovations including technology, agent networks and shared platforms that can improve both outreach and access whilst reducing costs and addressing agent liquidity and other agent-related administrative issues.	Standards to be established for measurement of and operating rules for agent liquidity.	Standards endorsed	FIT, RBV, FSPs (Commercial Banks), MNOs	Q3, 2021
8. Test digital solutions for informal financial service providers, including electronic book-keeping and financial literacy applications.	Introduce digital book-keeping via a pilot for an informal service provider with the opportunity to scale up.	No. of participants and no. of trained.	RBV, VFSC, OGCIO, PFIP, ORCBDS, MNOs	Q1, 2023
	Source and promote app using a smart phone.			
	Introduce technology for the training and financial literacy of customers.			
9. Enhance the range of financial services by strengthening existing financial service providers across the formal, other formal and informal sectors, inclusive of aligning human resource and capacity training with international best practice.	Identify capacity and capability gaps and options for training of FSPs. Coordinate action plan to optimally address these gaps.	No. of new services, No. of FSPs trained	FIT, RBV, VFSC, OGCIO, ORCBDS	Q4,2023

### Goal 3: Micro, small and medium enterprise development

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
1. Introduce policies and a regulatory environment to support access to finance for MSMEs, with a specific target of 30% of women.	Liaise with MTTICNVB on MSME Act with relevant policy regulations targeting MSMEs, including; <ul style="list-style-type: none"> <li>- National SME/MSME Definition</li> <li>- National SME/MSME Coordinating Body/ structural framework</li> <li>- Establishing an avenue for MSME support and development and asset and risk management</li> </ul>	Finalize and adopt legislation and relevant policies	FIT, RBV, NTDC, VFSC, VCCI, MTTICNVB	Q4, 2019
	RBV to work with Government to develop and regularly update MSME registry and standardized registry in every province.	Registry developed	RBV, FIT (MSMEF WG) MTTICNVB, DARD, DLA	Q4, 2019
2. Coordinate and harmonize Government's work through a variety of line Ministries to mainstream financial inclusion products and Programmes targeted at MSME, rural entrepreneurs, women and youth owned institutions.	Government to establish MOUs between line Ministries to enable a Holistic Approach in addressing MSME issues	The number of MOUs signed	FIT, RBV, MALFFB, MTTICNVB, MoET, TRR, VFSC	Q2, 2021
	A stock-take of Government MSME initiatives, target population segments and Government entities involved to be undertaken	Stock-take completed	FIT, RBV, VCCI, MTTICNVB	Q1, 2019

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
3. Ensure there is effective collaboration between Government and the private sector in regard to improving access and usage of financial services for MSMEs.	Consider the implementation of a credit bureau for MSMEs	1 policy paper	RBV, MTTICNVB, VFSC	Q1, 2019
	Public/private sector MSME Working Group established	Meetings held, attendance/representation	FIT, RBV	Q3, 2018 and ongoing
	Re-establish and expand rural agricultural expansion services to increase farmer participation through the following avenues: <ul style="list-style-type: none"> <li>- Collaborate with financial service providers for agriculture extension services to advise, mentor and support farmers' access to credit</li> <li>- Identify avenues to act as credit guarantee or risk sharing to minimize lending risk</li> <li>- Identify other potential financial infrastructures to specifically target the MSME Sector</li> </ul>	Number of expansion services available	RBV, MALFFB, MFEM, NBV	Q1, 2019  Q4, 2022  Q4, 2022
4. Promote the development of an accessible suite of quality, affordable and easily accessible financial services, including insurance for MSMEs and value chains in the agriculture, fisheries and tourism sectors.	Research and pilot new products and services, including digital financial services and mobile banking, insurance and value chains	Number of products, Number of customers with gender disaggregated data	FIT, RBV, FSPs, Insurance Companies, MNOs, MTTICNVB	Ongoing
5. Simplify loan application processes for small rural entrepreneurs.	Review current MSME targeted loan application processes and information and standardize	Simplified loan application processes/ Standardized loan process and assessment across the industry	FIT, RBV, Commercial Banks	Q4, 2019



Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
6. Encourage widely available financial literacy Programmes targeted at building entrepreneurial and financial management skills, including women and youth entrepreneurs.	Review current vocational training providers Programmes to ensure financial literacy is covered to strengthen financial management, women and youth entrepreneurs after completion of training.	Harmonize training Programmes on financial literacy for all vocational training providers.	FIT, RBV, VQA, MTTCINVB	On going
	Undertake stock-take of Financial Literacy Programmes targeted at MSMEs	Number of financial literacy Programmes offered	FIT, RBV, Financial Literacy Training Providers, MTTCINVB	Q1, 2019
	Develop key general learning areas for financial literacy, entrepreneurship and enterprise training for MSMEs	Matrix of key learning outcomes for the 3 training areas	FIT, RBV, MTTCINVB, VCCI	Q3, 2019
	Develop and maintain database of trainings held for MSMEs	Number of trainings held, with gender disaggregated data	FIT, RBV, MTTCINVB, Financial Literacy Training Providers	Ongoing
	Introduce Financial Literacy and entrepreneurship education within targeted curriculum at targeted educational institutions	Curriculum developed. Number of students impacted.	FIT, RBV, MOET, VSP	Q4, 2022
7. Promote consumer protection and empowerment in MSME Finance.	Develop specific financial consumer protection legislation and wider regulation on use and delivery of financial services to strengthen client protection for MSMEs.	Act passed	FIT, RBV, VFSC, OGCIO, MTTCINVB	Q1, 2020
	Public Awareness drive	Number of public awareness activities/ number of trained	FIT, RBV, VFSC, OGCIO, FSPs, MTTCINVB	Q3, 2020

## Goal 4 - Financial literacy and consumer empowerment

Key Result Areas	Action Plan	Target/Indicator	Lead Institution(s)	Timeframe
1. Strengthen financial education in educational institutions at the national and sub-national level, the latter being within the TVET sector or other tertiary institutions.	Develop action plan for Financial Education in schools, which includes development and piloting of student impact assessment	Student Impact Assessment Tools developed	FIT, MoET, RBV	Q4, 2019
	Identify and commence pilot for sub-national education provider.	No. of students and courses of study	FIT, MoET, RBV, RTCs/VSP	Q4, 2021
2. Integrate financial literacy and product awareness by financial service providers into financial services offerings.	Map existing financial literacy activities done and by who	No. of FinLit trainings delivered/annum	FIT, RBV, FSPs, FinLit providers	Q1, 2019
	Develop minimum financial literacy training areas of learning, in English, Bislama and French, which can be used to ensure minimum standards of coverage to enhance financial competencies of adults across the country, especially those in rural areas.	Compendium of minimum financial literacy training work areas and sample training materials.	FIT, RBV, FSPs, NGOs, FinLit providers, Government	Q4, 2019
3. Raise awareness of the general public vis-à-vis the Secured Transaction Act ( Personal Properties Securities Act) and other Financial Services-related consumer impact legislation.	Public awareness drive	No. of public awareness activities/ No. of trained	FIT, RBV, VFSC, OGCIO, FSPs, Commercial Banks	Q4, 2020
4. Ensure consistency in financial services product disclosure and transparency on, terms and conditions, fees and charges across all financial services providers.	Develop and implement financial services product guidelines and client protection guidelines.	Financial services product and client protection guidelines	RBV, VFSC, OGCIO, ORCBDS (MTTICNVB)	Q2, 2020
	Develop supervisory policy on disclosure of fees and charges	Supervisory policy	RBV, FIT	Q2, 2020
5. Ensure consistency in or wide awareness of financial services redress and recourse mechanisms across financial services industries.	Draft Competition and Consumer Protection legislation and wider regulation on use and delivery of financial services to strengthen client protection.	Act passed	FIT, RBV, VFSC, OGCIO, ORCBDS (MTTICNVB)	Q1, 2020

The aforementioned goals, their related key result areas, action plans, targets, responsibilities and time frames will be further fleshed out through annual action plans developed by the various working groups established under FIT. It is envisaged that by December 2020, action plans for all commitments under the Maya Declaration together with the 2020 Money Pacific Goals would be largely completed.

## 6. Stakeholders

A multi-stakeholder, multi-sector approach to financial inclusion is involved to bring about positive and quantifiable change. The placement of financial inclusion within the Vanuatu Strategic Development Plan provides stakeholders across a wide range of sectors including private, public, civil society and non-governmental organisations to align their financial inclusion-related efforts and objectives.

Key stakeholders and their roles are listed in the table below.

**Figure 21: Key Financial inclusion stakeholders**

Categories	Institutions	Roles/Responsibilities
<b>Regulatory Authority</b>	RBV,VFIU, TRR, URA, VFSC, ORCBDS, MFEM, including OGCI0 & VNSO	<ul style="list-style-type: none"> <li>• Ensure enabling and supervisory framework in place for financial inclusion</li> <li>• Coordinate and monitor financial inclusion initiatives</li> <li>• Provide advice to government and providers on financial inclusion initiatives and developments</li> <li>• Ensure compliance with financial inclusion policies</li> </ul>
<b>NFIC</b>	NFIC Members	<ul style="list-style-type: none"> <li>• Provide oversight and direction on overall NFIS</li> </ul>
<b>FIT</b>	FIT and Working Group members	<ul style="list-style-type: none"> <li>• Drive, monitor, coordinate NFIS implementation through Working Groups</li> </ul>
<b>Government Ministries/ Departments</b>	MFEM, MOET, MoFAICET, MTTICNVB,MALFFB, MoJCS, PMO, MOIA	<ul style="list-style-type: none"> <li>• Drive and implement financial inclusion initiatives</li> <li>• Allocate budgetary funds for financial inclusion and its promotion</li> </ul>
<b>Financial Service Providers</b>	Commercial banks, MFIs, Credit Unions, Cooperatives, Insurance companies, Finance Company, Capital market intermediaries, financial literacy providers.	<ul style="list-style-type: none"> <li>• Implement financial inclusion initiatives</li> <li>• Innovate, develop, test and review new financial services and financial service access points/channels</li> <li>• Supply relevant financial inclusion data to regulatory authority on a regular basis</li> </ul>

Categories	Institutions	Roles/Responsibilities
<b>Advocacy Institutions</b>	Bankers Association of Vanuatu (BAV), National Youth Council, Insurance Companies Association, VYEC	<ul style="list-style-type: none"> <li>• Collaborate on interoperability of financial services and linked digital payment channels</li> <li>• Ensure compliance with financial consumer protection matters</li> <li>• Escalate and report financial service complaints to relevant authority</li> </ul>
<b>Development partners</b>	Donor agencies, international entities and NGOs e.g. AFI, PIRI, PFIP, MFAT, DFAT, ADB, IFC, Regional Central Banks etc.	<ul style="list-style-type: none"> <li>• Provide and facilitate capacity building and technical support</li> </ul>
<b>Clients/Customers</b>	Clients and other users of financial services	<ul style="list-style-type: none"> <li>• Provide feedback</li> </ul>

## 7. Coordination, Monitoring and Evaluation

### 7.1 Coordination

#### **National Financial Inclusion Council (NFIC)**

Purpose: The NFIC will provide a high-level forum for steering and coordination of the overall implementation of the national financial inclusion strategy.

Composition: The NFIC is chaired by the Prime Minister and consists of key ministers from four different ministries, namely; MFEM, MTTCINVB, MALFFB and MoET. The Governor of RBV is also a member of NFIC.

#### **Financial Inclusion Taskforce (FIT)**

Purpose: The Financial Inclusion Taskforce is the coordinating committee for the overall National Financial Inclusion Strategy 2018 – 2023.

Composition: The membership of the Taskforce and Working Group is aimed at ensuring representatives of key stakeholder groups and every effort will be made to ensure equal representation.

#### **Working Groups (WG)**

Purpose: The four working groups are structured around the four strategic goals and will provide thematic expertise to the Taskforce. The four working groups are tasked with specific areas of focus as noted below:

##### **1. Regulatory Working Group**

- Create an enabling regulatory environment;
- Strengthen the existing financial infrastructure; and
- Discuss and coordinate regulatory initiatives relevant to financial inclusion which span the domain of more than one regulator (e.g Digital Financial Services).

##### **2. Inclusive Product & Services Working Group**

- Ensure the provision of sustainable, relevant, affordable and accessible financial products and services including insurance products;
- Create a digital financial services ecosystem; and
- Increase and strengthen public private sector partnership.

##### **3. MSME Working Group**

- Facilitate and offer relevant MSME financing products that are sustainable, affordable and responsive to the needs of MSMEs including those led by marginalised groups; and
- Create a balance between regulations, enhancing access to MSME financing and empowerment and protection of MSMEs.

##### **4. Financial Literacy and Consumer Empowerment Working Group**

- Improving financial competencies through financial education in the school curriculum;

- Building adult financial competency through better coordination and increase public private sector support; and
- Enhance financial education awareness; and
- Ensure effective protection and empowerment of consumers.

The RBV will provide the leadership and secretariat support to the Taskforce as well as Secretariat to each of the four Working Groups.

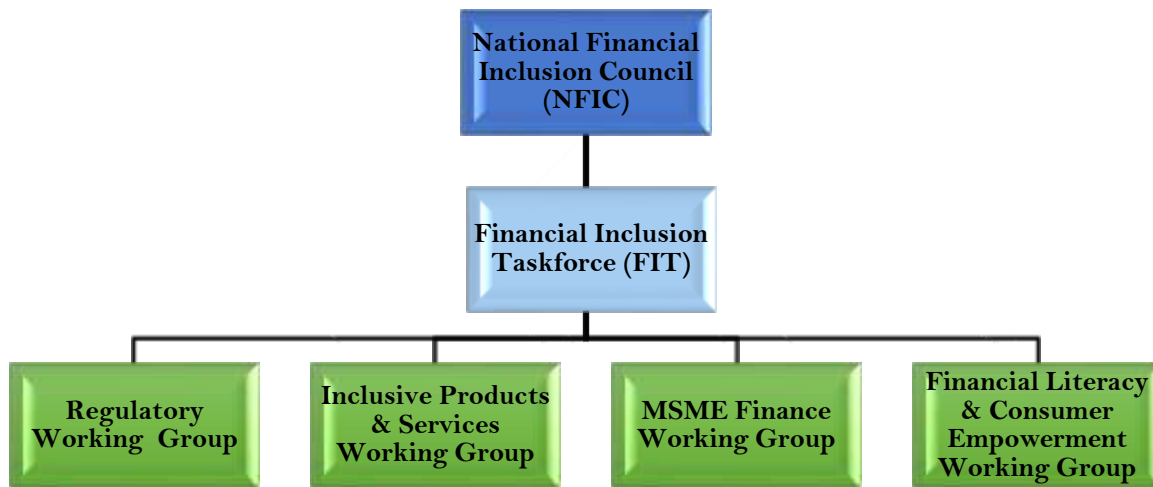
**Data collection and Dissemination**

RBV will coordinate and monitor data collection and dissemination. Specific areas of focus are:

- Monitor the outreach and coverage of existing financial services; and
- Regularly monitor impact of financial inclusion efforts through coordination and comprehensive data collection and sharing

The monitoring and coordinating committee is structured as per that below.

**Figure 22: Structure of the National Financial Inclusion Council**



## 7.2 Monitoring and Evaluation Framework

Each working group established under the FIT will develop medium and shorter (annual) implementation plans for strategic goals and objectives falling within their purview. Once endorsed by FIT, a half-yearly update on the progress against these strategic goals and objectives, will be escalated to the FIT by each Working Group on a bi-annual or quarterly basis, via structured updates.

The evaluation framework will be largely based on a mix of the AFI Core Set of Indicators, Quality Indicators, and PIRI Core Plus indicators to measure the state of financial inclusion in Vanuatu. The core indicators relating to *Access, Usage, Quality and Financial Literacy* form the foundation for measuring national financial inclusion efforts.

**Figure 23: Indicators – Access, Usage, Quality and Financial Literacy**

### Access Indicators - Accounts and Channels

- New accounts opened including for specific interest groups eg. women
- Measured via availability of a financial access point

### Usage Indicators - Accounts and Channels

- Measured through active financial accounts ie. accounts which have had at least one transaction in the most recent 90 days
- Measured through use of specific channels, which had at least one transaction in the most recent 90 days

### Quality Indicators

- Captured through barriers to accessing and using financial services and products

### Financial Literacy

- Types of financial literacy Programs and number of individuals trained, with breakout for specific interest groups eg. women

Figure 24: Key Evaluation Indicators

## Annex 1: Key Evaluation Indicators

### 1. Access Channels by Urban and Rural

FI Dimension	Indicators	URBAN	RURAL					Measurement Frequency	Data Source (s)
			TORBA	PENA-MA	SANMA	MALAMPA	SHEFA		
Access to Formal Financial Products and Services	Number of bank branches							Quarterly	FSPs Survey
	Number of ATMs							Quarterly	FSPs Survey
	Number of EFTPOS outlets							Quarterly	FSPs Survey
	Number of cash-in and cash-out agents							Quarterly	FSPs Survey

### 2. Access Channels by Gender

FI Dimension	Indicators	MALE	FEMALE	TOTAL	Measurement Frequency	Data Source (s)
Access to Formal Financial Products and Services	Number of new savings accounts at a formal financial institution				Quarterly	Supply side data from FSPs
	Number of new loan account(s) at a formal financial institution				Quarterly	Supply side data from FSPs
	Number of accounts – SME/MSMEs at a formal financial institution				Quarterly	Supply side data from FSPs
	Number of loan accounts – SME/MSMEs at a formal financial institution				Quarterly	Supply side data from FSPs

### 3. Usage Accounts and Channels

FI Dimension	Indicators	MALE	FEMALE	TOTAL	Measurement Frequency	Data Source (s)
Usage of financial products and services	Number of adults that have an active[1] account at a formal financial institution				Quarterly	FSPs Survey
	Number of adults using formal savings products				Quarterly	FSPs Survey
	Number of adults using formal credit products				Quarterly	FSPs Survey
	Number of adults with an insurance product				Annual	FSPs Survey
	Number of VNPF membership accounts				Annual	FSPs Survey
	Number of adults using pension products				Annual	FSPs Survey
	Number of adults using VNPF products (loan)				Annual	VNPF

[1] Account accessed at least once in the last 90 days.



## Annex 2: NFIC, FIT and Working Group Representatives

### 2.1 NFIC Members

Prime Minister of Vanuatu (Chairman)  
Minister of Tourism, Trade, Commerce, Industry and Ni-Vanuatu Businesses  
Minister of Finance and Economic Management  
Minister of Education and Training  
Minister of Agriculture, Livestock, Forestry, Fisheries and Bio-security  
Governor, Reserve Bank of Vanuatu

### 2.2 FIT Members

Governor, Reserve Bank of Vanuatu (Chairman)  
Deputy Governor, Reserve Bank of Vanuatu  
Advisor, Reserve Bank of Vanuatu  
Director General, Prime Minister's Office  
Director General, Ministry of Finance and Economic Management  
Director General, Ministry of Agriculture, Livestock, Forestry, Fisheries and Bio-security  
Director General, Ministry of Internal Affairs  
Deputy Program Manager, PFIP  
Chairman RWG  
Chairman IPSWG  
Chairman FLCEWG  
Chairman MSMEFWG

### 2.3 Regulatory Working Group

Vanuatu Financial Intelligence Unit  
Vanuatu Financial Services Commission  
Telecommunications Radio-communications and Broadcasting Regulator  
Office of the Government Chief Information Office  
Utilities Regulatory Authority  
Minister of Tourism, Trade, Commerce, Industry and Ni-Vanuatu Businesses  
Department of Customs and Inland Revenue  
Department of Rates and Taxes  
Department of Finance & Treasury  
Vanuatu National Statistics Office  
Department of Strategic Policy Planning and Aid Coordination  
Reserve Bank of Vanuatu

### 2.4 Inclusive Products and Services Working Group

Vanuatu National Provident Fund  
VNPF Subsidiary- Members Financial Service Limited  
Telecom Vanuatu Limited  
Digicel (Vanuatu) Limited  
Vancare Insurance  
Capital Insurance

National Bank of Vanuatu  
ANZ Bank  
Bank South Pacific  
Bred Bank (Vanuatu) Ltd  
Vanuatu Post  
Pacific Financial Inclusion Programme  
Credit Corporations Vanuatu Limited  
Vanwods MFI  
South Pacific Business Development (SPBD)  
Non-Governmental Organization (NGO)  
Department of Finance and Treasury  
Reserve Bank of Vanuatu

### 2.5 MSME Finance Working Group

Department of Cooperatives and Business Development Services - MTTICINVB  
Department of Industry  
Trade Division Unit – MTTICINVB  
Department of Tourism  
Vanwods MFI  
Ministry of Justice and Community Services  
Ministry of Youth and Sports Development  
Vanuatu Chamber of Commerce and Industry  
South Pacific Business Development  
Insurance companies  
Department of Local Authority  
Department of Agriculture and Rural Development  
Vanuatu Young Entrepreneur Council  
Reserve Bank of Vanuatu

### 2.6 Financial Literacy and Consumer Empowerment Working Group

Department of Education and Training – MoET  
Curriculum Development Unit – MoET  
Commercial Banks  
Vanuatu National Provident Fund  
Vanuatu Qualifications Authority  
Vanuatu National Youth Council  
Department of Cooperatives and Business Development Services - MTTICINVB  
Department of Industry - MTTICIVB  
Trade Division Unit – MTTICINVB  
Non-Governmental Organisation (NGO)  
Vanuatu Vocational Training Centers (APTC, VIT, TVET, VRTC etc.)  
Reserve Bank of Vanuatu

