Using Mobile Technology to Improve Remittances to the Pacific

July 2021

The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 400 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces the industry-leading MWC events held annually in Barcelona, Africa, Los Angeles and Shanghai, as well as the Thrive Series of regional conferences.

For more information, please visit the GSMA corporate website at **www.gsma.com**

Follow the GSMA on Twitter: **@GSMA**

GSMA Mobile for Development

For more information, please visit our website at **www.gsma.com/mobilefordevelopment**

Twitter: **@GSMAm4d**

This initiative has been funded by UK Aid from the UK Government and is supported by the GSMA and its members. The views expressed do not necessarily reflect the UK Government's official policies.

Authors:
Rishi Raithatha, Saad Farooq and Akanksha Sharma, GSMA

Acknowledgments:
We would like to thank the UK Foreign, Commonwealth & Development Office, GSMA Central Insights Unit, GSMA Mobile Money Programme, Australia's Department of Foreign Affairs and Trade, Bank of Papua New Guinea, Central Bank of Samoa, Central Bank of Solomon Islands, Digicel, KlickEx, International Finance Corporation, MoneyGram, National Bank of Vanuatu, National Reserve Bank of Tonga, New Zealand's Ministry of Foreign Affairs and Trade, Reserve Bank of Fiji, Reserve Bank of New Zealand, Ria, Rocket Remit, UNCDF, United Nations' Pacific Financial Inclusion Programme, Vodafone, Western Union and World Bank, as well as other experts who were interviewed and consulted for this report. We would also like to thank DMA Global for their support in carrying out the research for this report.

Contents

List of abbreviations and acronyms

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-money laundering/combating the financing of terrorism
CDD	Customer due diligence
COVID-19	Coronavirus disease 2019
DFS	Digital financial services
FCDO	UK Foreign, Commonwealth and Development Office
ID	Identity document
IFC	International Finance Corporation
IMTOs	International money transfer operators
KYC	Know-your-customer
LMIC	Low- and middle-income country
MM	Mobile money
MNO	Mobile network operator
PFIP	Pacific Financial Inclusion Programme
PIC	Pacific Island country
PIRI	Pacific Islands Regional Initiative
PLS	Pacific Labour Scheme
PSPs	Payment service providers
RSPs	Remittance service providers
SWP	Seasonal Worker Progr amme

Foreword

Through the UK FCDO's Partnership for Inclusion, Innovation and Scale with the GSMA, we are delighted to deliver this report: *Using Mobile Technology to Improve Remittances to the Pacific*. Remittances are a lifeline for the Pacific. They represent a vital source of foreign exchange for many nations, make up over 40 per cent of GDP in Tonga, and are an important part of household income in many communities.

In times of trouble, remittances provide resilience against economic shocks and stresses. This has been particularly true during the COVID-19 pandemic, when remittances to many Pacific countries have increased. During a workshop we convened in May 2021, the Deputy Governor of the Reserve Bank of Fiji noted that remittances became Fiji's largest foreign exchange earner in 2020, with a value of US$356.9 million.

In 2019, the Pacific received US$675 million in remittances from diaspora living and working overseas, including many in Australia, New Zealand, the UK and the USA. However, the cost of sending funds to the Pacific is among the highest in the world: typically, over 10 per cent, compared to a global average of about 6.5 per cent. The UN Sustainable Development Goals include a target to reduce the average cost of remittance transfers to three per cent. We are a long way from achieving this target in the Pacific, but the GMSA research finds that the average price of sending US$200 remittances via mobile money is typically the cheapest alternative, at 3.5 per cent.

FCDO commissioned this report to explore whether mobile technology could help to increase access to, and the affordability of, remittances services for the poorest and most vulnerable in the Pacific. These are complex issues, and we acknowledge that mobile technology does not offer a silver bullet. However, the lessons from other regions, and the analysis and recommendations in this report, indicate that mobile technology can play a role in increasing accessibility and bringing down costs. Work needs to be done on a range of complex issues, including: policy and regulatory frameworks; stakeholder coordination and cooperation; building trust in mobile money services; increased financial literacy, awareness and inclusion; expansion of digital payment services; and policy work (including at global level) to mitigate the impacts of de-risking.

We are keen to see whether mobile technology can support the most vulnerable and isolated. Shifts in behaviour forced on us by COVID-19 could be the trigger needed to strengthen the mobile remittances sector in the Pacific, increase accessibility and bring down the costs of transfers. The UK and the GSMA stand ready to work with other partners to support this endeavour.

Jean-Paul Penrose,
Pacific Development Director UK Foreign, Commonwealth and Development Office British High Commission Suva

Executive Summary

As the Pacific Island countries (PICs) are small, geographically isolated and prone to natural disasters, remittances are a vital way for people to meet their daily needs and increase their overall resilience. Traditional, digital and mobile money remittances are an essential capital inflow for the PICs. Yet, these services are expensive and can be difficult to access even though they contribute to financial inclusion within the region.

Globally, around 70 per cent of remittance transactions are still cash-based. However, with the rise in phone adoption, digital remittance use has grown. Among digital remittance services, mobile money is increasingly becoming a preferred method for making remittances worldwide.

Mobile money remittances offer several advantages over traditional equivalents. Mobile money funds are sent and received in real time, and are usually available immediately. Compared to cash, mobile money is transparent, allowing senders and receivers to track payments and enabling regulatory oversight of the system. Finally, mobile money is the cheapest option, with an average cost of 3.53 per cent; the global average cost is 6.38 per cent.

Among the PICs, Fiji is the largest recipient of digital remittances to mobile money accounts, followed by Tonga, Samoa, Vanuatu, the Solomon Islands and Papua New Guinea. Each country's diaspora sends remittances; the Pacific diaspora represents a significant proportion of their domestic population, despite being small in absolute terms. Australia and New Zealand are the main remittance-sending countries in the region, driven by a permanent Pacific Islands diaspora and seasonal labourers.

On average, remittances contributed to over five per cent of GDP in at least 60 LMICs in 2019. In some of the PICs, the contribution is higher: in Tonga, for example, remittances account for 40.2 per cent of GDP. However, the region's remittances are still comparably expensive. The average cost of sending US$200 was 10.42 per cent[1], compared to the global average of 6.38 per cent. The cost of sending remittances to a mobile wallet in the region is 6.37 per cent, while the average cost of remitting to a bank account was almost double that, at 13.18 per cent.

The cost of remittance services in PICs depends on the transfer method. Although digital remittance services are cheaper, they are used less often because New Zealand and Australia have placed limits on providers that send to mobile ecosystems. Regulatory policies in both countries erroneously consider mobile money to be a high AML/CFT risk to the banking sector.

The Pacific region is host to a range of remittance service providers (RSPs). Mobile money providers have more agents, but traditional money transfer operators (MTOs) still dominate. There is also a cultural preference for cash-based services, which remain popular. Digital financial services in general have had limited uptake, due to low financial literacy. To improve financial inclusion and literacy, each PIC has developed a National Financial Inclusion Strategy.

Similarly, the uptake of mobile money-based remittance services in PICs has been limited. However, due to the COVID-19 pandemic, some mobile money providers in PICs began shifting from traditional cash-based remittance services towards digital services. While there is potential for further growth, there are still three main barriers to overcome: telco infrastructure, receive-side regulations and send-side restrictions.[2]

Mobile network coverage has improved in the region, but rural areas have significantly different infrastructure levels than urban areas – affecting the availability of digital remittance services there. Increasing smartphone use across PICs could provide an opportunity for these services to grow, however.

Mobile money requires an enabling regulatory environment. The regulations for mobile money in PICs can seem confusing. Mobile money providers need two licences, both of which are relatively easy to obtain: one for mobile money and another for international remittances. However, most PICs have started making regulatory changes to enable digital financial services.

The central banks of Fiji, Samoa, Solomon Islands, Tonga and Vanuatu are also developing new payment systems, with support from the World Bank. These new payment systems aim to make mobile money services available for wider use, although this is less likely to have an impact on remittance services in the short term.

1 SendMoneyPacific. (2021).
2 Michael Janda. (2020). "Westpac's record $1.3 billion AUSTRAC money laundering fine explained.". ABC News.

The PICs should learn from other regions about how to overcome barriers to setting up and launching mobile money services. The key challenges include:

- **An enabling regulatory environment:** Onerous regulations that create barriers or that are anti-competitive should be reformed.
- **AML/CFT:** PICs should introduce regulatory sandboxes to help them develop innovative AML/CFT solutions and overcome regulatory challenges.
- **De-risking:** Many RSPs and MTOs remain exposed to potential de-risking. The PICs should press ahead with implementing AFI's de-risking plan.
- **ID/KYC:** Any PICs that struggle with current ID requirements should consider developing a roadmap for implementing digital ID, such as Samoa's KYC (know-your-customer) utility.
- **Infrastructure:** Governments should consider subsidising telecommunications and payments infrastructure, particularly in remote areas.
- **Agent network:** Providers should be allowed to appoint and control their agents directly, while existing businesses should be given incentives to become agents.
- **Liquidity:** The PICs could consider following Vodafone Fiji's example of increased cash management points for agents to make pre-emptive top-ups.
- **Education:** Donors, governments and MNOs should work together develop impartial, comprehensive and effective financial education educational programmes.
- **Trust:** Providers can build trust through public information campaigns, by designing simple, transparent and user-friendly services, and by ensuring that there are no unexpected charges.

Donors and regulators have a big role to play in making progress. Collectively, they should consider the following recommendations:

- Encourage active engagement between all stakeholders;
- Develop policies and roadmaps for each country;
- Develop an industry standard for up-to-date data;
- Provide an industry platform for traditional and digital RSPs;
- Provide technical assistance to help develop mobile remittances in PICs;
- Develop a funding mechanism for initiatives;
- Encourage RSPs to implement relevant risk management frameworks;
- Consider outlawing blanket bans of accounts-by-category to overcome de-risking in send-side markets; and
- Build technical capacity, governance, risk management compliance and risk-based approaches.

Introduction

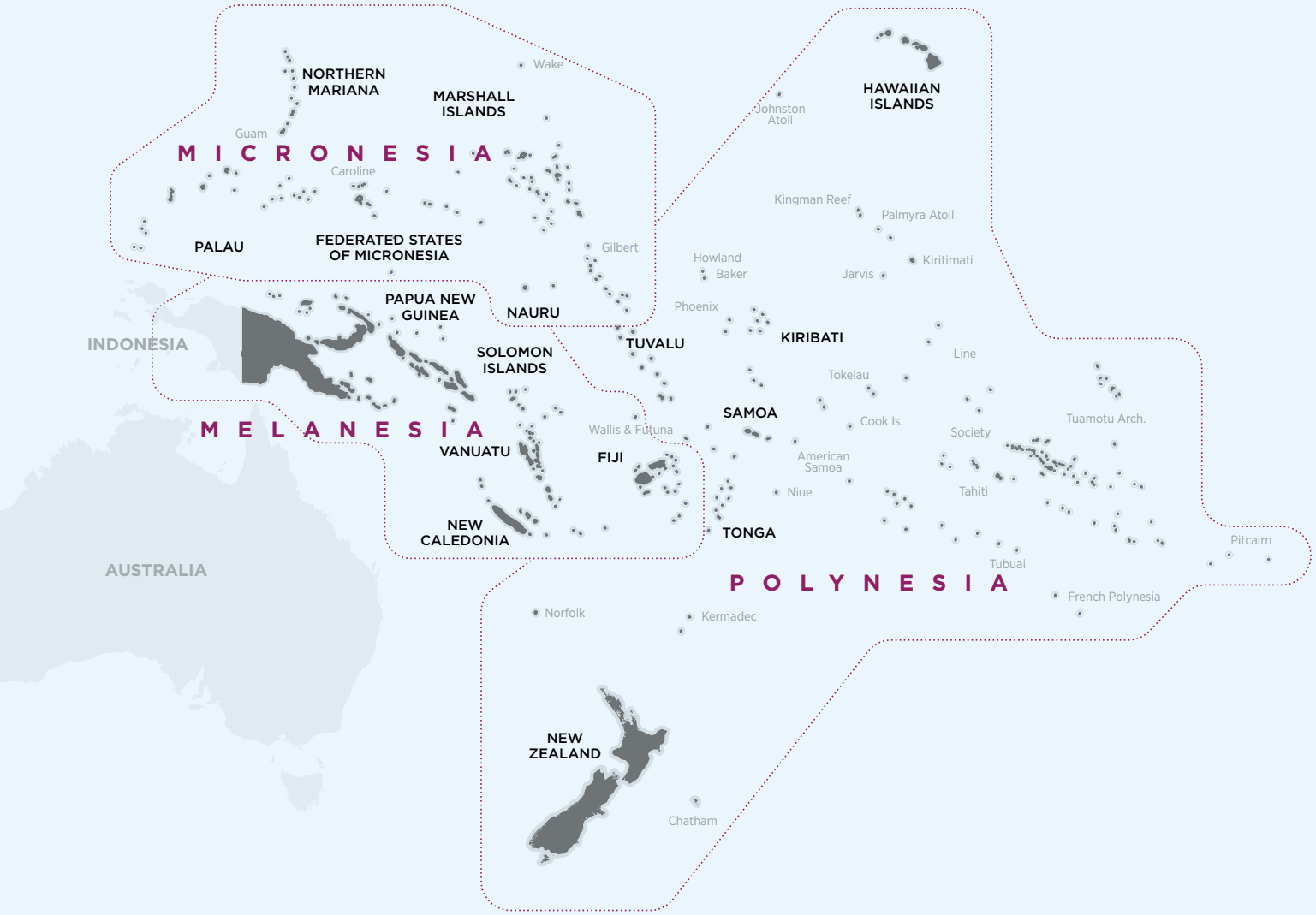
International remittances (or remittances) – defined as low-value cross-border person-to-person payments – play a pivotal role in improving the lives of millions of migrants and their families. While traditional remittances have relied on cash transactions, digital remittance services – including mobile money services – have emerged in recent years.

Digital and mobile money remittances are an essential form of capital inflow for many Pacific Island Countries (PICs – figure 1). Yet, these services are expensive, often difficult to access and do not contribute sufficiently to financial inclusion within the region.

As a result, a large proportion of the population is underserved and underbanked, making financial inclusion a policy priority in the region. Mobile money can help to achieve this goal by making it easier to access the formal financial system. This, in turn, can help foster economic development, reduce poverty and increase financial stability.

Figure 1

The Pacific Island Countries



Objectives

This report explores the landscape of cross-border remittances in a select group of PICs, where there is data available. This includes Fiji, Papua New Guinea, Samoa, the Solomon Islands, Tonga and Vanuatu. It draws on lessons from other regions to understand mobile technology's potential in promoting accessible and affordable remittances in the Pacific region, especially for the most vulnerable and isolated communities. The report also looks at whether mobile technology can help to drive down the costs associated with remittances.

The objectives of this report are to:

- Share an understanding of the state of mobile money remittances in the Pacific region with key stakeholders, including mobile operators, money transfer operators, central banks, regulators and international development agencies;
- Identify areas where mobile technology uptake can be strengthened (in the context of mobile money) to make remittance services more accessible and affordable in the Pacific region; and
- Provide a business case on how the region should proceed, including recommendations on how to increase access to remittances and reduce their cost.

Methodology

Primary research

Interviews were conducted with 18 key stakeholders in both the public and private sector, across the Pacific and internationally. This included central banks, commercial banks, international money transfer operators (IMTOs), mobile money providers (MMPs), donors and government bodies.[3]

Secondary research

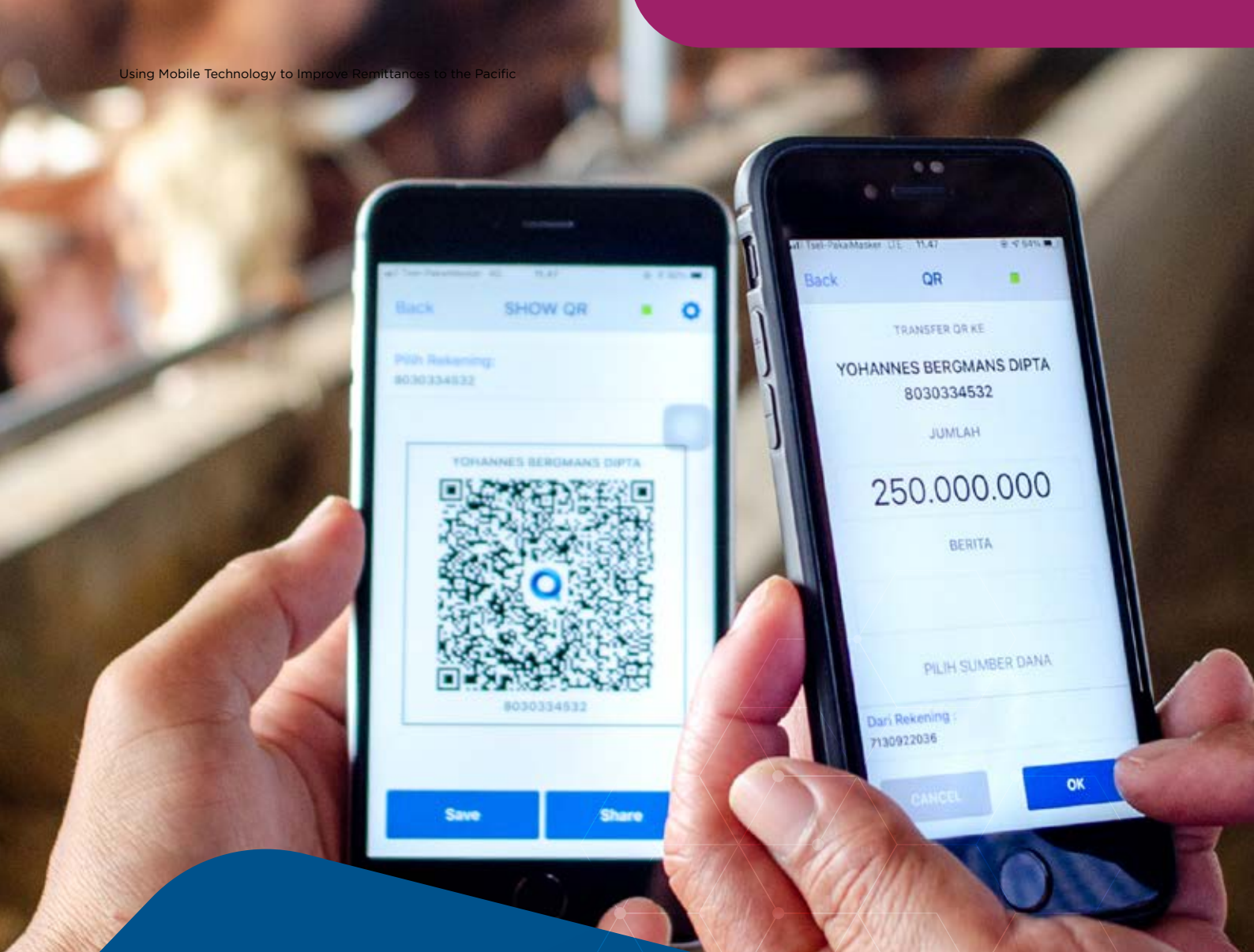
Secondary research involved a thorough review of:

- Existing reports on the Pacific remittance market and mobile money market;
- Global and national databases on migrant stocks, flows, remittance volumes and pricing, with a focus on the Pacific as a receive region; and
- Regulations and policy, particularly relating to digital financial services and mobile money.

Workshop

A virtual workshop was attended by over 30 participants to review the initial findings and provide further input for this report.

3 Refer to Appendix 1 for further details on the interviewees.



01
Mobile money remittances around the globe

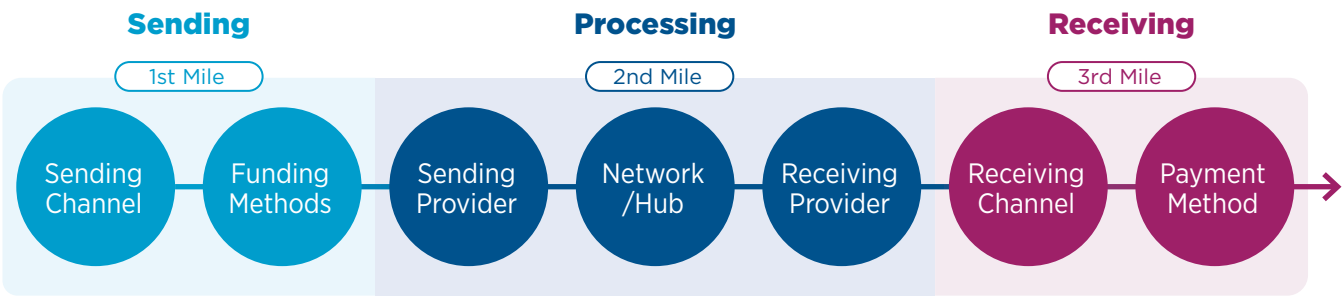
Overview of digital and mobile remittances

International remittance transfers are defined as cross-border person-to-person payments of relatively low value (US$1,000 or less)[4]. These transfers are usually recurrent payments by migrant workers, who send money to their families in their home country every month[5]. A typical remittance flow involves a sending, processing and receiving component (figure 2). In 2019, there were an estimated 272 million international migrants[6], who sent an average of US$200 each between 10–12 times a year to their families in their home countries across the globe[7]. In total, it is estimated that US$717 billion was sent as remittances in the same year[8].

The World Bank initially predicted that global remittances would fall by 20 per cent in 2020 because of the COVID-19 pandemic[9]. However, these figures were revised in October 2020 to suggest a 14 per cent decline in remittance flows until the end of 2021[10]. These revised predictions estimated that remittances to the Pacific would initially fall by 11 per cent in 2020 and four per cent in 2021 respectively[11]. Data from May 2021 has revealed that global remittances fell by 1.6 percent overall[12]. However, remittance flows to some PICs, such as Fiji[13], increased instead.

Figure 2

The remittance value chain



Sending Channel	Funding Methods	Sending Provider	Network /Hub	Receiving Provider	Receiving Channel	Payment Method
• In-person, branch • Online • Mobile money • Account • Fintech (mobile app/web) • Informal	• Cash • Payment card • Bank account • Mobile money	• MTOs • Digital IMTOs • Banks • MMP	• RealTime system • SWIFT • Correspondent bank • Aggregators • Payment cards	• MT agents • Banks • MMPs • Fintechs • Payment cards	• MT agent • Mobile money • Bank • Informal	• Cash • Payment card • Bank account • Mobile money account

Source: DMAG, 2020

4 To clearly define migrant remittances, the authors have adopted US$1,000 as a reference amount. This separates remittances from other cross-border transfers, such as trade flows or investments.
5 The World Bank. (2006). "General principles for international remittance services."
6 IOM's Global Migration Data Analysis Centre (GMDAC). Migration Data Portal.
7 IFAD. "11 reasons why remittances are important." (2021).
8 KNOMAD. (2020). "Phase II: COVID-19 Crisis Through a Migration Lens. Migration Development Brief 33."
9 KNOMAD. (2020). "COVID-19 Crisis Through a Migration Lens. Migration and Development Brief 32"
10 KNOMAD. (2020). "Phase II: COVID-19 Crisis Through a Migration Lens. Migration Development Brief 33."
11 https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history
12 KNOMAD. (2021) "COVID-19 Crisis Through a Migration Lens. Migration Development Brief 34."
13 Reserve Bank of Fiji. (2020). "International Remittances and Fiji's Unsung Heroes Abroad."

International remittances that are transferred via banks and other transaction accounts are considered digital remittances. These accounts can be accessed in person via branches or agents of the RSPs or by using the internet or a mobile phone. Though most transactions worldwide are still cash-based (estimated at over 70 per cent)[14], increased mobile phone adoption has led to a rise in the use of digital remittance channels. The ratio of digital transactions to cash-based transactions has grown by nearly 50 per cent since 2017[15].

Remittance senders and receivers are increasingly realising the benefits of digital services, including the convenience of sending and receiving money using a mobile phone. As a result, mobile money is becoming a preferred method for making remittances across the globe. Mobile money works by storing funds in an electronic account linked to a mobile phone number. The account is provided by a mobile money provider, often the financial services arm of a mobile network operator (MNO), which the Central Bank usually regulates.

Mobile money is subject to stricter rules on how funds can be used, and on the preservation of capital in liquid accounts at banks. While banks can invest client deposits as loans to its other customers, MMPs must hold all client funds in full in a trust account so that they are immediately available if called upon. This requirement lowers the investment income potential for MMPs. Similar to other markets, mobile money providers in the Pacific hold a trust account with at least one commercial bank.

In most countries where they are available, mobile money accounts are commonly accessed through a USSD menu – some services also offer apps. Mobile money users can access a suite of services that allow them to store funds, send or receive payments, and purchase goods at participating stores. For many people who may have previously lacked access to a financial account, mobile money is likely to be their first formal relationship with a financial service.

14 Various sources, including annual financial reports from Western Union, MoneyGram and Ria and Remittance Committee Task Force. (2020). "Remittances in crisis: Response Recovery Resilience."

15 GSMA

Benefits of mobile money remittances

Mobile money remittances offer several advantages over traditional equivalents (see focus box 1). First, mobile money remittances are sent and received in real time, which means that any money sent is received and available instantaneously.

Second, mobile money remittances offer a fully transparent service. Senders can see their fees before proceeding with the transaction, and both senders and receivers can track their payments in real time. This can help users to establish trust in the system, while simultaneously enabling regulatory oversight.

Finally, mobile money remittances are the cheapest money transfer option. The GSMA's Cost of Sending Survey on mobile money remittance costs revealed that the average cost to send from a mobile money account to another mobile money account in Q3 2020 was 3.53 per cent[16]. This was about 44 per cent lower than the global average remittance price of 6.38 per cent[17].

It is estimated that digital remittances can eventually reduce the cost of sending remittances to under 3 per cent, helping to meet SDG 10.c and to achieve objective 20 of the Global Compact for Safe, Orderly and Regular Migration[18].

Mobile money remittances can also help close the financial inclusion gender gap, especially in low- and middle-income countries (LMICs). Women make up half of all remittance senders globally; they send more frequently and transfer a higher percentage of their income than men[19]. In countries where more adult women are financially included, such as Samoa, a higher proportion of women receive remittance income[20]. Forty eight per cent of Samoan women receive remittances compared to only 39 per cent of men, which is positively associated with the likelihood of women being banked[21]. In Tonga, women also receive more remittances on average than men[22]. Remittances sent through mobile money can help to improve the financial inclusion of women and enhance their economic independence.

The number of mobile money remittance services has grown over the last few years. For example, Orange allows its mobile subscribers in France to send remittances to Orange Money customers in Côte d'Ivoire, Guinea, Madagascar and Mali. MTN Mobile Money allows remittances within Africa, as well as from Europe to Africa. A GSMA case study on mobile money provider Valyou Malaysia details how the provider allows remittances to be sent to recipients in Bangladesh and Pakistan. The case study also found that women's financial inclusion increased by seven per cent in Bangladesh and three per cent in Pakistan[23] for those receiving remittances through the service.

16 See GSMA CoSS study
17 World Bank. (2020). "Remittance Prices Worldwide Quarterly."
18 United Nations. 2018. "Global Compact for Safe, Orderly and Regular Migration."
19 UN Women. (2020). "Migrant Women and Remittances: Exploring the Data From Selected Countries."
20 Central Bank of Samoa. (2015). "Financial Services Demand Side Survey: Samoa."
21 Ibid.
22 Pacific Financial Inclusion Programme. (2016). "Financial Services Demand Side Survey Tonga."
23 GSMA. (2021). "How mobile money is scaling international remittances and fostering financial resilience: Learnings from Valyou Malaysia."

Focus box 1

How mobile money can benefit remittance services

The growth of mobile money has helped drive the use of mobile money remittance services. In 2020, there were 310 live mobile money services in 96 countries, and 1.2 billion registered mobile money accounts (an increase of 12.7 per cent from the previous year). Three hundred million of these accounts are active on a monthly basis. Between 2019 and 2020, and as a result of the pandemic, mobile money remittances increased 60 per cent year on year[24], with over US$1 billion sent via mobile money each month for the very first time.

Interoperability between different mobile money providers can help mobile money remittance services grow faster. Interoperability allows customers of different financial service providers to send and receive funds seamlessly between their accounts. Interoperability with other financial service providers, such as banks and money transfer operators, is important to ensure access to a wide range of use cases, such as mobile money remittances. This can help previously underserved and cash-reliant individuals to meet their financial needs.

Many remittance services are now partnering with mobile money providers to deliver remittances. This growth is primarily due to strong demand from leading cross-border remittance service providers (RSPs) such as Western Union and MoneyGram, as well as digital RSPs such as WorldRemit, Remitly, KlickEx and Azimo. MNOs have also been promoting mobile money remittance products in the past few years. For example, Orange allows its mobile subscribers in France to send remittances to Orange Money customers in selected Sub-Saharan African[25] countries, such as Côte d'Ivoire, Guinea, Madagascar and Mali. Similarly, MTN Mobile Money offers money transfers within Africa, as well as from Europe to Africa[26].

Digital remittance services have become more important during the COVID-19 pandemic[27]. Early in the pandemic, only some countries considered MTOs and their agents to be essential services. As a result, traditional cash-based services were limited from operating due to nationwide lockdowns. This provided a strong incentive for people to start using digital services. Despite a simultaneous rise in unemployment among migrant workers globally during the pandemic, remittances have continued to flow to struggling friends and families. Mobile money flourished in LMICs partially due to its strong presence and providers' knowledge of local markets, but also because of strong partnerships with other financial institutions[28].

24 GSMA. (2021). "State of the Industry Report on Mobile Money."
25 Orange. (2020). "Orange Opens Two new Orange Money Remittance Corridors from France to Burkina Faso and Morocco."
26 GSMA. (2018). "Mobile money: Competing with informal channels to accelerate the digitisation of remittances."
27 KNOMAD. (2020). "Call to Action: Stocktaking Report."
28 GSMA. (2021). "State of the Industry Report on Mobile Money."

02 International remittances in the Pacific region

2.1 Overview of remittance trends in the PICs

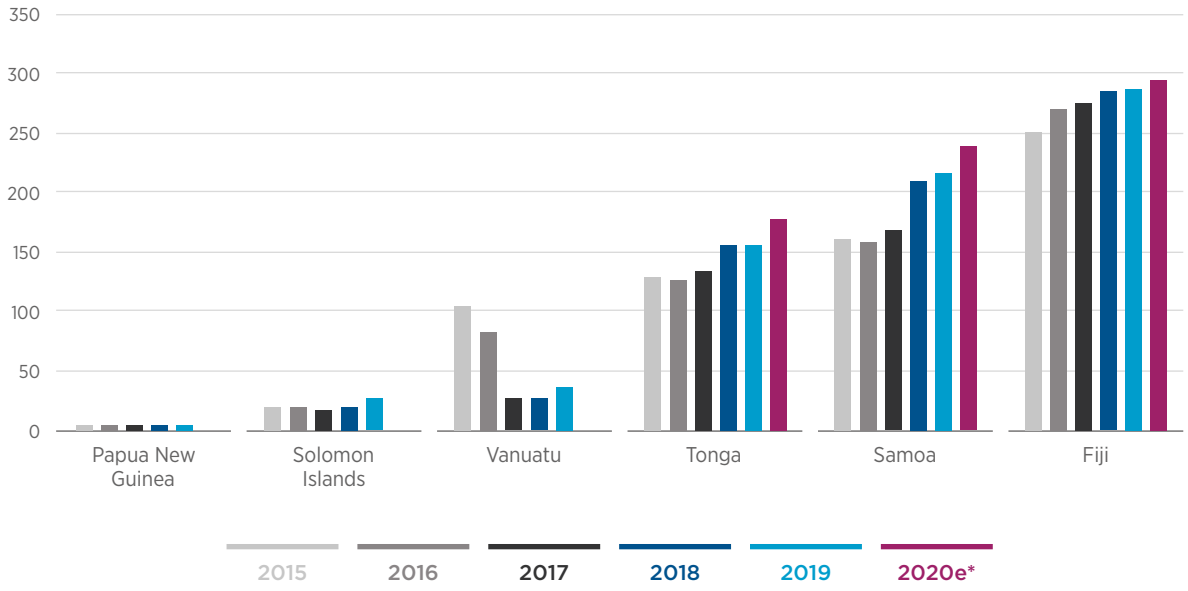
Key remittance receivers and sending countries in the region

Fiji is the largest remittance-receiving country in Pacific by volume, followed by Samoa, Tonga, Vanuatu and the Solomon Islands. Papua New Guinea is the smallest receiver of remittances in the region (figure 3).

Figure 3

Remittance volume inflow to the Pacific, 2015–2020

USD million



Source(s): KNOMAD, 2020; Reserve Bank of Fiji 2021; Central Bank of Samoa 2021; Central Bank of Tonga 2021[29]

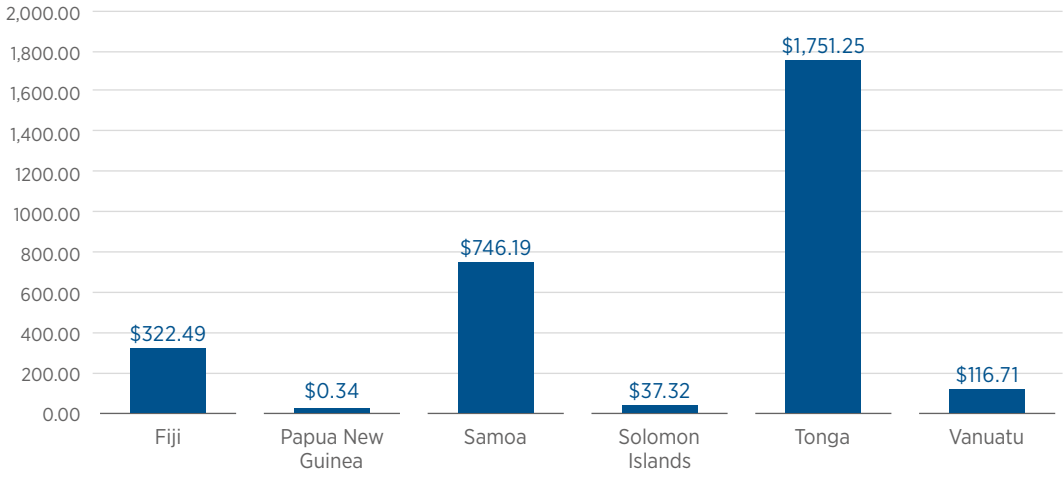
29 Reserve Bank of Fiji. (2020). "International Remittances and Fiji's Unsung Heroes Abroad."; Reserve Bank of Tonga. (2021). "Remittances for March 2021."; Central Bank of Samoa. (2021). "Visitor Earnings and Remittances."

At a country level, Tonga is the largest recipient of remittances per person per year, followed by Fiji and Samoa (figure 4).

Figure 4

Remittances received per person in the Pacific

USD

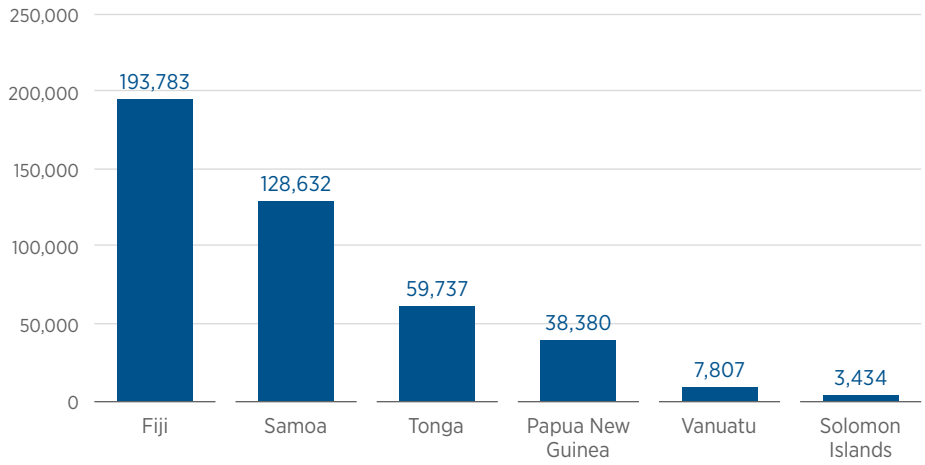


Source: UNDESA Population Statistics and KNOMAD, 2020

Remittances are driven by the size and wealth of each country's diaspora, who often constitute a significant proportion of their respective domestic population size – despite being small in absolute numbers (figure 5). For instance, the Tongan diaspora accounts for as much as 70 per cent of its home population[30].

Figure 5

Diaspora Population Size



Source(s): UN Migration Profiles, 2013[31]

30 Stephen Howes, Beth Orton, Sherman Surandiran (2021). "In the Pacific, migration and population growth are inversely related." Development Policy Centre.

31 This is the most comprehensive data that allows comparison across the PICs. There is clearly a need to develop up-to-date migration data for PICs.

Australia and New Zealand are the main remittance-sending countries in the region, driven by a permanent Pacific Islands diaspora and seasonal labourers (focus box 2). The seasonal labour employment schemes launched by Australia and New Zealand have drawn migrants from PICs, including from countries that do not already have a significant diaspora. This has led the PICs to become substantial remittance recipients in the region. Vanuatu is one such example. Although the number of permanent migrants from Vanuatu is small, over 10,000 seasonal workers were employed in Australia and New Zealand during the last season before the onset of the COVID-19 pandemic (2018/2019). This played a significant role in driving the growth of remittances sent to the country (focus box 3).

In addition to Australia and New Zealand, the United States and the United Kingdom host many permanent migrants from PICs. Remittances from the UK to Fiji are mainly sent by Fijian soldiers serving in the British Army, as well as by professional sportsmen and women. In 2018, it was estimated that remittances from the UK to Fiji totalled US$8 million[32]. Among the PICs, Fiji is the principal source of intra-Pacific remittances to its South Pacific neighbours. The Solomon Islands and Vanuatu are among the top ten countries that received remittances from Fiji.[33]

Focus box 2

Seasonal employment schemes in Australia and New Zealand

New Zealand's Recognised Seasonal Employer scheme began with a pilot in 2007 and now has over 14,000 workers from PICs approved to work in New Zealand annually[34]. In the 2019/2020 season, there were 10,238 Pacific Islanders working in New Zealand[35]. The scheme allows workers to be recruited from Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu[36]. The estimated total number of permanent migrants from the Pacific in New Zealand in 2013 was 226,473[37]. It is likely that Pacific Island workers potentially account for around five per cent of Pacific Islanders in New Zealand.

Similarly, Australia has also been welcoming Pacific seasonal workers since 2009, when it launched a pilot Seasonal Worker Programme (SWP). In 2020, there were 6,938 Pacific Islanders working under the SWP[38]. In 2018, the country launched the Pacific Labour Scheme (PLS). This is a three-year visa scheme that offers low and semi-skilled roles to PIC migrants in a broad range of sectors including agriculture, horticulture and aquaculture. In 2020, there were 460 people working under the PLS. Outside of seasonal work, there were 296,722 permanent Pacific diaspora members in Australia in 2016[39]. Seasonal workers account for around 2.5 per cent of the Australian Pacific Island population.

32 World Bank Bilateral Remittance Matrix, 2018
33 Fiji Financial Intelligence Unit. (2019). "Annual Report 2019."
34 New Zealand Immigration. (2021). "Recognised Seasonal Employer (RSE) scheme research."
35 Ibid.
36 Ibid.
37 Market Research Report, SendMoneyPacific, 2020
38 Market Research Report, SendMoneyPacific, 2020
39 Ibid.

Focus box 3

The impact of the COVID-19 pandemic on remittances in the PICs

Although border closures impacted seasonal migration from the PICs, regional remittance flows increased during the COVID-19 pandemic. For example, Fiji recorded an increase in remittance flows from US$272 million in 2019 to US$301 million in 2020[40], despite an initial decline in the early stages of the pandemic. In particular, the mobile money remittances to Fiji increased by 279 per cent between March 2020 and October 2020[41]. Remittances to Samoa increased by 13.3 per cent between July and December 2020, compared to the same period in 2019[42]. Similarly, remittances to Tonga increased by 10.8 per cent from November 2019 to November 2020[43].

Similar to when other crises and natural disasters have impacted the PICs, the United Nations Development Programme (UNDP) and the United Nations Capital Development Fund (UNCDF) subsidised selected providers, such as Vodafone M-Paisa, by ensuring that fees for sending and receiving were zero-rated. This is believed to have had a lasting impact, with some MTOs continuing to observe a no-fee price beyond the campaign period. Customers with other MTOs have also continued to use mobile money to receive remittances past the end of these promotional periods.

The introduction of border closures and travel restrictions were key drivers behind the use of digital remittances over informal cash-based services in 2020. While remittance flows increased, the pandemic had a negative effect on other parts of PICs' economies, particularly tourism. In Fiji, it is estimated that tourism flows declined by an annual 79.8 per cent in 2020[44]. As a result, remittances became more important than ever.

Source: SendMoneyPacific

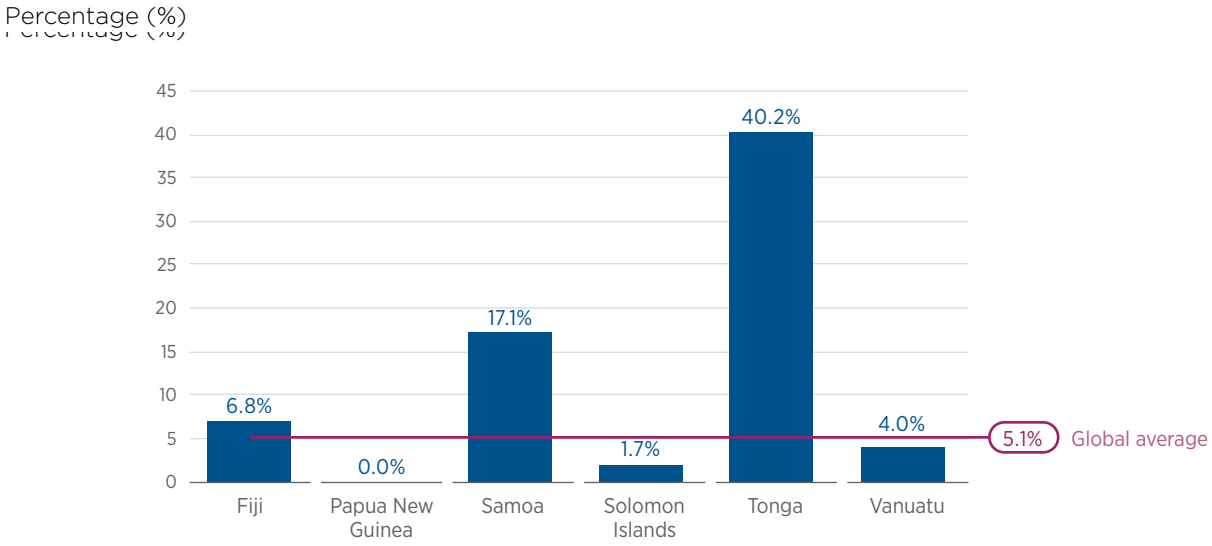
40 Reserve Bank of Fiji. (2020). "International Remittances and Fiji's Unsung Heroes Abroad."
41 Ibid.
42 Central Bank of Samoa. (2021). "Visitor Earnings and Remittances."
43 National Reserve Bank of Tonga. (2021). "Remittances for March 2021."
44 Timoci Vula. (2021). "RBF: Personal Remittance inflows Have Been Strong." Fiji Times.

The impact of remittances on PIC economies

On average, it is estimated that remittances contributed to over five per cent of GDP in at least 60 LMICs in 2019[45]. While remittance flows to the PICs are small in absolute numbers, their contribution to Pacific economies is much higher than the global average (figure 6). For instance, Tonga is the most remittance-dependent country in the world, with remittances accounting for 40.2 per cent of GDP in 2020[46]. Remittances are also significant at the household level in Fiji, Samoa and Tonga. For example, remittances cover approximately 30 per cent of household consumption in Tonga[47].

Figure 6

Remittances as percentage of GDP



Source: KNOMAD, 2020

The cost of remittances in the PICs

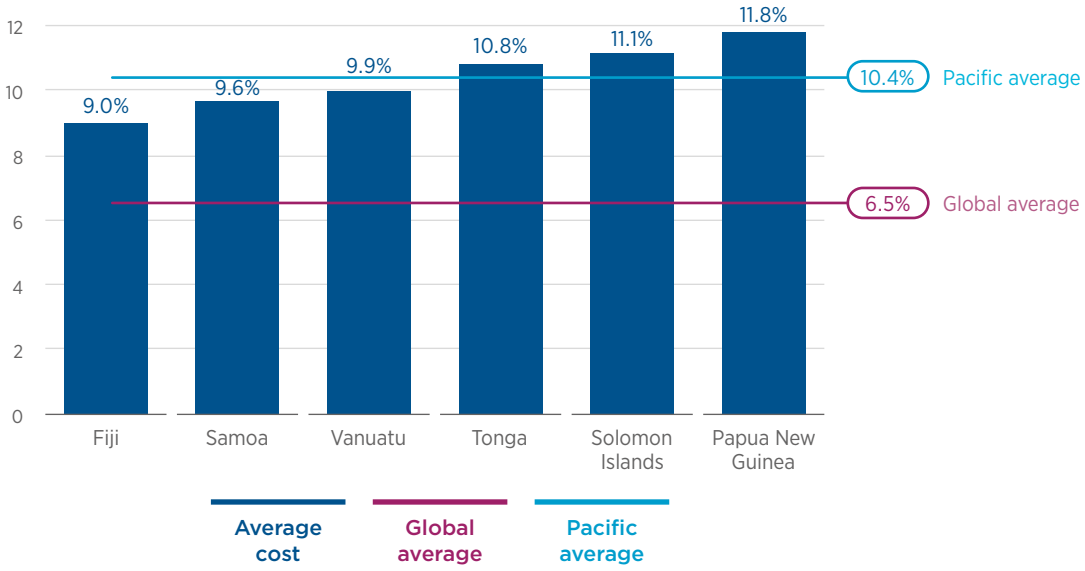
According to the World Bank, the global average cost to send US$200 is 6.38 per cent. By comparison, the cost of sending remittances to the Pacific is 6.74 per cent. This is the second highest regional cost in the world (only Sub-Saharan Africa is higher, at 8.02 per cent)[48].

45 KNOMAD. (2020). "Call to action – Remittances in Crisis: How to keep them flowing."
46 Ibid.
47 World Bank. (2020). "Pacific Labor Mobility, Migration and Remittances in Times of COVID-19: Interim Report."
48 World Bank. (2020). "Remittance Prices Worldwide Quarterly."

Figure 7

The cost of sending US$200 to the Pacific by country, February 2021

Percentage (%)



Source: SendMoneyPacific

The cost of remittance services in PICs mainly depends on the transfer method. Digital services are often cheaper, but have a low utilisation rate. This is primarily due to a lack of awareness of digital services and a cultural preference for cash. To improve uptake, digital remittances should be more attractive to both senders and receivers – not only by being cheaper, but also by being faster and easier to use than traditional services. While digital remittances, including mobile money remittances, have been available in the region for over a decade, customer uptake remains limited (see sections 4 and 5)[49].

Traditional cash-based remittances remain popular, and the cost to the remittance sender varies by remittance corridor. However, cash-based services are consistently more expensive than digital channels. For example, sending AU$200 from Australia via Rocket Remit to a mobile money account in Fiji can cost around 3.78 per cent; using Western Union for an equivalent cash-to-cash transaction costs 11.27 per cent[50]. It is important to note that traditional remittance services (including Western Union) do not charge a cash-out fee, whereas a mobile money pay-out usually incurs a cash-out fee. Bank transfers are the most expensive method for sending remittances in the region. However, they are not widely used due to high costs, uncertain delivery times, and low levels of bank account ownership.

Figure 8

The average cost of sending AU$200 to Fiji by channel, February 2021[51]

Channel	Cost (as a percentage of amount sent)
Non-digital MTO average	8.76%
Online – cash/bank average	6.63%
Online – Mobile average	4.76%
Bank average (all services)	11.72%

Source: SendMoneyPacific

49 Pacific Financial Inclusion Programme. (2011). "Digicel and Klickex Launch Web to Mobile Wallet Remittance Transfer."

50 World Bank. (2020). "Remittance Prices Worldwide Quarterly."

51 Non-digital MTO: traditional cash-to-cash based services; Online – cash/bank average: any transaction initiated using a digital device using a debit or credit card; Online – mobile average: any transaction using mobile money to send and receive into a mobile wallet; Bank average: any transaction sending directly from a bank account to a bank account.

2.2 Overview of the remittance products and providers

There are a range of remittance products available in the Pacific region. These include traditional cash-in-cash-out (CICO) remittance services, mobile money-based services, and digital-to-digital cross border transfers (either sourced from cash, debit/credit cards, or bank accounts).[52] Bank account-to-bank account services are also available across the Pacific.

Although traditional agent-based CICO services continue to dominate, mobile-based services have grown. The COVID-19 pandemic has had a positive impact in driving mobile remittance usage. This is largely because physical locations were initially closed and receiving money digitally was seen as either more reliable or as the only option available.

The presence of RSPs varies across the PICs. Tonga, for example, has approximately one RSP for 15,000 people and one agent for 3,800 people.[53] Tonga also has one of the highest numbers of active users of mobile money remittances of any country in the world.

It is expensive for MTOs and MMPs to operate in the Pacific. Absolute transaction volumes are low by global standards, and the cost of running a transfer business in the main send markets of New Zealand and Australia (especially on a per capita basis for the receive-side market) are relatively high. There are also additional costs for MTOs in the receive-side market every time a new country is added. With high fixed costs and low volumes, the profitability of these transactions is likely to be low if the SDG 10.c goal is being met or if there are multiple operators in the market. Efforts to encourage lower prices must be balanced with the underlying fundamentals of the market (See focus box 4).

52 A full list of products available can be found in appendix 2.
53 Interview with industry expert

Focus box 4

Business viability

The relatively low diaspora sizes are a challenge for MTOs, as this leads to low remittance flows. There is also limited competition, as there may not be enough business to go around. Larger MTOs might need approximately 5,000 monthly payments to remain a going concern, while smaller MTOs can operate with 2,000 monthly payments. Larger operators may eventually achieve lower unit costs across multiple corridors, and can displace small MTOs, but will generally seek to maximise profit. Smaller MTOs are often more focused on community services and covering their costs. However, as they become popular and begin transitioning to large MTOs, they suffer disproportionately from targeted bank de-risking and bank-led volume caps.

The more operators there are, the greater the RSP cost per transaction is likely to be, as MTOs have a fixed overhead cost to bear. Costs for the PICs tend to average out at around six per cent because the population is too small to cover the fixed and compliance costs levied in key send markets (Australia, New Zealand and the US). The example below illustrates the challenge:

Size of monthly NZ to Tonga market	$3.2 million
Total market revenue at 3 per cent (SDG 10.c target)	$96,000 per month
Fixed operating costs for an RSP in a send country	$175,000 (annual)
With a 20 per cent market share, RSP revenue is	$19,200
Net surplus, per month	**$4,616**

This is a simplified example that shows that for one corridor, there is limited revenue potential (given that a surplus of US$4,616 does not include major marginal costs). In effect, there may only be room for three or four operators in this corridor. Smaller operators may have slightly lower operating costs, but they are likely to have a limited market share.

According to a 2017 New Zealand Treasury report[54], the main remittance providers are local MTOs (up to 60 per cent of volume), banks (10 per cent of total volume) and international money transfer operators (IMTOs) (30 per cent of volume). Mobile money providers are growing and are slowly developing a larger public presence than bank branches and ATMs (figure 9). However, the number of mobile money providers in the region is still limited (see section 3). This is a similar situation for other small island nations, such as in the Caribbean, where the number of mobile money providers per country ranges from one to three[55].

Figure 9

Number of bank branches, ATMs and mobile money agents

Country	Commercial Bank Branches	ATMs	Active mobile money agent outlets
Fiji (2019)	65	339	406
Samoa (2019)	25	56	66
Vanuatu (2019)	34	88	-
Tonga (2018)	18	27	5
Solomon Islands (2017)	14	53	0
Papua New Guinea (2018)	80	452	16,081 registered

Source: Financial Access Survey (IMF, 2019)[56]

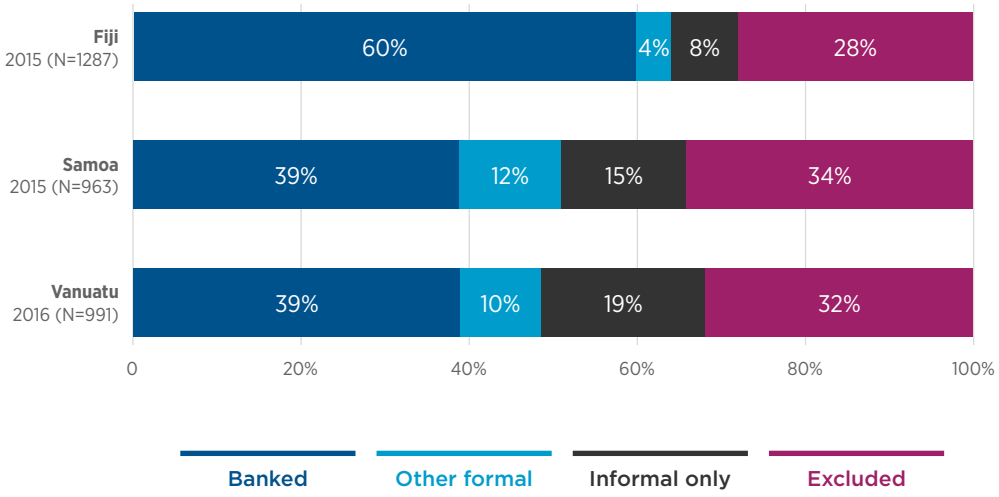
54 New Zealand Treasury. (2017). "Information Release: Money Remittance."
55 GSMA. (2015). "Mobile financial services in Latin America & the Caribbean: State of play, commercial models, and regulatory approaches."
56 International Monetary Fund. (2021). "Financial Access Survey."

2.3 Financial inclusion and financial literacy in the Pacific

Financial inclusion is an important development measure, and financial literacy is a key contributor. There is limited data on financial inclusion levels in the Pacific. However, the consensus among industry stakeholders[57] is that financial inclusion – and therefore financial literacy – is generally low, despite significant improvement efforts. For example, it is estimated that as many as 85 per cent of Papua New Guineans do not have a bank account[58]. Financial literacy is an important factor in the uptake of mobile money, as it helps people to understand and gain confidence in using digital financial services. Based on a UNESCAP study (figure 10), Fiji is seen to have the highest levels of financial inclusion in the region.

Figure 10

Financial inclusion levels in the Pacific



Source: UNESCAP/AFI

57 Industry interviews
58 MiBank. (2021). "MiCash."

The importance of National Financial Inclusion Strategies

All PICs have developed National Financial Inclusion Strategies. These Strategies include initiatives to integrate financial literacy into product design and offerings from service providers. These initiatives demonstrate that regulators see financial literacy as an important step to increasing financial inclusion.

Each PIC has used a range of strategies to improve financial literacy. To empower future customers and improve financial inclusion, Fiji implemented the Education Curriculum Development Project (FinED Fiji). The project is aimed at educating primary and secondary school students about personal finance. Vanuatu has also integrated financial education into its core curriculum. Vanuatu's National Financial Inclusion Strategy aims to ensure that all school children receive financial education, and all adults have access to financial education. The Central Bank of Samoa (CBS) has developed social media campaigns as part of its financial literacy initiative. Every month, the CBS has been using short clips on Facebook and radio advertisements to focus on different topics.

The role of donors and regulators in improving financial inclusion

Financial inclusion has also been an area of focus for donors and regulators in the Pacific. The Pacific Financial Inclusion Programme (PFIP) supports PICs in unlocking access to financial services and financial education. It operates in Fiji, Papua New Guinea, Samoa, the Solomon Islands, Tonga and Vanuatu. The PFIP has worked with these six PICs to develop national strategic frameworks aimed at advancing financial inclusion. The Pacific Islands Regional Initiative (PIRI) also works to improve financial inclusion in the region. PIRI is a regional group that comprises the central banks of Fiji, Samoa, Solomon Islands, PNG, Timor-Leste, Tonga and Vanuatu.

The PFIP has funded over 20 service providers to develop their digital offering, thereby reaching over two million customers in the region[59]. For example, between 2018 and 2020, in partnership with Telecom Vanuatu, the PFIP tested and set up a mobile money service in Vanuatu. In the Solomon Islands, the PFIP has supported the development of youSave LoMobile. This is a digital savings tool for informal sector workers to make deposits into the Solomon Islands National Provident Fund (SINPF) using airtime credit[60]. The PFIP also supported the National Bank of Samoa to enable remittances received via mobile money to be transferred into savings accounts. Funding from the PFIP was also key in developing the KlickEx payment hub in 2011, which is used for mobile money remittances across the Pacific.

2.4 The regulatory environment in the Pacific

There are comprehensive regulations for traditional remittance service providers in PICs, such as MTOs and banks (figure 11). However, there are inadequate regulations for e-money or mobile money remittances. While mobile money providers need a license to operate, like any non-bank payment service providers (PSP), they are required to apply for a separate licence to offer international remittances. In the Pacific, the regulations for MTOs also apply to MNOs (see sections 4 and 5). To boost uptake of digital remittance services, mobile money or e-money frameworks that include the permissions to send and receive international remittances are needed (see section 4 for further information).

59 Pacific Financial Inclusion Programme. (2021). "Financial Inclusion."
60 Pacific Financial Inclusion Programme. (2019). "You Can Now Save For Your Retirement Using Airtime Credit."

Figure 11

Remittance Regulations in the Pacific

Regulating body	Regulation(s)	Description
Reserve Bank of Fiji (RBF)	Exchange Control Act (1985)	This Act regulates restricted foreign exchange dealers and money changers, particularly for remittance-sending activity.
	National Payments System Act (2021)	This Act legislates that the payment system is under the control of the RBF. The RBF is the licensing body for mobile money players and payment providers in Fiji.
Bank of Papua New Guinea (BPNG)	Foreign Exchange Control Directives (2015)	This Act stipulates that "kina remittances for the receipt or payment of foreign currency must be done through Authorised Foreign Exchange Dealers" and not through kina accounts held with domestic banks. Outbound remittances cannot be issued in kina, but must instead be in foreign currency and carried out by an Authorised Foreign Exchange Dealer.
	National Payment System Act (2013)	This Act provides the BPNG with regulatory and oversight powers for the whole payments system, as well as for individual payment service providers and payment instruments, including money remittance services. It requires electronic money issuers to have a licence with the BPNG.
Central Bank of Samoa (CBS)	Exchange Control Regulations (1999) and The National Payments System Act (2014)	The CBS is responsible for oversight of all national payment reforms and issues. There is no limit on inbound remittance transaction values.
Central Bank of the Solomon Islands (CBSI)	Exchange & Control Act enforced by the Financial Markets & Exchange Control of the Central Bank	There are no restrictions on the type of businesses that can offer money transfers, as long as there is an agreement with a platform provider (such as Western Union or MoneyGram) to carry out money transfers. The National Payments Systems Bill of the Solomon Islands is, at the time of writing (July 2021), yet to be passed by parliament. The Bill aims to provide the CBSI with additional payment systems functions and the powers to prescribe regulations. The Bill will also allow the CBSI to manage government payment systems, e-money issuance and payment instruments. The CBSI is also looking to develop regulatory sandbox guidelines tagged to the PIRI regional regulatory sandbox in 2021.
National Reserve Bank of Tonga (NRBT)	National Reserve Bank of Tonga Act (2014)	This Act was passed to reform the NRBT's governance framework and align it to international best practices. The Act also aims to strengthen the NRBT's regulatory powers and build its capacity further.
Reserve Bank of Vanuatu (RBV)	National Payment System Act (2021) – subject to parliamentary approval	This Act stipulates that the RBV is responsible for financial system licensing, regulation and oversight. The RBV's licensing remit covers remittance service providers and mobile providers. The Act also allows the RBV to implement an automated payment system.

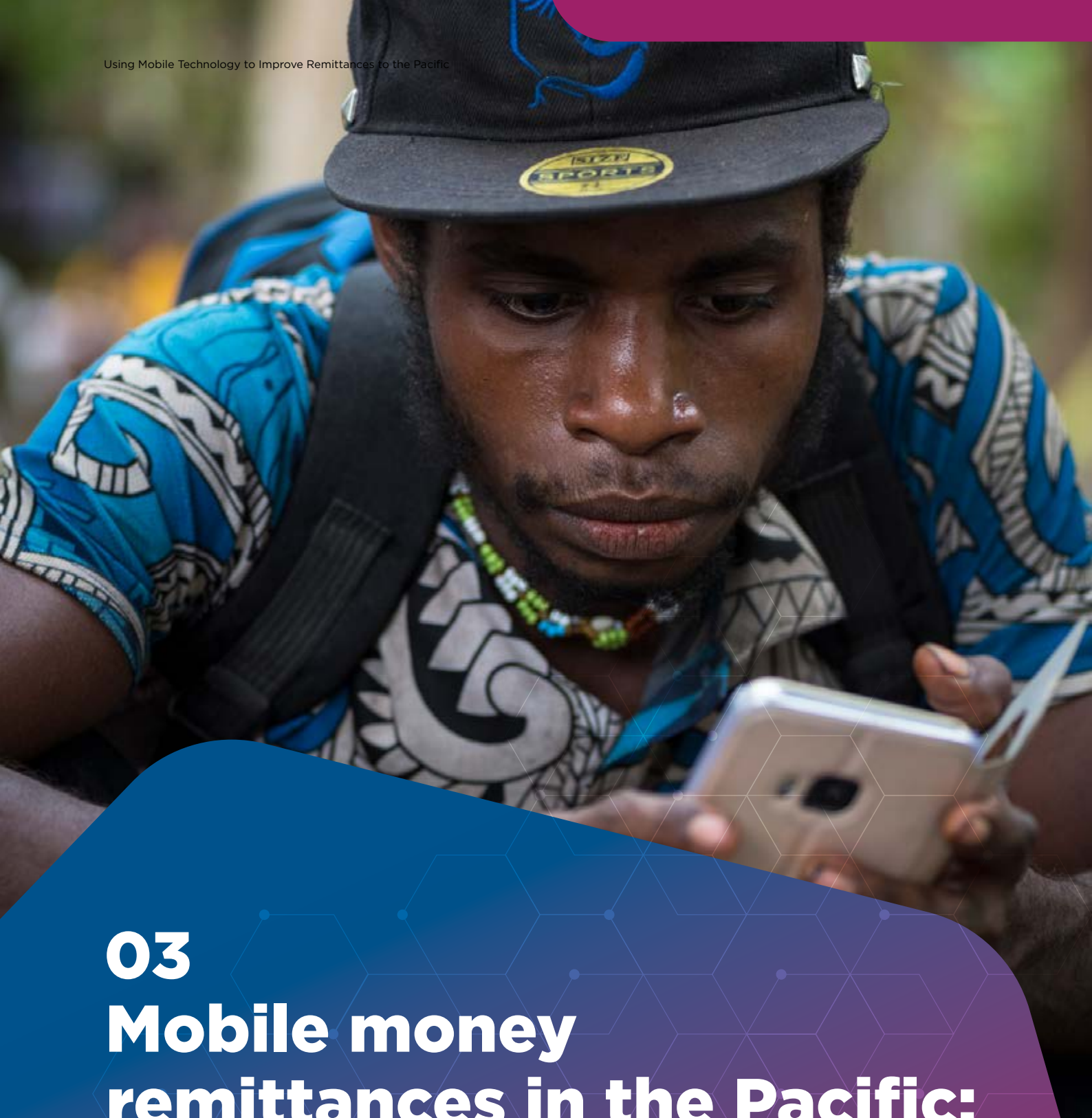
Mobile money regulations differ from country to country, depending on the market context. Cultural differences, mobile network infrastructure and penetration, and use cases can affect the type of enabling regulations required for mobile money to thrive. However, several factors are key irrespective of the market. These include ensuring that mobile network operators are permitted to operate as mobile money providers, promoting innovation and competition, and developing a financial inclusion strategy that is adopted across the whole of government – not just by the central bank. While promoting competition can be challenging in the PICs because of their respective sizes, it is an integral part of ensuring innovation, coverage and affordability.

The PICs are progressing at varying levels in their efforts to update payments regulations. Each country has recognised the need to bring mobile money providers under their broader payment regulations. For instance, the National Reserve Bank of Tonga (NRBT), does not currently provide legislation around mobile money or e-money. The NRBT Act was amended in 2014 to include specific provisions that focus on new payment areas, such as mobile money. However, no specific regulations or legal amendments have yet been introduced.

In contrast, Fiji is now set to launch regulations to enable its mobile money providers to grow further. The National Payment System Act 2021 includes provisions for the Reserve Bank of Fiji to be the licensing body for all payments systems, including mobile money providers. This new Act will enable instant fund transfers and will facilitate mobile money payment services in Fiji[61]. These reforms will also allow high value transfers between financial institutions to be settled in real time, as well as automated clearing of retail payments and instant fund transfers, and will facilitate innovative FinTech – including mobile payment solutions.

Creating mobile money-specific regulations that include remittances can help to avoid any ambiguity around the role of mobile money providers in the market. Clear and concise regulations are essential for existing mobile money providers. Regulatory sandboxes can also play an important role in enabling market players to innovate while regulators are drafting necessary regulations. It is important that these regulations support the growth of financial inclusion and allow innovation for digital remittances.

61 International Finance Corporation. (2021). "Landmark payment system reforms to support economic activity and boost financial inclusion." Fiji Times.



03
Mobile money remittances in the Pacific: country overviews

There are two main mobile money providers in the region: Vodafone and Digicel. Both offer services that allow direct remittances to mobile money accounts. Across the region, there are varying levels of mobile connections and social media penetration (figure 12). Social media is popular across the Pacific and, for over a decade, has been used as a tool to improve financial literacy. For instance, a core focus for SendMoneyPacific's public information campaign with both Pacific diaspora communities and across the region was its Facebook Page[62]. In addition, the Central Bank of Samoa has recognised the importance of social media for its population and is currently running a campaign called "Financial Literacy by Central Bank of Samoa"[63].

Figure 12

Mobile connections and social media users in PICs, 2021

PIC	Population	Mobile connections	Social media users
Fiji	896,444	1.24 million	560,000
Kiribati	119,446	61,300	43,000
Papua New Guinea	8.95 million	2.87 million	760,000
Samoa	198,410	144,400	130,000
Solomon Islands	687,878	479,800	97,000
Tonga	105,697	115,000	68,000
Tuvalu	11,792	2,833	1,508
Vanuatu	307,150	349,900	95,000

Source: Datareportal 2021

62 SendMoneyPacific. Facebook Page.
63 Financial Literacy By Central Bank of Samoa. Facebook Page.

Uptake of mobile money-based remittance services in the PICs is limited. In the Pacific, consumers are still more comfortable using physical cash for payments rather than digital financial services[64]. However, due to the COVID-19 pandemic, mobile money providers in the PICs started seeing an increase in deposits, as remittance habits begin to shift from traditional cash-based services towards digital financial services. While there is potential for further growth, there are three main barriers to overcome: send-side financial infrastructure, receive-side telco infrastructure and regulations.

Mobile money infrastructure can vary by island and by operator. It is estimated that around 96 per cent of the Pacific population is covered by 3G, while around 85 per cent of the population is covered by 4G[65]. However, there are significant differences in the level of infrastructure across the region.

In Vanuatu, Digicel's mobile coverage extends to 98 per cent of the country – including remote islands – making it the most connected Pacific nation.[66] In Tonga, infrastructure is a major challenge, however, particularly as a result of the country's undersea telecommunications cable being severed in 2019[67] (which had no impact on the availability of mobile money services in Tonga). In Papua New Guinea, mobile network coverage is much stronger in urban centres than rural areas[68]. As smartphone penetration grows across the Pacific, telecommunications and mobile money services will migrate from 2G USSD-based services to 3G and 4G[69]. This may enable more use cases for digital remittances.

Current financial service regulations in the region can also limit the use and growth of mobile money services. However, the Central Bank of Tonga recently launched a new national real-time payments system. At the same time, the central banks of Fiji, Samoa, Solomon Islands and Vanuatu are developing new domestic payment systems that should make mobile money services available for wider use. Both Fiji and Samoa are planning to implement their national payment switches in mid-2022[70].

64 Industry interviews
65 Stakeholder interviews
66 Stakeholder Interviews
67 Stakeholder interviews
68 Stakeholder interviews
69 Stakeholder interviews
70 Discussions with central banks

Following the launch of Tonga's national payment system in 2020, the World Bank is supporting other governments to launch an Automated Transfer System (ATS) in the Pacific. This venture will aim to boost domestic and cross-border payments. The project also aims to modernise payment systems in Fiji, Samoa, the Solomon Islands and Vanuatu, and has been working with central banks since 2014 to prepare regulatory systems accordingly. The World Bank is supporting the project through oversight and capacity building. Despite delays caused by the COVID-19 pandemic, Fiji and Samoa are expected to go live in Q1 2022, followed by the Solomon Islands in 2022.

The new ATS will allow central banks to eliminate manual payment clearing and settlement among banks. Banks in the region currently rely on exchanging cheques at the beginning of each day and settle their respective positions based on prior clearing sessions. This situation exposes the financial sectors of the countries in the region to credit and liquidity risks, which can also be a barrier to entry for new players.

The first key part of the ATS, the real-time gross settlement (RTGS), will enable the immediate settlement of large-value payments across participant banks. This will substantially reduce the credit and liquidity exposures in each country's banking system and the region as a whole. At the same time, the second component of the ATS, an automated clearing house (ACH), will allow banks and other PSPs to offer innovative, safe and cheap services to transfer money or make retail payments – particularly low-value payments. The new ATS will be capable of acting as an interoperable network, with the aim of progressively decreasing the use of cash and cheques[71].

The ATS will focus on improving national payments systems' infrastructure and associated regulatory frameworks. This will help to enhance efficiency and decrease the risks that the PICs may be exposed to. For instance, Papua New Guinea implemented changes to its payments systems in 2019, through the creation of the Retail Payment Service (REPS) system. REPS allows the participation of non-bank PSPs, including mobile money providers. Regulatory changes to allow non-bank PSPs to participate in the payment system infrastructure can shift the oversight of mobile money providers to the regulators. This ensures that national regulators will consider mobile remittance service providers as PSPs. Furthermore, the enhancement of the payments' infrastructure may allow mobile money accounts to become technically interoperable with bank accounts and bank mobile wallets.

71 Interview content from the World Bank

3.1 Fiji

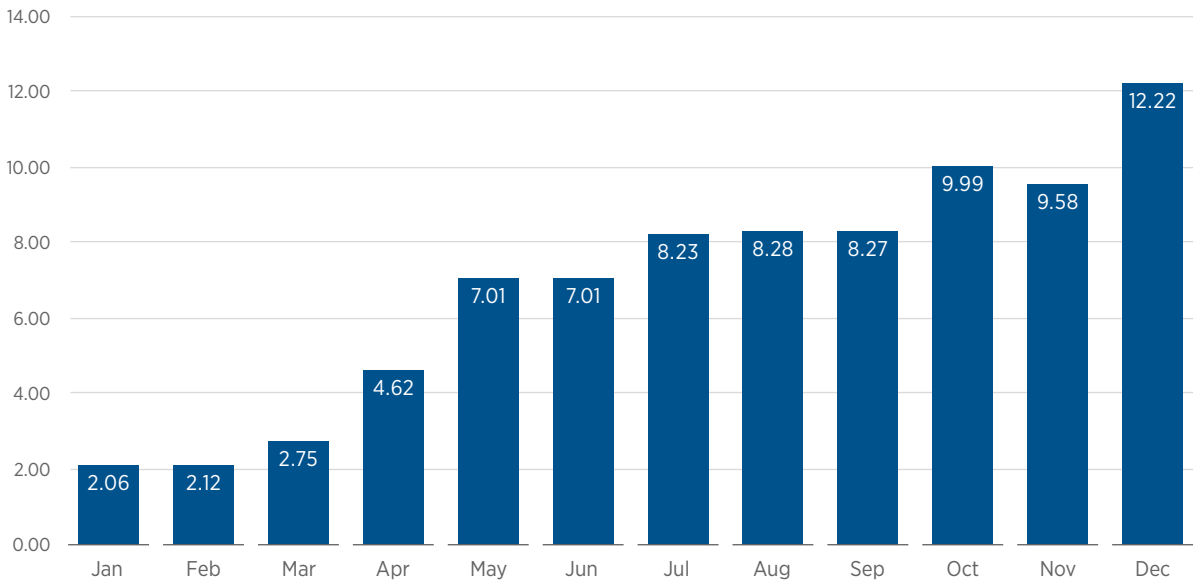
Fiji was the first country to introduce mobile money in the Pacific. Digicel first launched in Fiji in 2010 in partnership with Fiji Post and Westpac. Vodafone also entered the market in 2010 with M-PAiSA, which has since become the dominant provider. Mobile money-based remittances were introduced in 2011 by Digicel, in partnership with KlickEx Pacific. Remitters in Australia, New Zealand and the UK (since 2011), as well as the USA (since 2013) have been able to send money to both Digital and Vodafone mobile money accounts in Fiji. Since 2015, an additional 20 MTOs (covering 90 countries) were able to access Digicel mobile wallets via the Klickex Hub.

In 2020, mobile money remittance inflows grew from US$ 1 million (FJ$ 2.06 million) in January 2020 to US$ 6 million (FJ$ 12.22 million) in December 2020. This represents an annual growth rate of 450 per cent (figure 13). At the same time, inward remittances to Vodafone Fiji's M-PAiSA platform increased from US$1.3 million to US$8.5 million between July and September 2020[72]. The Pacific Financial Inclusion Program (PFIP), supported by the UNCDF, partnered with Vodafone Fiji to offer fee-free remittances into Fiji during the COVID-19 pandemic.[73] The subsidy helped incentivise the continued flow of remittances into the country.

Figure 13

Mobile money remittance inflows in Fiji 2020

FJ$ million



Source: Reserve Bank of Fiji

In terms of mobile money regulation, the National Payment System Act 2021 legislates payment system control to the Reserve Bank of Fiji (RBF) – the licensing body for mobile money players and payment providers. MMPs are currently not licensed by the RBF; instead, they operate under a bespoke agreement. In the future, regulations issued under this Act will require MMPs to be licensed and supervised by the RBF. Although the Act was passed in February 2021, the regulations have yet to be drafted. It is expected that the RBF will be the licensing body for mobile money providers once the Act is enforced.

72 Industry interview

73 UNCDF. (2020). "The Pacific Island Forum Secretariat Joins Global Call-to-Action to Keep Remittances Flowing During the COVID-19 Crisis."

3.2 Tonga

Tonga was the second country in the Pacific to launch a mobile money service. Since 2011, Digicel customers in Tonga have been able to receive mobile money remittances through KlickEx Pacific from around 90 countries[74]. In 2020, World Remit launched mobile money remittances to Tonga in partnership with Digicel Group in the Caribbean. In 2021, Western Union customers have been able to send remittances to Digicel Tonga mobile money users.

Alongside mobile money remittance developments, the Ave Pa'Anga Pau (Send Money Home) initiative was launched by the Tonga Development Bank (TDB) and the International Finance Corporation (IFC) in 2017. The governments of Australia and New Zealand provided around US$2 million in funding to support the project. Initially launched as a New Zealand-to-Tonga corridor, the Australia-to-Tonga corridor was added in November 2020. This digital service allows the Tongan diaspora in New Zealand and Australia to send remittances for a flat fee of five per cent per transaction through the Ave Pa'Anga Pau web portal[75].

While Ave Pa'Anga Pau is not a mobile money-based service, the transaction may be initiated using a mobile phone. The sender must have an Ave Pa'Anga Pau account with the TDB and needs to transfer money into this account. This money is then credited to the recipient's TDB bank account.[76] The recipient is sent an electronic voucher and the amount is credited into the bank account of the receiver at TDB.

While there is no legislation specifically for mobile money or e-money in Tonga, the National Reserve Bank of Tonga Act (2014) provides details on how to regulate new areas of business, including mobile banking[77]. However, subsequent to this Act, mobile money-specific regulations have yet to emerge[78]. MMPs are currently licensed as foreign exchange dealers, with Digicel operating under a foreign exchange license. The first licence for digital-first banks in Tonga is anticipated for 2021, timed to coincide with the launch of the national payment system and interoperable mobile money services.

74 Asian Development Bank. (2016). "Digital Financial Services in the Pacific—Experiences and Regulatory Issues."
75 International Finance Corporation. (2020). "Tongans Get Access to New Financial Lifeline with Launch of Remittances Service."
76 'Ave Pa'anga Pau. Website.
77 National Reserve Bank of Tonga Amendment Act 2014. (2014).
78 Note: The NRBT has indicated a willingness to accept help in this area.

3.3 Samoa

As in Fiji and Tonga, Digicel and Vodafone customers in Samoa can also receive mobile money remittances through KlickEx Pacific. Digicel Samoa has been allowing inward remittances from Australia, New Zealand and the UK since 2011. In 2020, Digicel Samoa rebranded its mobile money service as MyCash[79]. MyCash's revamped remittance service was changed by adding a small cash-out fee for receivers. This lowered the cost of sending the remittance. This service can also be accessed for pay-outs by digital MTOs.[80]

Vodafone's mobile money service, M-Tala, was introduced in February 2019. Since November 2020, remittance senders in Australia and New Zealand have been able to send money, make bill payments, top-up airtime balances and receive pension payments directly into M-Tala mobile money accounts. Vodafone allows its customers to withdraw any money received at over 44 locations across Samoa.[81]

Due to the impact of the COVID-19 pandemic, there was a significant increase in the number of customers using mobile money between March and May 2020. In April 2020, the Central Bank of Samoa recorded a 157 per cent month-on-month increase in mobile money accounts[82]. The main driver was the closure of physical remittance agents in Australia and New Zealand during the first set of lockdowns between March and April 2020. This led many in the Samoan diaspora to switch from traditional cash-based remittances to digital services.

From a regulatory standpoint, mobile money remittances are currently regulated as incoming payments. However, there is an intention for both inbound and outbound mobile money remittances to be covered under the national payment framework. In addition to its work on the ATS, the World Bank has been providing technical assistance to support this initiative too.[83]

3.4 Solomon Islands

The Solomon Islands currently lack a mobile money service and, as a consequence, a mobile money remittance service. The country has the basic digital financial service infrastructure due to the Coral Sea Cable (as of 2019), but lacks the mobile technology and infrastructure required to enable mobile money services.

Most of the rural areas and provincial areas are limited to 2G coverage, while some areas are covered by 3G. In contrast, only two out of nine provincial centres, as well as the capital city Honiara, have 4G coverage. There is still a strong need to upgrade the network infrastructure to ensure adequate and reliable coverage throughout the Solomon Islands. In terms of broader payment infrastructure, the Solomon Islands currently lack a payment system.

Regulation for digital payments falls under the remit of the Central Bank of Solomon Islands (CBSI). Though there is no specific legislation for mobile money, the CBSI issued Prudential Guideline Note (PGN2) for MMPs in 2019. The CBSI is keen to see digital payments adopted through digital financial service (DFS) providers and fintechs. Solomon Post offers a domestic e-wallet service – EziPei – which can be used for P2P payments, bill payments and utility payments.

The lack of enabling regulation is a major barrier to developing and adopting digital financial services, particularly regarding consumer protection, data privacy and data protection. However, there is an ongoing effort to improve regulations for e-money issuers in Solomon Islands and to launch guidelines for the Solomon Islands regulatory sandbox. In addition, the examples of the airtime-based youSave and Lomobile digital savings products suggest that the uptake of digital financial services in the Solomon Islands could grow if use cases are appropriately designed for the customer base.

79 Pacific Online. (2020). "Digicel Launches Mobile Wallet MyCash in Samoa."
80 Stakeholder Interview
81 Samoa Global News. (2020). "Receive Money From Australia Directly to Vodafone M-TALA Using Rocket Remit."
82 World Bank Group. (2020). "Pacific Labour Mobility, Migration and Remittances in Times of COVID-19 Interim Report."
83 Interview with international development organisation

3.5 Papua New Guinea

There are three MNOs operating in Papua New Guinea: Digicel, BMobile Vodafone and Telikom PNG, with Digicel having the largest market share of 91.98 per cent[84]. Mobile money is available in Papua New Guinea, though its uptake has been limited compared to some of the other PICs. In 2011, MiBank partnered with Digicel to launch the first bank-led mobile money service in the Pacific. This digital financial service, known as MiCash, provides users with a bank account that can be accessed through the Digicel mobile network.

Unlike other PICs, 75 per cent of MiCash accounts were opened in rural areas[85]; most mobile money accounts are usually found in urban areas. As of 2019, MiCash had 85 active agents across Papua New Guinea, with an average of 716 transactions carried out daily[86]. Furthermore, through a partnership between World Remit and Digicel, migrant workers can send remittances to MiCash accounts in Papua New Guinea via World Remit.

3.6 Vanuatu

Mobile money was introduced in Vanuatu in October 2019 through Telecom Vanuatu's M-Vatu service (now Vodafone M-Vatu). M-Vatu offers international remittance services and allows customers to receive transfers through Australia's Rocket Remit service. The service also accepts inward remittances from overseas-based seasonal workers[87], without the need for a bank account.

Mobile money is important in Vanuatu because it can potentially reach all corners of the remote archipelago, which banks struggle to cover. However, the country's digital infrastructure took a hit as a result of Cyclone Harold in 2020[88]. This demonstrated the need to strengthen core business areas (including business continuity planning) and disaster recovery among mobile money providers.

The GSMA Mobile Money Certification[89] requires mobile money providers to implement comprehensive business continuity and disaster recovery action plans, among a series of other standards. As an example, backup systems stored in a different location are required to mitigate the threats and business and service disruptions from such incidents.

84 GSMA. (2019). "Digital Transformation: The Role of Mobile Technology in Papua New Guinea."
85 Stakeholder interviews
86 GSMA. (2019). "Digital Transformation: The Role of Mobile Technology in Papua New Guinea."
87 Pacific Online. (2020). "M Vatu as a mobile Money Service in Vanuatu."
88 Doreen Bogdan-Martin. (2021). "'Least developed' no longer: How digital transformation drove Vanuatu's LDC graduation." ITU.
89 GSMA. (2021). "GSMA Mobile Money Certification."

04
Overcoming the challenges of using mobile money remittances

There are several challenges associated with mobile money remittances in the Pacific. Based on experience from other regions where mobile money remittance services operate successfully, this section outlines recommendations for each challenge. As there are specific differences between the countries in the region, these recommendations should be considered from a local context to better understand how they can be effectively implemented.

4.1 Enabling regulation

Creating an enabling regulatory environment is an essential foundation for successful mobile money and mobile money remittance services. Clear and proportionate regulations are required to create an efficient environment for mobile money remittance services to thrive. Within the Pacific, being granted a licence to offer domestic mobile money services does not automatically include international remittance services. To create an enabling environment, regulators in the region should ensure that mobile money remittances are included as a key part of any financial services licences.[90]

The regulatory environment varies considerably between each PIC, making it complicated for mobile money providers to comply with international remittance regulations across multiple states (see Section 2.4). Regulators in the region also face challenges of their own, as they often have limited human resources or capacity to examine all the key areas under their control and make changes in response to the rapidly changing international environment. For example, to overcome legal impediments in Tonga, the NRBT needs specific assistance with e-government and regulation changes. Despite such challenges, the PICs can develop their own enabling regulatory environment. It will be useful for regulators in the PICs to learn from countries that have reformed their regulatory frameworks to increase the uptake of remittances services.

As a world leader in digital payments, Kenya offers valuable lessons for most mobile money markets trying to improve their regulatory environment. Mobile money took off in Kenya due to several reasons, including: a lack of access to or trust in banks; a boom in small businesses and entrepreneurship (in part also facilitated by mobile money)[91]; an effective advertising campaign by the operator; political violence in the aftermath of the 2007 general election that spurred the need to send money to those in need; and, most notably, an enabling regulatory environment. Early patient capital invested by international donors, particularly by the Foreign, Commonwealth and Development Office (FCDO – then known as the Department for International Development or DFID), also played an important role in catalysing mobile money in Kenya.

From a regulatory standpoint, the Kenyan regulator allowed Safaricom to proceed with M-Pesa on an experimental basis and without prior approval[92]. The regulator has since had to step in at various points to ensure industry alignment. For instance, since 2018, the regulator has been working to improve interoperability between different mobile money services. At the same time, the growth of mobile money remittances has not required much regulatory involvement. M-Pesa had already been growing in popularity as a payment solution well before the Kenyan diaspora started using it to send remittances back home.

90 GSMA. (2017.) "Licensing mobile money remittance providers: Early lessons."
91 Sambit Barua. (2020). "3 Reasons Why Mobile Money is So Popular in Kenya." *Easywork.net*
92 In fact, this was also an approach adopted by a number of PICs.

In El Salvador, mobile money has also been a key driver for financial access. P2P payments, bill payments and remittances via IMTOs have been the major contributors behind the uptake of mobile money services. The extensive distribution channel built by Tigo, the major mobile money operator in the country, has also led to widespread adoption. In the absence of e-money regulations, El Salvador allows mobile money providers to operate under domestic remittances licenses. This ensures that more products are available to users, which increases competition, innovation and access to services.

Other markets in Latin America and the Caribbean (LAC), such as Haiti, allow banks to support mobile money services. This enables non-bank operators to provide a broader range of services where customers need them. These provisions, coupled with innovations, have allowed LAC markets to experience high rates of mobile money activity, despite lacking formalised enabling regulatory frameworks[93]. These models and experiences are all relevant examples for PICs on how to encourage the rapid expansion of mobile money, and demonstrate the tools needed to increase everyday usage.

4.2 Anti-Money Laundering/Combating the Financing of Terrorism

Anti-Money Laundering-Combating the Financing of Terrorism (AML/CFT) regulations play an important role in remittances. Global guidelines are often applied across all types of payments, so that the same risk-based compliance approach is taken for transfers of either US$100 or US$1 million. By introducing proportionate (tiered) transaction-level approvals, a greater number of people could be onboarded by reducing the amount of documentation required for lower-risk customers. For example, during the COVID-19 pandemic, the Ghanaian regulator allowed SIM registration proof of identity documentation to be reused to facilitate customer on-boarding for mobile money services[94]. This was used to determine customers' know-your-customer (KYC) level, which was subsequently used to assign them with a daily transaction limit and account balance limit.

Focus box 5

Using mobile KYC to open mobile money accounts

In most countries, mobile network operators routinely complete AML/CFT due diligence before issuing a SIM card to customers. Given the high mobile penetration rate in most PICs, banking-grade KYC may have been achieved for much of the Pacific's adult population. However, regulators in New Zealand and Australia cite the lack of eKYC capability as a concern. As SIM cards can realistically only be issued in person, there is a reliance on manual processes, despite "face to face" ID being the preferred method of checking identity according to the law in both New Zealand and Australia. An eKYC capability, in the context of mobile money, could help with both compliance when issuing SIMs (as an entity with AML/CFT reporting obligations) and in terms of mobile money remittances.

To encourage the development of innovative AML/CFT solutions and to overcome regulatory challenges worldwide, regulatory sandboxes have been introduced in more than 20 countries[95]. Among the PICs, Papua New Guinea was the first to launch a regulatory sandbox in December 2019[96], followed by Fiji in January 2020[97]. Tonga was due to introduce a regulatory sandbox guideline in March 2020, with the assistance of the Alliance for Financial Inclusion (AFI)[98], to help fintechs and new entrants launch their services. However, this was postponed because of the COVID-19 pandemic. As of April 2021, there is no indication of when Tonga may implement its regulatory sandbox.

93 GSMA. (2015). "Mobile financial services in Latin America & the Caribbean: State of play, commercial models, and regulatory approaches."
94 GSMA. (2021). "Digital Identity: Accelerating Financial Inclusion During a Crisis."
95 Ivo Jenik and Kate Lauer. (2017). "Working Paper: Regulatory Sandboxes and Financial Inclusion."
96 Jill Mirr. (2019). "BPNG Launches the Regulatory Sandbox." Papua New Guinea Post-Courier.
97 Ritika Pratap. (2020). "RBF launches regulatory Sandbox." FBC News.
98 AFI. (2020). "PIRI publishes Pacific Regional Regulatory Sandbox Guidelines."

4.3 De-risking

De-risking is defined as "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk".[99] Banks often justify de-risking as a situation where offering account services is not commercially or strategically viable. This is often done despite banks requiring no special legal or regulatory requirement for additional effort or costs to maintain or oversee these accounts. This has had a particular impact on several remittance-related businesses.

De-risking has been a prominent issue in the Pacific for over a decade, with many MTOs experiencing difficulty in opening a bank account in either Australia or New Zealand. Some MTOs consider that the main issue with opening a bank account has to do with revenue, rather than risk. This means that the reward for banks to keep correspondent banking ongoing is not worth the effort or risk in the Pacific.

Due to the COVID-19 pandemic, there has been a resurgence of de-risking, with further concerns from banks about the money transfer sector. Despite strong growth in remittances, many RSPs and MTOs remain exposed to potential de-risking. For MTOs that continue to operate, the cost to maintain an account is already high and is becoming more expensive. Because MTOs need to focus on lobbying, compliance and bank account retention strategies, they may be unable to invest in other areas such as financial education, new products, new territories and marketing.

For mobile money providers in the PICs, de-risking can limit settlement options for them and their agents. In the worst case, a lack of settlement option means that mobile services cannot be offered to consumers. Providers with limited or no access to banks could be forced to rely on cash collection services. For example, in an extreme case in 2016, KlickEx Pacific was forced to fly millions of dollars of cash to the Pacific.[100]

Several initiatives have been launched to overcome the impact of de-risking in the region. In 2019, as part of AFI's Pacific Islands Regional Initiative (PIRI) all the PICs, as well as Timor-Leste, implemented a regional de-risking plan. The aim is to reverse the impact of de-risking, including a decline in correspondent banking relationships between regional players[101]. This initiative is currently at the development stage. The Reserve Bank of New Zealand (RBNZ) has simultaneously been developing an action plan towards solving de-risking. The RBNZ is looking to work with MTOs to improve their operating models to meet banks' requirements on preventing account closures.

Despite extensive efforts on the part of international bodies, such as the Financial Action Task Force (FATF), the World Bank and the International Monetary Fund, and national governments, there are few examples of successful solutions to de-risking outside the Pacific.[102] The EU introduced changes to its Payment Services Directive, including passing regulations that require banks to explain why they have refused to open an account.

Efforts to resolve de-risking in the Pacific have yet to improve the situation in New Zealand or Australia[103]. In 2016, de-risking led to a decrease in the number of remittance services available from New Zealand and Australia. De-risking pressures have continued throughout the pandemic for sending MTOs in these countries. However, some of those based outside the region, such as World Remit and Western Union, were able to recommence offering mobile money remittances by depositing funds into Vodafone Fiji and Digicel mobile money accounts.

99 CFATF. (2021).
100 Jenée Tibshraeny. (2016). "Money remitter shut out by banks due to AML concerns claims it has no choice but to physically ship cash around the world." Interest.co.nz.
101 AFI. (2019). "PIRI members agree to advance regional de-risking action plan."
102 James Thomas. (2015). "MTOs in the Pacific rising to the de-risking challenge." International Compliance Association.
103 European Banking Authority. (2021). "The EBA takes steps to address 'de-risking' practices."

4.4 Identification documents/Know-your-customer

Having the correct identification documents (ID) is a prerequisite to register for mobile money services, as well as to send or receive formal remittances. Unfortunately, much of the population in most PICs lack ID. To overcome this, FATF has long advocated for a risk-based approach to customer due diligence (CDD) that involves simplified identification processes. This could make the process of sending remittances via mobile money easier and, if digitised, could reduce risks and make identification checks more efficient. For example, the Philippines introduced digital ID to make access to e-payments easier and to encourage the unbanked into formal financial services. This digital ID is biometric and contains a customer's name, date and place of birth, address, blood type, and nationality[104].

A number of KYC initiatives have been launched in the region. For example, the Central Bank of Samoa, with support from the Asian Development Bank (ADB), is currently implementing a KYC utility. The utility will store all relevant data and documents needed to help businesses verify transactions for KYC procedures. The e-KYC platform intends to facilitate customer due diligence and will share this information with the reporting entity at the other end of a transaction. The RBNZ is also supporting the development of a regional e-KYC facility that aims to reduce compliance costs, leading to lower remittance costs from Australia and New Zealand to the PICs.

PICs that struggle with current ID requirements need to develop a roadmap for implementing digital ID. Where appropriate, the Samoa KYC utility could be applied across other PICs. Individual country assessments should be conducted on the effectiveness of their current ID, focusing on whether customers can register for mobile money using their existing ID.

Focus box 6

Digital ID

A digital identity is the body of information about an individual, organisation or electronic device that exists online. Unique identifiers and use patterns make it possible to detect individuals or their devices.

Examples of data points that can help form a digital identity include:

- Username and password;
- Date of birth;
- Social security number; and
- Medical history.

Properly constituted digital ID provides reliable authentication and enables the delivery of a range of services via the internet or mobile applications that require proof of identity.

Within the Pacific, a lack of digital identity is recognised as a key obstacle to access mobile payments services. As e-KYC initiatives emerge, there may be opportunities to roll out digital identification across the region. Samoa is currently developing a nationwide digital identity system[105]. Fiji is planning a digital ID secured by facial recognition that is scheduled for nationwide adoption by October 2021[106]. The project is being spearheaded by Digital Fiji under the Solicitor General's Office. Tonga has also received support from the World Bank to develop its own digital identity[107].

104 Jun Endo. (2020). "Philippines starts registering millions for national ID cards." Nikkei Asia.
105 NRD Companies. (2020). "Samoa Committed to Build a Digital Identity Management System."
106 Chris Burt. (2019). "Fiji plans biometric national ID system." Biometric Update.
107 The World Bank. (2019). "Tongan Public Services set for Digital Upgrade."

4.5 Infrastructure

For mobile money remittances to operate effectively, there needs to be reliable and wide-reaching infrastructure for electricity, mobile networks and the internet. The lack of a universal digital infrastructure is a major challenge in the PICs. Mobile base stations can be very expensive to build, especially for remote islands or communities, and particularly in Papua New Guinea, Solomon Islands and Vanuatu. The region is also prone to natural disasters, which pose a constant threat to existing infrastructure.

Mobile coverage varies across the region. With two significant islands relatively close to each other, Samoa has excellent coverage, as Vodafone Samoa reaches nearly 96 per cent of the country. Combined with virtual cloud support to mitigate data loss, this has helped to create a robust set-up for Vodafone's M-Tala service. Mobile coverage in Papua New Guinea has improved significantly, but has yet to penetrate remote areas where coverage remains limited.[108]

Because infrastructure is a challenge in many parts of the world, a number of initiatives have been developed to improve mobile money infrastructure in regions that lack adequate coverage. For example, in some of Uganda's rural areas, a truck carrying a mobile base station often passes through rural villages for a few days each week as a temporary connection lifeline for rural communities.

Building reliable electricity, internet and mobile networks in PICs should be done through a mix of private and public sector initiatives[109]. Governments should consider subsidising infrastructure, particularly in remote areas. Building base stations can be expensive, especially in rural areas[110], and is unlikely to be commercially viable for service providers. Therefore, it is important to seek government support to develop sufficient infrastructure for the short to medium term.

4.6 Agent network

The establishment of an agent network is an essential part of building a viable mobile money service, as agents provide a distribution network and a contact point with consumers. Most agents are often existing community-based retail businesses that provide mobile money or remittance services in addition to their core business. A strong and wide-reaching agent network is key for customers to be able to register, deposit or withdraw money.

The geography of the PICs plays a key role in agent networks. The populations of most Pacific countries are primarily rural, and are often on scattered islands, so the cost of building an agent network is high. The remote location of most agents also means that their financial capability is often limited.

To build an efficient agent network, regulators should engage with service providers to ensure that policies look to prioritise the development and commercial viability of services[111]. For example, regulations should enable MNOs to appoint and control their agents directly, rather than allowing the central bank to approve each agent – as is the case in other regions. Incentives should be introduced to encourage existing businesses (such as convenience stores) to become mobile money agents. For example, mobile money providers could offer a commission for each new customer brought onboard. To achieve this, governments will need to make regulatory changes.

108 Stakeholder interview.
109 IMF, 2019 .
110 On the contrary, in urban areas towers usually have a payback of 5-7 years.
111 UNCDF. (2021). "The Viability of Mass Market Digital Finance in the Pacific."

4.7 Liquidity

Ensuring that there is enough physical cash or digital credit in an agent's location to provide services to customers is vital. Historically, this has been challenging, because agents are reluctant to hold large amounts of cash due to the associated costs and security concerns. At the same time, agents need to have enough cash to meet customer needs. Agents can also experience high opportunity costs if they have to visit rebalancing points regularly, which may require them to close their businesses and forego potential income. MNOs and RSPs therefore may need to consider how to provide adequate assistance to agents, such as offering a credit line in times of natural disasters.

In the PICs, most people cash out from their mobile accounts rather than using the funds for digital transactions. A key reason for this is the lack of local digital payment use cases. To overcome this and to encourage customers to use mobile money, mobile money acceptance among retail shops should be expanded. Government-to-person (G2P) payments, such as social welfare or pensions, should be made via mobile money to further encourage the use of digital payments. This should be done in tandem with initiatives to increase the use of mobile money use cases, rather than simply allowing customers to cash out.

Other parts of the world have faced similar liquidity challenges. Effective solutions in countries such as the Philippines and Kenya include a hierarchy where cash-heavy super-agents (such as pawn shops) will buy and sell electronic value or provide cash to smaller agents [112].

There are a few initiatives in the region to overcome this challenge of managing liquidity. In Fiji, PFIP and Vodafone have been working to increase the use of mobile money[113]. To manage liquidity, the programme introduced low cash limits (daily needs for five days). The initiative increased cash management points, allowing agents to travel to the nearest approved merchant to make pre-emptive top-ups. This initiative could be expanded to other PICs, once other factors (such as improved infrastructure) have been implemented. Mobile money providers have also been proactively helping agents with their liquidity. For instance, Vodafone Fiji offers loans to potential agents to cover the float needed to operate. Interest-free overnight credit facilities for agents can ensure adequate liquidity levels without increasing the cost of operating.

112 International Finance Corporation. "Liquidity Management for Mobile Money Providers."
113 Pacific Financial Inclusion Programme. (2019). "Managing a mobile money agent network in Fiji."

4.8 Education around mobile money

Without having an understanding of how mobile money works, potential users could be excluded from using the service. Demand-side research in the region has demonstrated that people generally prefer to have cash in their hands rather than seeing numbers on a screen. One of the main fears associated when using digital financial services is the perceived lack of security. Therefore, with the support of governments, mobile money providers need to raise awareness of mobile money services and provide customer education, and assurances about the safety of their money, in particular from telco fees or minimum spend requirements.

There have been some successful financial education schemes that have led to increased financial inclusion. A European Central Bank (ECB)-backed programme in 2013 saw an increase of nearly 20,000 bank accounts opened as a result of targeted financial education. The project involved training financial advisers in bank branches in CIS[114] countries to provide consultations to people receiving remittances. Across the countries, over US$20 million was deposited a month after training[115].

Financial literacy education should be developed and included as part of a comprehensive national financial education programme across the PICs. Given the significant rural population in the region, there are numerous examples of financial education campaigns from other parts of the world. For example, in India, the Sahyog Foundation worked with Indian fintech companies to produce financial awareness campaigns in 22 rural areas with a highly unbanked population (2016–2018)[116]. The campaigns focused on digital literacy, and specifically how to use digital services safely. In Sub-Saharan Africa, MNO agents are required to educate customers on how to use mobile money and other related topics, such as keeping their credentials safe.

Previous evidence from the region suggests that community groups are a good forum for providing education on remittances. In addition, there are a few digital education initiatives already active in the PICs. PFIP has been running financial education programmes in the region, while Westpac had been running a similar programme for both individuals and businesses in the Pacific. There are a few digital literacy programmes in Tonga, but these are neither comprehensive nor part of an inclusive digital education strategy. Banks in the country often educate their own customers, though this is not always considered to be objective.

There is a clear role for donors, governments in the region and MNOs to play together in developing impartial digital finance education programmes. These programmes should strike a balance between providing the level of technical assistance required and the nature of the content required for effective customer education. Governments could also play a key role in ensuring that digital literacy tools become public goods. These can then be used by mobile money providers and other players to educate their own customers.

The Mobile Internet Skills Training Toolkit (MISTT)

The GSMA has developed a series of free resources to teach people basic skills on how to access and use mobile internet. The toolkit includes training on WhatsApp, Facebook, Google and, importantly, mobile money.

The toolkit is aimed at MNOs, NGOs and development organisations wanting to provide training to improve people's basic knowledge and understanding of the mobile internet. The MISTT could be used as an educational tool among PICs on how to use mobile internet for sending and receiving remittances.

114 Commonwealth of Independent States, comprising countries that emerged from the former Soviet Union.
115 Developing Markets Associates. (2013). "Financial Inclusion and Access to Financial Services for Remittance Recipients in CIS Countries."
116 Peter J. Morgan, Bihong Huang & Long Q. Trinh. (2020). "Minding the Gaps in Digital Financial Education Strategies."

4.9 Trust

Consumer research[117] has consistently shown that trust is the most important requirement for a remittance service to operate effectively. Consumers are less likely to use services they do not trust fully. While mobile money services are likely to elicit a positive opinion, many users harbour concerns about digital financial services. They remain concerned about the security of their money in a mobile device, especially given the threat of online fraud.

Building customer trust can be done in a number of ways, such as through public information campaigns and designing simple and transparent services. Services that are intuitive and easy to understand are likely to see customers more willing to try using them and build trust in them. Some companies have offered customer incentives to build trust. For example, bKash in Bangladesh offered customers 20 per cent cashback when using its service for payments during the Eid-ul-Adha festival in 2018. Although the number of agents offering this over-the-counter service was limited, the incentive successfully attracted new customers.

At the industry level, the GSMA launched its Mobile Money Certification in 2018 to help mobile money providers build trust with their customers and develop high-quality and compliant services[118]. The Certification is based on independent assessments of a provider's ability to deliver secure and reliable services, to protect the rights of consumers, and to combat money laundering and the financing of terrorism. The aim of the Certification is to enhance consumer trust, accelerate commercial partnerships, and set high standards to which all providers should aspire.

117 For example: FSD Africa. (2018). "Moving Money and Mindsets."
118 GSMA. (2019). "Mobile Money Certification."

4.10 Interoperability

The lack of market-led interoperability is a major challenge for the region. Interoperability refers to the ability to make an electronic money transfer between two accounts held at different institutions. In the context of mobile money, this can either refer to: (a) transferring money between two different mobile money providers, or (b) between mobile money providers and other financial institutions, such as banks, fintechs and MTOs. The latter is known as account-to-account interoperability.[119]

Previous research by the GSMA[120] found that the key enablers of interoperability are:

- Decision-making by mobile money providers;
- Enabling regulation;
- Having commercially viable solutions in place;
- Introducing favourable consumer pricing to incentivise adoption;
- Developing pricing suitable for long-term sustainability[121]; and
- A user experience that is seamless and familiar.

Given the limited number of mobile money providers, small networks and relatively weak infrastructure in the region, very few of the PICs meet these criteria. In the PICs, only customers using the same mobile money provider can send or receive funds from one another. While interoperability between mobile money providers is not yet possible, bank account-to-bank account interoperability is hampered by the low levels of bank account ownership in the region. In addition, national payment systems in the PICs are underdeveloped and would require a significant technical overhaul to enable interoperability.

Regulators, MNOs, and donors in the region should form a working group to discuss the most effective approach to interoperability that can benefit consumers. The central banks of Fiji, Solomon Islands, Samoa and Vanuatu respectively have already taken steps to develop regulations for payment systems that aim to ensure interoperability between mobile money services.

GSMA Mobile Money API

Technical solutions that bring a harmonised API can boost interoperability. An example is the GSMA Mobile Money API, which is "a harmonised API specification which aims to reduce complexity and fragmentation across mobile money platforms, and thereby simplify and accelerate third-party integrations with mobile money providers. The API is built on simple, widely used technology principles, which provide benefits such as flexibility, scalability and security."

119 Lamia Naji. (2020). "How mobile money is increasingly interoperable." GSMA.
120 Ibid.
121 GSMA. (2020). "Tracking the journey towards mobile money interoperability."

05
The business case for mobile money remittances

Significant progress has been made in the Pacific region in promoting the use of mobile money, and certain countries, such as Fiji, are seeing the benefits of using mobile money services. Despite challenges in every PIC, there is a strong business case for new mobile money services to be introduced. This section explores some of the potential benefits behind mobile money remittances, as well as factors for mobile money providers to consider when launching a remittance service in the region.

5.1 The benefits of using mobile money remittance services

As a use case, international remittances are critical in the Pacific Islands. Between 2013 and 2020, mobile money-enabled remittances have been the sole preserving factor of most mobile money services in the PICs. For instance, mobile money in Tonga has contributed to more than 70 per cent of Tonga's inward remittances[122] from New Zealand. Using mobile money remittance services offers a number of benefits, as outlined below.

Mobile money brings down remittance costs

Sending remittances to the Pacific can be expensive. Mobile money is the cheapest method of sending remittances worldwide, and for some PICs, the cost of sending remittance along certain corridors is as low as one per cent[123]. For example, sending from Australia and New Zealand to Tonga using KlickEx costs around 0.94 per cent of the value of the transaction.

There are several reasons for this. Outwardly observable costs have dropped from between 15–25 per cent to between 3–9 per cent on transaction value ranges below US$1,000. After factoring in fixed costs, such as for compliance, the cost to send money in the Pacific would remain at around 2.09 per cent or less. Due to the high number of providers per capita and few payments relative to other parts of the world, there are a number of layers of fixed costs for providers to absorb in the Pacific that are spread over a small number of consumers.

Previous analysis on mobile money transactions (mainly in African corridors) shows that the average price for a US$200 mobile wallet-to-mobile wallet remittance transaction is 3.53 per cent, compared to the global average of 6.38 per cent.[124] However, mobile-to-mobile remittance services are currently not available in the Pacific. Various other services allow money to be sent to mobile money accounts. The average price for an AU$/NZ$200 service in February 2021 for all available RSP services to PIC mobile wallets was 6.37 per cent, compared to 10.03 percent for sending using traditional services.

A key reason behind this is the cost-effectiveness of accessing clients via digital channels, such as MNOs. A large part of this cost benefit is the pre-existing KYC that MNOs will have already undertaken for the majority of populations in some countries when issuing a SIM card. As a result, almost all would-be mobile money users may already be verified for simple KYC checks.

Digital transactions can also remove many layers from the value chain involved in sending a cash-based remittance. For example, in a fully digital mobile money remittance transaction, a customer sends money directly from their mobile money account via their phone. In contrast, a traditional cash-based remittance transaction often has five different parties involved in a single transaction: sending sub-agent, sending agent, RSP, receiving agent and receiving sub-agent.

Finally, in a well-developed mobile money ecosystem, domestic transactions could be made digitally, eliminating the need to cash out. A broad range of use cases is required for customers to carry out digital transactions.

122 World Economic Forum. (2018). "More than just a phone: mobile's impact on sustainable development." European Sting.
123 Stakeholder interviews.
124 World Bank. (2020). "Remittance Prices Worldwide Quarterly."

Mobile money can improve financial inclusion among rural populations

Digital remittances have improved financial inclusion rates, which can help to alleviate poverty. Mobile money has the ability to reach areas that traditional banks cannot, potentially enabling significant unbanked populations to access formal financial services. As much as 80 per cent of the Pacific population is rural and the vast majority are unable to access bank branches, which tend to be concentrated in densely populated areas. By creating a strong domestic digital payment network in PICs, mobile money remittances can move funds to where they are needed most, while ensuring that the recipients have a formal financial account to operate with. Remittance receivers in rural areas can also save and invest their funds via mobile money.

Mobile money is driving an increase in accounts

In 2017, 43 per cent of adults in Sub-Saharan Africa had an account at a bank or with a mobile money service provider, up from 34 per cent in 2014, according to the Global Findex database[125]. While the share of adults with an account at a financial institution rose by four percentage points from 2014–2017, the share with a mobile money account nearly doubled, to 21 per cent. In Senegal, overall account ownership nearly tripled, mostly driven by mobile money. In Côte d'Ivoire and Uganda, while the number of people with an account at a financial institution remained steady, the share of mobile money accounts grew. Kenya's progress reflected an increase in the share of adults with both types of account.

Mobile money remittances increase transaction transparency

Transparency is an effective way of building trust with consumers. Like most digital payments, mobile money remittances offer the ability to track payments, creating clarity about costs and limiting the chances of fraud. These factors can help to build trust with users, breaking down one of the key barriers to the uptake of mobile money remittances in the Pacific.

125 World Bank Group. (2019). "Sub-Saharan Africa: Mobile money and digital financial inclusion."

Mobile money offers the opportunity for gender-specific financial products

Mobile money remittance services have played an important role in financially including women worldwide. Most Pacific seasonal workers in the region are male, who often send money to female relatives back home. By providing training and education, mobile money providers can offer a service that can improve digital and financial inclusion amongst women. Mobile money providers also have an opportunity to introduce women to more sophisticated financial products, such as savings and insurance.

Mobile money remittances can help to diversify MNO revenue streams

While there have been significant efforts to develop the existing payment ecosystems in PICs, MNOs face limited revenue streams in small countries. The countries in the Pacific have small, underdeveloped financial sectors and high levels of financial exclusion. Coupled with remittances being one of the largest sources of funds for most of the Pacific economies, mobile money remittances offer MNOs an additional revenue opportunity. Evidence of increasing digital money inflows could make it easier to build business cases for other inclusive financial services in the future.

5.2 Considerations for mobile money providers

Mobile money providers looking to offer remittances should consider a number of country-specific factors when designing and launching their services. The countries of the Pacific have differing levels of 'readiness' for mobile money operations. For example, Fiji has established mobile money services, whereas mobile money was only recently launched in Vanuatu. These differing levels of market maturity need to be considered when designing mobile money remittance services in the region. Developing a business case for increased mobile remittance uptake should follow a flexible country-by-country approach.

There have been some unsuccessful attempts at replicating a successful scheme from one PIC in another. For example, in 2011, Digicel Vanuatu launched its mobile money service which including international remittances. The service was based on Digicel Tonga's mobile money service, but unfortunately was short-lived. A key lesson learned here was the need to have a sustained marketing and awareness campaign, which should be aimed at the country's growing seasonal worker base in Australia and New Zealand.

Create an enabling regulatory environment

A comprehensive and enabling regulatory environment is a prerequisite for mobile money services to thrive, and particularly so for international remittances services. Almost all PICs currently lack such an environment. Creating a robust regulatory environment should be the first step, with a particular focus on:

- Encouraging competition through an inclusive licencing regime;
- Encompassing both domestic and cross-border payments into a single mobile money licence;
- Regulations on interoperability should be considered if there is insufficient evidence that interoperability is being achieved naturally through co-operation between different operators, such as mobile money providers and banks; and
- Mobile money regulations should also account for other areas of innovation that are relevant for remittances, such as ID and transaction limits.

Increase mobile money use in everyday life

Interviews with RSPs and regulators revealed that around 90 per cent of mobile money remittances to the region are cashed out[126]. Such high rates of cashing out can lead to liquidity issues for agents. For mobile money to become commercially viable, customers should be able to make digital payments for everyday goods and services. Developing use cases, such as merchant payments and bill payments, can offer an alternative way of using digital money, rather than cashing out.

Governments can also support the growth of mobile money by distributing government-to-person (G2P) payments, such as social welfare payments via mobile money. Governments could also encourage mobile money as the means of making person-to-government (P2G) payments, such as utility bills or taxes. In response to the COVID-19 pandemic, governments in numerous countries have encouraged or even mandated their populations to use digital payments over cash. This has led to an increase in digital payments, at least in the short to medium term.

126 Stakeholder interviews.

06 Recommendations for donors and regulators

This report has outlined the opportunity for mobile technology and mobile money to enhance remittances in the Pacific. To progress further, broad-based donor support is important. A collaborative effort by other stakeholders is also required – particularly from regulators – especially given the number of initiatives already in place.

1 Encourage active engagement between all stakeholders

Description	Donors should support the formation of a regional working group that includes all regional stakeholders, including regulators, RSPs, MMOs and industry bodies such as the Advanced Pacific Financial Inclusion Infrastructure organisation (APFII). The forum can be used to discuss and tackle existing challenges, raise awareness, and focus on new opportunities.
Actions	Establish and co-ordinate the development of a regional working group. Activities may include: • Liaising with stakeholders; • Appointing a secretariat; • Developing clear and SMART objectives; • Creating work and meeting plans; • Engaging with stakeholders from Australia and New Zealand; and • Engaging with other initiatives, such as the Pacific Islands Regional Initiative (PIRI).
Stakeholder	One or more bilateral or multilateral donors to initiate a working group.
Timing	Meetings to take place at least every six months.

2 Provide an industry platform for traditional and digital RSPs

Description	Donors can play an important role in convening banks, RSPs and digital financial service providers to engage with each other. A successful example was the UK Remittances Working Group created by DFID (now FCDO) in 2005. Such a group can help to develop a broad outlook among remittance providers in the region and expose them to global best practices. It could also promote partnerships between banks, IMTOs and MNOs.
Actions	Establish and co-ordinate the development of an industry group by: • Providing seed funding; • Identifying a secretariat; • Developing clear and SMART objectives; • Creating work and meeting plans • Undertaking studies and research, and implementing agreed workplans; • Identifying solutions in areas such as regulation and financial inclusion; and • Looking to leverage the industry body – the APFII.
Stakeholder	• Bilateral or multilateral donors to act as a convenor. • Banks, MNOs, RSPs and market players to actively participate.
Timing	A minimum of three meetings per year.

3 Continue to develop policies and roadmaps for each country

Description	Developing and maintaining a consistent and coordinated policy approach with pragmatic solutions is important. This will require handling specific issues in a sensitive way, especially given the different levels of digital readiness across the region. Donors should encourage central banks in the region to lead the policymaking effort, in collaboration with other stakeholders.
Actions	Technical assistance to be provided by donors for each PIC to review its current roadmap for digital readiness and how international remittances are a part of it. This involves: • Updating current roadmaps; • Establishing a plan on how to address regulatory gaps; • Determining investment costs for digital readiness; • Developing and implementing a mobile money remittance service plan; and • Communicating plans to engender trust and ensure new services are used. Ensure a donor co-ordination body is functional so that there are no gaps or project overlap.
Stakeholder	Country central banks with support and technical assistance from regional donors, potentially including DFAT, FCDO, MFAT, UNCDF, the World Bank, IFC, ILO and other UN agencies.
Timing	2–5 years per PIC, depending on the country-level situation.

4 Develop an industry standard for up-to-date data

Description	There is a strong need for up-to-date remittance and migration data. This should include remittance inflows broken down by channel (bank, IMTO, mobile money and so on), remittance pricing, the number of agents in each country, financial inclusion levels and the size of the diaspora, demographics including gender, location and so on. Developing regional data standards, in line with broader industry standards, can help bring about consistent and publicly available data for all countries in the region. This allows for accurate monitoring and evaluation and improved policy making.
Actions	• Establish a group to address the issue; • Determine data priorities; • Review best practice from other countries/regions (for example, The Gambia, Kenya, Bangladesh and Pakistan); • Create standards and approach; • Develop specific templates and systems for use by central banks, MNOs, RSPs, etc; • Train relevant personnel; • Collect the data; and • Make data available to all stakeholders through publicly accessible website.
Stakeholder	• Primary – World Bank and IFC (based on the methodology for the KNOMAD global data standards). • Secondary – Bilateral or multilateral funding partner.
Timing	18–24 months to create. Data should be collected on a minimum of a monthly basis.

5 Technical assistance to help develop mobile remittances in the PICs

Description	Technical assistance can help support regulators and other stakeholders in the region to build capacity and implement a range of initiatives to boost the use of mobile money remittances in the long run.
Actions	• Implement and encourage the use of domestic digital payments services, such as G2P payments, to ensure that funds stay in an e-wallet rather than being cashed out. • Ensure work is co-ordinated with the World Bank so that there is no overlap with existing work in Papua New Guinea, Kiribati and Fiji. • Provide technical assistance to RSPs and MMPs in areas such as consumer protection, safeguarding and liquidity management. • Support the development of appropriate licensing frameworks for mobile money that include international remittances. • Develop policies and education programmes on digital and financial literacy. This can include developing marketing campaigns in community groups and on social media. Financial literacy initiatives should go beyond remittances and include all aspects of people's financial lives. • Replicating financial inclusion initiatives from other parts of the world that have a proven track record of success. • Create greater awareness of digital remittances and digital services in general through community advocacy, use of agents and social media. Create consumer-friendly communication in appropriate languages. • Advocating for greater transparency on remittance pricing to the region through expanding sites such as SendMoneyPacific and Remittance Prices Worldwide.
Stakeholder	• Individual donors to establish a funded programme with technical experts that PICs and industry can access to deliver agreed goals.
Timing	Programme to run for 4–5 years but individual projects within the programme to have a maximum of two years.

6 RSPs should implement relevant risk management frameworks

Description	Helping MMPs and RSPs to strengthen their risk management frameworks, especially AML/CFT. This will build up trust with banks and counter factors that lead to de-risking. Overcoming other risks such as operational, IT legal and liquidity risks should also be considered.
Actions	• Review successful examples, such as Pakistan, where this initiative has worked well (especially as Pakistan, at the time of writing, is on the FATF Grey List[127]); • Convene a stakeholder workshop for the GSMA to train mobile money providers, PSPs and mobile banking service providers on the GSMA Mobile Money Certification[128]; • Remittance providers to self-assess themselves using the Certification criteria as an outcome of the workshop; and • Potential to provide further company specific training and assistance if required.
Stakeholder	• Primary – Regional central banks to drive. • Secondary – GSMA could open its Mobile Money Certification initiative to RSPs. • Development Partners to provide funding, if required.
Timing	One year of elapsed time.

127 Correct at the time of publishing this report.

128 The Certification defines and promotes excellence in the provision of mobile money services. It is based on independent assessments of a provider's ability to deliver secure and reliable services, to protect the rights of consumers and to combat money laundering and the financing of terrorism. These efforts are measured against global industry best practice. The Certification enhances consumer trust, accelerates commercial partnerships and sets a public bar to which all providers can aspire. https://www.gsma.com/mobilefordevelopment/mobile-money/certification/

7 Co-ordinated actions should be taken to restrict the impact of de-risking

Description	De-risking, the avoidance of risk for certain categories of business by banks, is still a problem in the PICs and for businesses that send to them.
Actions	• Regulators in the PICs should continue to build on and support the PIRI action plan to combat the effects of de-risking in the region; • Central banks in New Zealand and Australia should put pressure on banks not to de-risk; • Co-ordinate policy action under the Small Island Developing States lens; and • Ultimately, a co-ordinated global approach is required as de-risking is a worldwide problem driven by US dollar-clearing banks in America. Local initiatives may help, but will not solve these problems on their own.
Stakeholder	• PIC central banks. • Donors, such as World Bank, IMF. • Bilateral partners to use diplomatic relationships with PICS, regional institutions and international fora.

8 Exclusive agreements should be banned where they restrict competition and/or drive-up remittance prices

Description	Exclusivity contracts invariably limit competition and keep prices higher than they should be. Many parts of the world have introduced regulations to ban the practice with positive results.
Actions	• Each PIC government/regulator should examine the position in respect of exclusivity clauses in their markets; and • The situation should be monitored to effectively manage competition concerns.
Stakeholder	• PIC governments and regulators. • WB/IFC/donors to provide technical assistance.
Timing	Over two years per market.

Bibliography

ADB (2016): Digital Financial Services in the Pacific, available at https://www.adb.org/sites/default/files/publication/182300/digital-financial-services-pacific.pdf

AFI (2021): PIRI members agree to advance regional de-risking practices, available at https://www.afi-global.org/newsroom/news/piri-members-agree-to-advance-regional-de-risking-action-plan/

Central Bank of Samoa (2021) Remittance data, available at https://www.cbs.gov.ws/index.php/statistics/tourism-earnings-and-remittance/

CGAP (2017): Working Paper Regulatory Sandboxes, available at https://www.cgap.org/sites/default/files/Working-Paper-Regulatory-Sandboxes-Oct-2017.pdf

EBA (2021): EBA takes steps to address 'de-risking practices, available at https://www.eba.europa.eu/eba-takes-steps-address-'de-risking'-practices

Fiji Sun (2013): Moving forward with mobile money, available at https://fijisun.com.fj/2013/05/12/moving-forward-with-mobile-money/

The GSMA:

- GSMA (2019) GSMA Mobile Money Certification. See: http://www.gsma.com/mmc
- The Future of Mobile Money Agent Distribution Networks (2018), available at https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/07/Distribution-2.0-The-future-of-mobile-money-agent-distribution-networks.pdf
- How Mobile Money is Scaling International Remittances (2021), available at https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2021/01/GSMA_How-mobile-money-is-scaling-international-remittances-1.pdf
- Regulatory Index (2019), available at https://www.gsma.com/mobilemoneymetrics/#regulatory-index?y=2019
- Tracking the journey towards mobile money (2020), available at https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/06/GSMA_Tracking-the-journey-towards-mobile-money-interoperability-1.pdf
- How mobile money is increasingly interoperable (20XX), available at https://www.gsma.com/mobilefordevelopment/blog/how-mobile-money-is-increasingly-interoperable/
- The impact of mobile money interoperability in Tanzania (2016) https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/10/2016_GSMA_The-impact-of-mobile-money-interoperability-in-Tanzania.pdf
- State of the Industry Report on Mobile Money (20210), available at https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2021/03/GSMA_State-of-the-Industry-Report-on-Mobile-Money-2021_Full-report.pdf
- MMRI Methodology (data) https://www.gsma.com/mobilemoneymetrics/assets/data/MMRI_Methodology.pdf

G20 (2020): Minding the gaps in digital financial education strategies, available at https://www.g20-insights.org/policy_briefs/minding-the-gaps-in-digital-financial-education-strategies/

IM4DC (2015): Mobile Transparency? Financial Inclusion, Mobile Money and Papua New Guinea's Resources Sector, available at https://www.im4dc.org/wp-content/uploads/2015/08/Combined-Grice-revised-report.pdf

IMF (2019). Financial Access Survey. Available at: https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C

National Reserve Bank of Tonga (2020) Remittance data, available at http://www.reservebank.to/index.php/economic/rem.html

New Zealand Government: Recognised Seasonal Employer (RSE) scheme research, available at https://www.immigration.govt.nz/about-us/research-and-statistics/research-reports/recognised-seasonal-employer-rse-scheme

Nikkei Asia (2020), Philippines starts registering millions for national ID cards, available at https://asia.nikkei.com/Politics/Philippines-starts-registering-millions-for-national-ID-cards

Pacific Online (2020): Digicel launches mobile wallet MyCash in Samoa, available at https://pacificonline.org/digicel-launches-mobile-wallet-mycash-in-samoa/

Pacific Online (2020): M-Vatu as a mobile money service in Vanuatu, available at https://pacificonline.org/m-vatu-as-a-mobile-money-service-in-vanuatu/

PFIP (2019): Managing a mobile money agent network in Fiji, available at http://www.pfip.org/wp-content/uploads/2020/01/20200110-MVA-final-6-pages.pdf

Reserve Bank of Fiji (2020) Remittance data, available at: https://www.rbf.gov.fj/international-remittances-and-fijis-unsung-heroes-abroad-24-december-2020/

UNCDF (2017): Smart electronic ticketing for public transport in Fiji, available at https://www.uncdf.org/article/6237/smart-electronic-ticketing-for-public-transport-in-fiji

UNESCAP (2019): Fintech in the Pacific: Challenges and Opportunities, available at https://www.unescap.org/sites/default/files/PB82_Fintech%20in%20the%20Pacific%20Island_web.pdf

World Bank Group (2016): Digital Trends Overview, available at http://documents1.worldbank.org/curated/en/961621467994698644/pdf/102724-WDR-WDR2016Overview-ENGLISH-WebResBox-394840B-OUO-9.pdf

World Bank Group (2020): Pacific Labour Mobility, Migration and Remittances in Times of COVID-19 Interim Report, available at http://documents1.worldbank.org/curated/en/430961606712129708/pdf/Pacific-Labor-Mobility-Migration-and-Remittances-in-Times-of-COVID-19-Interim-Report.pdf

World Bank Group: Liquidity Management for Mobile Money Providers, available at https://openknowledge.worldbank.org/bitstream/handle/10986/28407/117459-WP-Tool-10-5-Liquidity-Management-Series-IFC-mobile-money-toolkit-PUBLIC.pdf?sequence=1&isAllowed=y

Webpages:

Digicel Fiji: https://www.digicelgroup.com/fj/en.html

MiBank: https://www.mibank.com.pg/products/micash.html

MyCash Samoa: https://mycash.ws/

MyCash Tonga: https://mycash.to/

FATF: https://www.fatf-gafi.org/about/

Vodafone Vanuatu: https://vodafone.com.vu/pages/m-vatu

Vodafone Fiji: https://www.vodafone.com.fj/personal/products-services/m-paisa---money-transfer

Vodafone M-Tala: https://www.vodafone.com.ws/m-tala/

Voda/KlickEx have launched a new website for payments into Voda wallets: https://vodafone.klickexpacific.com/default.aspx

Also from send side:
https://www.klickexpacific.com
https://www.rocketremit.com

Comparison:
www.saverpacific.com

Appendix 1: List of interviewees

Central Banks:

- Bank of Papua New Guinea
- Reserve Bank of New Zealand
- Reserve Bank of Fiji
- Central Bank of Solomon Islands
- Central Bank of Samoa
- National Reserve Bank of Tonga

International Money Transfer Companies:

- KlickEx
- MoneyGram
- Ria Money Transfer
- Rocket Remit
- Western Union

Mobile Money Providers:

- Digicel Pacific and Global
- Digicel Vanuatu
- Vodafone Pacific
- Vodafone Vanuatu
- Vodafone Samoa

International Donors:

- UK Foreign Commonwealth and Development Office (FCDO)
- World Bank Group
- United Nations Capital Development Fund (UNCDF)
- New Zealand Ministry of Foreign Affairs and Trade
- Department of Foreign Affairs and Trade (Australia)
- International Finance Corporation

Appendix 2: Market operators

Figure 14

Market operators sending remittances to the Pacific

	Type of operator		
Country	**Bank**	**MTO**	**MNO**
Fiji	ANZ ASB Bank BNZ Bank of Baroda Commonwealth Bank National Australia Bank St George Bank Suncorp TSB Bank Westpac	Azimo KlickEx Pacific Lotus Foreign Exchange MoneyGram OrbitRemit Wise Ria Rocket Remit Western Union Wise XE Money Transfer XendPay	Ria – Vodafone WorldRemit – Digicel WorldRemit – Vodafone
Papua New Guinea	ANZ BNZ Commonwealth Bank Kiwibank National Australia Bank Suncorp TSB Bank Westpac	MoneyGram Rocket Remit Western Union Wise XE Money Transfer	
Samoa	ANZ BNZ ASB Bank Kiwibank National Australia Bank TSB Bank Westpac	EziSend KlickEx Imex Money Transfer MoneyGram Pacific Ezy Money Transfer Pacific Way Money Transfer Ria Rocket Remit Samoa Money Transfer Ltd. Western Union Wise World Remit XE Money Transfer Xendpay	

	Type of operator		
Country	**Bank**	**MTO**	**MNO**
Solomon Islands	ANZ Bank of South Pacific Ltd. Pan Oceanic Bank Ltd. BRED Bank Development Bank of Solomon Islands	MoneyGram Western Union Wise XE Money Transfer Xendpay	
Tonga	ANZ ASB Bank Kiwibank National Australia Bank TSB Bank Westpac	Ave Pa'anga Pau Frank Money Transfer Ltd. Imex Money Transfer Island Flexi Transfer KlickEx Pacific Manatu Ofa Ltd. MoneyGram Ria Rocket Remit SAV Money Transfer TransferWise Western Union World Remit XE Money Transfer Xendpay	
Vanuatu	ANZ BNZ Commonwealth Bank Kiwibank National Australia Bank TSB Bank Westpac	MoneyGram Rocket Remit Western Union Wise XE Money Transfer Xendpay	

Appendix 3: Glossary

Access point	Locations where end users can send/receive remittance transfers. Access points can be physical (for example, bank branches, post offices, or shops) or virtual (such as websites or mobile phones).
Agent	An entity that distributes remittance transfers on behalf of an RSP/mobile money provider
Diaspora	Diasporas are broadly defined as individuals and members of networks, associations and communities, who have left their country of origin, but maintain links with their homelands. This concept covers more settled expatriate communities, migrant workers based abroad temporarily, expatriates with the nationality of the host country, dual nationals, and second- and third-generation migrants.
Digital remittance payments	Remittances sent or received either online, via mobile or app. A digital remittance payment may not involve the use of cash. Instead, funds are sent from a bank account or e-wallet. Note that digital remittance payments may be digital at one end (the sending or receiving end) but cash-based at the other, or digital at both ends.
Exclusivity agreements	In the context of this report, an exclusivity agreement is where an RSP allows its agents or other RSPs to offer its remittance service only on the condition that they do not offer any other remittance service.
First mile	The part of a remittance transfer where the payment is initiated. This is also referred to as the 'sending' part of the transaction. It is often used to describe the environment in the sending country.
FX margins	The percentage difference between the interbank foreign exchange rate and the rate charged by a payments service provider.
Informal remittances	Informal remittances include all money and in-kind transfers that do not involve formal contracts and are hence unlikely to be recorded in national accounts. Informal channels include cash transfers based on personal relationships through businesspeople, or carried out by courier companies, friends, relatives or oneself. In addition, informal remittance systems include more advanced Hawala and Hundi systems that rely on a network of agents.

Irregular migration	Movement that takes place outside the regulatory norms of the sending, transit and receiving countries. There is no clear or universally accepted definition of irregular migration. From the perspective of destination countries, it is entry, stay or work in a country without the necessary authorization or documents required under immigration regulations. From the perspective of the sending country, the irregularity is, for example, seen in cases in which a person crosses an international boundary without a valid passport or travel document or does not fulfil the administrative requirements for leaving the country. For the purpose of this report, the definition is used broadly to encompass those migrants who do not have the necessary authorization or documents under the immigration regulations of the host country and is therefore used interchangeably with "undocumented migrant".
Know Your Customer (KYC)	A set of due diligence measures undertaken by a financial institution to identify a customer and the motivations behind his or her financial activities. KYC is a key component of AML/CFT regime.
Last mile	The part of a remittance transfer where the payment passes from the settlement system (second mile) to the recipient (last mile). Often referred to as the third mile.
Mobile banking	The act of transferring money using a mobile phone. This is usually in the form of an app that is linked to the persons bank account. Remittance senders can send funds using their mobile app.
Mobile money	Mobile money is a technology that allows people to send, receive and store money using their mobile phone. The money is sent, received and stored using a 'mobile wallet'. The funds are linked to a mobile phone number at both the send and receive end. Recipients can also cash out the money.
Mobile network operator (MNO)	A company that has a government issued license to provide telecommunications services through mobile devices.
Remittance	A cross-border person-to-person payment of relatively low value. In practice, the transfers are typically recurrent payments by migrant workers, who often send money to their families in their home country every month. In the report, the term "remittance" is used for simplicity. Therefore, it is assumed the transfer is international.

gsma.com

For more information, please visit the
GSMA website at www.gsma.com

GSMA HEAD OFFICE
Floor 2
The Walbrook Building
25 Walbrook
London EC4N 8AF
United Kingdom
Tel: +44 (0)20 7356 0600
Fax: +44 (0)20 7356 0601