

Loi M Bakani: Save today for a better tomorrow

Address by Mr Loi M Bakani, Acting Governor of the Bank of Papua New Guinea, at the Pacific Regional Conference on Microsavings, Port Moresby, 28-29 June 2005.

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Welcome

Minister for Inter-Government Relations – Hon. Sir Peter Barter, MP., Minister for Community Development – Dame Carol Kidu, MP., Representatives from ADB and AusAID, other development partner representatives, Senior Government Officials, representatives from the banking and finance sectors, overseas guests and participants to the conference.

I am very pleased to welcome you all to this conference, and for our overseas guests and participants, a special welcome to Papua New Guinea (PNG). I hope that during the few days of the conference, you will not only learn about microfinance but also learn much about PNG itself and the opportunities that it presents.

It is also pleasing to see that the invited international guest speakers and the distinguished participants have accepted PNG's invitation to this year's conference, entitled – Pacific Regional Conference on Microsavings.

The Bank and the PNG-ADB Microfinance Project team have planned this conference as part of the on-going initiatives to promote the microfinance industry in PNG and the Pacific region. I am confident that the participants are looking forward to the two(2) days of the conference and the information and knowledge gained during this conference will add value in their efforts to develop their microfinance institutions in their respective countries.

Message of the Conference

The theme of the conference is - "Save Today for A Better Tomorrow". This theme befits this conference as the year 2005 is the international Year of Microcredit as proclaimed by the United Nations General Assembly to recognise microcredit as a means to alleviate poverty and create employment. It is timely. As the conference unfolds in the next two days, many of us attending this conference would attempt to understand the theme from our own perspectives with respect to microfinance developments.

Perhaps we should try and understand the theme from the viewpoints of the 'grass roots' or the bulk in the informal and semi-formal sectors. There is a saying that the poor do save. The problem is that they need financial institutions, delivery mechanisms, systems and hands-on education and training to be able to understand why and how to save. In PNG however, traditional settings and arrangements of our societies and communities based on sharing and communal support is a challenge to the conference theme. I believe it takes a change in the mindset of our people. It requires a paradigm shift in our view about creating a better tomorrow through sacrificing today's spending and enjoyment for a secured 'tomorrow'. Our people need to be educated to know why they need to save and the expected sacrifice that will pay off in the future.

The development of the microfinance industry in PNG through the PNG-ADB Microfinance Project is a long-awaited news. In line with the Project's scope of work, the establishment of the microfinance institutions (MFIs) is a relief that, at last, there is now in place a kind of financial institution with which they can save. The progress to date of the Wau Microbank in Morobe and the PNG Microfinance Limited in Port Moresby can attest to this development.

Government Policy Initiatives

In response to the harsh reality of lack of effective developments in the rural areas where 80% of the people live, the government of PNG had developed a number of policy papers aimed at mapping out the path to addressing the problem. These papers include *Medium Term Development Strategies (MTDS)*, the *National Dialog*, SME and Microfinance Policies. In these policy papers, the government had expressed that private sector development is paramount for the future of PNG. In the SME-Policy,

the government had expressed the important role of small and medium enterprises as contributors to the long-term sustainable development of the private sector. Perhaps these initiatives can be modeled by our Pacific neighbors in their endeavor to develop their microfinance sectors given that many of our features are similar.

Regulatory and Supervisory Developments

Microfinance is a new and fast growing industry in PNG, and I believe in the other Pacific countries as well. For PNG, there is no legal framework currently in place to regulate and supervise the industry. However, the Bank of PNG ("Bank") is in the process of establishing a legal framework for the microfinance industry and will soon announce broad guidelines on the licensing requirements for microfinance institutions or microbanks. Although the Bank is expected to contribute to the development of microfinance, this will eventually be phased out so that the Bank can revert to its core roles as supervisor & regulator of the financial system.

Whilst contributing to the development of the microfinance sector, the Bank does not at all compromise its primary roles and responsibilities. All licensed financial institutions, including microbanks and licensed microfinancial institutions are expected to fully comply with the regulatory and prudential requirements of the Bank. Protection of public deposits and stability of the financial system are at the centre of the Bank's objectives. For these reasons, we continue to enforce good governance in both the Board and management level, through the "Fit & Proper" tests for those involved. The Bank will not go easy on licensed institutions that are found to be violating the provisions of the various Acts that empower it or the prudential standards and directives of the Bank.

Challenge: Translating Rhetoric into Reality

We can make speeches, write policies and attend conferences to address the needs of the informal and semi-formal sectors but if these are not translated into reality, those that are supposed to be helped will continue to remain in their backwardness. This is a challenge, not only for the government but, for all stakeholders to consider. The PNG-ADB Microfinance Project is spear-heading the microfinance development in PNG. I welcome and encourage the Pacific participants to interact with your PNG counterparts to learn and get as much information as possible from this conference to help you develop your microfinance sectors.

Acknowledgement

I would like to acknowledge the contributions of our development partners through the Project. One of the components of the Project is the Microfinance Competence Centre (MCC). I would like to thank the team members of MCC for organizing this conference and inviting participants from the Pacific region to attend.

Closing

In closing, I believe this conference opens up the way for all to share information and ideas to address the common problem of poverty alleviation and rural development through microfinance. In this respect, I wish you all success in your deliberations over the two(2) days of the conference.

Thank you very much.