



Nauru: Strengthening Financial Inclusion and Financial Sector Development

Project Name	Strengthening Financial Inclusion and Financial Sector Development		
Project Number	50002-001		
Country / Economy	Nauru		
Project Status	Closed		
Project Type / Modality of Assistance	Technical Assistance		
Source of Funding / Amount	TA 9143-NAU: Strengthening Financial Inclusion and Financial Sector Development		
	Financial Sector Development Partnership Special Fund		US\$ 350,000.00
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development		
Sector / Subsector	Finance / Banking systems and nonbank financial institutions		
Gender	Effective gender mainstreaming		
Description	<p>Nauru's long economic malaise without a functioning bank means it now has the opportunity to leapfrog from a cash-based system directly to a more modern, digitized one. It also needs to establish a functional legal and institutional framework to govern the sector if it is to develop the local market. The CDTA will help introduce Nauru to modern financial services by designing and implementing financial literacy activities. This will be done working in close cooperation with local partners whilst seeking to utilize innovative and cost-efficient approaches (e.g., using mobile phones as delivery channels, leveraging the cash transfer program for school-aged children, and working with newly established youth councils). To increase access to a broader range of modern financial services the CDTA will help the government to enhance financial sector policy through conducting a financial services demand study to better understand the local market and drafting a new Financial Services Act, which will include determining a cost-effective institutional model for a new Financial Services Commission and ensuring coverage of digital services balances appropriate regulation with safeguarding market development. The CDTA will both leverage and support regional lessons and approaches by drawing upon ADB's experience in other Asia Pacific countries (e.g. drawing upon the ADB financial literacy toolkit) and contributing its own lessons and new approaches.</p>		
Project Rationale and Linkage to Country/Regional Strategy	<p>The CDTA is in line with the Nauru's National Sustainable Development Strategy (NSDS) 2005 2025, which was updated in 2009, has the objective of developing the SME sector that includes participation of the community through the development of a conducive business services environment, including developing appropriate regulations for the financial sector, the establishment of a bank on island, and increasing the range of banking service providers available including for insurance.</p> <p>The proposed CDTA will build upon earlier ADB support which included regional TA support to establish the Bendigo Bank agent and prepare an advisory report on the legal and institutional framework for regulation and supervision of the financial sector.</p>		
Impact	The TA impact will be the improved ability of the local community to manage their finances to save and invest for the future.		
Project Outcome			
Description of Outcome	Effective use of prudently regulated financial services by the Nauruan community increased		
Progress Toward Outcome	A National Financial Inclusion Task force has been formed comprising government ministers and private sector. Financial literacy activities have been rolled out in communities through the Ministry of Home Affairs.		
Implementation Progress			
Description of Project Outputs	Improved financial literacy Enhanced financial sector policy framework Regional Knowledge-sharing		

Status of Implementation Progress (Outputs, Activities, and Issues)	<p>Output 1: Financial literacy improved. The implementation of the activities under Output 1 is on-track. As of 5 February 2021, Good Return Australia has successfully implemented all the six milestones under the community financial capability pilot program. The inception mission was concluded on 18 February 2020. Milestones 2 and 3, which included a demand-side survey, and the learners needs assessment and design report, were achieved in June 2020. Both reports were shared with the relevant stakeholders in Nauru, including the Ministry of Finance, Ministry of Commerce, Industry and Environment, and Bendigo Bank. The findings of the report were also discussed at the stakeholder engagement workshop on 22 July 2020. The financial education tool under milestone 4 was finalized in September 2020. The delivery of milestones 5 and 6 were delayed because the international training specialist and monitoring and evaluation specialist could not be fielded to Nauru due to the prolonged coronavirus disease (COVID-19) travel restrictions. However, after further discussions with Good Return Australia and with additional support of the project manager and project coordinator, community financial capability pilot program (milestone 5) was completed in November 2020. International experts provided their support to the local project manager, and project coordinator remotely. The program saw 15 coaches trained to deliver a financial literacy course to groups of 6 to 8 people in their communities. The six-week training on how to better manage household finances through budgeting, saving, and the use of banking services employed case studies and localized scenarios to help participants identify opportunities to apply changes. The training was provided to 100 people in total, representing 10% of households in Nauru. The interim report on the pilot program (milestone 6) was submitted to ADB on 4 February.</p> <p>The pilot has been extended for a second phase which will support (i) enhancements to the community financial capability program that will be identified as part of the interim review report on the pilot program; (ii) training to an additional cohort of 15 coaches; and (iii) additional coaching sessions to communities (approximately 100 more households).</p> <p>Output 2: Financial sector policy framework enhanced. An international specialist was fielded at the end of May 2017 to discuss the legal and regulatory framework necessary to strengthen Nauru's finance sector. The consultant's report was completed in November 2018, which recommended drafting a finance sector bill and setting up a financial services commission. The implementation of the recommendations was not pursued due to a change in government priorities. Discussions are ongoing with the government to commence this work that will likely be supported under the Pacific Private Sector Development Initiative, Phase IV.</p> <p>Output 3: Regional knowledge sharing. Three Government of Nauru representatives participated in the 3rd Asia Finance Forum in November 2019. The forum facilitated discussions on how new technologies like artificial intelligence, big data, and blockchain, the rapid expansion of mobile payments and digital banking, are helping to bring financial services to unbanked communities. This is especially relevant to Nauru as it tries to improve access to financial services using technology. The TA also coordinated with the Pacific Financial Inclusion Programme to undertake a scoping study to integrate financial literacy into the Nauru school curriculum. The Pacific Financial Inclusion Programme has substantial experience in similar work across the Pacific region, and their expertise and learnings can be leveraged to implement this initiative in Nauru. Discussions are ongoing with the Ministry of Education, and the work will likely be pursued through a follow-up TA in 2021.</p>
Geographical Location	Nation-wide
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	Nauru Ministry of Finance, national financial inclusion task force, and Nauru residents (financial service users).
During Project Implementation	Nauru Ministry of Finance, national financial inclusion task force, and Nauru residents (financial service users).
Business Opportunities	
Consulting Services	<p>Two international consultants and one national consultant are required for this TA.</p> <p>1. Financial Inclusion Specialist & Team Leader (international, 5 person-months intermittent) As Team Leader the Specialist will manage and coordinate the work of the other consultants, be responsible for meeting key milestones and ensuring timely submission of reports, and serve as the primary liaison point with the ADB, Nauruan government, and local partners. The Specialist will support the establishment and develop the initial work plan of the National Financial Inclusion Taskforce, lead the process of design of financial literacy activities under the CDTA and provide technical support and input to the delivery of financial literacy activities both in-country and from desk as circumstances require. The Specialist will also develop the methodology for the financial services demand study, guide the Finance Specialist to implement the study, and lead the drafting of the study final report. The Specialist will participate in regional forums and knowledge sharing events as required by ADB. The Team Leader will report to the ADB and the Government of Nauru, through the Secretary of Finance.</p> <p>The Specialist will have at least bachelor qualifications in finance (or similar) with at least 10 years of experience in financial literacy and inclusion (including gender inclusion) in developing countries. Experience in the Pacific Islands context and knowledge of the finance industry in the Pacific Islands will be highly desirable.</p> <p>2. Financial Regulation and Supervision Expert (international, 2 person-months) The Expert will be responsible for preparing the draft Financial Services Bill, working under the management of the Team Leader and managing inputs from the Finance Specialist as required. The Expert will undertake consultations with government and other stakeholders on the proposed content of the draft law, particularly around the institutional model for the Financial Services Commission. The Expert will participate in regional forums and knowledge sharing events as required by ADB. The Expert will report to the Team Leader.</p> <p>The Expert will have at least bachelor qualifications in finance, law, or similar fields, with at least 15 years of experience in financial sector regulation and supervision, including legal and institutional issues. Experience in the Pacific Islands context and/or small island states context and knowledge of the finance industry in the Pacific Islands will be highly desirable.</p> <p>3. Finance Specialist (national, 7 person-months intermittent) The Specialist will work closely with the international consultants to deliver the work program of the CDTA. The Specialist will: (i) work with and support the NFIT; (ii) support the design and implementation of financial literacy activities; (iii) implement the financial services demand study; (iv) participate in knowledge sharing activities as required; and (v) provide general on-the-ground support for the TA. The Specialist will assist and take part in missions by the international consultants and contribute to the preparation of written reporting. The Specialist will provide on-the-ground support and at times contribute to financial literacy activities in Nauru delivered by local partners. The Specialist will report to the Team Leader.</p> <p>The Specialist will have at least bachelor qualifications in finance (or similar), be fluent in the Nauruan language, and possess extensive knowledge of the local context as it relates to finance, business, local customs, and community outreach and awareness.</p>
Responsible ADB Officer	Bharat, Vimlesh Vikash
Responsible ADB Department	Pacific Department
Responsible ADB Division	Pacific Liaison and Coordination Office in Sydney, Australia
Executing Agencies	Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines
Timetable	
Concept Clearance	12 Apr 2016
Fact Finding	10 Apr 2016 to 15 Apr 2016
MRM	-
Approval	25 Jul 2016
Last Review Mission	-

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Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
25 Jul 2016	23 Aug 2016	23 Aug 2016	30 Jun 2019	30 Jun 2021	21 Dec 2021

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
350,000.00	0.00	0.00	0.00	0.00	0.00	350,000.00	17 Jun 2022	330,872.68

Project Page	https://www.adb.org/projects/50002-001/main
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