



PACIFIC ISLANDS FORUM



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# Pacific Strengthening Correspondent Banking Relationships Project

2025 Annual Report

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## Foreword



Correspondent banking relationships are vital to the economic stability and development of Pacific Island countries. They provide the financial infrastructure that enables our economies to participate in global trade, process remittances, facilitate investment, and conduct essential cross-border transactions. For small and geographically dispersed island economies, maintaining access to these services is fundamental to economic resilience and global connectivity.

Over the past decade, Forum Island Countries have faced increasing pressure from the withdrawal or restriction of correspondent banking services. Shifts in global regulatory expectations, rising compliance costs, and changing risk perceptions have contributed to a trend that disproportionately affects small island states. When these relationships are reduced or lost, the consequences can be significant: higher remittance costs, disruptions to trade and payment systems, and reduced access to financial services for our communities.

Recognising the urgency of this challenge, the Pacific Islands Forum Secretariat, in partnership with the World Bank and with the support of our member countries has commenced the implementation of the Pacific Strengthening Correspondent Banking Relationships project. This effort reflects a shared regional commitment to preserving the financial linkages that connect Pacific economies to global markets and support sustainable development. The project seeks to strengthen the resilience of Pacific financial systems by supporting improvements in regulatory and supervisory frameworks, enhancing anti-money laundering and counter-terrorism financing compliance, and promoting greater transparency and coordination among stakeholders. It also encourages constructive engagement between Pacific institutions and international banking partners to build confidence and sustain trusted financial relationships.

The Pacific Islands Forum Secretariat plays an important role in convening governments, financial institutions, and development partners to address shared regional challenges. Through this project, we are working closely with national authorities, regional organisations, and international partners to develop practical solutions that reflect the realities of Pacific economies.

We are grateful to the World Bank for its partnership and support in advancing this work. This collaboration reflects the shared recognition that strengthening financial integrity frameworks and compliance standards is fundamental to preserving and enhancing Pacific small island developing states access to the global financial system and international markets.

I commend all governments, institutions, and partners involved for their commitment and cooperation. Together, we are strengthening the foundations of financial connectivity across and beyond the Blue Pacific.

Baron Divavesi Waqa  
Secretary General  
Pacific Islands Forum Secretariat

## Abbreviations

AML/CFT	Anti-Money Laundering / Countering Financing of Terrorism
APG	Asia Pacific Group on Money Laundering
ARSC	Audit & Risk Sub-Committee
CBR	Correspondent Banking Relationship
DCWG	Data Collection Working Group
FOC	Forum Officials Meeting
IDA	International Development Association
MTO	Money Transfer Operators
PDG	Pacific De-Risking Group
PICs	Pacific Islands Countries
PIFS	Pacific Islands Forum Secretariat
PMU	Project Management Unit
PPM	Pacific Payments Mechanism
PSC	Project Steering Committee
QR	Quick Response Code
REOI	Request for Expression of Interest
RFP	Request for Proposal
SCD	Simplified Competitive Dialogue
SME	Small and Medium Enterprises
TA	Technical Assistance
TAC	Technical Advisory Committee
USD	United States Dollar
WB	World Bank

# Executive Summary

The withdrawal of Correspondent Banking relationships (CBRs), a well-documented global phenomenon affecting many emerging markets and developing economies, has adverse consequences and negative externalities for Pacific Islanders, including seasonal workers, small and medium enterprises (SMEs), and vulnerable populations. Based on publicly available data, the number of active correspondents for Pacific banks has declined significantly since 2011 to unsustainably low levels that put the whole Pacific financial system at risk. Pacific Island Countries (PICs) are uniquely vulnerable to the withdrawal of the CBRs that underpin international trade, tourism, remittances, and humanitarian financial flows.

In response to these risks, the Pacific Strengthening Correspondent Banking Relationships Project was developed as a coordinated regional initiative aimed at safeguarding continued access to international financial services. The project was approved by the World Bank in August 2024 and became effective on 18 April 2025, with an implementation period of six years through to 2030. It currently covers seven countries—Kiribati, Fiji, Republic of the Marshall Islands, Samoa, Tonga, Tuvalu, and Vanuatu—with other PICs, including Solomon Islands and Papua New Guinea, expected to join. The project has a total financing value of USD 68 million comprising of both International Development Association (IDA) grants and credits<sup>1</sup>.

The project is closely aligned with the regional CBR Roadmap, which provides a strategic framework to address the structural drivers of CBR withdrawal. The roadmap promotes a coordinated, multi-stakeholder approach focused on strengthening financial integrity systems, enhancing regulatory compliance, improving data transparency, and advancing regional solutions. The Pacific Islands Forum Secretariat plays a central role in advancing this roadmap by convening member countries, coordinating regional dialogue through mechanisms such as the Pacific De-Risking Group, and ensuring alignment between national reforms and regional priorities. The World Bank complements this role by providing financing, technical assistance, and global expertise to support implementation and engagement with international partners.

The CBR project implements against two key components

- Component 1: Ensuring continuous access to CBR services
- Component 2: Improving the enabling environment and regulatory harmonization

In the 2025 reporting year, the project has progressed implementation under both project components.

Under Component 1, which focuses on ensuring continuous access to CBR services, significant progress has been made to procure a CBR Service provider that will offer temporary access to correspondent banking services for eligible PICs facing the loss of CBRs in key currencies. A formal Request for Expressions of Interest (REOI) was issued, resulting in four submissions from financial institutions. These proposals were rigorously evaluated and validated by a panel comprising of members of the Pacific Islands Forum Secretariat (PIFS), the World Bank, the CBR Project Management Unit (PMU), and senior central bank representatives. Shortlisted firms advanced to the Simplified Competitive Dialogue (SCD) stage, and negotiations are underway to determine the final service provider(s). The next steps include completing a legal review of the draft framework agreement, facilitation of structured negotiations with shortlisted firms, finalization and signing of the framework agreement and progression to the call-off stage.

Under Component 2, which aims to improve the enabling environment and promote regulatory harmonization, progress has been made in implementing key elements of the regional CBR Roadmap under the oversight of the Pacific De-Risking Group. Focus has been placed on strengthening CBR data collection and developing a CBR Resilience Index. A Data Collection Working Group (DCWG) has been established to oversee data collection activities from banks and other financial institutions such as money transfer operators (MTOs) recognizing their critical role in cross-border payments. Four countries—Samoa, Tonga, the Republic of the Marshall Islands, and

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<sup>1</sup> IDA credits are public and publicly guaranteed debt extended by the World Bank Group. IDA provides development credits, grants and guarantees to its recipient member countries to help meet their development needs.

Fiji—are participating in a pilot to collect data to inform the development of the CBR Resilience Index. Samoa has completed its data submission. Engagement is also underway with SWIFT<sup>2</sup> to secure supplementary transaction data to strengthen the analytical foundation of the Index. The Resilience Index will serve as an eligibility assessment and monitoring tool for financial institutions seeking access to CBR services.

Progress has also been made in advancing country-specific implementation plans aimed at addressing legal, regulatory, and supervisory gaps affecting CBRs. In coordination with the Asia Pacific Group on Money Laundering (APG) and the World Bank, draft anti-money laundering and countering financing of terrorism (AML/CFT) action plans have been prepared for participating countries. These plans provide diagnostic assessments of preventive and supervisory AML/CFT measures and identify priority areas for targeted technical assistance (TA). Going forward, coordination at the national level—across central banks, financial intelligence units, and supervisory authorities will be facilitated to ensure coherent TA implementation.

Under the Payments System Oversight and Regulation activities, the World Bank has undertaken initial scoping to identify demand-driven TA needs across PICs. TA to countries will be focused on policy and strategy development, modernization of legal and regulatory frameworks, payment infrastructure preparedness, oversight frameworks, and capacity building. Data collection efforts are expanding to incorporate remittances and retail payment data, including potential gender-disaggregated reporting.

In December 2025, the World Bank, in partnership with the Reserve Bank of Fiji and the Pacific Islands Forum Secretariat (PIFS), convened a regional Fast Payments Workshop in Nadi, Fiji, bringing together central banks, regulators, and development partners to advance discussions on real-time and interoperable payment systems tailored to small island economies. This engagement strengthened regional dialogue and laid the groundwork for improved cross-border payment efficiency and financial inclusion. In parallel, the procurement of a firm to conduct the feasibility study for a Pacific Payments Mechanism (PPM) is progressing well. Fourteen firms submitted expressions of interest, demonstrating strong market interest. Following evaluation and shortlisting, five firms were invited to submit detailed technical and financial proposals in accordance with World Bank and Secretariat procurement procedures.

Institutionally, the Project Management Unit (PMU) has been established within PIFS with seven core staff recruited and onboard as of 31/12/25. The CBR project office was officially opened in November 2025. An additional ten more PMU positions are in the recruitment pipeline for 2026 to further strengthen project delivery capacity.

Finally, PIFS wishes to express its sincere gratitude to all stakeholders, including the World Bank, members of the Project Steering Committee and the Technical Advisory Committee, for their ongoing guidance, support which has been instrumental in advancing project implementation in the effort to strengthen correspondent banking relationships across the region.

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<sup>2</sup> SWIFT (Society for Worldwide Interbank Financial Telecommunication) is a secure, global messaging network used to securely send information and instructions, such as money transfer orders.

# Project Components

## Component 1: Ensuring Continuous Access to CBR Services

### Activity 1.1 Provision of temporary access to correspondent banking services through the recruitment of a service provider to ensure continuity of access in eligible PICs facing loss of CBRs in key currencies

A formal request for expressions of interest for the CBR service provider was issued in June and closed in July. Four proposals from financial institutions were received and evaluated, and a panel of three senior central bank representatives reviewed and validated the assessments. Three shortlisted proposals moved to the Simplified Competitive Dialogue (SCD) stage.

Next steps include:

- i. Conducting a legal review of the draft framework agreement
- ii. Inviting the shortlisted firms for dialogues and negotiations
- iii. Providing an interim update to the
  - Technical Advisory Committee (TAC) and
  - Project Steering Committee (PSC) members.
- iv. Finalize the framework agreement
- v. Finalise contracting of the CBR service provider by June 2026

### Activity 1.2 Technical assistance to eligible financial institutions

TA to participating financial institutions will commence once the CBR Service provider has been formally onboarded. The current plan is to finalize the contracting of the CBR Service provider by June 2026.

## Component 2: Improving the enabling environment and regulatory harmonization

### Activity 2.1 Support to support CBR services and improve AML/CFT compliance

#### Act 2.1.1 CBR roadmap implementation support

The CBR Roadmap comprises eight (8) key recommendations. The Pacific De-Risking Group (PDG) is responsible for overseeing and coordinating the implementation of the key recommendations within the roadmap. Out of the eight recommendations, recommendation one, three and eight are interventions linked directly linked with and supported (technical and financial) by the CBR project.

<b>Recommendation 1</b> The Forum should continue to support action by PI jurisdiction to meet required standards and to collaborate with counterparts to improve tax transparency	<b>Expected Deliverable</b> A dashboard of action by PI jurisdictions to meet required AML/CFT/CPF and tax transparency standards is developed, and a report presented to the PIF.
<b>Recommendation 3</b> The Secretariat should encourage and guide efforts by central banks and Ministries of Finance of members to collect relevant CBR data and support the reporting of annual trends to Forum ministers. This may include negotiating better access to SWIFT data for the region.	<b>Expected Deliverable</b> Templates for CBR data collection and annual reporting to PIF members developed.
<b>Recommendation 8</b>	<b>Expected Deliverable</b>

The Secretariat should develop a CBR resilience framework, take stock annually of de-risking actions and report on progress towards CBR resilience

A CBR resilience framework and a template for regular reporting on de-risking actions and progress towards CBR resilience developed.

Recommendations three and eight are closely interlinked, as the development of the CBR Resilience Index under recommendation eight is fundamentally dependent on the systematic collection and analysis of country-level data under recommendation three.

The 4th meeting of the Pacific De-Risking Group (PDG) was convened in hybrid mode on 24 May 2025 in Auckland, Fiji. Work has progressed on the data collection efforts in pilot countries that will inform the formulation of the CBR Resilience Index.

**Data Collection Working Group:** Implementation of the Pacific CBR Roadmap progressed during the reporting period with advancement of the CBR data collection pilot and formalisation of governance arrangements for the Data Collection Working Group. The Terms of Reference were endorsed, with amendments to ensure inclusion of both banks and money transfer operators (MTOs) in data collection processes, recognising the significant role of MTOs in cross-border payments across several Pacific jurisdictions.

**Data Collection and the CBR Resilience Index:** Four pilot countries—Fiji, Republic of the Marshall Islands, Samoa and Tonga—are participating in standardised data collection to inform development of the Resilience Index. Samoa has completed collection of data from domestic banks and five MTOs. Agreement was reached that anonymised, standardised data, shared with country consent, will underpin the Resilience Index methodology. Project resources will also support access to supplementary transaction data from SWIFT to strengthen the analytical base.

#### ***Act 2.1.2 CBR Resilience Index development and data collection/dissemination***

Four pilot countries are participating in standardised data collection to inform the development of the CBR Resilience Index. It has been agreed that anonymized and standardized data, shared with country consent, will underpin the Index methodology, with anonymization protocols for financial institution groups established by the Pacific Islands Forum Secretariat. Country-specific arrangements will be established to facilitate voluntary MTO data submission where regulatory frameworks are limited. Technical workshops will be convened with financial institutions to address operational challenges in data collection and improve data quality and consistency. Formal engagement with SWIFT will be progressed to secure relevant datasets, with clear parameters on data use and sharing. Further disaggregation of data between banks and MTOs will be undertaken to enhance analysis of financial inclusion trends, with gender-disaggregated reporting identified as a potential next step.

#### ***Act 2.1.3 Monitoring/surveillance of PIC eligibility to access CBR services***

The World Bank is currently developing the CBR Resilience Index that will be used by the CBR service provider to assess the eligibility of financial institutions accessing CBR services. The eligibility assessments require financial institutions to demonstrate trigger events (such as the loss of a correspondent banking relationship in a key currency) and to meet agreed compliance standards, including AML/CFT and proportional risk-based requirements

The PIFS is working on the recruitment of the CBR service provider following an open and competitive international bidding process of which contract awarding is expected to be completed around June 2026. Once contracted, the service provider will undertake pre-assessments of institutional eligibility, provide ongoing monitoring, and deliver targeted technical support to strengthen internal compliance frameworks to ensure sustained access to correspondent banking relationships.

### ***Act 2.1.4 Implementation plans tailored to country risk***

Progress was made in advancing country action plans. The APG, in coordination with the World Bank, updated country-specific AML/CFT action plans to ensure alignment with member priorities and feedback. Draft action plan was prepared for participating countries which will be shared with relevant agencies following APG review and comments. The plans provide a diagnostic snapshot of key legal, regulatory and supervisory gaps affecting CBRs, including preventive and supervisory AML/CFT measures, and identified priority areas for targeted TA.

The World Bank's focus in this space is identifying assistance needs specifically related to correspondent banking. These areas include

- i. risk assessment and management
- ii. preventive measures, and
- iii. supervisory practices

### ***Act 2.1.5 Enabling environment enhancements for banks to ensure more alignment in legal, regulatory, and supervisory frameworks***

In 2025, steady progress was made in developing country-specific action plans by the World Bank. These plans provide a structured roadmap to address identified legal, regulatory, and supervisory gaps and are designed to support financial institutions in meeting the minimum standards required to access and sustain correspondent banking relationships. Building on this foundation, in 2026, PIFS, through the AML/CFT Specialist, will coordinate the implementation of targeted TA across central banks, Financial Intelligence Units, and relevant supervisory authorities. Following consultation with national counterparts, the action plans will be further refined and sequenced, with priority interventions scheduled for delivery in the first half of 2026. Strengthening AML/CFT support to private sector service providers will also be integrated into broader project support mechanisms to ensure comprehensive and sustainable outcomes.

## **Activity 2.2 Payment System Oversight and Regulation**

### ***Act 2.2.1 Payment systems regulatory harmonization***

The mapping of payment systems TA needs has provided a detailed understanding of country-specific challenges affecting the design, oversight, and operation of national and cross-border payment infrastructures. This foundational analysis informs the development of targeted reforms, guiding enhancements to payment-related legal frameworks, regulatory instruments, and supervisory arrangements. Insights from these assessments form the basis for planning and scheduling in-country missions, where dialogue with central banks, financial regulators, and relevant authorities will validate findings, refine reform priorities, and chart the way forward for more efficient, secure, and resilient payment systems across PICs.

During the reporting period, progress was made in advancing payment systems TA under the CBR Project. The World Bank undertook initial scoping to map country-specific payment systems TA needs. The TA approach is demand-driven and responsive to priorities identified by central banks and relevant authorities.

The payment systems TA would be structured into five main areas:

1. **Policy and Strategy:** Focuses on supporting PICs in developing medium-term strategies to modernise national payment systems.
2. **Legal and Regulatory Framework:** TA support in this area aims to ensure that PICs have modernised regulatory frameworks for payment systems and services. Building on previous regional efforts, this includes developing templates for legal and regulatory instruments and establishing authorisation frameworks for non-bank payment service providers and FinTech participation. While the PPM

feasibility study will identify further harmonisation needs, work can begin on areas such as QR code standards and non-bank regulations to support cross-border interoperability.

3. **Payment Infrastructure Preparedness:** Emphasis is placed on establishing sound domestic payment infrastructure that can later be leveraged by the PPM, depending on its design. This includes payment system design and implementation support, enhancing functionalities, and strengthening risk management, particularly in cyber resilience and business continuity.
4. **Payment System Oversight:** TA in this area supports the development of oversight policy frameworks, central bank institutional arrangements, licensing and supervision frameworks for payment operators and service providers, and assessment against international oversight standards; and
5. **Capacity Building:** This includes specialised training and workshops.

#### **Capacity Building Workshop: Pacific Fast Payments Workshop, Nadi, Fiji**

In December 2025, the World Bank, in partnership with the Reserve Bank of Fiji and the Pacific Islands Forum Secretariat, hosted a Fast Payment Systems Workshop in Nadi, Fiji. The workshop convened central banks, regulators, payment system specialists, and development partners to advance dialogue on real-time and interoperable payment systems tailored to small island economies. Discussions covered infrastructure design, regulatory and governance considerations, cross-border efficiency, and financial inclusion, while emphasizing alignment with broader financial sector and digital economy reforms. The event strengthened regional collaboration and laid the groundwork for continued modernization of payment systems across PICs. Identification of respondent banks remains the responsibility of Member States, with PIFS and the PMU working alongside the World Bank to define the scope of TA and align support with country priorities.



#### **Act 2.2.2 Oversight of national payment systems**

This activity will progress once the Payments Systems Expert is onboarded in 2026.

#### **Act 2.2.3 Collection of relevant remittance and gender disaggregated data on usage of financial services**

Data collection on remittances has commenced but remain at an early stage. Comprehensive datasets will be available once additional country-level data has been collected, which is planned for the first half of 2026.

#### **Activity 2.3 Feasibility Study for a Pacific Payments Mechanism (PPM)**

##### **Act 2.3.1 Detailed assessments to inform the design of a payment aggregation mechanism to improve economies of scale**

PIFS received 14 expressions of interest (EOIs) from reputable firms. An evaluation panel, including representatives from Fiji, Samoa, Tonga, and PIFS shortlisted several firms. Following evaluation and

shortlisting, five firms were invited to submit detailed technical and financial proposals in accordance with World Bank and Secretariat procurement procedures.

## Activity 2.4 Regional TA support and institutional capacity building

### Act 2.4.1 CBR contract management expert

The project will assess the need for a CBR Expert in 2026 and may proceed with contracting should a strong operational requirement be identified.

### Act 2.4.2 AML/CFT expert

The appointment of the AML/CFT Specialist within the PMU was finalized, with the incumbent officially onboarded in November 2025.

### Act 2.4.3 Payment system expert

The Payment Systems Expert is currently in the pipeline of recruitment that is expected to be completed Q1 2026.

## Activity 2.5 Project Management, Stakeholder Coordination and Outreach

### Act 2.5.1 Project coordination

In 2025, considerable progress was made in establishing the Project Management Unit (PMU), including substantial planning and preparatory work to operationalise the CBR Office at PIFS. Finalisation of IT systems and minor infrastructure works is ongoing, with completion expected in early 2026. The CBR Office was officially opened on 28 November 2025, officiated by the President of Nauru, David Adeang, and the Secretary General of the Pacific Islands Forum, Baron Divavesi Waqa, marking a key milestone in transitioning the project from establishment to implementation.



In terms of recruitment, the PMU had onboarded a total of seven staff with an additional ten staff in the recruitment pipeline for Q1 2026.

Recruitment Completed (7 Staff)	Recruitment Pipeline (10 Staff)
1. Project Coordinator	1. Deputy Project Coordinator
2. Financial Management Specialist	2. Payment Systems Expert
3. AML/CFT Specialist	3. Communications Officer
4. Procurement Specialist	4. National Procurement Officer
5. Country Coordinator – Tonga	5. Country Coordinator – Kiribati
6. Monitoring & Evaluation Specialist	6. Country Coordinator – Tuvalu
7. Administration Assistance	7. Country Coordinator – Solomon Islands
	8. Country Coordinator – Republic of Marshall Islands
	9. Country Coordinator – Fiji
	10. Country Coordinator – Samoa

### Act 2.5.2 Fiduciary Assurance Services (procurement)

Both the Procurement Specialist and the Financial Management Specialist were onboarded in 2025, strengthening the Project Management Unit's operational capacity. The two principal procurement activities undertaken during the year were the contracting process for the CBR Service provider and the selection of the

firm to undertake the Pacific Payments Mechanism (PPM) Feasibility Study. Additional procurement activities included the acquisition of office furniture and IT equipment to support the operationalisation of the CBR Office.

### **Act 2.5.3 Country level coordinators**

In 2025, the Country Coordinator for Tonga was recruited in October. Office space was provided by the National Bank of Tonga. Since her onboarding, the focal point has been involved in the following activities:

- Compiling and discussing relevant legislation that impacts CBRs
- Coordinating and supporting WB missions including
  - First TA mission held from 9-11 December 2025 on Tonga's payments systems.
  - Identification of needs for the National Payments System (NPS) strategy, incorporating feedback from the National Reserve Bank of Tonga (NRBT) and discussions with local banks and money transfer operators (MTOs).
  - Data collection for the CBR Resilience Index.
  - Preparations for the next World Bank/PMU mission scheduled for 25-27 February 2026, which will coincide with an APG mission to Tonga.
- Building relationship with Tonga stakeholders
- Developing a database of contacts and opportunities to enhance cooperation and collaboration particularly in relation to AML/CFT

The PMU is in the process of recruiting additional Country Coordinators for Fiji, Kiribati, Tuvalu, Republic of Marshall Islands, Samoa, Solomon Islands and Vanuatu.

### **Act 2.5.4 Communications, citizen engagements, social inclusion and stakeholder coordination**

The PMU is in the process of recruiting a Communications Officer. To enhance project communications and visibility, the PMU has also initiated a monthly newsletter, with the first edition distributed in February 2026, and is also exploring the development of an online repository accessible to stakeholders and other interested audiences.

## **Project Governance**

### **Project Steering Committee**

The PSC meeting was held on 21 June 2025, coinciding with the Forum Economic Ministers Meeting (FEEM). The PMU was allocated a session at FEEM to provide an overview of the project, including its objectives and planned interventions. During this meeting, the 2025-2026 workplan and budget were approved. A subsequent PSC meeting was conducted via email circulation in December.

### **Technical Advisory Committee**

The inaugural TAC meeting was held in October. It was chaired by Mr. Ariff Ali, Governor of the Reserve Bank of Fiji and attended by representatives from Fiji, Papua New Guinea, the Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

### **Pacific Economic Sub-Committee (PESC) Meeting**

During 2025, the CBR project via PIFS Audit & Risk Sub-Committee (ARSC) highlighted the need to align procurement authorisation levels with the size and complexity of the project (total financing USD 68 million). While the Secretariat is responsible for authorising procurement and expenditure, actual procurement processes are managed through the Steering Committee and World Bank systems.

A key challenge identified was that existing delegation levels, as determined by Forum Officials Meeting (FOC), were below the approval thresholds required for some project procurements. To ensure smooth operations until the FOC meeting in December 2025, interim arrangements were implemented:

- The Secretary General was authorised to approve procurement amounts for the CBR project, provided alignment with the Finance Agreement, Project Steering Committee-approved budget, and the Procurement Plan.
- The two Deputy Secretaries-General and the Director of Operations were assigned respective authorisation levels denominated in USD rather than FJD.
- These interim delegations remained valid until 31 December 2025, pending a formal review of long-term delegation levels by the FOC.

Additionally, it was noted that the Secretariat’s only source of income from the project is through office rental.

## Financial Update

The project has a total financing value of USD 68 million, comprising both International Development Association (IDA) grants and credits. Total drawdowns in 2025 amounted to USD 1,400,000 and the overall financial utilization rate standing at 0.6 percent as of December 2025.

The low utilization rate is a result of the delay in the project start date. The project became effective in April 2025, and expenditures during the year were primarily directed to the establishment of the PMU as reflected under the Project Management component in the Budget Utilization table.

### Budget Breakdown as of 31 December 2025

Pacific Strengthening Correspondent Banking Relationships Project				
Interim Financial Report as at 31 December 2025				
<i>Unaudited</i>	Drawdowns	Total	Approved Financing	
			Grant	Credit
<b>SOURCES OF FUNDS</b>				
Pacific Islands Forum <i>[2.1c only]</i>	200,000	5,000,000	5,000,000	
Fiji	200,000	9,000,000		9,000,000
Kiribati	200,000	9,000,000	9,000,000	
Marshall Islands	200,000	9,000,000	9,000,000	
Samoa	200,000	9,000,000	9,000,000	
Tonga	200,000	9,000,000	9,000,000	
Tuvalu	200,000	9,000,000	9,000,000	
Vanuatu	-	3,130,435	3,130,435	
Vanuatu (Credit A)	-	3,000,000		3,000,000
Vanuatu (Credit B)	-	2,869,565		2,869,565
<b>Total Sources of Funds</b>	<b>1,400,000</b>	<b>68,000,000</b>	<b>53,130,435</b>	<b>14,869,565</b>

## Budget Utilization as of 31 December 2025

USES OF FUNDS		Payments	Budget
<b>1. Ensuring Continuous Access to CBR Services</b>		<b>0</b>	<b>35,000,000</b>
1.1.a	Technical Access to Eligible Financial Institutions	-	30,000,000
1.1.b	Temporary Access to CBR through Service Provider	-	5,000,000
<b>2. Improving the Enabling Environment and Regulatory Harmonisation</b>		<b>408,754</b>	<b>33,000,000</b>
2.1.a	Support to Access CBR Services & Improve AML/CFT Compliance	-	8,749,000
2.1.b	Payment System Oversight and Regulation <i>[PIF only]</i>	91,964	8,750,000
2.1.c	Feasibility Study for the Payment System	-	5,000,000
2.1.d	Regional TA Support and Institutional Capacity Building	7,700	4,380,000
2.1.e	Project Management	309,090	6,121,000
<b>Total Uses of Funds</b>		<b>408,754</b>	<b>68,000,000</b>
<b>Budget Utilisation</b>		<b>0.6%</b>	

## Results Framework Update

Progress against the project Results Framework in 2025 was somewhat constrained, with annual targets not being achieved. The project became effective in April 2025, leaving approximately eight months for implementation during the reporting year. As is typical for projects of this scope, the start-up phase requires sufficient time, which was also the case for the CBR project. Consequently, much of 2025 was devoted to establishing the PMU, including securing office space, setting up and furnishing the office, and onboarding staff. This limited the time available for substantive project implementation during the year.

During this period, the PMU also initiated efforts to review the Results Framework with a view to incorporating output indicators that would support the establishment of short-term targets and strengthen the causal linkages between project activities and outcomes. These enhancements are intended to provide a clearer “story of change,” demonstrating how project activities contribute to the projects intended outcomes. The recommendations for improvement have been shared with the donor and internally within PIFS.

#	Indicator Type	PDO Results Indicators	Baseline	Target 2025	Results 2025	Remarks
Availability of correspondent banking relationship services in participating PICs						
1	PDO Outcomes	Availability and quality (resilience) of correspondent banking	0	No Target	N/A	No Targets for 2025

#	Indicator Type	PDO Results Indicators	Baseline	Target 2025	Results 2025	Remarks
		relationships in PICs (Number)				
Continuity of access to CBR services in participating PICs						
2	PDO Outcomes	Continuous uninterrupted access to CBR services in key currencies by participating PICs (Yes/No)	0	No Target	N/A	No Targets for 2025
Component 1: Ensuring continuous access to CBR services						
3	Intermediate Outcome	Establishment of framework for temporary access to correspondent banking services (Yes/No)	0	Yes	No	<p>As per the RF data definitions, the establishment of framework for temporary access is met with the fulfillment of 3 criteria. (i) Eligibility criteria adopted (ii) CBR resilience index developed and operational (iii) the recruitment of the CBR service provider.</p> <p><u>CBR Resilience Index</u>: The CBR resilience index methodology was introduced by the WB, with calibration pending as additional data from pilot countries are collected.</p> <p><u>PICs Eligibility Criteria</u>: The eligibility criteria will be finalized once the resilience index is finalized and vetted by the CBR service provider.</p> <p><u>CBR Service provider</u>: The call for expression of interest closed in July 2025. Four firms were evaluated, of which three were shortlisted and progressed to the competitive dialogue stage.</p>
4	Intermediate Outcome	CBR data reporting (Percentage)	0	50	0	This indicator refers to the % of financial institutions reporting CBR data on standardized formats to their respective financial supervisors in participating PICs. Reporting can only commence once the CBR Resilience Index and related data collection templates have been finalized and socialized across PICs. Work on both the index and the templates have commenced, of which these efforts are led by the WB.
Component 2: Improving the enabling environment and regulatory harmonization						
5	Intermediate Outcome	People and businesses using financial services (number)	TBD	TBD	N/A	Targets have not yet been established. Data collection on remittances has commenced but remains at an early stage, as the project only became effective in April 2025. Comprehensive datasets will be available once additional country-level data has been collected.
6	Intermediate Outcome	Implementation of AML/CFT remedial action plans by eligible PICs (percentage)	0	0	0	By December 2025, draft country AML/CFT action plans were developed for all participant countries.
7	Intermediate Outcome	Number of enabling environment reforms (regulatory and infrastructure) implemented to support payment systems harmonization	0	0	0	The objective of the plans is to provide a snapshot of the key AML/CFT issues affecting CBRs (including preventative and supervisory measures for the banking sector) as well as supervisory practice to establish a foundation for identifying areas where assistance may be required. The PMU will be taking this forward in 2026 to socialize the plans with country stakeholders, carry out in-country missions, produce finalized action plans and implement TA.
8	Intermediate Outcome	Gender-disaggregated remittances and financial access data is collected, analysed and diagnostics is produced	No	No Target	N/A	Targets have not yet been established. Data collection on remittances has commenced but remains at an early stage, as the project only became effective in April 2025. Comprehensive datasets will be available once additional country-level data has been collected.

# Project Risk, Grievance & Complaints Registers

No	KRA	Risk Category	Sub-Category	Risk Description	Triggers/Causes	Risk Owner	Potential Impact	Likelihood	Consequence	Gross Risk Rating	Current Controls
1	Pacific Strengthening of Correspondent Banking Relationship (CBR) Project	Reputational	Political instability	Geopolitically sensitive project given the regional mandate. Project has national and regional security implications given regional power interests, donor influence, and/or financial sovereignty concerns.	Diverging geopolitical interests of major donor countries	Ajay Jagannath - Project Coordinator and Lead.	Reputational Impact and delays in implementation	Possible	Moderate	Medium	Closer stakeholder coordination and regular meetings with the Project Steering and Technical Advisory Committee
2	Pacific Strengthening of Correspondent Banking Relationship (CBR) Project	Operational	Procurement and contract management	High-value and complex procurements previously not undertaken by the Secretariat.	Limited Technical Capacity undertaking complex procurements.	Ajay Jagannath - Project Coordinator and Lead.	Delays in implementation	Possible	Moderate	Medium	Capacity Building in Procurement and Additional Staffing to support procurement personnels
3	Pacific Strengthening of Correspondent Banking Relationship (CBR) Project	Environment hazards	Deviation from internal rules and regulations	Procurement of IT hardware could generate electronic waste (e-waste) at end-of-life. Without proper disposal and recycling protocols, electronic components can leach harmful materials (lead, cadmium) into soil and water.	Lack of proper waste disposal and recycling protocols for equipments	Ajay Jagannath - Project Coordinator and Lead.	Electronic components can leach harmful materials (lead, cadmium) into soil and water.	Unlikely	Minor	Low	Adjust RFP documents published to incorporate environmental safeguard questions
4	Pacific Strengthening of Correspondent Banking Relationship (CBR) Project	Social instability	Public opinion and media coverage	A lack of social and media coverage can reduce public awareness and understanding of the project. Without proactive communication, misinformation or negative perceptions may arise, particularly if the project is seen as benefiting only financial institutions rather than households and businesses. Limited visibility can also reduce political and institutional support, constrain feedback from project stakeholders, and diminish the demonstration and replication of development impacts	The lack of ability to demystify correspondent banking relationship (CBR) technical concepts into simple, layperson terms can limit public understanding and engagement, increase misconceptions, and reduce trust in the project. It may also weaken stakeholder buy-in and obscure the project's benefits for households and businesses.	Ajay Jagannath - Project Coordinator and Lead.	Limited public and stakeholder engagement and lack of trust in the project.	Unlikely	Minor	Low	Strengthen project communications and visibility strategy.
5	Pacific Strengthening of Correspondent Banking Relationship (CBR) Project	Crime	Corruption and fraud	increased drug trafficking in the Pacific heightens financial crime risk perceptions, which can weaken correspondent banking relationships and threaten project effectiveness unless accompanied by strong AML/CFT capacity building and risk mitigation.	Growth of transnational drug trafficking networks using the Pacific as a transit route, increasing the volume of illicit funds moving through or near local financial systems.	Ajay Jagannath - Project Coordinator and Lead.	Global correspondent banks may be reluctant to maintain or re-establish relationships with Pacific banks if drug trafficking increases perceived jurisdictional risk, undermining the project's core objective.	Possible	Moderate	Medium	Development of country AML/CFT remedial and implementation plans to support access to CBR safety net

No.	Date Received	Complainant Name	Details (Email or)	Grievance Type	Description of Grievance or Complaint	Immediate Action Taken	Responsible Staff / Unit	Status	Date Resolved	Resolution / Remarks	Follow-up Required	Link
1	16-Oct-25	Anonymous	Details not provided	Operational	Concern was raised that a shortlisted firm for the advertised <b>Detailed Assessment to Inform the Design of a Payment Aggregation Mechanism to Improve Economies of Scale (FJ-PIFS-468931-CS-QCBS)</b> , may have had potential prior involvement in activities related to the preparation or future implementation of the project.	The PMU reviewed the complaint and noted that it had not specified who it was directed against (name of the shortlisted applicant and staff involved were not identified). As a result, the PMU was unable to act on the issue raised and requested the email sender for additional details to help assess and resolve the issue	CBR PMU	Resolved	24-Nov-25	The PMU did not receive a response to its request for additional information and was therefore unable to act on the complaint.	Not required	<a href="#">PIFS - Fw_ Concern Regarding Shortlisting Process for FJ-PIFS-468931-CS-QC BS.msg - All Documents</a>



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