



Technical Assistance Report

Project Number: 46508
Capacity Development Technical Assistance (CDTA)
September 2014

Solomon Islands: Strengthening Financial Inclusion (Cofinanced by the Financial Sector Development Partnership Special Fund)

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 3 September 2014)

Currency unit	–	Solomon Islands dollar (SI\$)
SI\$1.00	=	\$0.1379
\$1.00	=	SI\$7.2516

ABBREVIATIONS

ADB	–	Asian Development Bank
CBSI	–	Central Bank of Solomon Islands
NFIT	–	National Financial Inclusion Taskforce
PSDI	–	Private Sector Development Initiative
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 46508-001	
Project Name	Strengthening Financial Inclusion	Department /Division	PARD/PLCO
Country Borrower	Solomon Islands Not applicable	Executing Agency	Central Bank of Solomon Islands
2. Sector	Subsector(s)	ADB Financing (\$ million)	
✓ Finance	Central banking systems		0.12
	Inclusive finance		0.45
Agriculture, natural resources and rural development	Agro-industry, marketing, and trade		0.03
			Total
			0.60
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Knowledge solutions (KNS)	Knowledge sharing activities	Effective gender mainstreaming (EGM)	✓
Partnerships (PAR)	Bilateral institutions (not client government)		
Private sector development (PSD)	Official cofinancing Promotion of private sector investment		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Rural	High
		Urban	Low
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.60	
Sovereign Capacity development technical assistance: Financial Sector Development Partnership Special Fund		0.40	
Sovereign Capacity development technical assistance: Technical Assistance Special Fund		0.20	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.60	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. The Government of Solomon Islands requested the Asian Development Bank (ADB) for technical assistance (TA) to improve access to and suitability of financial services to promote economic opportunities in rural areas.¹ The TA will (i) increase the availability of suitable financial services and lessen financing constraints for selected smallholder farmers and small rural businesses, (ii) promote financial literacy and capacity, and (iii) safeguard consumer interests in branchless banking. This is consistent with the government's national development strategy priority to alleviate poverty and improve the population's livelihoods.² It is also consistent with ADB's Pacific Approach and the country partnership strategy for Solomon Islands, and is included in the country operations business plan, 2015–2017.³ The design and monitoring framework is in Appendix 1.

2. The TA fact-finding mission concluded with a memorandum of understanding outlining agreed impact, outcome, outputs, implementation arrangements, and outline terms of reference for consultants. The TA was discussed with the private sector; development partners; government agencies; the Central Bank of Solomon Islands (CBSI); and the National Financial Inclusion Taskforce (NFIT), which the CBSI governor chairs.

II. ISSUES

3. Solomon Islands comprises six large islands, dozens of smaller islands, and hundreds of islets and atolls. More than 80% of the 553,000 population live in widely dispersed villages of several hundred people.⁴ Geographic dispersion and remoteness are major challenges that make service delivery costly. As a result, most rural dwellers lack access to health and education services, and markets. Transport services in rural areas and between outer islands are limited, and financial services are available only in urban and provincial centers.

4. Solomon Islands is characterized as a fragile state. Poverty is widespread with low average income (gross domestic product per capita was \$1,636.16 in 2013)⁵ and unequal income distribution, particularly in rural areas. The economy is based on primary commodities from agriculture, forestry, and fishing, and there are few alternative income-earning opportunities, especially in rural areas.⁶ The rural population depends on subsistence farming for their livelihoods and most rural households engage in agriculture. For example, coconut production is one of the most important activities in Solomon Islands for subsistence as well as for the cash economy. However, production for sale is still considerably low, and agriculture value chains remain underdeveloped, even though having substantial potential for growth. Value chain analyses have concluded that coconuts and cocoa, among other cash crops, could provide income-earning opportunities for a large segment of the rural population.⁷

¹ The TA first appeared in the business opportunities section of ADB's website on 3 September 2014.

² Government of Solomon Islands. 2011. *National Development Strategy, 2011–2020*. Honiara.

³ ADB. 2009. *ADB's Approach to Assisting the Pacific (2010–2014)*. Manila; ADB. 2012. *Solomon Islands: Country Partnership Strategy, 2012–2016*. Manila; and ADB. 2014. *Solomon Islands: Country Operations Business Plan, 2015–2017*. Manila.

⁴ ADB. 2014. *Asian Development Bank and Solomon Islands: Fact Sheet*. Manila.

⁵ ADB. 2014. *Key Indicators for Asia and the Pacific 2014*. Manila.

⁶ Government of Solomon Islands. 2009. *Report on 2009 Census*. Honiara.

⁷ D. Young and M. Pelomo. 2014. *Solomon Islands Coconut Value Chain Analysis*. Washington, DC: World Bank, Department of Foreign Affairs and Trade, International Fund for Agricultural Development (January 2014); and D. Vadnjaj and M. Pelomo. 2014. *Solomon Islands Cocoa Value Chain Analysis*. Washington, DC: World Bank, Department of Foreign Affairs and Trade, International Fund for Agricultural Development (February 2014).

5. There is increasing evidence that there are potential economic gains for all stakeholders in agriculture value chains once constraints are removed.⁸ The key constraints to realizing those opportunities are (i) lack of linkages between buyers and sellers of produce; (ii) poor infrastructure and transport to markets; (iii) the rural population's lack of knowledge about and access to suitable and affordable financial services for safely depositing savings and making payments; (iv) insufficient information or credit history, which impedes access to loans for business expansion for small and medium-sized enterprises; (v) low literacy and numeracy in rural areas; and (vi) the limited technical capacities and entrepreneurial experience of smallholder farmers. Additionally, women who participate in agricultural production receive little benefit due to institutional and social constraints as they have less control of land and access to personal assets.

6. Removing the constraints within selected value chains would help promote economic opportunities in rural areas. Programs such as the World Bank's Rural Development Program, Phase II⁹ and the Government of Australia-funded Pacific Horticulture and Agriculture Market Access Program¹⁰ address some of the constraints by providing extension services, promoting partnerships between smallholders and wholesalers, and establishing market access channels. ADB supports transport and infrastructure development.¹¹ It also supports improvements to the enabling environment for businesses, including through secured transactions reform, which allows people to use moveable assets as collateral for securing loans.¹²

7. But, so far, the rural population and small and medium-sized agribusinesses have largely been unable to access these loans or other financial services. In 2007, only 15% of the mostly urban-based Solomon Islands population could access formal financial services.¹³ With the launch of the CBSI's 2010 National Financial Inclusion Strategy and the introduction of branchless banking models, local accounts increased by 50% and the rollout is slowly reaching rural areas.¹⁴ However, the number and volume of transactions are still low.¹⁵ Low volumes can be attributed to the fact that most rural clients are first-time users of financial services and have inadequate understanding of the new technologies employed in branchless banking (i.e., the use of digital devices rather than traditional paper passbooks). Low literacy and numeracy rates among rural residents further contribute to this problem.¹⁶ In addition, smallholders require not only financing but also other types of financial services (e.g., savings, payment, and insurance) suitable for their income and expenses pattern.

⁸ International Finance Corporation. 2012. *Innovative Agricultural SME Finance Models*. Washington, DC.

⁹ The first phase of the World Bank's Rural Development Program was implemented in 2008–2013. The second phase is being prepared.

¹⁰ Government of Australia. 2009. *Pacific Horticulture and Agriculture Market Access Program*. Canberra.

¹¹ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Grant, and Administration of Technical Assistance Grant to Solomon Islands for the Transport Sector Development Project*. Manila; and ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant and Administration of Grant to Solomon Islands for the Domestic Maritime (Support) Sector Project*. Manila. ADB supports the National Transport Plan; the establishment and operation of a franchise shipping scheme; and the construction and rehabilitation of rural wharves to improve efficiency, safety, and reliability in the transport sector.

¹² ADB. 2013. *Technical Assistance for the Pacific Private Sector Development Initiative, Phase III*. Manila.

¹³ World Bank. 2007. *Cross-Country Variation in Household Access to Financial Services*. Washington, DC. http://siteresources.worldbank.org/INTFR/Resources/Cross_Country_Variation_In_Household_Access.pdf

¹⁴ CBSI. 2013. *Report on the State of Financial Inclusion in the Solomon Islands*. Honiara.

¹⁵ This assessment is from discussions with the three commercial banks. All three had rolled out branchless banking models in 2013.

¹⁶ United Nations Development Programme. 2008. *Solomon Islands Financial Literacy Impact Assessment: The Relationship between Adult Financial Competence and Household Wellbeing in Indigenous Rural Households in the Solomon Islands*. Consultant's report. Honiara; and ADB. 2013. *Rural Financial Services and Value Chain Finance*. Consultant's report. Manila (TA 7430-REG).

8. Commercial bank loans to the agriculture sector accounted for only 2.8% of the total loan volume.¹⁷ Banks view financing of agriculture value chain stakeholders as unprofitable because of perceived risks in the sector and lack of acceptable collateral.¹⁸ They therefore shy away from providing financial services, in particular credit, to smallholders and agribusinesses. Typically, collateral in excess of 175% is required to secure a loan.¹⁹ So far, the range of suitable financial products for value chain stakeholders, especially in rural areas, is limited.

9. Recent improvements in mobile phone penetration and network coverage allow for expanded branchless banking models and less-costly financial services, including cashless commodity sales payments and potential credit delivery through mobile channels. This contributes to a broader digital ecosystem connecting key participants in a value chain, including smallholders, commodity buyers, the finance sector, and network operators.²⁰

10. However, the rollout of branchless banking models creates risks that may undermine finance sector integrity and inhibit consumer use.²¹ For example, banks typically outsource their financial service delivery²² to agents, such as trade stores and mobile phone shops, who may be unskilled in transacting with clients.²³ The use of agents also leapfrogs the step of interacting with a bank branch and makes integrating the previously unbanked into the formal financial system more challenging. Relationships among clients, banks, and bank agents need to be reinforced to ensure that (i) all players are informed, and their interests and money are protected; (ii) their business models are sustainable; and (iii) ultimately finance sector stability is safeguarded. To support this, the CBSI needs to promote consumer awareness and create branchless banking guidelines and policies, not yet in place.

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact will be smallholder farmers in two provinces participate in the cash economy. The outcome will be selected smallholder farmers in two provinces use financial services.

B. Methodology and Key Activities

12. The TA will be implemented in two phases and will focus on three output areas: (i) selected smallholder farmers in two provinces have improved knowledge on financial issues; (ii) selected smallholder farmers, including coconut value chain stakeholders, are provided with adequate financial services; and (iii) consumer interests related to branchless banking models are safeguarded.

13. During phase 1, needs assessments, analyses, and surveys will be carried out with smallholders and other stakeholders to design financial education methods and tools that will (i)

¹⁷ CBSI. 2013. *Quarterly Review September 2013*. 26 (3). Honiara.

¹⁸ Moveable agriculture assets are not used as collateral, even though the secured transactions reforms allow for this.

¹⁹ East Asia–Pacific average from World Bank. 2009. *Enterprise Benchmark Survey*. Washington, DC.

²⁰ J. Grossman and M. Tarazi. 2014. *Focus Note: Serving Smallholder Farmers: Recent Developments in Digital Finance*. Washington DC: Consultative Group to Assist the Poor.

²¹ ADB. 2012. *Solomon Islands Financial Inclusion Appraisal, Review of Laws and Policies Affecting Financial Inclusion*. Consultant's report. Manila (TA 7430-REG).

²² This refers to cash-in and cash-out transactions, simple deposit services, and transfers.

²³ For example, the risk of cash management is transferred to the agent. There is anecdotal evidence of agents using customers' PINs to make fraudulent transactions.

promote greater awareness of financial issues (e.g., household budgeting and business accounting) and financial services; and (ii) use innovative and cost-efficient technologies (e.g., mobile phones as delivery channels) to have greater impact and the potential for replication. Using a value chain analysis, the demand and financial service needs of smallholder farmers and other stakeholders within a selected agriculture value chain will be identified. Initially, the coconut value chain will be used.²⁴

14. Provinces for the assessments and subsequent piloting will be selected based on the presence of (i) a significant number of households engaged in cash crop production;²⁵ (ii) workable transport infrastructure to bring produce to market; (iii) an existing operational branchless banking model; and (iv) sufficient support from stakeholders for the pilot. During this phase, workshops will be held with the CBSI to assess knowledge on emerging issues and risks of branchless banking from a regulator perspective to ensure sustainable implementation of the branchless banking rollout and eventual interconnectivity of different branchless banking models.²⁶ The CBSI-administered guarantee scheme will be reviewed and adjusted to facilitate risk-sharing in banks' lending to the agriculture sector.²⁷

15. The findings of phase 1 will inform the design and implementation of phase 2. This will ensure that products and systems are designed to meet the needs of the value chain stakeholders and communities in the pilot area, are specific to the country context, and provide an opportunity for broader ecosystem development. Upon agreement with stakeholders on the recommendations, phase 2 will be piloted in the same two provinces. The results of the pilot will be shared with stakeholders for replication in other provinces.

16. During phase 2, the financial education modules will be implemented. Innovative financial products will be developed with financial services providers for the same smallholder farmers group and small and medium-sized enterprises in the coconut agriculture value chain.²⁸ It is envisaged that these products will be provided through a branchless banking modality.²⁹ Pairing financial education with increased access to financial services is crucial and is more likely to result in a behavioral change. Phase 2 will also support the establishment or enforcement of linkages between value chain actors.

17. The TA will continue to work with the CBSI in phase 2 to achieve consensus within the financial services industry on the risks of branchless banking, such as agent risk and liquidity management. If this results in required regulatory changes, then further support will be provided through the Pacific Private Sector Development Initiative.

C. Cost and Financing

18. The TA is estimated to cost \$660,000, of which \$200,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V), and \$400,000 will be financed on

²⁴ Most households are involved in coconut production. The World Bank's coconut value chain analysis identified that there are potentially greater economic opportunities than currently exploited. Other value chains will be analyzed, if TA resources allow.

²⁵ After the selection of provinces, community members will be chosen in consultation with provincial governments.

²⁶ These workshops will be coordinated with the Pacific Private Sector Development Initiative (PSDI).

²⁷ The CBSI administers a guarantee scheme that shares up to 90% of the lending risk with banks. All banks can apply to participate in the scheme, but it is currently not being used.

²⁸ The PSDI is exploring options for making secured transactions reform available and affordable for small loans.

²⁹ If financial credit products are developed, collaboration with the PSDI will ensure that moveable agricultural assets can be used under the secured transaction reform framework, giving lenders additional comfort.

a grant basis by the Financial Sector Development Partnership Special Fund.³⁰ The government will provide counterpart support in the form of office space for consultants, as necessary; some government staff time; workshop facilities; and other in-kind contributions.

D. Implementation Arrangements

19. The CBSI will be the executing and implementing agency. In its capacity as chair of the NFIT, the CBSI will arrange and coordinate meetings to discuss the findings and results of phase 1 and agree with ADB and stakeholders on moving to phase 2.

20. The TA will be implemented over 36 months from 30 October 2014 to 29 October 2017, with phase 1 estimated to take 12 months, and phase 2 estimated to take 24 months. It is anticipated that a total of 30 person-months of intermittent international and national consulting services will be required to implement the TA. For phase 1, an estimate of 9.5 person-months (8.5 person-months international and 1 person-month national, intermittent) of consulting services will be needed. The consulting services input for phase 2 is unallocated and will be determined after phase 1 once the findings and recommendations for implementation have been discussed and agreed with the stakeholders.

21. Consultants will be recruited on an individual basis under ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Output-based contracts will be considered, as appropriate. The outline terms of reference for consultants are in Appendix 3. Training or seminars will be arranged by consultants. Cost-sharing partnership arrangements with financial institutions and nongovernment organizations can be considered for the financial education component, as well as field-level service delivery contracts with universities and think tanks, for assessments and analysis. Staff can be used as sector, thematic, or technical experts and resource persons. Their travel-related expenses will be paid through the TA.³¹ The TA proceeds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

22. TA progress will be monitored against the activities, outputs, and outcome as described in the design and monitoring framework. ADB will assist the government in sharing all results, good practices, and lessons through reports, meetings and seminars as well as CBSI and ADB websites. This includes the meetings of the NFIT, and more broadly the Central Banks' Pacific Islands Working Group, as well as brown bag seminars through ADB's finance sector development community of practice.

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$400,000 to be financed on a grant basis by the Financial Sector Development Partnership Special Fund, and (ii) ADB providing the balance not exceeding the equivalent of \$200,000 on a grant basis to the Government of Solomon Islands for Strengthening Financial Inclusion, and hereby reports this action to the Board.

³⁰ Established by ADB. Financing partner: the Government of Luxembourg.

³¹ ADB. 2013. *Use of Bank Resources: Regional Technical Assistance and Technical Assistance vs. Internal Administrative Expenses Budget*. Manila (26 June 2013).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Smallholder farmers in two provinces participate in the cash economy.</p>	<p>Number of households producing coconut products for sale in two selected provinces increased from 32% to 40% (of total households) by 2019. Baseline: Census 2009</p>	<p>Census data</p>	<p>Assumption Government implements policies and strategies as planned. Risk Exogenous economic and market shocks occur.</p>
<p>Outcome Selected smallholder farmers in two provinces use financial services.</p>	<p>A 15% increase in transaction volume of accounts (loan and deposit) for coconut value chain stakeholders is expected by 2018. Baseline: Pilot group 2014</p>	<p>Cargo report of shipping line^a Consultant report and commercial bank reports</p>	<p>Assumption Mobile network operates efficiently and affordably in pilot area. Risks Cost of transport and use of financial services undermine profitability of sales. Misuse of branchless banking model undermines trust of population to use the services.</p>
<p>Outputs 1. Selected smallholder farmers in two provinces have improved knowledge on financial issues.</p>	<p>At least 500 people have received financial education training, with at least 40% participation by women, by 2017.^b</p>	<p>Technical assistance (TA) report</p>	<p>Assumptions Financial education has the desired effect within the timeframe. Finance sector stakeholders support replication of pilot in other provinces. Risk Commercial banks are not willing to share data and/or are not interested in rolling out branchless banking in the pilot area.</p>
<p>2. Selected smallholder farmers, including coconut value chain stakeholders, are provided with adequate financial</p>	<p>Two gender-sensitive value chain financing products developed and implemented by financial institutions,^c at least one product to be women-specific, by 2017.</p>	<p>TA report</p>	<p>Assumption Smallholders are willing to work in a group or community. Risks Linkages within the value chain stakeholders do not</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
services.	Two value chain linkages (e.g., contract farming) between smallholders and exporters in the two provinces are developed by 2017.	TA report	hold. Commercial banks do not take up new value chain financing product.
3. Consumer interests related to branchless banking models are safeguarded.	Policy paper agreed among stakeholders by 2017. Awareness-raising events are conducted, with participation by women of at least 40%, by 2017. ^d	TA report	Assumption Central Bank of Solomon Islands (CBSI) remains proactive in promoting financial inclusion. Risk Lack of proper agent management by banks undermines trust in the finance sector.
Activities with Milestones 1. Selected smallholder farmers in two provinces have improved knowledge on financial issues. 1.1 Assess smallholder farmers' capacity in pilot provinces, and evaluate the social and contextual factors that will affect design of the financial education pilot (e.g., mobile phone penetration, power, literacy) (second quarter [Q2] 2015). 1.2 Present findings and recommendations for designing the financial education pilot to stakeholder group and achieve agreement for rollout (Q3 2015). 1.3 Design and establish the financial education pilot (Q4 2015), with at least 500 participants, at least 40% of whom are women. 1.4 Collect data on the financial education pilot (Q4 2015–Q4 2016). 1.5 Agree with financial institutions providing branchless banking services in pilot areas to monitor transaction volumes and increased account usage (Q1 2015). 1.6 Collect data from financial institutions (Q4 2015–Q4 2016). 1.7 Review pilot and discuss with stakeholders replication in other provinces (Q3 2017). 1.8 Prepare knowledge products on applicability of technology for financial education in rural areas (Q2 2017). 2. Selected smallholder farmers, including coconut value chain stakeholders, are provided with adequate financial services. 2.1 Analyze financing constraints and the rural population's financial services needs in pilot provinces and identify solutions (including volumes and flows) in the coconut value chain (Q1 2015) with specific reference to gender issues. 2.2 Review the CBSI-administered guarantee scheme (Q1 2015). 2.3 Present findings and recommendations to stakeholder groups and agree on pilot products (Q2 2015). 2.4 Support the development of financing models with financial institutions for coconut value chain stakeholders, including at		Inputs ADB: Technical Assistance Special Fund (TASF-V) \$200,000 Financial Sector Development Partnership Special Fund \$400,000 Note: The government will provide counterpart support in the form of office space for consultants, as necessary; some government staff time; workshop facilities; and other in-kind contributions.	

Activities with Milestones	Inputs
<p>least one women-specific product (Q3 2015).</p> <p>2.5 Roll out a financing model with a pilot group of smallholders and businesses (Q4 2015–Q4 2016), targeted to reach at least 20% women.</p> <p>2.6 Establish linkages between the pilot smallholder group and exporter (Q3 2017).</p> <p>2.7 Review pilot performance and discuss with stakeholders replication to other provinces (Q3 2017).</p> <p>2.8 Based on the assessments, explore opportunities with smallholders to establish a community company for virgin coconut oil production (Q4 2016).</p> <p>2.9 Collect data on sales volumes (Q4 2015–Q4 2016) and loan and deposit volumes from financial institutions.</p> <p>2.10 Establish links with other support programs (Q3 2015).</p> <p>3. Consumer interests related to branchless banking models are safeguarded.</p> <p>3.1 Establish a working group with the CBSI on risk management of branchless banking operations for safeguarding of consumer interests (Q1 2015).</p> <p>3.2 Assess the current situation on branchless banking models and inform the CBSI through a workshop (Q4 2014).</p> <p>3.3 With the CBSI, conduct a workshop for the broader stakeholder group (Q1 2015).</p> <p>3.4 Provide the CBSI with recommendations for risk management of branchless banking operations for safeguarding of consumer interests (Q1 2015).</p> <p>3.5 Conduct a follow-up workshop with the CBSI, as necessary (Q3 2015).</p> <p>3.6 Draft guidelines for safeguarding consumer interests in branchless banking models (Q1 2015).</p> <p>3.7 Create awareness among stakeholders (after the CBSI request), including consumers, of these issues, with at least 40% participation of women (Q4 2016).</p>	

^a In coordination with ADB. 2008. *Report and Recommendation of the President to the Board of Directors: Proposed Asian Development Fund Grant and Administration of Grant to the Solomon Islands for the Domestic Maritime (Support) Sector Project*. Manila.

^b Efforts will be made to increase participation to 50%.

^c All financial institutions and microfinance institutions will be able to participate, subject to agreement of stakeholders after phase 1. It is anticipated to work with the Pacific Private Sector Development Initiative on the development of gender-sensitive value chain financing products, given its support to financial institutions in implementing the secured transactions reform.

^d Efforts will be made to increase participation to 50%.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
A. Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	95.0
ii. National consultants	36.0
b. International and local travel	24.0
c. Reports and communications	2.0
d. Surveys	21.0
2. Training, seminars, and conferences	4.0
3. Miscellaneous administration and support costs ^b	8.0
4. Contingencies	10.0
Subtotal (A)	200.0
B. Financial Sector Development Partnership Special Fund^c	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	189.0
ii. National consultants	73.0
b. International and local travel	48.0
c. Reports and communications	3.0
d. Surveys	9.0
2. Training, seminars, and conferences	43.0
3. Miscellaneous administration and support costs ^b	15.0
4. Contingencies	20.0
Subtotal (B)	400.0
Total	600.0

Note: The technical assistance (TA) is estimated to cost \$660,000, of which contributions from the Asian Development Bank (ADB) and the Financial Sector Development Partnership Special Fund are presented in the table above. Contributions will be on a joint-financing basis. The government will provide counterpart support in the form of office space for consultants, as necessary, some government staff time, workshop facilities, and other in-kind contributions. The value of government contribution is estimated to account for 10% of the total TA cost.

^a Financed by the ADB's Technical Assistance Special Fund (TASF-V).

^b Includes travel-related expenses for staff acting as sector, thematic or technical experts and resource persons, and local support staff.

^c Established by ADB. Financing partner: the Government of Luxembourg.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Objectives and Scope

1. The outline terms of reference for consultants describe the main tasks for the outputs of the proposed capacity development technical assistance (TA). The Pacific Liaison and Coordination Office of the Asian Development Bank's Pacific Department will coordinate the TA. The required areas of expertise of the international experts for phase 1 include financial education, rural development, rural finance, value chain finance, agribusiness, branchless banking and consumer protection, and training. The inputs for phase 2 are not yet allocated, and the terms of reference for phase 2 consultants will be determined after phase 1. More detailed terms of reference will be formulated at a later stage before consultant recruitment.

B. Terms of References for Phase 1 Consultants

1. Research Expert (international, 6 person-months, intermittent)

2. The expert will carry out a survey and assessments with at least 250 participants in each of the two provinces. This should focus on smallholder farmers in the coconut value chain and other members of the community. The expert must work with the value chain and finance expert. The assessment will be used for various purposes, such as identifying smallholder farmers' financial capabilities; and understanding the cash flow volumes between the value chain stakeholders, smallholders' cash use patterns, their needs for financial services, and their understanding of financial services that are delivered through a mobile channel. It will also look at the social and situational context to identify potential models for cost-efficient delivery of financial education, including potential hybrid channels. The research design will include a gender perspective, including aspects such as (i) the involvement of men and women in different segments of the coconut value chain, (ii) the different constraints faced by men and women involved in the value chain in terms of participation and decision making in relation to financial services, (iii) the use of financial services, and (iv) exposure to and use of technologies.

3. Baseline data will be gathered on current financial product usage levels, current transaction levels, and account balances, as and when appropriate. Based on the assessments, the expert will provide findings and recommendations to the Central Bank of Solomon Islands (CBSI) and other stakeholders that would result in the final design of the financial education pilot. The expert will ensure that data collected is sex disaggregated at baseline and for the assessment.

4. The expert's desired qualifications are: (i) expertise in creative research design, adult education, financial behavior change, and financial capabilities evaluation; (ii) knowledge on gender issues; (iii) the necessary technology to carry out the assessment and evaluate the results; and (iv) expertise on financial services and financial education models delivered through various means, such as mobile channels, as hybrid channels (e.g., a combination of radio, video, educational material, short messaging service banking) to achieve the highest impact. Based on the outcome of phase 1 and the expertise needed to implement phase 2, the expert will be allowed to be engaged for phase 2.

2. **Branchless Banking Specialist** (international, 1 person-month, intermittent)

5. The specialist will build the capacity of the CBSI staff on risks related to the implementation of branchless banking operations to safeguard consumer interests. Through the establishment of a working group and the conduct of workshops, the specialist will create awareness and understanding of the CBSI and other stakeholders (as agreed by the CBSI) on the importance of risk management and consumer protection principles in relation to branchless banking. The specialist will work with the CBSI to draft guidelines to address these issues. This will include (i) conducting a review of the branchless banking models and existing policies and guidelines, (ii) undertaking stakeholder workshops on best practices in risk management and consumer protection, and (iii) achieving a consensus among stakeholders. The specialist will continue to support phase 2 of the TA.

6. The specialist will have appropriate academic qualifications in finance or business with extensive experience in mobile banking channels, and consumer protection principles for the financial services industry. Sensitivity to gender issues will be crucial.

3. **Agriculture Value Chain Expert** (national, 1 person-month, intermittent)

7. The expert will conduct discussions with financial institutions and stakeholders in the coconut sector to further assess the extent to which constraints in access to finance and financial services are a barrier to the growth of the sector and to achieving improvements in the livelihoods of smallholder growers. In particular, the expert will investigate the contractual relationships, financial relationships, and flows (including volume and price paid, the use of advances or trade credit, and how prices are set) between actors in the Solomon Islands coconut value chain.

8. Together with the finance expert, the agriculture value chain expert will assess the opportunities to improve the availability of value chain finance, both directly (between value chain actors) and indirectly (involving financial institutions), to improve the efficiency and effectiveness of the value chain. The agriculture and value chain expert will work closely with the research expert in conducting assessments in the two pilot provinces. In close consultation with the research expert, the agriculture value chain expert will analyze value chains and receive data including on gender aspects, such as the involvement of men and women in different segments of the coconut value chain, and their different constraints to participation in and decision making about financial services. The expert will ensure that data collected is sex disaggregated at baseline, during, and at the end of the pilot. If necessary, the expert will continue to support phase 2 of the TA.

9. The expert will have appropriate qualifications in agriculture or marketing, and extensive experience in the analysis and development of agriculture value chains. Experience in the agribusiness and smallholder sector in Solomon Islands, coconut production in particular, and/or other Pacific countries will be required. Knowledge on gender issues will be an advantage.

4. **Finance Expert** (international, 1.5 person months, intermittent)

10. The expert will work closely with the value chain expert and will use the findings to design the financial products. The findings of the value chain expert and finance expert and subsequent recommendations for financial products will be presented to the CBSI and other stakeholders and will result in the final design of the financial services pilot, including value chain finance products, if applicable. It will include the development of at least one financial

services product that will be piloted with a participating financial institution, preferably through a mobile channel. It will also include the development of one women-specific financial product.

11. The expert will have appropriate academic qualifications in finance and extensive experience in the analysis and development of agriculture value chains financing products, preferably delivered through mobile channels. Experience in the agribusiness and smallholder sector in Solomon Islands and/or other Pacific countries, as well as knowledge on gender issues, will be an advantage.

12. Based on the agreement with stakeholders for implementation of the pilots, the expert will support the implementation of phase 2, working closely with the financial institutions. The expert will also support the establishment of links within value chain stakeholders. The input for phase 2 required will be specified after phase 1.