IFC, a member of the World Bank Group, has launched the Pacific Microfinance Initiative in partnership with the Australian Government to improve access to basic financial services, particularly for women, rural households, and enterprises, in Papua New Guinea, Timor-Leste, and the Pacific Islands.

What is the Pacific Microfinance Initiative?

Increased access to loans, savings and other basic financial services is central to reducing poverty as it allows entrepreneurs, households and businesses to transition from everyday survival to establishing sustainable enterprises that provide long-term income and create jobs.

Lack of access to finance denies people this opportunity. Estimates suggest that less than 20 percent of adults in the Pacific region have access to financial services. Many people are limited to borrowing from informal moneylenders and saving with informal collectors, who both can charge unaffordable fees for their services.

Given the geographically dispersed and isolated nature of the Pacific countries, the delivery of financial services to the wider population via traditional banking models has proved difficult.

The Pacific Microfinance Initiative was launched in August 2010 to address this challenge by improving the ability of banks and other financial service providers to deliver basic financial services to Pacific Island communities lacking access to money, loans, and business banking services. Through the Initiative, IFC provides performance-based grants and business advice to banks and other finance providers.
How does the Pacific Microfinance Initiative work?

IFC is providing grants and business advice to bank and nonbank financial institutions to strengthen their capacity to undertake sustainable lending and tailor their products to better service hard-to-reach communities that lack access to credit, savings, and other retail and banking services.

As part of the program, banks and other participating organizations in the initiative agree to reach a set of targets, such as an increased number of clients. Once targets have been met, they are given grant funding.

Banking and microfinance institutions, non-governmental organizations, and non-bank partners, such as mobile phone and agribusiness companies, are also eligible for the program.

IFC will help to develop business plans with measureable targets for reach to communities in isolated areas. Other priorities of the program are to develop the financial infrastructure and make the necessary regulation and policy changes to ensure more people in the region have access to financial services.

Underlying the initiative is the premise that poorer communities in remote locations are best served by a variety of financial institutions that can respond to their particular needs, rather than large banks with standardized products. Increasing the diversity of those institutions also helps to cater to the differing needs of clients.

The Australian Government, through AusAID, is providing AUD 9.5 million towards the total cost of the four-year, AUD 12.3 million (US$11.3 million) initiative.

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