

**Opening Speech by Ms Caroline Abel, Governor of Central Bank of Seychelles at the Alliance for Financial Inclusion's 13<sup>th</sup> Consumer Empowerment and Market Conduct and 8<sup>th</sup> SME Finance Working Group Meetings**

**March 13 – 17, 2017**

**Venue: Savoy Resort and Spa**

Honourable Ministers, Dr Peter Larose and Mr Wallace Cosgrow,  
Dr. Alfred Hannig, the Alliance for Financial Inclusion Executive Director,  
Distinguished Guests,  
Colleagues,  
Ladies and Gentlemen,

Good morning and thank you everyone for being here today. On behalf of the Central Bank of Seychelles, I am very pleased to welcome you all to the 8<sup>th</sup> SME Finance and 13<sup>th</sup> Consumer Empowerment and Market Conduct Working Group Meetings and the Public-Private Dialogue Training on Small Merchants. It is indeed our pleasure to co-host an AFI event for the first time in Seychelles.

For those of you not familiar with Seychelles, we are a group of 115 islands with a land area of 456 sq. km and 1.2 m sq. km of sea. We have a population of 93,000 with a diverse ethnicity which underscores our official languages of Creole, English and French. About half of the area of Seychelles is protected which consists of national parks, including two World Heritage Sites as declared by UNESCO: namely the atoll of Aldabra which is home to giant tortoises and the famous botanical garden of the Vallée de Mai on Praslin which has the native Coco de Mer, the largest

seed in the world. Given the unique biodiversity of Seychelles, the Central Bank showcased this fact through the new family of banknotes and coins which was unveiled in December last year, which is Seychelles' Unique Biodiversity – the Backbone of Our Economy. The new banknotes and coins represent the Seychelles' endemic flora and fauna. We face the limitations and constraints typical of Small Island States that have few inhabitants and limited natural resources. We are a developing economy that is heavily dependent upon tourism and fisheries and the financial services sector is currently the third pillar of the economy.

With that said, I would like to proceed with providing a brief background on the initiatives undertaken by the authorities to develop the Seychelles' financial sector. Seychelles has made significant progress since 2008 in actively reforming its financial sector. In late 2008, we embarked on a macro-economic reform program with the support of the IMF that provided the platform for fundamental changes in the country's economic and financial landscape of which the establishment of a modern payment system was seen to be a key component. Since then, a number of milestones have been achieved including:

- The introduction of the Central Bank of Seychelles Immediate Transfer Service (CBSITS) creating an interbank platform for effecting payment transactions.
- The establishment of an Electronic Cheque Clearing (ECC) system allowing for a same day cheque clearing process via the electronic exchange of cheque images.
- The Seychelles Electronic Funds Transfer (SEFT) as an alternative means for interbank funds transfer.
- The introduction of the first Securities Exchange.

- The licensing of the first payment service provider to offer mobile payment services.
- The implementation of the electronic payment gateway for the payment of Government services.
- Commissioning of a number of feasibility/diagnostic studies in respect to Government payments, remittance market, the implementation of a Central Securities Depository and that of a Real Time Gross Settlement System.

Albeit, all the progress made, there are still important milestones that remain to be achieved in order to further develop the financial sector, especially where adoption of innovative payment systems and consumer empowerment are concerned. In this context, the Cabinet of Ministers approved the Financial Sector Development Implementation Plan in November, 2014. The Plan serves to provide the Government and all stakeholders with a clear guidance in key policy areas for financial sector development. It is a nation-wide document detailing the strategies of the Seychelles Government to strengthen and deepen the financial sector with the ultimate objective of enhancing the country's economic development. The key strategic objectives are:

- Strengthening the financial sector's legal and regulatory framework.
- Developing the national payment system and other relevant financial infrastructures.
- Improving access to credit of small and medium enterprises.
- Strengthening the regulation and supervision of non-bank financial institutions.
- Developing the capital markets.
- Other relevant cross cutting issues such as consumer protection, financial literacy and financial inclusion.

As part of the output of the Plan, a financial literacy baseline survey was commissioned last year with the aim of gauging the level of financial literacy of the population and provide an assessment of its needs, including the identification of possible target groups. The survey was the first of its kind to be conducted in the country and will be a crucial element in the drafting of a national strategy for financial education. Similarly, a survey was also completed last year under the SME Development project. The survey had as objective to provide disaggregated data about SMEs that will be used to review SMEs development issues across various population segments and training needs. As a result, the following were identified as challenges that inhibit SMEs from access to markets:

- Where markets are present, the site are not serviced with necessary social amenities.
- SMEs lack market information and marketing skills.
- Lack of adequate local markets.
- Inadequate, inefficient and ineffective distribution and supply network in the local market, such that products/service takes time before reaching target markets.
- Limited capacity to meet SME expectations in terms of providing finance as well as providing non-financial support.
- Entrepreneurship skills training into both practical and non-practical sector specific training in order to achieve relevancy to the needs of the small business community.

As you may all be aware, SMEs play critical role in the country's economic development. SMEs are often considered as the drive to creating local demand and consumption. In fact, SMEs related matters are high priorities on the government agenda. On that note, the Central Bank in coordination with government is closely working with the commercial

banks in light of the risks associated with SME finance, to come up with a strategy for SME lending.

The Central Bank is also currently engaged in exploring the feasibility to expand participation in the Credit Information System (CIS) to all lenders not regulated by the Central Bank, including government lending agencies or programs and commercial firms that engage in hire-purchase activities. In this regard work is being undertaken with the World Bank to enact a Credit Information System law which would broaden the scope of the CIS in Seychelles to include other entities and activities that are not regulated by the Central Bank. Furthermore, with the aim of modernising the national payment system, by broadening the scope of innovative payments schemes and reducing paper instruments as a means for payment, the Central Bank in collaboration with the Seychelles Banking Association are looking into the possibility of implementing a national payment switch.

Ladies and gentlemen, with no doubt, services provided by the financial system has a prime impact on economic growth. The level of development plays a significant role in the growth of businesses, enhancing innovation and competition. It is however, equally important that in support of the broader objective of financial sector development and financial inclusion, access to financial services are of the highest quality and convenience, affordable and also operated in an environment where consumers are adequately protected. Ensuring that there is an effective consumer protection framework to address the balance of power between financial institutions and their consumers is vital in order to

enhance public confidence in the financial system and the use of innovative financial services.

There is no need for me to overemphasise that consumer education, consumer empowerment is fundamental across all levels. Financially literate and empowered consumers interact more effectively and assertively with financial services providers, ultimately leading to them attaining their financial objectives. Essentially, consumer empowerment is instrumental in supporting financial inclusion policies. Now, whilst it is important for consumers to assume the responsibility of acquiring the necessary financial knowledge and skills, it is important to reiterate that authorities and financial institutions should devote resources and work towards establishing mechanisms that support financial consumer empowerment.

Lastly, I would like to take this opportunity to thank AFI for organising such forums as they provide us, policy makers with the opportunities to exchange experiences on the different policy decisions taken in our own jurisdictions. Years ago, productivity was attributed to those who retained the most knowledge. Today, however, productivity and efficiency is attributed to combining expertise with the experience and intelligence of peers discharging similar functions. Let us continue to learn from each and showcase the results that our forum, the Alliance for Financial Inclusion can bring to the world stage. We in Seychelles, we are very fortunate to have you on our shores at this present time as the subject matters on the agenda are very pertinent to our country. I encourage my colleagues from the Central Bank and the two respective government Ministries to have maximum participation and interaction.

Ladies and gentlemen, I would like to thank you for your attention and I wish you all fruitful deliberations over the course of the coming days and to our foreign guests an enjoyable stay in Seychelles.

Thank you.