Fiji Financial Inclusion Regulatory Impact Assessment

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For Pacific Financial Inclusion Programme and the Reserve Bank of Fiji

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Acknowledgements

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Background

Aspects of Fiji relevant to financial inclusion

- Small population (with 615,802 over age 15, per Fiji Bureau of Statistics)
- Remote location (small islands), costly to establish operations
- Lack of government digital agenda
- Primarily served by foreign banks with regional focus
- Regional context and solutions/products/channels tested by providers in contiguous countries

Regulators and policymakers

- Central bank: Reserve Bank of Fiji
- Financial Intelligence Unit: Fiji Financial Intelligence Unit
- Telecommunication regulator: Fiji Telecommunication Authority
- Competition: Fiji Commerce Commission (also responsible for consumer protection)

Consumer advocacy organizations

- Consumer protection: Consumer Council of Fiji

Financial Service Providers

- Six banks: five foreign, one local (HFC). Two were licensed in the past three years; four have regional operations; 72 branches (2015 data)
- Two mobile network operators (MNOs) providing mobile money services

- Others with minor operations (eight deposit-taking microfinance institutions [MFIs], 14 non-deposit taking MFIs, credit unions, pawnbrokers)

Market infrastructure

- Real time settlement and interoperability
    i. FijiClear handles large value payments between banks, with bank interoperability being based on bilateral agreements between the institutions. Nonbanks are indirect participants. For individual transfers, there is 60-minute clearing. FijiClear also handles offshore payments (although Vodafone's M-Paisa can receive international remittances)
    ii. Only one bank has allowed transfers from bank accounts to mobile money accounts
    iii. Mobile money providers are not interoperable
    iv. Mobile money providers cannot access the banks' ATM (automated teller machine) networks
    v. There is a plan to develop a national switch
- The credit bureau - DataBureau - is reliable and accessible; see "Fair Reporting of Credit Act 2016." All banks and mobile network operators are members.

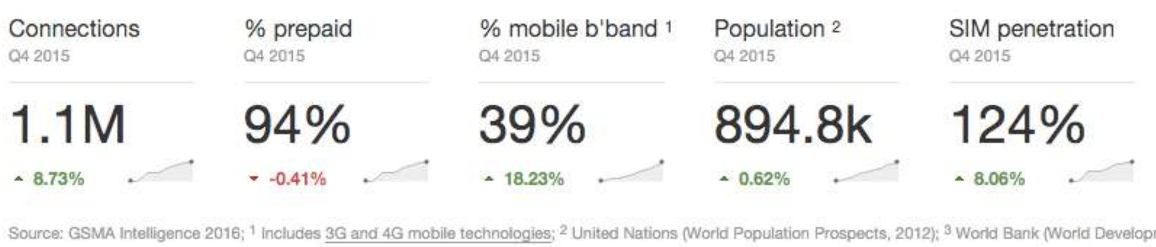
Products and channels

- All banks offer transaction accounts and savings accounts
- Five banks offer basic accounts with low opening fees and minimum balance requirements
- Two banks offer mobile banking
- Two MNOs offer mobile money accounts
- Some loans
- Some microinsurance products

BACKGROUND FIGURE 1. FINANCIAL INCLUSION STRAND 2015

Source: RBF, 2015

BACKGROUND FIGURE 2. INFORMATION AND TELECOMMUNICATION TECHNOLOGIES (ICT)



Source: www.gsmaintelligence.com

Executive Summary

In November 2009, the Reserve Bank of Fiji (RBF) and the Pacific Financial Inclusion Program (PFIP) organized a national microfinance workshop entitled "Medium-Term Strategy for Financial Inclusion in Fiji." The intent of the workshop was to design an approach to fostering the financial inclusion of Fijians, of whom only 40 percent were considered to be served by formal and informal providers.

The workshop resulted in the agreement by stakeholders on a way forward based upon (i) a vision of reaching at least 150,000 unbanked Fijians by 2014, (ii) the establishment of a National Financial Inclusion Taskforce (NFIT, to be chaired by the RBF) that would drive the financial inclusion agenda; and (iii) the prioritization of three key areas for the medium-term financial inclusion strategy: the development of national baseline data on access, usage, demand, and consumer financial capability; increasing the role of banks and other institutions in providing financial access; and developing consumers' financial capability. With support from NFIT, which has established a constructive ongoing dialogue among all relevant stakeholders, RBF adopted a number of specific policies for financial inclusion.

The Fiji Financial Inclusion Regulatory Impact Assessment (RIA) undertaken by BFA (formerly Bankable Frontier Associates) comprises the ex post appraisal of Fiji's first financial inclusion strategy or first FIS (2009-2014) and the following related policy measures undertaken between 2009 and the present:

- RBF Banking Supervision Policy Statement #12 of 2009 requiring foreign banks to establish a Local Advisory Board;
- RBF Banking Supervision Policy Statement #14 of 2009 requiring all banks to establish a microfinance unit, to implement a microfinance policy with plans and budgetary

requirements, and to extend sustainable banking financial services to poor and low-income earners and individuals and micro and small enterprises;

- RBF Banking Supervision Policy Statement #18 of 2013 outlines the minimum guidelines on agent banking by commercial banks;
- Financial Intelligence Unit (FIU) Guideline #4 of 2009 on customer due diligence; and
- Letters of approval issued by RBF in 2010 to mobile network operators (MNOs) to provide mobile money services.

The RIA is based on:

- A review of the written policies and various related documents, such as press releases,
- Analysis of data made available by the RBF, financial sector providers and relevant publications,
- Interviews with relevant stakeholders (listed in Annex A), and
- A review of other relevant information available on line (e.g., governor's speeches).

This document summarizes the ex post assessment. In addition, it is designed to serve as a pedagogical tool for future use by the RBF and other policymakers in Fiji conducting RIAs on financial sector policies.

Highlights of the ex post RIA

The first FIS and the related five policy measures constitute significant efforts of the RBF, the NFIT, and other policymakers to expand access to formal financial services. These efforts were directed primarily at stimulating the involvement of banks in serving the poor and those living in remote areas. The driver for these efforts was the RBF's conviction – based on "impact studies of the various microfinance projects around the world" – in the very important "role and contribution of microfinance in economic development and empowering [the] underprivileged" and the need to address the challenges in developing and promoting microfinance in Fiji.[1]

The first FIS has four objectives:

1. Establish a National Financial Inclusion Taskforce (NFIT) to develop a coordinated and collaborative approach to increasing financial inclusion, focusing on the following action plans (which each constitutes a separate objective):
2. Develop national baseline data on (i) access, usage and demand; (ii) the current branch network of relevant providers; and (iii) financial competency of Fiji households
3. Provide regulatory and other support to increase the role of banks and other financial institutions in financial inclusion, and specifically to reach at least 150,000 unbanked citizens by 2014
4. Support consumer awareness and financial competency.[2]

The NFIT was established and has worked on each of the areas identified in the action plan. It has made significant strides in building a national database relevant to financial inclusion. The goal of reaching 150,000 unbanked "through a variety of financial service providers offering a broad range of relevant, accessible, affordable and cost-effective financial services," as further elaborated in the NFIT Terms of Reference[3] – has purportedly been met (we do not know the identity or the inclusion-status of those with new accounts and new credit lines), although mostly through the opening of new bank accounts. However, the significance of achieving the goal was unclear as it was difficult to ascertain what specific service(s) were offered and whether and how they were used. We know that the use of formal credit and savings remains low at 6.9 percent and 8.0 percent, respectively, of adults (although there were no data specific to the newly enrolled customers). There were also data that indicated low use of digital financial services, with only 13,296 mobile money accounts (2 percent of registered accounts) being actively used and, among banked customers, mobile and internet banking rates were 9.4 percent and 8.1 percent, respectively.[4] Furthermore, while the rationale for the first FIS was to increase economic welfare of the excluded and national economic growth, there were no data indicating how the inclusion of 150,000 people was improving their welfare and impacting economic growth.

As for the effectiveness of the specific policies designed and/or implemented as a part of the first FIS (and in particular, objective 3 noted above), the policy statements for banks – on local advisory boards (LABs), microfinance units, and agent guidelines – were designed to increase banks' awareness of unbanked Fijians and to incentivize and enable banks to serve the unbanked through increased local presence and access points.

The LABs did not have measurable objectives, rendering it unfeasible to conduct an evidence-based assessment. The microfinance policy had limited impact, based on the extent of increased microfinance activities (measured by microloans and microdeposits) engaged in by banks since adoption of the policy in December 2009.

The ability to assess the impact of the bank agent guidelines – the objective of which was to enable reliable, safe, and sustainable access by the excluded to commercial banking services through the use of agents – was limited due to lack of data on the number of active agents. Nevertheless, the impact of the Guideline seems to be positive as three banks have implemented agent networks and there seems to be a correlation with the increased number of deposit accounts.

The RBF was in the forefront of the global mobile money picture when it issued its letters of approval to MNOs permitting them to offer payment and transfer services and to issue electronic money. Given that, the letters' clarity and coverage of key issues (disclosure and transparency, interoperability of MNOs' mobile money services, establishment of trust account and reconciliation, requirements regarding the use of agents, and safety of technology) marked an important achievement. However, there were no clear and measurable objectives instrumental for an assessment of the contribution to financial inclusion objectives (e.g., do mobile money customers have already a bank account?). In addition, certain key provisions (i.e., interoperability, and disclosure of key terms and conditions at the point of sale) have not been enforced by the RBF.

The FIU Guideline #4 was in the forefront of countries' applying a risk-based approach to low risk customers. Its objective was to provide financial institutions with guidance on how to apply customer due diligence (CDD) requirements of the anti-money laundering/countering the financing of terrorism (AML/CFT) law in a way that did not hinder their operations, including the provision of financial services to the poor and rural customers. However, the impact of the policy is minimal vis-à-vis banks and other financial institutions because of their use of the 100-point system required by Australian regulations and also given the Fiji Revenue and Customs Authority (FRCA) policy requirement that a tax identification (ID) be produced (prior to opening an account).

Introduction

The case for conducting a regulatory impact assessment in Fiji

The Reserve Bank of Fiji (RBF) has been interested and involved in promoting microfinance in Fiji for over 20 years. Specifically, it has assumed the role of promoter and facilitator in getting commercial banks to serve the rural population, starting with the Australia and New Zealand Banking Group (ANZ) over a decade ago.[5] In November 2009, the RBF together with the Pacific Financial Inclusion Program (PFIP)[6] organized a national microfinance workshop entitled "Medium Term Strategy for Financial Inclusion in Fiji." The intent of the workshop was to design an approach to increasing financial inclusion of Fijian citizens. The workshop essentially resulted in the first Financial Inclusion Strategy (first FIS) consisting of:

i. A vision of reaching at least 150,000 unbanked Fijian citizens by 2014

ii. A recommendation that a National Financial Inclusion Taskforce (NFIT, to be chaired by the RBF) be established to drive the financial inclusion agenda

iii. The articulation of three main focus areas for the NFIT:

- To develop national baseline data on access (including a mapping of the current access points), usage, demand, and consumer financial capability
- To increase the banks' role in providing financial access
- To develop consumers' financial capability

The NFIT was established and its work led to the adoption of various RBF policies aimed at stimulating banks' development of appropriate products and services for the Fiji population and providing an enabling framework for mobile network operators (MNOs) to offer mobile financial services. These policies supplemented existing policies, including the Financial Transactions Reporting Act and in particular the Financial Intelligence Unit (FIU) Guideline #4 on Customer Due

Diligence, which articulated a risk-based approach permitting simplified due diligence (SDD) on low-risk customers.

In 2015, the RBF, through the NFIT, started a new consultation to design the second Financial Inclusion Strategy or second FIS (2016-2020). As part of this process, PFIP and RBF asked BFA (formerly Bankable Frontier Associates) to undertake a regulatory impact assessment (RIA) of the financial inclusion policy framework in Fiji. This would complement the BFA Fiji 2015 Financial Services Demand-Side Survey and Financial Competency Survey and create a comprehensive body of evidence to assist the RBF in defining the second FIS.

Therefore, the Fiji Financial Inclusion RIA seeks to:

1. Provide a detailed and systematic ex post appraisal of the impacts of the first FIS and a set of policies issued to implement it, assessing whether they have achieved the stated objectives.
2. Based on the conclusions of the ex post evaluation of the first FIS, contribute to the development of the second FIS, the articulation of clear outcomes, and the design of the its monitoring and evaluation (M&E) framework.
3. Contribute to capacity building within the RBF for future design and implementation of ex post RIAs for a periodic structured appraisal of policy impacts and an improved management of the policy cycle.

Purpose of RIA

Governments and public sector authorities use RIAs to examine existing or proposed policy instruments,[7] using relevant data and information to (i) appraise the effectiveness and efficiency of the policy in light of its stated objectives (ex post RIA); or (ii) assess the opportunity to introduce new policy initiatives and regulation (ex ante RIA). For an existing policy, an RIA can help policymakers in the implementation, monitoring, and evaluation of the policy in line with the stated objectives. In addition, an RIA should increase transparency and promote accountability of the policymaking procedure to relevant stakeholders and the public.

An RIA assumes evidence-based policymaking and is based on:

- *Stated policy objectives.* Identifying clear, measurable and achievable objectives is a critical first step that should precede policy design. This is easiest when there are quantified or quantifiable objectives (correlating indicators should be selected prior to adoption of the policy). If a policy objective is not clear or measurable, then it cannot be known whether and when the objective is achieved. Conducting an RIA – whether ex post or ex ante – can reveal an objective as unclear or unable to be measured and can result in necessary and timely adjustment of the stated objective by the policymaker.

- *Identifying and gathering data, prior to setting the policy and during its implementation.* Policymakers need to identify and gather relevant data and information (both in the policy design phase and during implementation) in order to make informed policy decisions. Data gathering can also include analysis and processing of collected data to produce relevant and useful information. If there is a lack of data, then economic modeling can be used.

There are several benefits to conducting RIAs as they:

- *Enable selection of efficient and effective policy options.* If done well (and repeatedly over time), an RIA should enable the policymaker to weigh policy options, assessing them for efficiency and effectiveness and ultimately choosing the best option.
- *Link with daily work of policymakers.* Repeated RIAs enable a policymaker to link daily decision-making with long-term policy goals.
- *Draw on broad consultation.* An RIA provides a framework for assessing policy reforms and options (and making decisions about which approach to take) through broad consultation both within the policymaking authority and with third parties, including the private sector. While the lead policymakers should have the ultimate decision-making authority on whether and how to proceed, involving other stakeholders in the process creates a broadened ownership of new policies that contributes to their effective implementation.

- *Increase transparency*. An RIA provides policymakers with a framework to detail their actions in writing, explaining why the proposed course of action is more desirable than available alternatives, including the option of doing nothing. The transparency of the process helps create buy-in from multiple stakeholders and reduces regulatory capture.
- *Promotes accountability of policymakers*. An RIA is a tool to remind policymakers and other stakeholders of their responsibility for the outcomes generated by policy. Monitoring and adaptation (including successive RIAs) increases accountability and should improve policy design and the effective pursuit of stated objectives.

Some countries (e.g., the United States) apply thresholds to determine whether an RIA should be conducted given estimates of the time and resources that would be required. The thresholds may be quantitative (e.g., cost of compliance with regulation) or qualitative (e.g., persons projected to be impacted). The rationale is that some measures do not justify the use of resources or may justify only a "light" RIA that uses fewer resources.[8] Other countries and jurisdictions (e.g., the European Union) apply a proportionate approach to the use of RIAs. An iterative policymaking or "policy cycle" approach – in which RIAs inform the design, implementation and modification/redesign/repeal of a policy – presents three possible options vis-à-vis RIAs:

1. Maximum investment in the RIA to minimize mistakes, with an ex post assessment after a specified period of time
2. Less investment in the RIA, with a shorter time frame for follow-up activities as well as any pilot phase and detailed monitoring plan
3. No RIA with a reversible policy option

The third option is used when information is not easily collected or when "the underlying context for regulation is complex and/or fast-changing."[9]

Our approach

BFA has relied on the Organisation for Economic Co-operation and Development (OECD) RIA guidelines and tools in its approach to the Fijian context and the specific objectives and scope of this project.[10] Specifically, the BFA approach analyzes the impacts of the policy actions on the specifically intended market[11] using qualitative and quantitative analysis (also referred to as a multi-criteria analysis) as opposed to a strictly quantitative cost-benefit analysis.[12] This does not, however, mean that quantitative data on costs and benefits are not relevant, as an RIA begins – under the OECD guidelines – with understanding the costs and benefits of a policy measure.

BFA has implemented an ex post RIA of the first FIS and five policies, evaluating each policy as well as their interactive effects. This RIA is based on:

- A review of the written policies and various related documents, such as press releases
- Analysis of data made available by the RBF, financial sector providers, and relevant publications
- Interviews with relevant stakeholders (listed in Annex A)
- A review of other relevant information available on line (e.g., governor's speeches)

These and other activities (e.g., analysis of policies and data, consideration of possible indicators) comprise steps necessary in performing an RIA and should inform RBF's policymaking approach for the second FIS. Specifically, the RBF should, through observation of these activities and participation in a training workshop, apply its learning to undertake an approach to policymaking in which an ex ante analysis is followed by an initial adjustment to the policy design, then a monitoring phase during implementation, and ultimately an ex post evaluation that leads back to ex ante evaluation of the subsequent (3rd) FIS. Adopting an iterative policymaking approach should enable more effective policy design and management.

Ex post RIA

Ex post assessments cover policies already in effect, retrospectively considering what the current policy approach has delivered. They are a powerful tool for monitoring and evaluating the impacts of regulation and can, depending on their timing, generate relevant information that leads to adjustments of the evaluated policies. This information can also be used in planning, designing, and implementing further policy interventions. Essentially, the ex post evaluation is an analytical exercise that investigates and assesses what has occurred and why, who was affected by the policy intervention, and how much has changed as a consequence.

Ex post assessments should begin by addressing:

- RATIONALE: What problems were the policy meant to address?
- OBJECTIVES: What were the stated objectives of the policy?

And then answer the following:

- EFFECTIVENESS: Were the objectives met?
- EFFICIENCY: If the objectives were met, were they met in a cost-effective manner?
- ATTRIBUTION: Were there exogenous factors that contributed to or impeded the achievement of the objectives?
- EXTERNALITIES: Is it possible to identify any unexpected or undesired impacts?

Clearly defined quantitative and qualitative impact indicators are critical for the appraisal of the achievement of the stated objectives, as are the availability and quality of the data and information related to each indicator. Both feed into the ongoing implementation of the policy and the M&E framework, informing the redesign (if necessary) of the policy.

Scope of the Fiji financial inclusion ex post RIA

This ex post RIA appraised the impacts of the first FIS and five related policy measures undertaken between 2009 and the present. Three policy guidelines – drafted by the Banking Supervision Department of the RBF – aim to increase bank's role in extending access:

- RBF Banking Supervision Policy Statement #12 of 2009 requiring foreign banks to establish a local advisory board;
- RBF Banking Supervision Policy Statement #14 of 2009 requiring all banks to establish a microfinance unit; and

- RBF Banking Supervision Policy Statement #18 of 2013 allowing banks to outsource the provision of their services to agents.

The other policy measures assessed as part of this RIA are

- Financial Intelligence Unit (FIU) Guideline #4 of 2009 on customer due diligence, and
- Two letters of approval issued by RBF to non-banks (mobile network operators, MNOs) in 2010 to provide mobile money services.

Although the FIU Guideline (dated August 2009) preceded the first FIS, it was adopted for financial inclusion purposes and implemented during the first FIS period.[13]

1. Ex Post Evaluation of the First National Financial Inclusion Strategy (2009-2014) and Related Policies

1.1 Context

The foundational ideas of the first FIS are evident from the RBF announcements immediately following the Fijian constitutional crisis of April 2009.[14] The RBF had spent several years encouraging banks to engage in microfinance and better serve the rural population, seeing some success with ANZ's rural banking scheme. However, the national constitutional crisis, combined with the global financial crisis of that period, accelerated the RBF's drive to address the country's exclusion problem, which was that only 40 percent of adults had access to financial services.[15]

The RBF requested that banks play an active role in the economic recovery, directing them to set up microfinance service centers in all of their branches by 2010. The RBF also indicated its plan to establish a microfinance research and development unit.[16]

The RBF Governor articulated four specific challenges prior to adoption of the first FIS: (i) the deficiency of data on microfinance; (ii) the high costs of delivery of services due to geographic and demographic dispersion; (iii) weak financial literacy; and (iv) lack of innovative approaches to serving micro, small and medium enterprises (MSMEs).

1.2 Rationale: What problems were the first FIS meant to address?

The first FIS was designed to solve the problem of financial exclusion in Fiji; specifically, in 2009, the majority of adult Fijians (over 60 percent) remained financially excluded due to inaction on the part of banks and other formal providers. The RBF and other policymakers viewed financial exclusion as detrimental both to the excluded and to the country's economy, as the RBF believed that access by the poor and rural dwellers to financial services was necessary for their empowerment as well as the country's economic development.[17] The RBF also viewed the provision of financial services to the population as the responsibility of the banks[18] and other formal financial institutions. The RBF recognized its role in providing an enabling environment, including for innovation and the provision of financial services by new entities, including mobile phone companies. These latter were seen as having the potential to use existing infrastructure and alternative channels to offer financial services to those areas banks neglected.[19]

1.3 Objectives: What were the aims of the first FIS?

In November 2009, the RBF and PFIP organized a national microfinance workshop entitled the "Medium-Term Strategy for Financial Inclusion in Fiji." The stated objectives of the workshop included developing a common vision for financial inclusion in Fiji and a medium-term, national strategy for developing microfinance and financial inclusion.

Based on the post-workshop communiqué, the workshop participants recommended the establishment of a National Financial Inclusion Taskforce (NFIT) – chaired by the RBF[20] – to drive financial inclusion policy and identified the following action plans to be developed by the NFIT:

i. National baseline data on access, usage, and demand (i.e., the state of financial inclusion) and the current branch network of financial service providers, the post office, and telecommunications networks.

ii. Financial competency of Fiji households

   - To provide regulatory and other support to increase the role of banks and other financial institutions in financial inclusion, and specifically to reach at least 150,000 unbanked citizens by 2014.
   - To support consumer awareness and financial competency.[21]

These plans,[22] together with the foundation of NFIT itself, can be interpreted as constituting the four objectives of the first FIS (figure 1.1). These are further detailed in the draft NFIT Action Plan that was to guide the work of the NFIT in the short- to medium-term and also the NFIT terms of reference (ToR).[23]

Upon formation, the NFIT set up three working groups around statistics, microfinance, and financial literacy. The NFIT Action Plan divided its work into seven key results areas (described in further detail in Section 1.4) that together address the three objectives of the NFIT's work under the first FIS.

FIGURE 1.1. RBF FIRST FINANCIAL INCLUSION STRATEGY (2009-2014) OBJECTIVES

1.4 Impact assessment

A basic, overarching review of the financial inclusion picture in Fiji in light of the objectives of the first FIS (as interpreted via various documents) and the five policies reviewed in this ex post RIA would indicate that all objectives were accomplished; the NFIT and its working groups were operational and were driving the financial inclusion strategies. As of 2014, the number of Fijians with bank accounts had grown by more than 150,000 and the collection of data for a national baseline had begun and was significant. These were important steps in the journey to increase financial inclusion. However, if the objectives and M&E framework had been better designed, then there could have been an even more meaningful understanding of the progress made and the changes that should be made to the policies. The ability to perform evidence-based measurement with selected indicators was limited, given the lack of baseline data (which was the basis for the policy's data collection objective).

What follows is a summary of the relevant facts and findings and a brief assessment of effectiveness for each of the three objectives of the first FIS noted above. The other three elements of an assessment – efficiency, attribution, and externalities – are not addressed in this section due to the lack of specificity in the first FIS objectives and the corresponding lack of relevant data and indicators. However, these elements are discussed in the assessments of the five policies that are effectively sub-components of the third objective (provide regulatory and other support to financial institutions to increase financial inclusion and reach at least 150,000 unbanked Fijians by 2014), due to the narrower focus of those policies.

Objective #1: Establish National Financial Inclusion Taskforce (NFIT) to develop a coordinated and collaborative approach to increasing financial inclusion.

The NFIT was established in February 2010 to coordinate, supervise, and monitor the medium-term strategy for financial inclusion policy and its goal of reaching 150,000 unbanked clients by 2014. Members of the NFTI included various policymakers (e.g., FIUs and the telecom authority), private sector representatives (including those from banks and MNOs), and development partners (such as PFIP).

The NFIT immediately created three working groups – statistics, microfinance, and financial literacy[24] - and drafted a NFIT Action Plan that focused on seven key results areas (KRAs):

- Public-private sector participation and partnership
- Legal framework
- Use of existing infrastructure
- Good governance
- Skills transfer and training
- Financial literacy
- Assessment and monitoring[25]

The Microfinance Working Group (MFWG), whose members include the RBF, Post Fiji, the Ministry of Agriculture, banks, a mobile phone provider, and others,[26] is responsible for addressing the first five KRAs. The initial articulation of the strategies for the KRAs (and the other three objectives of the first FIS) include:

- “Increase active participation of the private sector, especially commercial banks, in the sustainable provision of microfinance by encouraging and offering incentives for partnerships and coordinated efforts and private-public initiatives to develop the microfinance sector”
- “Seek ways for government and donor agencies to encourage and incentivize the use of new technologies, including telecommunications, to expand the reach of financial services at lower cost”
- “Review legislation, regulations, policies and taxes related to financial services with a view to encourage expansion of savings services and establish an enabling legal framework and structure to support greater financial inclusion”
- “Better utilize government and traditional infrastructure and institutions, including Post Fiji, schools, and development finance and Fijian institutions to promote financial inclusion”[27]

By establishing the Statistics Working Group (SWG), the NFIT recognized the need to measure outreach and coverage of existing financial service providers in order to develop benchmarks and targets for financial inclusion. The NFIT acknowledged, at the time of its establishment (as the RBF had acknowledged earlier), the lack of national baseline of data and information. However, the initial key focus of the SWG was to develop a baseline to measure the current financial competency of Fiji’s households.[28]

To measure the effectiveness of the NFIT in developing a coordinated and collaborative approach, we should look to indicators regarding the involvement of various stakeholders in the working groups. These include the banks and other providers as well as other relevant regulators (i.e., the telecommunications agency and FRCA, as well as the MFWG and SWG). We also need to consider the development of the policies and their implementation, including such stakeholders’ agreement and input (in policy design) on:

- The utility of the LABs for foreign banks’ operations and such banks’ understanding of the needs of the underserved
- The utility of requiring banks to establish microfinance units and divisions

- The means of ensuring compliance with the risk-based approach to CDD of low-risk customers, as set forth in the FIU Guidance, in the face of banks' concern with other requirements (e.g., the Australian 100-point system or FRCA identification requirement) that are more onerous for customers[29]
- Government and donor incentives for providers to use new technologies that could include helping to establish interoperability of providers (the cause of the failure for both MNOs to be able to participate in e-ticket)

Effectiveness: Based on the interviews with stakeholders in March 2016, feedback from banks and MNOs was positive on the ability to work with the NFIT and the RBF (however, banks indicated that there is no reporting back to the LABs after on-sites due to sensitivity and confidentiality of the information). This lack of reporting may have reduced the utility of the LABs). The NFIT demonstrated its ability to convene meetings and to provide a trusted platform for structured engagement among the relevant public and private stakeholders. The working groups helped to keep discussions focused on technical issues that are relevant to the work. The NFIT also strived to ensure that the "learning agenda" was kept up-to-date and that there was mutual learning (i.e., among both public and private sector actors).

Objective #2: Develop national baseline data on access, usage and demand and a mapping of the current branch network of financial service providers, the post office, and telecommunication networks.

Prior to the adoption of the first FIS, the RBF made clear that it needed baseline data to understand the current state of financial inclusion, the specific needs of the excluded population and the appropriate roles for different institutions. These needs translated into the first FIS objective for national baseline data on: (i) access, usage and demand for credit, savings, payments and insurance;[30] (ii) financial competency of Fiji's households (to measure the impact of greater financial inclusion on the financial well-being of Fijians;[31] and (iii) the current outreach of providers in the form of a mapping. The database was to be made available by end 2010.

Table 1.1 provides a description of the data that have been collected pursuant to the first FIS both to develop a national baseline for financial inclusion and for mapping as well as additional data (specifically on complaints) that could contribute to a better understanding of demand.

TABLE 1.1: USES OF DATA COLLECTED

DATA COLLECTED	ACCESS, USAGE, DEMAND	MAPPING
RBF/NJIT Financial inclusion indicators	X	
Demand-Side Survey data	X	
Bank reporting under RBF Microfinance Policy	X	X
MNO reporting pursuant to RBF Letters of Approval	X	X
Fiji Commerce Commission	X	
Consumer Council of Fiji	X	

1.4.1. RBF financial inclusion indicators

The RBF has agreed on a common set of financial inclusion indicators[32] that are intended to provide a "harmonized benchmark for measuring and monitoring the change in financial inclusion in a country and tracking its progress in terms of access, usage, and quality."[33] The data sources include the RBF, the PFIP, the DSS (joint work of the RBF and PFIP), the Global Findex, and the Fiji Bureau of Statistics.

The NFIT assessed the indicator data as being inadequate for accurately tracking and analyzing the progress of the financial inclusion initiatives.[34] Specifically, the NFIT noted (prior to the DSS) that some data were not collected in a way that would be optimal for understanding usage (e.g., collecting data on the number of accounts rather than the number of individuals with accounts) or were not sufficiently detailed (e.g., data did not disaggregate number of accounts by gender and age).[35] Furthermore, the NFIT reported that the data regarding access and usage were skewed for various reasons, such as multiple accounts and dormant accounts. Some of these issues have been addressed through the DSS, as noted below, although the NFIT intended to improve data collection by working with stakeholders through the Statistics Working Group.

1.4.2. Fiji Financial Inclusion Demand Side Survey (DSS)

The RBF and the Fiji Bureau of Statistics undertook the DSS[36] to provide baseline data on access, usage, and quality of the financial services and products available to all Fijians from the customer viewpoint. According to the survey results, formal financial inclusion is higher among urban Fijians, men, and those with higher incomes. Sixty percent of Fijian adults had bank accounts at the time, which was comparatively higher than other Pacific Island countries where such surveys have been conducted. However, 9 percent of Fijians had access only to informal sources of finances and 27 percent were completely excluded. Rural Fijians faced high barriers to financial inclusion, such as long distances to the nearest access points and long wait times to open an account. The study also revealed that financial inclusion is lower in the eastern and western provinces, among women, among iTaukei adults, among young adults, and among agricultural or casual workers.

The following factors were identified as relevant to quality: affordability, consumer protection, fair treatment, indebtedness, and choice.[37] The indicators for measurement of these factors are set forth in table 1.2. Other data points could have been included in the DSS, particularly consumer complaints. In addition, there are other factors of relevance to quality of services, including appropriateness (a factor relevant to the microfinance policy[38]) and relevance.[39] These could be measured by exploring innovations in product design and pricing.

TABLE 1.2: QUALITY FACTORS AND NFIT INDICATORS[40]

FACTOR	INDICATORS
Affordability	▪ Average cost of traveling to the nearest access point ▪ Average time of traveling to the nearest access point

Convenience	▪ Percentage of adults within 5 km ▪ Average time of traveling to the nearest access point ▪ Average time waiting to be served when opening a deposit account
Consumer protection and fair treatment	▪ Percentage of consumers who contacted protection authority to resolve a problem regarding financial services within the last two months and problem was solved within six months ▪ Central bank regulatory framework on consumer protection (marked as 100 percent as of 2015) ▪ Percentage of users who felt mistreated by staff of financial institutions
Indebtedness	▪ Existence of credit bureau ▪ Percentage of banks reporting to credit bureau
Choice	▪ Percentage of administrative units (with more than 10,000 inhabitants) with branches of at least three different financial institutions

The RBF had not tried to collect information on customer complaints specific to products and services for low income and remote populations (although the NFIT indicators assessed consumer protection at 100 percent). The Fiji Commerce Commission receives complaints on financial services and had produced a draft self-regulating guideline applicable to financial service providers (defined as banks, credit institutions, microfinance institutions and forex bureaus but not MNOs issuing mobile money), all in the face of bank shortfalls (failure to fully disclose fees and summary terms and poor post-sale service) and "systematic abuse"[41] due to lack of legal framework specifying requirements. The Consumer Council of Fiji, which is a member of the Financial Literacy Working Group, receives complaints on consumer (i.e., household) credit. Other complaints are referred to the Commerce Commission. The Consumer Council investigates complaints if there is sufficient evidence, working through local councils in rural areas, and advises the RBF on issues impacting consumers. These points should be incorporated into the database in a systematic and meaningful way and should inform the RBF's design of appropriate regulatory responses.

1.4.3. RBF Policies and MNO Letters of Approval

Several of the RBF policies implemented pursuant to the first FIS – Banking Supervision Policy Statement (BSPS) #14 (Microfinance), RBF Statement No. 18 (Agents) and the MNO Letters of Approval – involve collecting reporting data from banks and MNOs.

BSPS #14 (Microfinance) requires each bank to file reports on their microfinance activities, agent activities, and strategic plans to serve the rural areas and MSMEs.[42] The banks have been submitting the reports, which make apparent the limited "microfinance activity" (meaning microdeposits and microlending) of most banks. NFIT intends to improve the collection of data by revising current reporting templates to capture data at disaggregated level (gender and age).

BSPS #18 (Agent banking) requires each bank using agents to file details of potential agents prior to their engagement (name, address, commercial activity, banking services and limits, date of operations, working hours) and quarterly reports on agent activities in each provision by type of transaction (aggregate value and number of transactions) in each province. The form for reporting does not, however, include information on the total number of agents or the number of agents in each province. The data are not yet presented by the RBF to demonstrate the nation-wide usage of agents for different services although this kind of presentation would be extremely useful in assessing how agents are primarily being used and whether there are steps that should be taken to improve usage, especially in remote areas.

Letters of Approval issued to MNOs by the RBF require MNOs to report on their mobile money businesses. Specifically, the MNOs are required to submit to the RBF monthly reporting requirements including data on reconciliation and trust account balances, on the volume and value of transactions, on the active agents and their locations (verified by an external financial auditor every year). The collected data have limitations; as noted above, there is not sufficient detail to illuminate progress with reaching the excluded nor is there disaggregation by client type.

The data are insufficiently detailed and fail to provide the RBF with a clear picture on access or usage of bank or MNO financial products and services by the financially excluded and, specifically, on how the MFWG could better tailor its policies (including possible adjustment to RBF BSPS #14). Ultimately, however, such data collection should be adjusted and used in designing the second FIS and for future ex post assessments of that policy.

Effectiveness: Framework for collection of data on access, usage, and demand. All of the data collection described above constituted first steps in establishing a baseline for understanding access; the specific reporting by banks pursuant to BSPS #14 and #18 and by and MNOs pursuant to the Letters of Approval help to specifically map access points. Some of the data collection methods contributed to building an understanding of usage and demand.[43] However, as NFIT and the RBF acknowledged, the data lack detail on specific needs and usage gaps that is needed both to develop a meaningful national baseline data and to design, implement, and assess evidence-based financial inclusion policies (see Objective #3). In addition, some of the initial efforts to collect data – such as on quality (see table 2) – reveal a narrow view of what can be measured.

Furthermore, there are inconsistencies between the supply-side and the demand-side data. For example, in 2015, the percentage of deposit accounts reporting was 135 percent; demand-side data indicated that 60 percent of adults had a deposit account.[44] While this is understandable (supply-side data count accounts while demand-side data count individuals) there should be a means of reconciling the data and/or reflecting what the different uses are for the differing data.

Mapping of branch network. The RBF has mapped the financial access points of not only of banks (branches, agents, ATMs, electronic funds transfer at point of sale [EFTPOS], agents) and MNOs, as noted above, but also of microfinance institutions, ATMs, and insurers. The visual map indicates the general locations of these points but does not convey with precision data that would be useful to assessing by product and service the supply and demand.

Objective #3: To provide regulatory and other support to financial institutions to increase their role in financial inclusion, resulting in at least 150,000 unbanked Fijians being reached by 2014 through a variety of financial service providers offering a broad range of relevant, accessible, affordable, and cost-effective financial services.

Although the RBF lacked data in 2009 necessary to measure financial access, there is a 2008 paper that estimated adult access to financial services in Fiji (measured by bank deposit account numbers) at 39 percent (216,256 individuals).[45] There was no measurement of other services nor was there any measurement of usage or quality. As of end 2014, according to the 2015 demand-side survey,[46] 60 percent of adults (368,463 individuals) had bank accounts and another 4 percent of adults (24,564) use other formal financial services. This translates into 64 percent of adults (or 393,027 individuals)[47] having at least one regulated financial product, representing an increase of 176,771 adults.[48] If at least 150,000 of those individuals had in 2008 been excluded (as opposed to being included but not choosing not to use formal products), then the objective of increasing financial inclusion by 150,000, as measured by enrollment, was met.

However, the NFIT ToR clarified that the 150,000 unbanked were to be reached "through a variety of financial service providers offering a broad range of relevant, accessible, affordable, and cost-effective financial services."[49] Increasing the number of new bank accounts was a significant accomplishment but access and usage of other financial services - credit, savings, payments/transfers, and insurance[50] – were much lower.

- Credit. The number of customers who borrow from financial institutions remains very low.[51] According to the DSS, the percent of adults with at least one type of regulated credit account (PIRI demand-side indicator) was 9.4 percent.[52]
- Savings. According to Global Findex 2015, the percentage of adults who saved at a financial institution in the year prior to the Global Findex survey was 37.9 percent.
- Transfers, remittances. Twenty-three percent of respondents to the Demand Side Survey indicated that they received money from senders located in Fiji and abroad with more women receiving than men. A lower percentage sent money, with a higher percentage among urban adults (13 percent) than rural (8 percent). Only 15 percent of domestic remittances were received into a bank account, with the most remittances being received through Fiji Post (43 percent) and via cash sent through a relative or acquaintance.[53]
- Mobile money accounts (which enable payments, transfers and storage of value). The number of registered mobile phone customers with access to mobile money services exceeded 600,000 by 2016 but the number of active accounts was just under 13,300 (There is no way to know the extent to which there is overlap in new customers who have a bank account, a credit line, a mobile money account, or insurance).

In addition, counting enrollment informed us about access but not usage and quality of products and services.

Effectiveness: The lack of relevant data and indicators needed to assess effectiveness of usage and quality of bank accounts and other the details of the objective. Arguably, part of the challenge in clarifying the objectives of the first FIS, including the meaning of financial inclusion and reaching 150,000 individuals, was the lack of a final document to present the first FIS in a comprehensive and detailed way, including an M&E plan for the evaluation of the implementation of the strategy. Instead, the objectives of the first FIS were articulated over time as data were gathered and specific policy measures, including the five policy measures covered by this RIA, all of which address the objective of to provide incentives and support to financial institutions in serving the financially excluded.[54]

2. Selected Assessments of the Five Policies

For each of the five policies (RBF BSPS #12, #14, #18; FIU Guideline #4; and RBF Letters of Approval issued to MNOs), there was a lack of sufficiently-detailed data and no identified indicators for measuring effectiveness. Given this, a full RIA for each policy is not possible (and may not have been advisable from a cost-benefit perspective).

Table 2.1 outlines each policy followed by a discussion of the specific objectives (the rationale for each is the same as the rationale for the first FIS, even though the FIU Guideline was adopted prior to the workshop that launched the first FIS) and brief notes on one or more of the following factors: effectiveness, efficiency, attribution, and/or externalities. (See table below on the factors and where they are discussed (by policy). In addition, for each policy, there is a table indicating how impact indicators could have been designed to measure effectiveness.

TABLE 2.1: ELEMENTS OF ASSESSMENT AS ILLUSTRATED BY FIVE POLICIES [55]

ELEMENTS OF ASSESSMENT	ILLUSTRATED BY POLICIES
Effectiveness	▪ All

Efficiency	▪ Microfinance policy ▪ LAB policy ▪ Agent banking guideline
Attribution	▪ RBF Letters of Approval
Externality	▪ FIU Guideline ▪ Microfinance policy

2.1 FIU Guideline #4 of 2009

The FIU adopted Guideline #4 in August 2009, prior to the November national micro-finance workshop "Medium-Term Strategy for Financial Inclusion in Fiji" and the articulation of the first FIS.[56] The Guideline set out a proportional regime for anti-money laundering and combating the financing of terrorism (AML/CFT) and was focused on articulating the assessment of customer risk in the application of a risk-based approach.[57] The Guideline was consistent with the forward-looking, innovative approach of the FIU with respect to dismantling unnecessary barriers to access to financial services, particularly by those who lack a government-issued national ID and therefore might be challenged in satisfying the standard CDD requirements.

Specifically, Guideline #4 permits financial providers to use a "referee letter" to verify a customer's identity. The letter must include the name, date of birth, address, and occupation of the customer. According to Guideline #4, "a 'suitable referee' is a person who knows the customer, can confirm (to the mobile money provider) that the customer is who he or she claims to be, and can verify other personal details (such as the customer's occupation and residence). For customers who are minors or students, suitable referees include a school head teacher, school principal, landlord (for tertiary students who are renting), or parent or guardian. For other customers, such as those who reside in the rural areas or villages, suitable referees include: 1) village headman or turaga-ni-koro; 2) roko tui (chief administration officer) or assistant roko tui or provincial administrator at the provincial office; 3) religious leader (e.g. talatala or preacher, priest, imam, or pundit); 4) district officer or district advisory officer; 5) official from the Fiji Sugar Corporation sector office (for sugar cane farmers and laborers); 6) official from a district government agency, such as a social welfare office, police station, or health center; 7) current or former employer; 8) justice of the peace, commissioner for oaths, or notary public; 9) own councilor; or 10) employee of the mobile money provider."[58]

Moreover, Guideline #4 allows financial providers to delay the completion of the CDD verification process. The provider "may identify the customer up-front, by recording the personal details of the customer and complete the verification of these customer details at a later date" when a customer does not have easy access to acceptable identification documents and is still in the process of obtaining valid copies of identification documents from relevant government agencies (e.g., a village dweller who is still waiting for a reference letter or a birth certificate from the relevant authorities) or, although having some identification documents, lacks other required documents that he or she can and is willing to provide at a later date. Pending verification, the customer can already open an account and transact, and the financial provider may adopt several measures to manage the risk arising from doing business with a customer for which it has not completed the verification process; e.g., limiting the number, value, and type of transaction that can be performed for the customer.

Most banks apply the Australian Transactions Reports and Analysis Centre (AUSTRAC) KYC guidelines that require an onerous full 100-point check under the Australian Financial Transactions Reporting Act (FTRA).[59] Banks also comply with the Fiji Revenue and Customs Authority rule requiring the tax ID card (which should be easy for customers to obtain although they may not have it with them when they first try to open an account).

Objective: "To provide detailed and practical guidance to financial institutions on how to apply the customer identification and verification requirements of the FTR Act and Regulations."

Effectiveness: Although Guideline #4 permits alternative means of verification and simplified CDD for "lower risk customers," all banks require a photo ID (in order to comply with the 100-point check under the AUSTRAC guidelines) and require the tax ID card, which is not required by Guideline #4. A few banks accept the letter of reference as a proof of identity, but none of them consider it sufficient therefore they always require it to be accompanied by the birth certificate (many Fijians are not in possession of birth certificates, which can be obtained from a local authority or at post office for a fee). Thus, although the policy was progressive and clear, effectiveness was low due to the banks' lack of willingness to choose the simplified CDD. This situation could be avoided by a further clarification by the FIU of the need for banks to apply a risk-based approach in order to avoid unintended financial exclusion.

Externality: Effectiveness is also impacted by the requirement that banks comply with the FRCA requirement, which illustrates the challenge of ensuring that all policymakers are on-board with the efforts to achieve financial inclusion.

Table 2.2 below suggests impact indicators to measure the effectiveness and externalities associated with this objective.

TABLE 2.2. FIU GUIDELINE #4 AND POSSIBLE IMPACT INDICATORS

OBJECTIVE	IMPACT INDICATORS
To provide detailed and practical guidance to financial institutions on how to apply the customer identification and verification requirements of the FTR Act and Regulations	Do banks use simplified CDD for lower risk customers?
	How many potential customers cannot access financial services due to inability to satisfy CDD verification requirements? (annual)

2.2 RBF Letters of Approval for MNOs

In June 2010, in the absence of national payment systems legislation or payment regulations, the RBF issued Letters of Approval to Vodafone Fiji and Digicel Fiji permitting the launch of the mobile money services M-Paisa and Digicel Money, respectively. The letters were almost identical with no substantive differences between the two (the RBF also issued a letter to Vodafone permitting the launch of Inkk, which exclusively uses the Vodafone network infrastructure). The letters permitted domestic transfer transactions and in September 2011, the RBF approved the extension of mobile money services to include inward international remittances.

The Letters of Approval specify prudential and other requirements (described below), a general licensing framework for agents, and standards of service (including interoperability with other MNOs, technology standards). The two mobile money providers are subject to the following prudential and non-prudential requirements:

- Funds equivalent to the outstanding e-money be held in a trust account at a licensed commercial bank[60] (currently held by ANZ)
- Safety and resilience of the network, including the submission of an external audit report of the system and a risk management framework with a disaster recovery and business continuity plan
- Monthly reporting requirements, including data on reconciliation and trust account balances, on the volume and value of transactions, on the active agents and their locations (verified by an external financial auditor every year)
- Disclosure to the customer of risks as well as fees and other terms and conditions of the services.

In July 2014, pursuant to the terms of the Letters of Approval, Vodafone and Digicel each entered into a trust deed with the RBF (as protector acting on behalf of the M-Paisa and Digicel Money customers, respectively) pursuant to which the provider declared that it held the funds of its customers (trust assets) on behalf of its customers (i.e., beneficiaries of the trust deed). The intent of each deed was to protect mobile money customers in the event of the bankruptcy or insolvency, illiquidity, and other operational losses of the provider.

Currently, the requirement of wallet to wallet (A2A) interoperability between mobile money services did not exist and no enforcement action had been taken by the RBF. In addition, based on RBF statements, consumer protection provisions (such as disclosure of the terms and conditions of the services at the point of sale) were also not being enforced.

Vodafone and Digicel each launched in 2010 and both benefited from a PFIP grant. When they re-registered their customers SIM cards in 2012 (pursuant to a requirement of the Fiji Telecommunication Authority), the requirements were viewed as sufficient for AML/CFT purposes for a low-risk mobile wallet. Each MNO signed up customers for the mobile money service; customers that did not activate their accounts at that time could activate from the menu of their phone. For customers whose accounts were inactive, they also could be reactivated by phone.

Vodafone immediately registered 370,000 customers. However, in March 2016, Vodafone estimated it had 42,000 active customers (based on the prior three months)[61] with FJ$4.9 million in the trust account.[62] Notwithstanding, Vodafone stated (in an interview with BFA) that its mobile money service is sustainable because Vodafone owns the platform. It also stated that while its platform is designed for rural, the success depends on urban/peri-urban usage.

Vodafone was developing new lines of business focused on women, prepaid electricity (estimated 18,000-22,000 customers), and international money transfers, potentially by partnering with Western Union. It indicated that the challenges it faces are with agents and agent liquidity.

Digicel had two agent channel managers (to check on agents' compliance with AML/CFT rules and manage float, consumer flyers, and promotions) and 173 mobile money agents[63] but estimated (in March 2016) that it had only 2,000-3,000 mobile money customers (with a total of FJ$600,000-700,000 in the trust account). Digicel viewed its challenges as increases in bank penetration and in the number of ATMs: there are three banks (ANZ, BSP, and Westpac) with a total of 286 ATMs and 5,632 EFTPOS facilities, but banks at that time did not make their ATMs interoperable with mobile money.[64]

In addition, Vodafone has issued over 500,000 M-Paisa cards for bus e-ticketing (the Commerce Commission estimated that 60-70 percent of the population was using such cards).[65] The cards are prepaid and the minimum top-up amount is FJ$2.00. While Vodafone was initially given the e-ticket contract, it was then opened to tender. Digicel purchased state-of-the-art equipment (estimated value was FJ$2-3 million) to link the e-ticketing with the mobile phone.[66] However, the lack of interoperability between Digicel and Vodafone e-ticketing platforms means that the Digicel solution for the bus e-ticket product cannot work until Vodafone's platform is upgraded.

According to the NFIT data, as of end 2015 the two MNOs had a total of 361 agents offering mobile financial services, including cash in and cash out.

Objective: To enable mobile network operators to offer interoperable mobile money services in remote areas through the use of agents and the utilization of existing simplified CDD rules.

Effectiveness: Registration was very high because of the Telecommunications Agency's SIM reregistration requirement but usage was low: only 2 percent of registered accounts were active (see table 2.3 on mobile money in 2015). In BFA interviews, providers indicated that low usage is tied to lack of awareness both of products and of mobile money providers as financial service providers. However, the DSS indicated that 80 percent of mobile phone users knew about mobile money and low use raises questions about the relevance for Fijian customers of the products then on the market.

TABLE 2.3: MOBILE MONEY IN 2015

REGISTERED MOBILE MONEY ACCOUNTS Q4 2015	ACTIVE (90-DAY) MOBILE MONEY ACCOUNTS Q4 2015	No. OF AGENTS Q4 2015	VALUE OF P2P TRANSFERS in 2015	VALUE OF INWARD REMITTANCES in 2015	VALUE OF INWARD REMITTANCES SINCE LAUNCH
608,864	13,296[67]	361	FJ$2.3 mn	FJ$2.5 mn	FJ$4.3 mn

Sources: RBF

Attribution: Globally, MNOs face challenges to ramping up mobile money and usage. Fiji has been at the forefront although the two providers enjoyed little success at the time of writing. This is not due to regulatory barriers, as has been the case in some countries, but to operational failures including a lack of interoperability, limited usage (mobile money customers cannot access funds at ATMs), and lack of customer understanding and trust as the two providers had not undertaken significant promotion of the services.

Table 2.4 below suggests impact indicators to measure the effectiveness and attribution associated with this objective.

TABLE 2.4. MOBILE MONEY LETTERS OF APPROVAL AND POSSIBLE IMPACT INDICATORS

OBJECTIVE	IMPACT INDICATORS
To reach communities living in remote locations and who do not have access to banking services	Number of active customers
	Usage (measured by number of transactions, value of transactions, including remittances)
	Number of trained and monitored agents
	Interoperability between mobile money accounts
	Interoperability between mobile money accounts and bank accounts

2.3 Minimum guidelines for establishment of a local advisory board

The RBF recognized that the private sector would be the main driver of increases in financial inclusion and placed particular weight – as discussed above – in the role of the commercial banks. However, in 2009, all of the banks were foreign banks. In recognition of their need to better understand the local population, the RBF adopted Banking Supervision Policy Statement No. 12 providing "Minimum Guidelines on the Establishment of a Local Advisory Board (LAB)" in December 2009. The Policy required each foreign bank to establish a LAB, which is essentially panel of "independent local individuals who bring unique knowledge and skills to complement that of the" management of the foreign banks "in order to assist the banks [in gaining] a broader perspective and awareness of Fiji's environment."

Objective: To help foreign banks better understand and align their strategies to Fiji's regulatory and supervisory environment as well as national development objectives, including those on the provision of financial services to the wider community. As noted by the RBF, the advice of the LABs is not legally binding on the banks.

Effectiveness: It was not possible to say whether the objective was achieved, due in part to its lack of specificity. Banks were generally compliant with the Guideline requirements applicable to LABs, including meetings, topics of discussion by LAB members, bank reporting to the RBF on LAB meetings, etc.[68] However, the LABs have no legal powers, only moral suasion. Furthermore, there was no evidence that foreign banks' LABs have encouraged banks to align their strategies with Fiji's national development objective, including the provision of financial services to the wider community.[69] While there was an increase in access to financial services (see discussion above and also table 2.5), there were no data that established the connection between the LABs and such an increase. The two foreign banks that use agent networks and mobile phones for reaching those located in remote areas (BSP and Westpac) have indicated that the LABs did not impact their strategies. As for the need for targeted new products and services for rural and low-income populations, which arguably could have been an outcome of an effective LAB policy, there had been limited (if any) innovations by banks.

Efficiency: The Guideline imposed requirements for meetings and reporting that several banks said were not useful or interesting. Given this, the costs of such efforts as well as the costs incurred by the RBF in monitoring compliance were incurred without any apparent benefit to the objective.

Table 2.5 below suggests impact indicators to measure the effectiveness and efficiency associated with this objective.

TABLE 2.5. LAB POLICY AND POSSIBLE IMPACT INDICATORS

OBJECTIVE	IMPACT INDICATORS
To help foreign banks to better understand and align their strategies to Fiji's	Increased alignment of foreign bank strategies to Fiji's regulatory and supervisory environment

development objectives, including the provision of financial services to the wider community	and its national development objectives following LAB advisories.
	Shift in target market demographics (e.g., how much clientele changed to include poor/low-income, uptake on different account types and new products, new access points)
	Other evidence of implementation of LAB advice by foreign banks

2.4 Minimum requirements for banks on internal microfinance units

The RBF Banking Supervision Policy Statement No. 14 "Minimum Requirements for Commercial Banks on Internal Microfinance Divisions and Units" adopted in December 2009 required that each bank (i) establish a microfinance division and units;[70] (ii) develop and implement a microfinance policy that has a plan and budgetary requirements; and (iii) "innovatively and effectively extend sustainable banking financial services to poor and low-income earners and individuals and micro and small enterprises." Failure to comply with the policy should result in RBF sanctions specified in the Banking Act.

Objective: (i) to enable banks in Fiji to innovatively and effectively extend sustainable banking financial services to poor and low-income households, individuals, and MSEs and (ii) to enable banks to participate in achievement of financial inclusion and empower poor and low-income households, individuals and SMEs

Effectiveness: There had been limited increases in banks' microfinance activities since adoption of the policy. The only banks engaged in microfinance activities of any significance were the two engaged in rural banking: ANZ and BSP. Westpac also had a rural presence (via its in-store merchants). There was no basis for concluding that Guideline resulted in actions that would not have happened otherwise. RBF was yet to impose sanctions on any banks that had not engaged in microfinance activities.

Efficiency: The policy was costly and time-consuming for both the banks and the RBF staff that reviews minutes of the meetings.

Externality: According to RBF BSPS #14 "The minimum standards in this policy have been aligned to international best practices and corporate social responsibility for the inclusion of microfinance divisions and units in the Banks." The approach of RBF seemed to have had the unintended consequence that microfinance activities were viewed by banks as a some kind of corporate social responsibility obligation as opposed to a sustainable, profitable business that fostered individual and general economic growth, which might result in expanded business for banks.

Table 2.6 below suggests impact indicators to measure the effectiveness, efficiency, and externalities associated with each aspect of this objective.

TABLE 2.6. MICROFINANCE POLICY AND POSSIBLE IMPACT INDICATORS

OBJECTIVE	IMPACT INDICATORS
To enable banks in Fiji to innovatively and effectively extend sustainable banking financial services to poor and low-income households, individuals, and MSEs	Development of services for poor and low-income households, individuals, and MSEs, as reported and noted in minutes of LAB meetings
	Number of new services offered by each bank to poor and low-income households, individuals, and MSEs
	Number of customers using new services; transaction history

To enable banks to participate in achievement of financial inclusion and empower poor and low-income households, individuals and SMEs.	Improved welfare of Fiji's poor through financial inclusion

2.5 Agent Banking Guideline

The RBF Banking Supervision Policy Statement No. 18 "Agent Banking Guideline" adopted in January 2013 set forth the minimum requirements for the use of agents "where there is no commercial bank presence and commercial banking services are difficult to access." (Para. 1.1) The Policy requires banks to have risk management policies and procedures, including internal control and oversight and operational manuals. They must comply with requirements regarding selection of agents (conducting due diligence, etc.), contracting, application of consumer protection measures (including disclosure), systems, technology and other operational requirements. Banks also must report on agent activities and provide information at the RBF's request.

At the time of adoption of the policy, one bank (Westpac) already had an agent network, contracting with registered merchant customers as "in-store representatives." These "in-store representatives" (effectively agents), which operated where there were no Westpac branches, used the EFTPOS to take in deposits and make withdrawals. Westpac continued using these agents after the issuance of BSPS #18. The main issue for Westpac is connectivity (i.e., unreliable); Westpac is lobbying the RBF.

Two banks – BSP and Westpac – offered mobile financial services as an additive channel (table 2.7). BSP worked with both Digicel and Vodafone; Westpac worked only with Vodafone. Vodafone was in negotiations with Bred Bank at the time of writing.

TABLE 2.7: BANK ADOPTION OF MOBILE CHANNEL

BANK	CUSTOMERS CAN TRANSFER	CUSTOMERS CAN TRANSFER	CUSTOMER CAN TRANSFER	CUSTOMER CAN TRANSFER	NOTES

	FUNDS BETWEEN BANK ACCOUNTS OF THE SAME PROVIDER VIA SMART PHONE	FUNDS BETWEEN BANK ACCOUNTS OF ANOTHER BANK VIA SMART PHONE	FUNDS FROM BANK ACCOUNT TO MOBILE MONEY ACCOUNT	FUNDS FROM MOBILE MONEY ACCOUNT TO BANK ACCOUNT	
ANZ					Launched mobile banking “Go Money” in 8/2013 in 4 Pacific island countries (PNG, Samoa, Solomon Islands, Vanuatu) but not a success (5.5 million transactions in 2.5 years, 60% mobile top-ups). Stated that they have signed up merchants

					but the merchants don't have cash.[71]
BoB					
Bred	X	X	X		Sept 2016 launch of mobile $ (app, USSD or text with ALL MNOs)
BSP	✓		✓		
HFC			✓		
WestPac	✓		✓		

Note : X = Planned for future

Source: RBF, interviews with providers

Objective: To provide minimum guidelines for banks when appointing agents, to specify responsibilities of banks and permitted agent banking activities, and to set minimum standards of risk management, customer protection, and disclosure.

Effectiveness: The Guideline was adopted in January 2013 (table 2.8), resulting in limited data and time to assess impact. As of 2016, two banks used agents and one bank was developing plans to use agents.[72] There appears to be a correlation between the increase in the number of bank agents and the increase in the number of deposit accounts (see figure 2.1 below).[73] This should be further investigated.

Efficiency: While the use of agents has not yet been adopted by all banks, the guidelines propose reasonable standards based on international practices and other countries' practices.

Table 2.8 below suggests impact indicators to measure the effectiveness and efficiency associated with this objective.

TABLE 2.8. AGENT POLICY GUIDELINE AND POSSIBLE IMPACT INDICATORS

OBJECTIVE	IMPACT INDICATORS
To enable reliable, safe and sustainable access to commercial banking services through the use of agents	Number of agents, active agents, and agent network footprint
	Number of customers that open accounts through agent (without going to bank branch)
	Number of new (formerly excluded) customers using agents and change in their transaction behavior over time
Minimum standards of risk management, customer protection, and disclosure	Complaints by customers

FIGURE 2.1. POSSIBLE CORRELATION BETWEEN AGENT BANKING AND GROWTH OF REGULATED DEPOSIT ACCOUNTS

3. Conclusions

3.1 Impacts

Fijian policymakers have made significant efforts through the RBF, the NFIT and the FIU to establish a policy and regulatory regime that is conducive to financial inclusion. In 2009, these efforts were directed primarily at (i) stimulating banks to establish microfinance operations and extend their services to the poor and those living in remote areas, and (ii) engaging non-bank providers, in particular the MNOs, to provide digital financial services.

This RIA has covered three out of four objectives of the first FIS[74]:

1. The NFIT was established and developed a coordinated and collaborative approach to increasing financial inclusion
2. The national baseline data provided a general understanding of access and, to a lesser extent, usage and demand, covered the current branch network of relevant providers
3. The regulatory framework relevant to financial inclusion included enabling components for both banks (e.g., agent banking regulation, Financial Transactions Reporting Act, and RBF guidelines adopted thereunder) and non-banks (i.e., the mobile money letters of no objection), and the goal of reaching 150,000 unbanked citizens by 2014 has been met.

However, the information (including stakeholder interviews) and data analyzed as part of this RIA suggested only limited impact of these actions on the development of the healthy financial sector and on the life of Fiji citizens. Indeed, the goal of reaching 150,000 unbanked was purportedly met (we do not know the identity or the inclusion-status of those with new accounts and new credit lines), although mostly through the opening of new bank accounts rather than "through a variety of financial service providers offering a broad range of relevant, accessible, affordable and cost effective financial services."[75] Furthermore, the significance of achieving the goal was unclear not only because it was not possible to ascertain what specific service(s) were offered, but also there were insufficient data on whether and how the new accounts were used. However, we know that the use of formal credit and savings remained low: 7 percent and 8 percent, respectively, of adults (although there were no data specific to the newly-enrolled customers). There were also data that indicated low use of digital financial services, with active use across only 13,296 mobile money accounts (2 percent of registered accounts). Among banked customers, mobile and internet banking rates were 9.4 percent and 8.1 percent, respectively.[76] **While the rationale for the first FIS was to increase the economic welfare of the excluded and national economic growth, there were no data indicating how the inclusion of 150,000 people improved their welfare and impacted economic growth.**

Similarly, there was only limited impact from the specific policies designed or implemented as a part of the first FIS to increase banks' awareness of unbanked Fijians and to incentivize and enable banks to serve the unbanked through increased local presence and access points – the policy statements for banks on local advisory boards (LABs), microfinance units, agent guidelines, and risk-based CDD requirements. Additionally, in some cases the costs of compliance were not justified when weighed against the benefits:

- The LABs did not have specific and measurable objectives, which rendered it unfeasible to conduct an evidence-based assessment. From anecdotal evidence, their impact seemed limited and their implementation costly for both banks and the RBF.
- The microfinance policy also had limited impact, based on the extent of increased activity in microloans and microdeposits handled by banks since adoption of the policy in December 2009.
- There was a lack of data on the number of active agents, limiting the ability to assess the impact of the bank agent guidelines.
- The impact of FIU Guideline #4 was minimal as regards banks because of their use of the 100-point system required by Australian regulation and also given the FRCA policy requirement that a tax ID be produced prior to opening an account.

Regarding digital financial services, the RBF Letters of Approval to MNOs permitting them to offer payment and transfer services and to issue electronic money were important steps and the letters covered issues of importance to financial consumer protection (disclosure and transparency, establishment of trust account and reconciliation, requirements applicable to agents, safety of technology). However, certain key provisions (i.e., interoperability, and disclosure of key terms and conditions at the point of sale) were not enforced by the RBF. And there were no clear and measurable objectives by which to assess the contribution of such letters to financial inclusion objectives (e.g., did mobile money customers have already a bank account?).

3.2 Lessons on policy design

When designing a new policy instrument (including new regulation), a policymaker needs to take some steps that are likely to improve the quality of the outcome of the policymaking process. For instance, the policymaker should:[77]

1. Identify the problem based on baseline data and the overall policy goal: What is the overall goal (e.g., financial inclusion)? What is preventing the achievement of the goal? Why did the identified problem(s) emerge? Addressing these questions will help clarify policy rationale. In certain instances in Fiji this rationale was absent, unclear, or too broad (e.g., the mobile money letters of no objection and the labs), making it difficult to evaluate the coherence of the policies with their original justification.

2. Define the policy's specific objectives. For example, setting as a goal the opening of a bank account by 150,000 unbanked people was a very limited objective for financial inclusion as it considered only the access dimension. Moreover, the objective was non-product specific. While the intention of the policymakers seemed to be to increase usage of a variety of products, the wording of the objective made it achievable if individuals merely opened a transactional account.

   The objective of "access, usage, and quality" could be broken down into five more meaningful dimensions, for example:

   - **Providers presence:** Geographic outreach through branches, agents and mobile devices, which in the case of Fiji could set the goals of (i) reducing the distance from point of touch (specifying what type) in rural areas from 27 km to "X" km in maritime areas and "Y" km in non-maritime areas; and (ii) providing access in the 12 percent of rural administrative units that did not have any formal financial access point, and then in each village.

- **Product suitability:** The type of products available through those points of access, and the languages in which the products are offered, both in the user interface and legal documentation.

- **Customer eligibility:** Providing each Fijian with the documentation necessary to access services and applying risk-based KYC to establish lower CDD for low and lower-risk products. For credit services, the use of non-traditional information for credit scoring and the acceptance of movable assets as collateral.

- **Usage:** Provide transactional accounts to at least 200,000 of the 221,077 underserved adults that make at least one transaction in a certain number of days. For the credit products, the objective of usage should be carefully crafted to avoid the creation of incentives that lead to the extension of credit to unsuitable clients and that raise the risk of over-indebtedness.

- **Quality:** Interoperability of transactional accounts offered by both banks and non-banks and of the ATM network, as well as reduction of downtimes, and better design of credit products.

3. Analyze the likely market-wide and broader socioeconomic impacts of the alternative options. What would each policy alternative achieve? Addressing this question will help to clarify whether the objectives correlate with the alternative policy options and to identify and measure effectiveness, efficiencies, and externalities. To do this, it is critical to build a solid baseline to understand, for example, what will happen if the policymaker does not act.

4. Compare options and select. What intervention, if any, is more likely to achieve the objective cost-effectively? Why is the proposed solution the one that best solves the problem at the lowest cost? Can the policymaking authority implement the policy effectively? Possible interventions should always be evaluated against the option of non-intervention. Addressing

these questions will help address the effectiveness of the policy and to measure the efficiency of the intervention.

5. Outline future policy monitoring and evaluation. To ensure that the objectives of regulation are pursued effectively and efficiently.

Annex A. Interview Details

INSTITUTION	INTERVIEWEE NAME	TITLE
POLICY MAKING AND REGULATORY AUTHORITIES		
Fiji Commerce Commission	Seymour Vimlesh Singh	Deputy CEO
Fiji Financial Intelligence Unit	Razim Buksh	Director
	Avaneesh Raman	Intelligence Analyst
Fiji Revenue & Customers Authority	Muni Ratna	National Manager Revenue Collection, Taxation Division
Reserve Bank of Fiji	Barry Whiteside	Governor
	Duri Budadromo	Manager, Financial Inclusion
	James Baledrokadroka	Manager Compliance, Financial System Development Group
	Neumi Usumaki	Analyst, Financial System Development, Financial System Development Group

	Akata Ratu Taito	Analyst, Financial System Development, Financial System Development & Compliance Group
	Navin Bhan	Analyst, FIJICLEAR, Financial System Development Group
ADVOCACY ORGANIZATIONS		
Consumer Council of Fiji	Bindula Prasad	Manager – EU Project/HR
	Rayvin Yogesh	Research and Debt Management Advisory Officer
	Mithleshni Grudayal	Manager – Campaigns, Information & Media
BANKS		
ANZ	Ashish Bhugra	Head of Retail Banking, Pacific
	Esira Kini	Head of Compliance & MLRO Fiji
	Sitiveni Marovia	Head of Corporate Responsibility, Micro Finance & Rural Banking
Bank of Baroda	Rajesh Kumar Gupta	Senior Manager
	Ramesh K. Jhamb	Senior Manager

BSP	Rajeshwar Singh	Chief Financial Officer, Finance Division
	Isikeli Taoi	Senior Manager Rural Banking
	Sharyne Fong	Acting General Manager, Retail Bank
	Akesh Narayan	Financial Accounting Manager
	Priyashni Chand	Accountant (Financial Accounting)
	Alvina Ali	General Manager Legal
BRED Bank		
HFC	Raj Kumar	General Manager Risk and Governance, Company Secretary
Westpac Banking Corporation	Brett Hooker	General Manager
	Eseta Nadakuitavuki	Senior Manager, Microfinance and Women's Markets
MNOs		
Digicel	Farid Mohammed	Chief Financial Officer
	Peter Rigamoto	Senior Legal Counsel

Vodafone		

Annex B: List of Acronyms

AML	Anti-money laundering
ANZ	ANZ Fiji
ATM	Automated teller machine
BoB	Bank of Baroda
BSP	Bank of South Pacific
BSPS	Banking Supervision Policy Statement
CDD	Customer due diligence
CFT	Combating the financing of terrorism
EFTPOS	Electronic funds transfer at point of sale
FATF	Financial Action Task Force
First FIS	Financial Inclusion Strategy (2009-2014)
FIU	Financial Intelligence Unit
FNPF	Fiji National Provident Fund
FRCA	Fiji Revenue & Customs Authority
HFC	HFC Bank
iTLTB	iTaukei Land Trust Board
KYC	Know your customer

LAB	Local advisory board
MFI	Microfinance institutions
MNO	Mobile network operator
MSMEs	Micro, small and medium enterprises
NFIT	National Financial Inclusion Taskforce
OECD	Organisation for Economic Co-operation and Development
PFIP	Pacific Financial Inclusion Programme
RBF	Reserve Bank of Fiji
Second FIS	Second Financial Inclusion Strategy (2016-2020)
TIN	Tax Identification Number
ToR	Terms of Reference

Endnotes

[1] RBF Governor's Opening Address at Pacific Microfinance Week 2009, 13 July, 2009.
[2] This RIA does not cover the objective of consumer awareness and financial competency.
[3] NFIT Terms of Reference dated 5 February 2010, attached as Annex 1 to the "NFIT Workplan: 2010" set forth in the 17 February 2010 NFIT Meeting Paper [3].
[4] Demand Side Survey, p. 1.
[5] Three years after the first microfinance initiative in Fiji was launched in 1993 (by the Ministry of Women, Social Welfare and Poverty Alleviation), the RBF conducted a national survey on existing microfinance programs and demand for microfinance. See Opening speech by the RBF Governor Mr Sada Reddy at the Pacific Microfinance Week 2009, July 13, 2009.
[6] The Pacific Financial Inclusion Program (PFIP) is a joint program funded by the United Nations Capital Development Fund (UNCDF), United Nations Development Program (UNDP), the European Union/Africa, Caribbean and Pacific Microfinance Framework Program (EU/ACP), the Government of Australia (AusAID) and the Government of New Zealand (NZAID) through its financial contribution to the UNDP Pacific Centre. The mission of the PFIP is to increase the number of low income and rural households, micro and small enterprises in Pacific Island Countries (PICs) that have on-going access to quality and affordable financial services.
[7] The term "regulatory impact assessment" is used by some to narrowly refer to an assessment of regulation. The term can be used more broadly to refer to other regulatory actions, such as the design and implementation of a broad strategy or a supervisory approach, although this can pose certain challenges (e.g., clear and measurable objectives).
[8] See OECD (2006), "Determinants of Quality in Regulatory Impact Analysis," pp 7-8, https://www.oecd.org/gov/regulatory-policy/42047618.pdf. Some have questioned whether a threshold is the correct approach for an ex ante RIA. See OECD (2015) at 96.
[9] See OECD (2015), Regulatory Policy in Perspective: A Reader's Companion to the OECD Regulatory Policy Outlook 2015, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264241800-en. (referred to herein as OECD (2015)) at 97-8.
[10] See OECD (2015) at 61.

[11] This approach is called "partial equilibrium" approach and is in contrast to the "general equilibrium" approach, which analyzes and models the economic interactions between the various markets in a given economy.
[12] A cost-benefit analysis (CBA) would be required if the intent of the RIA were, for example, to increase efficiency. However, for multi-objective policies, a qualitative "multi-criteria" analysis can be more appropriate. Furthermore, a CBA is probably not appropriate when applying a proportionate approach to an RIA and its use of resources, given that a CBA is more time-consuming and requires more resources (staff and funding). See OECD (2015) at 89-90.
[13] Simplified CDD is recognized as important for financial inclusion. See Financial Inclusion Task Force (FATF) (2013), "Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion," www.fatf-gafi.org/media/fatf/documents/reports/aml_cft_measures_and_financial_inclusion_2013.pdf. For examples of practical implications of the application of the FATF regime to financial inclusion products, and guidance on the application of a proportional risk-based approach, see, e.g., Simone di Castri et al. (2015), "Proportional risk-based AML/CFT regimes for mobile money: A framework for assessing risk factors and mitigation measures," http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/10/Proportional-risk-based-AMLCFT-regimes-for-mobile-money.pdf
[14] In the days after the crisis, the RBF Deputy Governor Mr. Sada Reddy was appointed as Governor for a period of three years.
[15] The source of this figure is PFIP (2009), "Fiji Financial Services Sector Assessment", http://www.uncdf.org/sites/default/files/Documents/fssa_booklet_1.pdf. The report cites a 2008 study (Paul Honohan, 2008, "Cross-country Variation in Household Access to Financial Services," Journal of Bank Finance) that put a composite measure of adult access to financial services in Fiji at 39% (216,256 individuals), and a household income and expenditure survey (Wadan Narsey, 2006, Household Income and Expenditure Survey-2002, Vanuavou Publications) that suggested that access was approximately 35-40%. The PFIP report estimated the total number of excluded households to be approximately 109,000 or 63% of economically active households.
[16] See RBF Press Releases 15/2009 and 16/2009, both dated April 15, 2009. Other economic recovery measures put into place by the RBF included devaluation of the Fiji Dollar (by 20%), the capping of the banks' weighted average lending rates, and reduction in the interest rate spread. The following week, the RBF announced the formation of its Financial Systems and Compliance Office to play a developmental and monitoring role in specifically-listed critical areas, including microfinance, local area boards, rural banking, and financial literacy. RBF Press Release 18/2009 dated April 24, 2009.
[17] Prior to the workshop, the focus of the RBF was primarily on access to capital (referred to as microfinance) although at the workshop, it was clear that the focus was to be broadened to financial services that include credit as well as savings, insurance and payments. The Governor specifically referenced the "impact studies of the various microfinance projects around the world" as support of the importance of microfinance to economic development and empowerment of the poor. RBF Governor's Opening Address at Pacific Microfinance Week 2009, 13 July, 2009.
[18] These points were raised in the 2007 IMF-World Bank Financial Sector Assessment Program. Id. The view of banks as critical in this work has been a position of the RBF for years and was restated before and after the 2009 national microfinance workshop.

[19] See RBF Governor's Statement at the launch of the E-Money Fiji Project. June 9, 2010.
[20] The RBF also constitutes the Secretariat, which defined the functions and composition of the NFIT, as described in the Annex to NFIT Meeting Paper [3] dated 17 February 2010.
[21] This RIA does not include an assessment of the implementation of this policy objective.
[22] The workshop participants included representatives of commercial banks, microfinance institutions and credit unions, government, non-government organizations, international development partners and other related services providers. See Annex 2 to the final post-workshop communiqué.
[23] See NFIT Meeting Paper [3] "NFIT Workplan: 2010" dated 17 February 2010.
[24] A fourth working group on insurance was established at a later stage.
[25] NFIT Meeting Paper [3] "NFIT Workplan: 2010." The Meeting Paper indicated that it was a "working document [that] serves to generate in-depth deliberations and discussions at the Taskforce level." P.2.
[26] See NFIT Meeting Paper [2] "Structure and Responsibilities of the Working Group" dated 17 February 2010, Annex 1.
[27] See NFIT Meeting Paper [2] "Structure and Responsibilities of the Working Group" for additional strategies.
[28] See NFIT Meeting Paper [2] "Structure and Responsibilities of the Working Group" at 6.
[29] Regulatory coordination and collaboration is also necessary. In the case of enforcement of FIU Guideline #4, better communication and collaboration between the FIU and FRCA as well as the Australian FIU may translate into better compliance with the policy provisions.
[30] The insurance market falls outside the scope of this RIA.
[31] This RIA does not cover the issue of financial competency, which was another objective of developing a national baseline for data on financial inclusion.
[32] These indicators were adapted from the Alliance for Financial Inclusion's (AFI) Core Set of Indicators and the Pacific Islands Regional Initiative's Core Plus Indicators. See NFIT, "Fiji's financial inclusion indicators," http://www.nfitfiji.com/statistics/fijis-financial-inclusion-indicators-2/. PIRI is a regional initiative of AFI (http://www.afi-global.org/pacific-islands-regional-initiative-piri).
For AFI's Core Set of Indicators, see AFI (2013), "Measuring Financial Inclusion: Core Set of Financial Inclusion Indicators," http://www.afi-global.org/library/publications/fidwg-measuring-financial-inclusion-core-set-financial-inclusion-indicators.
For PIRI's Core Plus Indicators, see PFIP (2015), "Benchmarking financial inclusion in Fiji, Samoa, and Solomon Islands: Findings from the first national demand side surveys," Annex II, p. 23, http://www.afi-global.org/sites/default/files/publications/piri_cross_country_report_final_uploaded.pdf.
[33] Prior to the release of the Demand Side Survey (DSS) in 2015, the RBF had been able to report only on access and limited usage. With the DSS (see below), which constituted the first systematic attempt (aside from RBF mystery shopping) to collect data on the quality of services, there are now data on all three elements.
[34] Ibidem, para 34.
[35] Ibidem, para 32 and table.
[36] The NFIT Statistics Working Group and PFIP also collaborated on the effort. BFA was engaged to help conduct the DSS and write up the results.
[37] NFIT, "Fiji's financial inclusion indicators," para 27. Other quality factors listed by the NFIT are: convenience and financial education.
[38] See Section 5.1.4(i) of the Microfinance Policy.

[39] See NFIT Terms of Reference.
[40] NFIT, "Fiji's financial inclusion indicators."
[41] Statement of the Deputy CEO during interview on March 18, 2016.
[42] Specifically, banks are required (a) within 10 days of the end of each month, monthly reports with the RBF on the bank's microdeposits (number and value of deposits collected for new accounts and for outstanding accounts; total value of deposits withdrawn from all accounts) and (b) within one month of the end of each quarter, the bank's new loans and advances to MSMEs.
[43] Although the objective referred to a 2010 date for development of a baseline, this was not realistic.
[44] NFIT, "Fiji's financial inclusion indicators."
[45] Patrick Honohan (2008), "Cross-country Variation in Household Access to Financial Services," Journal of Bank Finance. (Population based on CIA statistics for 2008.) The paper does not indicate the specific year and acknowledges a range in the dating of the data. Note however that the paper acknowledges that there may be significantly more bank accounts that individual account holders (and this is and likely was the case in Fiji in 2008).
[46] Reserve Bank of Fiji (RBF) and Pacific Financial Inclusion Programme (PFIP) (2015), "Fiji Financial Services Demand Side Survey," http://www.pfip.org/resources/uploads/attachments/documents/Fianancial%20Services.pdf.
[47] Using http://www.nfitfiji.com/statistics/fijis-financial-inclusion-indicators-2/ Annex 1 for adult population in July 2014.
[48] If measuring according to the supply-side data, the number of regulated deposit accounts (which is significantly greater than the number of individuals served) increased from 624,266 in 2010 to 843,744 in 2015 (219,478 additional accounts or a 35% increase). See http://www.nfitfiji.com/statistics/fijis-financial-inclusion-indicators-2/ (The NFIT indicators note that the percentage of adults with at least one type of regulated deposit account was 103.41% in 2010 and increased to 137.02% in 2015.) The number of active mobile money accounts (which didn't exist in 2010) totaled 13,296 in 2015. These numbers also suggest that the objective of reaching 150,000 unbanked Fijians was likely met.
[49] NFIT ToR attached as Annex 1 to the "NFIT Workplan: 2010" set forth in the 17 February 2010 NFIT Meeting Paper [3]. In fact, the emphasis in all pre-workshop documentation was more on access to capital (i.e., credit) than to other services.
[50] Insurance is not covered under this RIA.
[51] Borrowing from nonfinancial sources – friends, family and informal sources such as shops and savings clubs – is also low. DSS at 25.
[52] See Demand Side Survey at 33. The DSS cites the figures in the Global Financial Inclusion Database (2015) for the percentage (in the prior year - i.e., 2014) who borrowed from a financial institution: 6.9%; and the percentage who borrowed from any formal or informal source: 32%. DSS at 25.
[53] DSS at p. 29.
[54] As noted above in under Objective #2, several of the policy measures (RBF BSPS #14 on Microfinance and #18 on Agent banking, MNO Letters of Approval) that require reporting by providers contribute to the understanding of access, usage, and demand as well as the mapping of access points.
[55] NFIT, "Fiji's financial inclusion indicators."
[56] The FIU Guideline #4 was issued pursuant to the powers of the FIU under the Financial Transactions

Reporting Act No.22 of 2004 [Section 25.1.j, 36.c FTR Act & Section 35.1 FTR Regulations].

[57] The FATF Recommendations – FATF (2012), cit. – force apply a risk-based approach to customer due diligence (CDD) requirements, examining not only the risks of a particular customer or customer segment but also the risks of a particular activity. This is not covered by Guideline 4.

[58] Simone di Castri (2013), "Mobile Money: Enabling regulatory solutions," p. 12, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2302726.

[59] Australian Financial Transaction Reports Regulations of 1990, paragraph 4. Points are allocated to the types of proof of identity that the customer can produce, and they must have at least 100 points of identification to be able to operate an account. Under the 100 point system, for instance, a letter of reference gives only 45 points, and therefore it must be accompanied by a birth certificate (70 points).

[60] Interest earned on such funds must be kept in a separate account; the redistribution of the interest to the customers is not prohibited.

[61] Interview with Vodafone March 15, 2016.

[62] Data from RBF.

[63] Digicel has 2,000 airtime agents.

[64] NFIT Financial Inclusion indicators.

[65] Interview with Commerce Commission, March 18, 2016.

[66] http://www.fijitimes.com/story.aspx?id=256976.

[67] This number is significantly less than the figure quoted by Vodafone during the March 15, 2016 interview.

[68] The requirement that banks report on their LAB meetings directly to the RBF – instead of first to the NFIT – may result in less fulsome reporting.

[69] ANZ stated that (in an interview on March 18, 2016) that it appreciated the LAB, but was already focused on rural banking prior to policy. BOB stated that it views microfinance and financial inclusion as an obligation (corporate social responsibility); while it listens to the advice of LAB, there is limited change or impact. BSP stated (in an interview on March 15, 2016) that LAB is part of "strategic discussion" – but not likely a contributor to financial inclusion. Westpac stated (in an interview on March 18, 2016) that its strategy reflects its regional approach and it has not shifted its policies or business plan as a result of the LAB.

[70] Each bank is required to establish a microfinance division at the main branch or country head office and internal microfinance units (which must report to the microfinance division) in branch locations. In any town or city with more than one operational branch, only one unit must be established. The microfinance division must have staff who are skilled and trained in microfinance, including product development, testing, data compilation, risk monitoring. Units must have specialized staff who are trained, qualified, and familiar with the local community.

[71] Interview with ANZ March 18, 2016.

[72] BSP partners with Fiji Post using 2,000 POS devices; Westpac have 60 "in-store" merchants in 2012. HFC has plans to use Vodafone agents (Vodafone is an affiliate of HFC) to do mobile banking and to provide services via POS for clients using an HFC ATM card. The mobile banking services would include: M-Paisa transfers (HFC-MPaisa-HFC), Vodafone top-ups from HFC account, bill payments (FEA, water, telecom etc); internal transfers within HFC and external to other banks. The Vodafone POS + HFC ATM card services include all of the mobile banking services plus deposits, withdrawals, and in-store purchases.

[73] Both BSP and Westpac increased the number of microdeposit accounts in the 2012-2015 period. HFC increased beginning in March 2014.
[74] This RIA does not cover the objective of consumer awareness and financial competency.
[75] NFIT Terms of Reference dated 5 February 2010, attached as Annex 1 to the "NFIT Workplan: 2010" set forth in the 17 February 2010 NFIT Meeting Paper [3].
[76] Demand Side Survey, p. 1.
[77] According to the European Commission (2005), "Impact Assessment Guidelines", there are six key analytical steps when conducting ex ante RIA. The workflow proposed in this section further elaborates the EC guidelines.

While these key steps follow a logical order, it is important to bear in mind that RIA is very much an iterative process where it is likely that the earlier steps will need to be revisited in the light of work undertaken later in the process (e.g., for the following the definition of the problem there is the need to identify its drivers, which sometimes leads to go back to redefine the problem to further narrow it down). Stakeholder consultation and collection of expertise can run throughout the process.