Welcoming Remarks

Dear Maurice Roemer, Governor of the Central Bank van Suriname,

Dear Stanley Raghoebarsing, Minister of Finance and Planning and Planning,

ladies and gentlemen from the press,

everyone who gathered today in Paramaribo for this meeting,

good morning.

I am happy to participate in the launch of the National Payment Council and I would like to congratulate the leadership of the Central Bank of Suriname and the Surinamese Government.

At the IDB, we aim to support Suriname in increasing its financial inclusion levels, creating markets, and solving the lack of financial infrastructure through financial technology.

Ahead of sharing my thoughts about the mechanism for dialogue on national payment system policies that is being started today, the National Payment Council, let me recall the main economic developments that allowed us to arrive in today's event.

During the first decade of this century, Suriname benefited from the increase in commodity prices, growing at an average annual rate of 4.8%, above the average of 3.8% for the Latin America and the Caribbean.

However, the positive economic performance did not translate into a more diversified economy that is expected to produce higher value-added and more complex products, so that it become more resilient to external shocks.

While the regional GDP grew by an average annual rate of 0.6% between 2014-2019, the national GDP contracted by an average annual rate of -0.1% between 2014 and 2019, pushed by the fall in commodity prices and its higher commodity-dependency.

But the worst was yet to come. The pandemic crisis that hit the World in 2020, affected the Surinamese economy – meaning its people, businesses, and government – in a disproportionate way in comparison to the region, as we all recall.

By adopting policy measures in accordance with the urgency of the health and economic crisis, weighted by fiscal space available, GDP growth returned to positive field from 2021 onwards in the majority of economies in the region. Nevertheless, it took an additional year to return to positive territory in Suriname.

The new Government that took office in the middle of the crisis decided to look ahead. The authorities designed a plan to restore macroeconomic stability and promote inclusive economic growth, and they have shown a strong commitment to its implementation, despite the several hurdles faced on the way.

Among the reforms implemented so far, the approval and enactment of the Central Bank Act 2022 was a major milestone is the path for promoting financial development in Suriname.

As set in the Act, promoting the smooth operation of the domestic and foreign payment systems of Suriname is among the core duties of the CBvS.

This duty has been taken seriously by the monetary authority, and the launch of the National Payment Council is an illustration of its commitment.

Once again, congratulations.

A collaborative approach to payment system modernization is essential, given that:

i. changes in any area of the payments industry will most likely have an impact on all of its participants.

ii. some of the challenges to improve efficiency, safety or security in payments industry can only be overcome by the industry as a whole.

iii. no single individual or entity possesses all the knowledge needed to address payment system reforms; in fact, communication between stakeholders be them market players, regulators and even legislators is a necessary multi-way learning opportunity that also fosters improved decision-making through the sharing of knowledge and experiences.

The National Payment Council is therefore the mechanism through which dialogue on national payment system policies takes place between the various stakeholders, securing a fair representation of the public and private interests involved in payment system activities, and thus setting the conditions for achieving a reasonable level of consensus on policy choices.

Central banks are normally entrusted with the responsibility of setting up and leading the National Payment Council. In addition to being a primary mechanism for cooperation and for coordinating actions in the context of payment reform efforts, central banks often also use the National Payment Council channel to provide stakeholders with indications on its policy orientation in the payments field, to shape its policy agenda by using feedback from the market, and to check the efficiency, reliability, and fairness of the payment services provided.

A well-designed National Payment Council should have different levels, to clearly identify different roles: policy and strategy at the highest level; a decision-making level for general and operational aspects involving senior management of key stakeholders; and an implementation level involving senior technical staff and other executives.

A specific example is a structure comprised of:

i. a high-level council, normally chaired by the central bank governor, the minister of finance or similar,
ii. a strategic committee, which is normally chaired by a senior manager (e.g. deputy governor) of the central bank; and,
iii. thematic working groups which are chaired by individuals and/or institutions with proven knowledge, experience, and interest in the underlying topic(s).

It is crucial that the National Payment Council give fair representation to all the stakeholders of the National Payment System. These normally include: the central bank, the ministry of finance, other relevant regulators, the commercial banks, the non-bank financial institutions, non-bank payment service providers (PSP), the payment infrastructure Providers (e.g. clearinghouses), and the users (including both major initiators like the national treasury as well as consumers).

But why should the Central Bank care about a smooth payment system?

A smooth payment system that incorporates more digital payments rather than relying solely on cash allows individuals and business to pay and be paid, more quickly and securely, with the potential to boost economic growth.

- For consumers and merchants, digital payment increases the amount of funds for transactions, given that using cash or checks may be limited in the amount of funds carried for transactions and merchants may be reluctant to accept checks for bigger transactions because of the risk of nonpayment.

- Digital payment broadens market access, particularly to micro, small and medium enterprises, expanding consumer and seller base.

- Still, governments could benefit from digital payment schemes, with efficiency gains for tax collection and reduced costs of providing currency.

Security and convenience are enhanced with the adoption of digital payments. Consumers have recourse for fraudulent transactions and merchants have guarantee for payment. It is also more convenient, as consumers do not need to visit an ATM, and employees can engage activities that are more productive than cash-management ones.

With digital payments, there is an increase in individual data history that might facilitate access to better credit conditions. This is particularly relevant for people and firms without means to attain the current required credit guarantees. For financial institutions, they could benefit from improved credit risk assessment to minimize their non-performing loan portfolio.

From the social perspective, the adoption of digital payments is a powerful tool to boost financial inclusion. Financially excluded people usually enter the system through receiving remittances or government assistance. In turn, financial inclusion can help reduce poverty and inequality by helping people invest in the future, smooth their consumption, and manage financial risks.

Access to formal financial services allows people to make financial transactions more efficiently and safely and helps poor people climb out of poverty by making it possible to invest in education and business. By providing ways to manage income shocks like unemployment or the loss of a breadwinner, financial inclusion can also prevent people from falling into poverty in the first place. This is especially relevant for people living in the poorest households. Shifting payments from cash into accounts allows for more efficient and more transparent payments from governments or businesses to individuals – and from individuals to government or businesses.

Having listed a few the theoretical reasons for the Central Bank to care about a smooth payment system, let us have a quick look in the number for the region and for Suriname.

According to the World Pay Global Report 2022, slightly more than one third of the payments for goods and services in LAC is still made by cash, compared to 18% at world-level. However, there are important differences among Caribbean countries, that usually lag their regional average.

According to the IMF Financial Access Survey 2022, Mexico, Suriname and Jamaica have huge differences in the number of debit cards per one thousand adults. While Mexico reported more than 1,500 debit cards per thousand adults, Suriname reported 701 and Jamaica 449. Likewise, the number of credit cards per one thousand adults was almost 2,000 in Mexico, meaning that on average each person owns two credit cards, compared to 872 in Jamaica and solely 26 in Suriname.

Taking these developments into consideration, the IDB has long been paying attention to financial inclusion in the region and in Suriname.

At the Inter-American Development Bank, we understand financial inclusion as a state where people and firms can access and use financial services, products, and information that meet their needs. Financial inclusion means access to payments, savings, credit, investments, and insurance.

Our Payment System Supply Assessment in Suriname found essential improvement opportunities regarding competition, infrastructure, regulation, supervision, and specific powers for the central bank to act as a manager for the payment system, at the time that could, in a separate function, have oversight over the payments systems.

As I mentioned, Suriname has a significant opportunity for financial inclusion. Financial inclusion requires tackling issues in the financial industry and the digital economy, including consumer protection, data ownership, privacy, protection, and concentration risk.

Our study suggests payment and financial systems' regulations and public policies to help remove the barriers and overcome the current challenges. The study proposes a set of tailored recommendations to (i) design a payment system regulatory framework to define its architecture, ensuring interoperability and competition; (ii) develop the payment system through institutional arrangements that guarantee comprehensive access, non-discriminatory rules, and robustness of the infrastructure; (iii) create new capabilities for institutional strengthening for the payment system regulation and supervision; and (iv) make specific regulatory changes to increase financial inclusion. These regulatory changes include (a) modification to the AML regulation regarding restrictions on non-face-to-face transactions and simplified KYC; (b) use of credit bureaus databases with reporting and consulting mandatory, (c) build trust in electronic payments by ensuring people access to cash everywhere, and (d) provide information to the market with supply-side data to monitor advances and unambiguous instructions so that the institutions provide relevant and comparable information.

The launch of the National Payment Council is a way to begin seizing the opportunity in Suriname. Increasing financial inclusion might be a reality if we work in a triad of i) appropriate public policies, including regulation and institutional capacity; ii) technology and supporting market infrastructures to foster private-sector competition; and, iii) innovation to offer valuable financial services that can meet the needs of individuals and firms.

A great example of the triad of public policies, creating synergies through infrastructures, and enabling innovation comes to mind when we see PIX, Brazil's payments ecosystem. First, the Central Bank of Brazil began regulating certain fintech activities in 2018, including payments. In parallel, BCB created a centralized infrastructure for PIX that allowed licensed banks, cooperatives, and fintech platforms to settle financial transactions. Once the infrastructure was in place, all licensed institutions could settle their transactions in PIX, creating synergies and reducing costs. Lastly, innovation created possibilities for interoperability, transactionality, and supply and demand financial inclusion. The results of PIX are remarkable: 4.4 billion transactions in January 2024, with 151 million individual users (equivalent to two-thirds of the total population of Brazil) and more than half of the transactions being peer-to-peer (P2P), that is, people paying people. PIX is one of the examples of how infrastructure could create conditions for financial inclusion. It is in a way that IDB helps Suriname assess its current payment infrastructures and deliver recommendations to move forward towards fast retail payment systems, the technical term for what PIX entails.

How could Suriname take advantage of a system like PIX? The answer is initiating by working in an infrastructure that works for the population.

Our partnership with BIS could be the solution.

The IDB and Bank for International Settlements -BIS- foresaw possibilities in working together to develop projects using technology to solve issues related to financial inclusion. We signed a Memorandum of understanding, in September 2023, that will allow us to develop financial technology for payment systems and provide technical assistance to countries such as Suriname that can be part of this initiative. The opportunities coming from financial inclusion come in the form of payments, savings, investments, and other financial products that currently lack proper infrastructure. We leave the opportunity to participate in the partnership with BIS to reap the opportunities.

In closing, we know the triad goes beyond technology and requires regulation and institutional capacity, we can accompany this road.

We want to be part of the solution.

IDB has already supported Suriname, and we will continue to do so.

Thank you for the opportunity to address this distinguished audience in a subject of utmost importance for continued socioeconomic development in Suriname.