



**Feature Presentation**  
**At the**  
**2014 Alliance for Financial Inclusion Global Policy Forum**  
**(AFI GPF)**

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Governor

Central Bank of Trinidad and Tobago

Ladies and Gentlemen,

Once upon a time there were two sisters who lived peacefully in the Caribbean Sea...one was named Trinidad and the other, Tobago. Tobago was blessed with mesmerizing beauty, white sandy beaches, sparkling turquoise waters and lush emerald forests. While her bigger sister, Trinidad, was blessed with black gold and natural gas. Together they are one paradise.

Trinidad and Tobago share their natural resources with the people who came from all over the world, settled on the two islands, and called them home.

The islands became prosperous. While people are the heart of the story, oil and gas are the characters that, up until now, have been the most influential on how our story unfolds.

Some may say our story is like a fairy tale, complete with riches from three energy booms...and villains who come in all forms and fashion, but hopefully we will have a happy ending.

As the story goes, the sisters appear to be favoured by the Gods, or as we say in T&T, “God is a Trini”, as we are fairly well protected from hurricanes, which when they unfortunately strike our neighbors in the Caribbean Sea, set their development back by many years.

Oil and gas have been good to us. We have been able to develop our country, and give our citizens an enviable standard of living. Our per capita GDP is almost US\$20 thousand dollars, making us one of the wealthiest countries in the Western Hemisphere. The World Economic Forum considers us an innovation-driven economy.

Free education from nursery to tertiary levels, free health care, subsidized fuel and no VAT on food are some of the boons granted to the citizens of our twin island paradise by successive governments in power.

We are a little blessed country. There are roughly two cars per household; the average ATM withdrawal is just over US\$100 dollars; and the average value of ATM transactions is around US\$7 million dollars a day. Impressive, considering our population is just 1.3 million people.

Our financial inclusion story started thirty years ago. The villains in our story through their calculated acts of greed, orchestrated and presided over three nationally destructive financial crises in our paradise. The first financial crisis started in the mid-1980s with the collapse of eight non-bank financial institutions...finance houses and trust and mortgage finance companies. This financial crisis seems largely forgotten by

our citizens...well 30 years later and our Deposit Insurance Corporation is still liquidating five of the eight failed non-bank institutions.

Fast forward to 2008, and one of the largest credit unions, the Hindu Credit Union which was bolstered by severance deposits of sugar farmers, crashed. One hundred and forty four thousand people with deposits that mostly represented their life savings and all they had to their names...gone, and virtually unaccounted.

Less than six months later, and our largest local insurance company, CLICO, with assets worth more than 10 percent of Trinidad and Tobago's GDP, collapsed like a house of cards. This financial shock was felt in almost every home in Trinidad and Tobago and in almost every Caribbean country.

The CLICO crisis cost local taxpayers US\$3 billion dollars. Three billion US dollars... that's more than the size of eight of our neighboring economies in the Caribbean. US\$3 billion could have built twenty new, state-of-the-art Children's Hospitals, or built and fully outfitted one thousand new primary schools (more than double the existing number of primary schools), or purchase medicine for all our major hospitals for the next decade.

As a central bank, we are trying to right the wrongs of these painful episodes. Unlike the knight in shining armor, in many stories, who saves the day, we cannot take credit

for doing what we should have to protect our citizens. However in the last two years, Central Bank of Trinidad and Tobago has certainly been doing things differently.

We have changed our approach to supervision. We are building up supervisory capacity and we are extending our regulatory perimeter. Financial supervision is one of the best tools for advancing financial inclusion. As central bankers and policy makers, you are the silent servants of your country's economies... you keep watch over your country's economy...you guard it fiercely...knowing you will be remembered as a villain if financial institutions under your watch crash and fail.

You work when everyone else is asleep... you never turn your back on the smallest spark, as in the blink of an eye these sparks can turn into a raging fire and everything you have worked so hard to protect will be gone. I remind you all here of how valuable our work is in the unfolding financial inclusion story. This session is not meant to be my lecture to you on remembering your responsibility to the people you serve, but it is the one message I needed to say.

I expect most of you are eager to learn what financial inclusion in Trinidad and Tobago is about, and perhaps find out how Trinidad and Tobago became the host of 2014 GPF. What is so special about our financial inclusion story that earned us this prestigious honour to host you?

Trinidad and Tobago has a well-developed and expanding financial sector. Our financial sector accounts for almost one-fifth of the non-energy economy and employs close to one-tenth of the non-energy workforce. At the Central Bank of Trinidad and Tobago, we currently supervise 8 banks, 17 non-banks, over 30 insurance companies, and more than 250 private pension funds. We are preparing to supervise five systemically important financial institutions (SIFIs) and plan to supervise some 100 credit unions.

In Trinidad and Tobago, financial inclusion is not about access to financial services; we have a highly developed financial system. Our population is adequately banked as more than 75 percent of adults have an account at a financial institution. Financial inclusion in Trinidad and Tobago is focused around ensuring our people have the knowledge to make responsible decisions about managing their money, so they don't repeat the same financial mistakes of the past, which I've told you about.

Our financial crises, especially the last two, have been brutal, not just in dollars and cents and not just the ripple effects that were felt in other Caribbean countries. Our financial crises have left psychological scars on many of our citizens.

So, let me give you a better view of our financial picture and what financial inclusion in Trinidad and Tobago looks like.

(VIDEO)

It is difficult to see how people suffer when financial institutions fail.

So how do we ensure people like Elsie, Ruth and Elizabeth never lose their money or dignity again?

We call it FIDA

### **The Good - FIDA**

The financial inclusion development agency...FIDA... You just witnessed history unfold... the unveiling of FIDA's logo just now represents the birth of the world's newest financial inclusion education and training institute. FIDA is the first of its kind in Trinidad and Tobago and in the Caribbean.

You will notice the hummingbird, that delicate quintessential tropical bird, which we selected as the main element of the logo for the 2014 GPF. We felt it important to keep this signature element of the GPF as part of FIDA's DNA. The hummingbird symbolizes a vital characteristic of FIDA, strategic movement. The hummingbird's flight is deliberate, as will be the strategic interventions FIDA undertakes across Trinidad and Tobago.

As you may know, Trinidad and Tobago is the 100<sup>th</sup> member to join AFI and the radiant colors of the hummingbird represent cooperation, collaboration and partnerships, which are all so central to AFI and to advancing financial inclusion in Trinidad and Tobago.

Earlier, I asked you not to neglect financial supervision, which is the top down approach to financial stability. Well, FIDA is Central Bank's grassroots financial stability driver. FIDA will take a bottom up approach to financial stability by specializing in financial inclusion education and training. By taking a more structured approach, FIDA will offer training that is more relevant to the financial make up of Trinidad and Tobago.

FIDA builds upon the pioneering financial inclusion spirit of Central Bank of Trinidad and Tobago in the Caribbean. In 2004, we were the first in the region to establish an Office of the Financial Services Ombudsman, and even until today, we remain the only Caribbean country to have this consumer financial protection agency.

In 2007 we were given the responsibility to establish a National Financial Literacy Programme. Two years later and the CLICO/HCU crises erupted. There was little this newly formed program could have done, in that time, to prevent or lessen the blow of the financial crises through financial literacy.

Though young our financial literacy programme provided some insight, which could have served as an early warning of the crises to come...as a 2007 financial literacy survey revealed that a worrying 36 percent of our population was classified as having low financial literacy. The fact that so many citizens were victims of the financial crash two years later was perhaps an ominous sign of the missing link between proper financial supervision and financial literacy.

This link between financial supervision and financial literacy is the essence of FIDA. While our supervision department examines the health of financial institutions, FIDA will reach out to our people, and through reputable education and training courses, we will demonstrate that financial knowledge is power.

We have already started...with our emphasis on training. We intend to infuse our central banking-backed financial inclusion education into the school curriculum from nursery to tertiary levels.

FIDA is a Central Bank bridge. FIDA links all the bases in financial stability, from the financial institutions in the system, to the Central Bank as the prime regulatory authority, to our citizens who should be better educated on how to use the financial system.

Trinidad and Tobago is on the cusp of reaching universal childhood education, one of the few countries in the world to attain this remarkable feat. Just last week, we partnered with the Ministry of Education to officially have financial inclusion courses taught in our early childhood care centers. Neuroscientists say most of a child's mental development occurs before he or she is four years old. So, the best time to influence a child's life is before age four. Remember, today's adult was yesterday's child. FIDA is spearheaded by an experienced educator, so we are confident with where we are heading with the support of the Education Ministry.

We have already made financial inclusion education and training a part of the tertiary and technical vocational training system, and FIDA will be refining these areas of training.

### **Why FIDA?**

In the video you just saw, you would have learnt some vital data from our 2013 National Financial Literacy Survey such as: 16 percent of adults in Trinidad and Tobago are ALWAYS in financial difficulty; 30 percent of adults have defaulted on financial commitments at least once during the past five years; and 69 percent of adults “sometimes” run out of money before the end of the week/ month, meaning

they spend more than they earn. These findings reinforce the need for a more structured, specialized approach to financial inclusion through an entity such as FIDA.

FIDA's success will be measured by how well prepared people are for financial shocks and how quickly they recover. I hold the view that, if people are better informed about the risk-reward relationship of various financial products, they can make more informed financial decisions and choices. I also firmly believe the series of financial crises we faced would have been less destructive, if our citizens fully understood how financial products actually worked. This is a void FIDA will fill.

### **FIDA goes regional**

While FIDA is brand new, FIDA's team has been bustling behind the scenes as the Central Bank of Trinidad and Tobago has put financial inclusion at the top of its agenda. We have been busy working on bringing life to our Maya Commitments. You just witnessed the birth of FIDA, our first Maya Commitment. You will now witness our second Maya Commitment, as we sign a Memorandum of Understanding with Guyana to transfer knowledge on financial inclusion.

I am pleased to call the Acting Governor of the Bank of Guyana, Dr. Gobind Ganga to come to the stage and the head of the GPF Trinidad Committee, Nicole Crooks, as we sign the Memorandum of Understanding.

I now invite Dr. Ganga of the Bank of Guyana to say a few words.

## **Suriname**

We also signed an MOU to transfer knowledge on financial inclusion with another Caribbean country – Suriname, another fulfillment of our Maya Commitment. We have this video message from Governor Gillmore Hoefdraad of the Central Bank of Suriname who regrettably could not attend the GPF.

(VIDEO)

## **Parting words...**

As we go, I just want to say, Trinidad and Tobago's financial inclusion story is one of promise. We celebrated our 52<sup>nd</sup> Independence anniversary last week, so by some standards we are still a young nation, and while we know the good fortunes of oil and gas may not last forever, entities like FIDA will ensure that our people can manage and survive the transition.

We will undoubtedly experience growing pains... and dark moments, like all nations trying to find their way. But it does not diminish our beauty, nor does it extinguish the

light of these two magnificent sisters, sitting peacefully in the Caribbean Sea, living happily ever after.