



A SELF-EVALUATION OF THE SOUTHERN AFRICAN  
DEVELOPMENT COMMUNITY (SADC) PAYMENT  
AND SETTLEMENT SYSTEMS BASED UPON THE  
FINANCIAL SECTOR ASSESSMENT PROGRAM

**DETAILED ASSESSMENT REPORT ON THE  
CPSS CORE PRINCIPLES FOR SIPS**

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SADC PAYMENT SYSTEM PROJECT TEAM

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## **DETAILED ASSESSMENT REPORT ON THE CPSS CORE PRINCIPLES FOR SYSTEMICALLY IMPORTANT PAYMENT SYSTEMS IN THE SOUTHERN AFRICAN DEVELOPMENT COMMUNITY**

### **Background**

1. The granting of funds to initiate the project tasked with the modernisation of the payment and settlement systems within the countries that make up the Southern African Development Community (SADC) enabled these countries to make dramatic progress over the past few years. Countries that previously had basic and inefficient mechanisms to effect payments have been afforded the opportunity to leap-frog into the 21<sup>st</sup> century and develop and implement safe and efficient national payment systems.
2. In view of the progress made and the conclusion of the grant, it was decided to perform a self-assessment of each of the countries that benefited from the grant, according to the joint World Bank — International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP).
3. With the exception of Mauritius, who were evaluated by the IMF/World Bank in 2003, the self-evaluations were undertaken during the period October 2005 to March 2006.
4. This assessment is aimed at systemically important payment systems (SIPS) in the respective countries with the specific objective of assessing the extent of the compliance of these systems with the Core Principles (CPs) for SIPS.

## **THE CPSS CORE PRINCIPLES AND CENTRAL BANK RESPONSIBILITIES**

### **General**

1. The assessment was conducted by senior staff of the respective payment system departments with input from various departments of the country's central banks and the payment associations, where in place.

### **Information and methodology used for assessment**

1. The main sources of the information gathered during the course of the assessment were the questionnaires specifically compiled for, and completed by the various entities within the countries.

2. The tools used to assist and guide the assessors in achieving the objectives of the assessment were the "Guidance Note for Assessing Observance of Core Principles for Systemically Important Payment Systems and the Structure and Scope of the Assessment Report" produced by the IMF and World Bank in collaboration with the Committee on Payment and Settlement Systems (CPSS). Additionally use was made of the "Core Principles for Payment Systems" generated by the CPSS.

### **Regional — Overview**

1. Since the inception of the project in 1996, all the central banks in the region have dedicated both financial and manpower resources, to address and modernise their respective payment systems. The efforts have resulted in dramatically improved safety and efficiency in the region's payment systems.

2. To-date, enhanced clearing and settlement systems have been implemented in most of the countries:

- Enhanced electronic clearing facilities have been implemented;
- Real Time Gross Settlement (RTGS) systems have been implemented in eight countries;
- Three countries are either about to implement, or are currently developing their RTGS systems

3. Regarding the countries that have only recently joined SADC namely, the Democratic Republic of the Congo (DRC) and more recently Madagascar, their payment systems will require considerable efforts to bring them to the level of the afore-mentioned SADC countries.

4. The Payment Instruments and facilities implemented in the region, include:

- Cash;
- Cheques;
- Credit Cards;
- Debit Cards;
- Electronic Funds Transfer Credits — Facilitate salary payments, Stop Orders and Internet payments;
- Electronic Funds Transfer Debits — Facilitate Debit Orders;
- Real-Time Line – Facilitate Inter-bank payments (where RTGS systems have been implemented)

## **Payment systems infrastructure**

1. The SADC countries have varying degrees of requirements for payment systems and payment instruments. In most urban areas, sophisticated first world facilities and instruments are demanded, while in the remote rural areas, a predominantly cash based requirement is found. This in itself reflects the physical payment system infrastructure implemented throughout the region.

## **Observance of the Core Principles**

1. The degree to which a core principle is considered observed will be reported on as follows:

- Observed: - A core principle will be considered observed whenever all assessment criteria are generally met without any significant deficiencies;
- Broadly observed: - A core principle will be considered broadly observed whenever only minor shortcomings are observed, which do not raise major concerns and when corrective actions to achieve full observance with the core principle are scheduled and realistically achievable within a prescribed period of time;
- Partly observed: - A core principle will be considered partly observed whenever the shortcomings are sufficient to raise doubts about the system's ability to achieve observance within a reasonable time frame;
- Non-observed: - A core principle will be considered non-observed whenever major shortcomings are found in observing the assessment criteria.
- Not applicable: - A core principle will be considered not applicable whenever it does not apply given the structural, legal and institutional conditions.

## **Assessment of the CPs and Central Bank Responsibilities**

1. Although the detailed assessments of the individual countries will be published on the Internet ([www.sadcbanker.org](http://www.sadcbanker.org)), summaries of the degree to which the core principles and central bank responsibilities are considered observed are depicted in Tables 1 and 2:





**Table 2: Summary of observance of the CPSS Core Principles and Central Bank Responsibilities by SADC Country's SIPS**

<b>CORE PRINCIPLES</b>	<b>OBSERVED</b>	<b>BROADLY OBSERVED</b>	<b>PARTLY OBSERVED</b>	<b>NON OBSERVED</b>	<b>NOT APPLICABLE</b>
CP I	6	3	3	0	2
CP II	8	3	1	0	2
CP III	7	5	0	0	2
CP IV	8	3	1	0	2
CP V	2	2	2	0	6
CP VI	12	0	0	0	2
CP VII	5	7	0	0	2
CP VIII	7	4	1	0	2
CP IX	6	5	1	0	2
CP X	9	3	0	0	2
<b>CENTRAL BANK RESPONSIBILITY</b>					
CBR I	11	1	0	0	2
CBR II	4	7	1	0	2
CBR III	4	4	2	0	4
CBR IV	12	0	0	0	2

## **Conclusion**

1. The work completed and the achievements to-date facilitated by the grant has benefited the region tremendously. The level of knowledge, understanding and skills gained, relating to the area of payment systems, will enable the countries to further pursue the goals of achieving and maintaining safe and efficient national payment systems.
2. As for the two countries that joined SADC near the completion of the program, considerable time and effort will still be required to assist both the DRC and Madagascar on their road to reaching what has been achieved by the other countries.

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