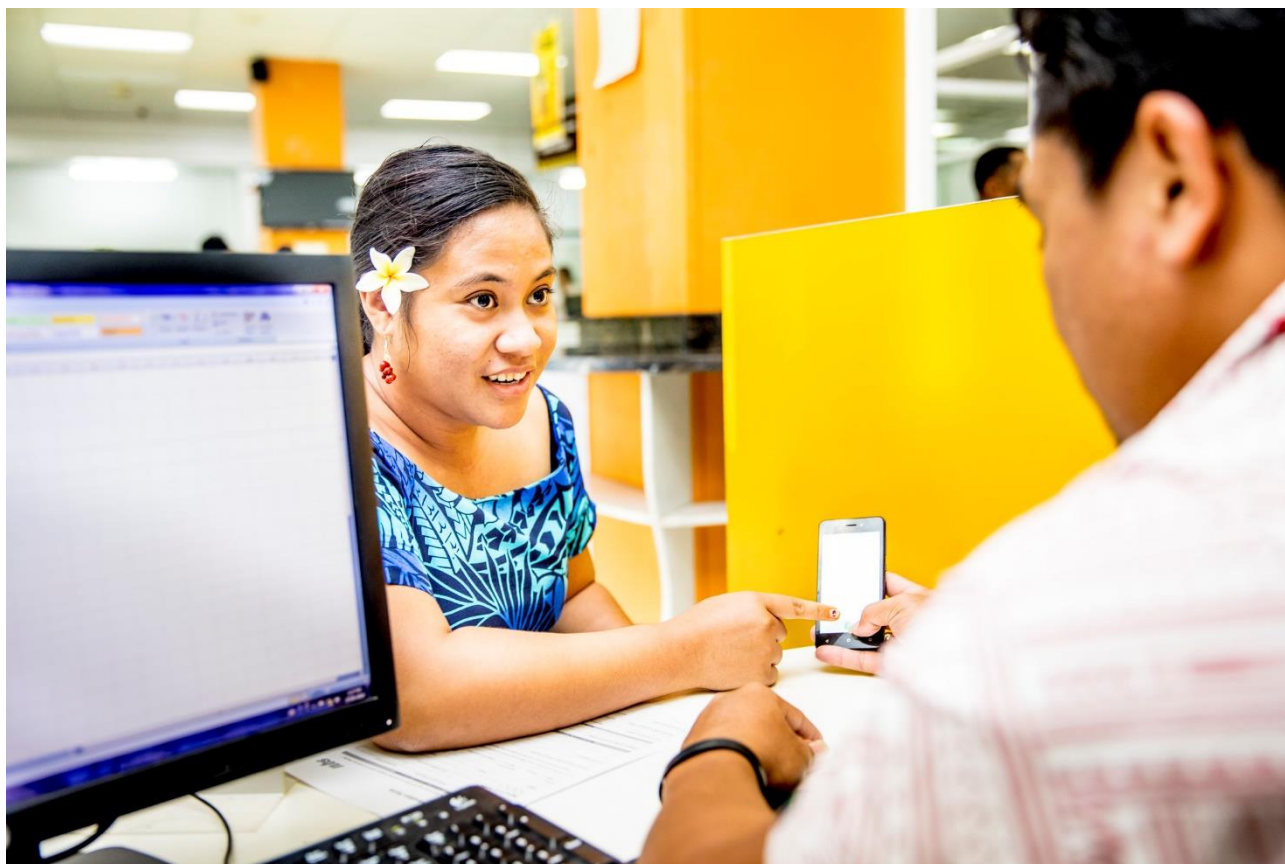


Australia Awards Women's Leadership Initiative

Remittances: Maximising the Value of this Vital Source of Income in the Pacific Islands Summary Paper



[Photo supplied by UNCDF]

Background

About the Women's Leadership Initiative

The Australia Awards *Women's Leadership Initiative* (WLI) is an Australian Government initiative promoting women's leadership and building a future generation of women leaders from the Pacific region. WLI offers Australia Awards emerging leaders from Pacific countries skills development, networking opportunities and mentoring to build leadership capability and boost gender equality. Open to scholars studying on-Award at Australian universities and institutions, the program also aims to forge links between women leaders in the Pacific and Australia.

Introduction

In March 2022, the WLI hosted a virtual [Learning & Networking](#) event on remittances in the Pacific Islands in partnership with UN Capital Development Fund (UNCDF) Pacific Digital Economy Programme (PDEP). Featuring a Q&A, break out workshops and an expert

panel moderated by WLI alumna and UNCDF Country Coordinator in Tonga, Malieta Inoke, the discussion featured experts from the financial, public and development sector who spoke to improving accessibility and affordability of remittance channels for migrants and their families in the Pacific region.

Expert panellists included:

- **Maiava Atalina Emma Ainuu-Enari** – the first woman Governor and Chairperson of the Board of the Central Bank of Samoa (since 2011) and member of the United Nations Secretary General's Task Force on Digital Financing of the Sustainable Development Goals,
- **Leta Kami** – the first woman Managing Director and Chief Executive Officer of Tonga Development Bank (TDB) (since 2013) managing an all-female senior management team. In 2020, the TDB launched 'Ave Pa'anga Pau, a remittance voucher product to reduce money sending costs in the Kingdom of Tonga, and

- **Sevu Waqa** – Pacific Adviser to Cultural Pulse supporting the Empowering Migrants through Pacific Remittances program funded by Australia and New Zealand Governments.

- Overall, women showed less remittance literacy than men despite being more likely to be in charge of finances.

Key info & statistics

According to expert panellists:

- Remittances are among the world's most important financial flows. They are projected to exceed USD 470 billion by 2021 in the world's low- and middle-income countries. This is greater than foreign direct investment, and substantially greater than overseas development assistance.
- Individual remittance payments from migrants back home may be of relatively small value, but they are vitally important to developing countries, particularly in the Pacific Island small states.
- Tonga and Samoa were ranked the first and tenth top recipients of remittances in 2021.
- In Fiji, before the pandemic, remittances were the second largest source of foreign exchange after tourism.
- As a percentage of gross domestic product (GDP), remittances were estimated by the World Bank in 2021 to be equivalent to 44% in Tonga, 21% in Samoa and 9.4% overall to Pacific Island small states. This is the highest of any geographic region.
- In Tonga, approximately 70% of remittances are being sent by men, while women make up 80% of recipients.
- In Tonga, 80% of the adult population have access to mobile phones but only 10% use mobile money services.
- The bulk of remittances sent to the Pacific come from Australia, New Zealand and the United States.

“In Tonga, 80 per cent of the adult population have access to mobile phones but only 10 per cent use mobile money services, suggesting limited knowledge of service and costs involved in sending money.”
– Malieta Inoke

According to results of a financial knowledge and behaviours survey conducted by Send Money Pacific with 300 Pacific Islanders who used remittance channels:

- The two most likely remittance recipients were female family members.
- Respondents could name an average of 2.3 remittance providers unprompted.
- 82% send money digitally from their bank accounts/debit cards.
- 78% received remittances in cash.
- 66% indicated that they only use one remittance company.
- 46% of respondents had not compared remittance providers.
- Respondents identified a cheaper service (43%), a more reliable service (24%) and a faster service (24%) as reasons they would switch remittance providers.
- 88% of respondents used Facebook to communicate with remittance senders about family needs.
- 16% were able to identify the full cost of sending remittances, with women less likely than men to do so.

Challenges

While the barriers and challenges associated with sending and receiving remittances in the Pacific Islands vary, they ultimately impact the most negatively on families who are reliant on this vital source of income. Barriers and challenges to maximising the value of remittances in the Pacific Islands include:

The cost of sending remittances in the Pacific is among the highest in the world. The average cost to transfer AU\$200 to the Pacific is 9.3%, exceeding the global average cost of 6.3%. Remittance companies can also charge high fees, which are difficult to identify when customers' financial literacy is low.

De-risking (or de-banking) threatens remittance companies from operating and drives financial exclusion. A changing international regulatory landscape and increasing compliance requirements mean that many financial institutions are withdrawing or restricting banking services for remittance providers in the Pacific Islands. Often, because the perceived risks and costs associated with compliance outweigh the potential profits made from facilitating remittances. This reduces the remittance options for Pacific Islanders by stifling competition and driving costs up. Further, it excludes communities from formal finance while increasing their reliance on riskier informal financial services.

“The fight is more for the non-bank entities or money transfer operators, as they face challenges of being delisted or de-banked. About 80 to 85 per cent of remittances to Samoa are sent through money transfer operators, so the de-banking or the closure of money transfer operators' bank accounts with commercial banks in New Zealand and Australia is a real concern for us.”
– Maiava Atalina Emma Ainau-Enari

Compliance requirements can't be met by people without access to identification. In order to meet Know Your Customer (KYC) and other requirements needed to receive remittances (and open formal bank accounts), recipients must possess appropriate personal identification documents, which is not always accessible, especially for people who live in rural areas.

Financial literacy is generally low. According to a survey conducted by Send Money Pacific on Pacific Islanders' reported remittance knowledge and behaviours, a generally low level of financial literacy was indicated. Of the approximately 300 people surveyed, only 16% were able to identify the full cost of sending remittances, with women less likely than men to do so. Overall, Pacific women demonstrated lower levels of remittance literacy than men, despite being more likely to be in charge of finances.

Work in the informal sector is a barrier to financial inclusion. Because income streams in the informal sector are irregular and often not recorded, it becomes even harder for individuals to meet formal banking requirements. This is especially the case for women, who disproportionately make up the informal sector.

“In every country except Samoa, there are high rates of people in the informal banking system, but also even higher rates of women without access to the formal financial system. That leaves them less able to borrow reasonable amounts, take on loans and credit in order to productively invest in themselves and their betterment across every aspect of life... and that reflects gender norms, the roles women are able to play, the education they’re able to access and everything that goes into that. The high rates of women and men, but mostly women, in the informal economy is also a barrier to financial inclusion. Or at least, until we get more bank products that suit the needs of less reliable less regular income streams, it’s going to be difficult to convince people to go to the effort it takes to open a bank account, which can take a long, long time because of the requirements.” – Event Attendee

Other challenges

- Natural disasters can stop the flow of internet- and cellular-reliant remittances.
- In Tonga, a lack of anti-competition laws makes it hard for smaller firms to enter the market.

Actions & Opportunities

Ultimately, actions taken to increase Pacific Islanders’ access to formal financial services and facilitate a conducive business environment for service providers will help to increase access to, and lower the cost of, sending remittances in the region. Other actions and opportunities highlighted by panellists include:

Setting Sustainable Development Goals (SDGs) drives momentum to reduce remittance costs. As the high cost of sending remittances affects so many of the world’s economies, international groups such as the United Nations General Assembly can (and have) set development targets that encourage government, community and private sectors to support solutions.

“Having recognised the important role remittances play in Pacific, the international community has now set a Sustainable Development Goal to reduce the remittances cost to 3% by 2030; an ambitious target, but we’d like to see how the market responds.”

– Malieta Inoke

Establishing innovative compliance methods can help bank the ‘unbanked’. Know Your Customer (KYC) and other compliance measures that require remittance senders and recipients to hold identification (which is out of reach for many Pacific Islanders living rurally and without birth records), and the cost of the compliance process have been flagged as major barriers for remittance service providers. At the regional level, the Central Bank of Samoa is collaborating with other central banks (including Australia and New Zealand) in a regional project that aims to sustain remittances by supporting banks and MTOs to further strengthen their KYC arrangements, processes, and AMLCFT programs by using digital customer due diligence and risk mitigation capabilities. The Samoan Government is also rolling out a national digital identification program to help serve customers and money transfer operators.

“It is our hope that the automation of customer due diligence requirements will reduce the cost of compliance and thereby lower the cost of remittances from Australia and New Zealand to the Pacific corridor”
– Maiava Atalina Emma Ainuu-Enari

Developing innovative digital remittance channels (e.g., Mobile Money) can help increase the flow of remittances, even during times of crisis and disaster. Panellists reflect that the experience of COVID-19 has contributed to the rise of innovative digital remittance channels and the uptake of mobile money among Pacific Islanders. More innovations, however, are needed to ensure funds can continue to be sent and received when internet and cellular connectivity is down, for example due to a natural disaster. Looking at satellite technologies is one way to circumnavigate this potential problem.

“As guardians of the financial system we recognise that innovation, and specifically new ways of making payments, could also provide a cheap, secure, convenient option to send remittances. Allowing such innovation into our financial ecosystem following an assessment of those initiatives is one way the Central Bank is facilitating the flow of remittances. ... There is a clear and strong pick up in remittances sent via electronic platforms, that includes for example, Digicell mobile money, KlickEx and the likes.”

– Maiava Atalina Emma Ainuu-Enari

Case study: Tonga Development Bank launches ‘Ave Pa’anga Pau

‘Ave Pa’anga Pau is a low-cost online remittance voucher product founded by the Tonga Development Bank operating in the Australia New-Zealand corridor. Unlike traditional carriers, it doesn’t charge a fee and bank-to-bank transfers are easily facilitated online and compliant with regulations. According to TDB CEO Leta Kami, “It took two years to get off the ground and it wasn’t easy. Thankfully we had the IFC technical assistance, a really awesome committed team at TDB, an amazing ‘Ave Pa’anga Pau manager and the support from the Australian and New Zealand Governments. We wouldn’t have been able to do it if it wasn’t for all that help”. Being Tongan owned and run, profits remain in the local economy and Australian and New Zealand dollars are used to support local businesses. The product is “unique because it not only banks the unbanked, but people are actually saving money with the bank product we have, and it’s fulfilling their dreams because they can invest and save and put children in school and so forth. ... For those who want to replicate it, if Tonga can do it, you can too,” adds Leta.

Promoting women’s financial inclusion and literacy will help to maximise the value of remittances. As women (often female family members) are the most likely to receive remittances and drive the financial decision-making in Pacific households, developing programs and policies to increase their financial literacy is vital. This includes empowering women to compare the true cost of sending remittances between providers

with third party websites such as Send Money Pacific (sendmoneypacific.org).

“It’s the mothers, aunties, sisters, grandmas and wives who actually take care of the family while the male member is working overseas through the Pacific Labour Mobility program, so these women are the ones who are actually driving the decision-making. ... What I find transformational about the influence that women have on money is that, as the receivers, usually they say ‘send it to that money transfer operator because I can easily walk there’, or, ‘I know someone there’ ... We’re seeing a lot of women making that decision for their husbands.”

– Leta Kami

“Women showed less remittance literacy than men despite being more likely to be in charge of finance ... If we provide the level of support for financial literacy for women, we could increase the volume and their access to finance.”

– Sevu Waqa

Remittance sending ‘holds strong’ as long as Pacific Islanders have family overseas. Despite the International Monetary Fund (IMF) predicting that remittances in the Pacific region would decline due to the challenges of COVID-19, remittances have largely ‘held strong’ during the pandemic. Panellists believe this can be explained by the cultural practice of delivering care and support during times of crisis, no matter where in the world families are dispersed.

“The IMF always has these assumptions that because there’s a pandemic, remittances might drop. But in those times, remittances spike. When we have something like the pandemic that causes people to support their families here in Samoa, that’s when it holds strong and resilient.”

– Maiava Atalina Emma Ainuu-Enari

Further research into financial inclusion in the Pacific helps decision-makers understand its scale and appropriate responses. In order to increase financial inclusion and accessibility to remittances and meet SDGs, data on the scale of financial inclusion / exclusion and financial literacy of men and women across the Pacific is needed to inform relevant policies and programs.

“Before 2015, there was actually no data set on the level of financial inclusion in Samoa. So, we conducted a financial services demand side survey in 2015 and that was the first set of data we needed ... so we could inform policy on financial inclusion. The results showed that Samoan women are faring well in financial services, and there is a higher proportion of women who are financially included in comparison to men. ... But while we are in a good spot on the gender scale, we will be keeping an eye on things to make sure we do not unintentionally create gender bias.”

– Maiava Atalina Emma Ainuu-Enari

Governments can increase digital financial inclusion and literacy by digitising social protections.

While Fiji was badly impacted by the pandemic, the government made the decision to mandate recipients of financial social support receive their funds via mobile money (MPAY). In order to facilitate this in regional areas, more funding was invested into getting people to access mobile networks and coverage so they could receive payments digitally. Operators also support small regional shops to use QR codes in order to receive mobile money transactions.

Families and aid organisations are increasingly checking in to identify supports needed in times of crises.

Rather than simply sending over containers full of items that may or not be needed, communication between supporters and those on the ground is increasing to ensure what’s being sent, including remittances, is the most useful.

“For those sending money or items back to the Islands, it has really been about education; about what is the most useful, what is the most needed here. In times past, during natural disasters we were sending large containers, while this time around, it’s been about focusing on what could be most useful – money. For a lot of community groups from Australia, rather than buying goods, I’ve noticed a big rise in those to send money instead.”

– Sevu Waqa

Conclusion

The information in this document summarises the key points and insights shared during the [Learning & Networking event](#) on maximizing the value of remittances in the Pacific Islands, hosted by WLI in partnership with UNCDF. From the information shared, it is clear that COVID-19 and other natural disasters experienced in the Pacific have brought the region’s reliance on international remittance facilitators to the fore, and with it, opportunities for innovation to increase access to this vital source of family income. Throughout the pandemic, governments in the Pacific Islands have been working to ramp up digital inclusion, streamline and innovate technologies to meet compliance requirements and circumnavigate de-banking risks, and explore in-country financial remittance services that can withstand natural disasters (such as *‘Ave Pa’anga Pau*). In order to meet the SDG of reducing the cost of sending remittances in the region to 3% by 2030, continued collaboration between financial institutions, governments, and the private and community sectors is needed. So, too, is region-wide research into the state of financial inclusion and literacy, and creative policy mechanisms to increase it (including by mandating and making mobile money widely accessible).

Interested? Want to know more?

For more information on the Women’s Leadership Initiative and *how* you can get involved, visit womensleadershipinitiative.org.au or email: info@australiaawardsleadership.org