



# SADC Payment System – World Bank Report

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# Southern African Development Community (SADC)



# SADC Payment System – World Bank Report

The project was launched in 1996 to :

- Assist individual SADC countries to define a domestic payment strategy and a development plan; and
- Define a co-ordinated regional approach to cross-border payment, taking into consideration the implications for trade, central bank policy, foreign exchange positions and control.

# SADC Payment System – World Bank Report

## Project Vision

- Each SADC country has :
  - An efficient and effective payment system
    - Internationally acceptable
    - Interlinked within the region
    - Supporting the SADC aims of :
      - Free trade



# SADC Payment System – World Bank Report

## Reason for the report

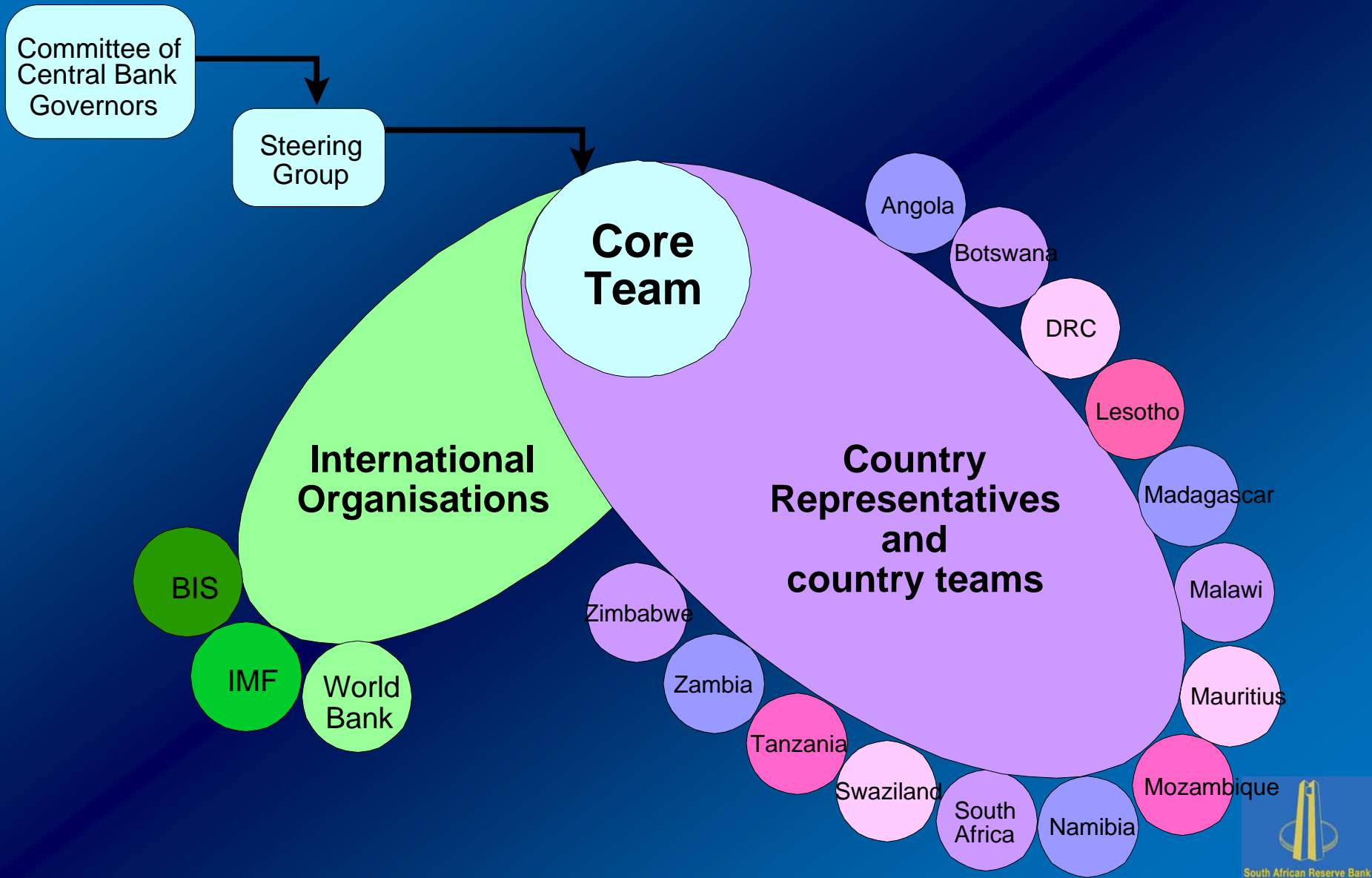
- Report to the SADC Committee of Central Bank Governors (CCBG) on the full status of the project since its inception.
- Highlight the impact of World Bank assistance in the development of the regional payment systems.
- Highlight challenges and opportunities for further development of payment systems in the region.

# SADC Payment System – World Bank Report

## Structure of the report

- Historical background of the SADC Payment System Project.
- The strategic process of modernisation of regional payment systems.
- Projects (within the project) undertaken since 1996.
- Peer review or self-assessment using the FSAP Guidance Note.
- Capacity building issues that have been identified and that need attention.

# The Payment System Project Structure



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- Comment on Seychelles, DRC and Madagascar
  - Seychelles
  - DRC
    - Sensitisation Workshop – March 2005
  - Madagascar
    - CCBG Secretariat Introductory Workshop



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- Different approaches to Modernisation
  - Pure strategic approach
  - Model-based approach
  - Operational approach



# SADC Payment System – World Bank Report

- Strategic Process
  - Project launch
  - Sensitisation
  - Information gathering and stocktaking
  - Vision and strategy formulation
  - Conceptual design
  - Business process specification
  - Technical specification
  - Procurement
  - Development
  - Implementation

# SADC Payment System – World Bank Report

- Project Launch
  - Involve all key stake-holders
  - Appoint the champion – project leader
  - Analyse budgetary requirements
  - Ensure top management support – governor level

# SADC Payment System – World Bank Report

- Sensitisation / Orientation
  - Raise awareness about payment system issues
  - Common understanding and terminology
  - Identify challenges and opportunities
  - Achieve buy-in by key stakeholders

# SADC Payment System – World Bank Report

- Information Gathering / Stocktaking
  - Objective
    - Analyse the current NPS
    - Prepare a report detailing the current situation
    - Identify issues and user needs, strengths and weaknesses
    - Make preliminary suggestion on the way forward

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## Vision and Strategy Formulation

- Vision
  - Desired long term characteristics of the new NPS
- Fundamental principles
  - Principles guiding the development, deployment and management of NPS
- Critical success factors
  - Yardstick against which success will be measured
- Strategies
  - Aligning the current system with the desired NPS



# SADC Payment System – World Bank Report

- Conceptual Design
  - High level design of business processes and support mechanism
    - The payment process
    - The clearing process
    - The settlement process
    - Roles and responsibilities of various players

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- Technical Specification
  - Hardware and software requirements
  - Instrument and message standards
  - System availability
  - Security features

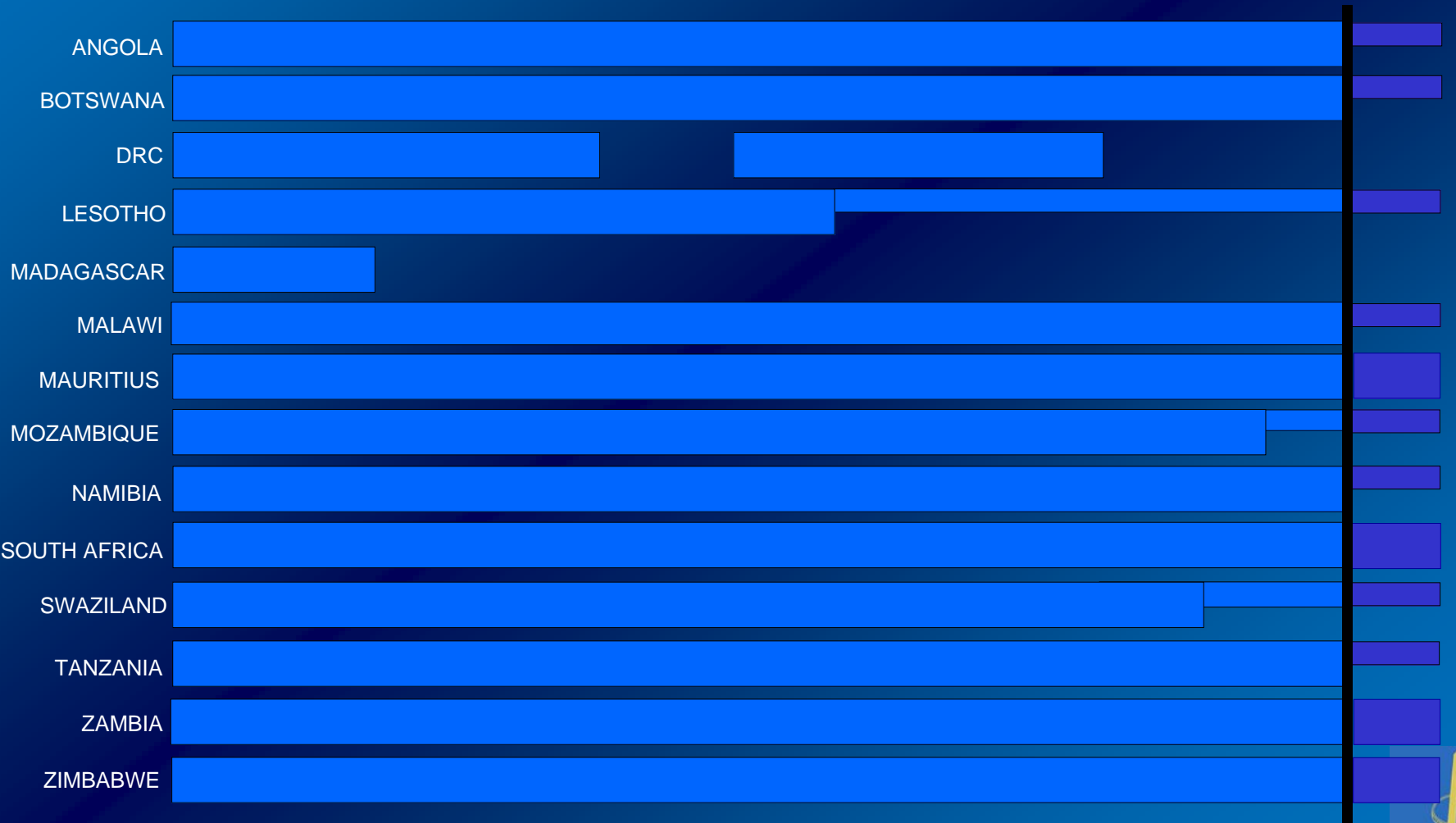
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- Procurement, Development & Implementation
  - RFP and bidding
  - Analysis and selection of bidders
  - Time, cost and strategic requirements
  - Implementation

# SADC Modernisation



LAUNCH   SENSITISATION   INFO & STOCKTAKING   VISION & STRATEGY   CONCEPTUAL DESIGN   BUS. PROC SPECS   TECHNICAL SPECS   DEVELOP/ PROCURE   IMPLEMENTATION



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- Projects undertaken under the funding of the first World Bank IDF Grant
  - The Green Book
  - Sensitisation workshops and annual regional conferences
  - Other workshops
    - SADC/BIS 1998
    - Harmonisation
  - Focus groups

# SADC Payment System – World Bank Report

- Projects undertaken under the funding of the first World Bank IDF Grant (cont.)
  - Training workshops and courses
    - Clearing
    - Payment System Principles
    - Strategic Management
    - Business Analysis



# SADC Payment System – World Bank Report

- Projects undertaken under the funding of the first World Bank IDF Grant (cont.)
  - Profiling initiative (psychometric analysis)
  - Video project
  - Newsletter
  - The SADC Central Bankers Website
  - SADC Guide to Developing a Strategic Framework for Payment System Modernisation (The Guide)

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- Details of Expenditure - Summary – First Grant : Period 1997 to 2002
  - Workshops and conferences
  - Training Workshops and capacity building
  - Country Leaders' meetings
  - SADC Newsletter – Vulindlela
  - Guide to Developing Payment System Development
  - Profiling/ Psychometric testing
  - Video Project
  - IT Forum and Harmonisation Initiatives incl. ESAF
  - Sensitisation workshops
  - **Total**

**USD 500,000.00**



# SADC Payment System – World Bank Report

- Self-funding – The SADC-suitable RTGS Project
  - 2000 – Vision and Strategy completion
  - RTGS the common thread
  - Project launched to determine common business and systems requirements
  - Economies of scale, capacity building and negotiating power
  - 2 vendors recommended to CCBG
  - Cost US\$42 857,00

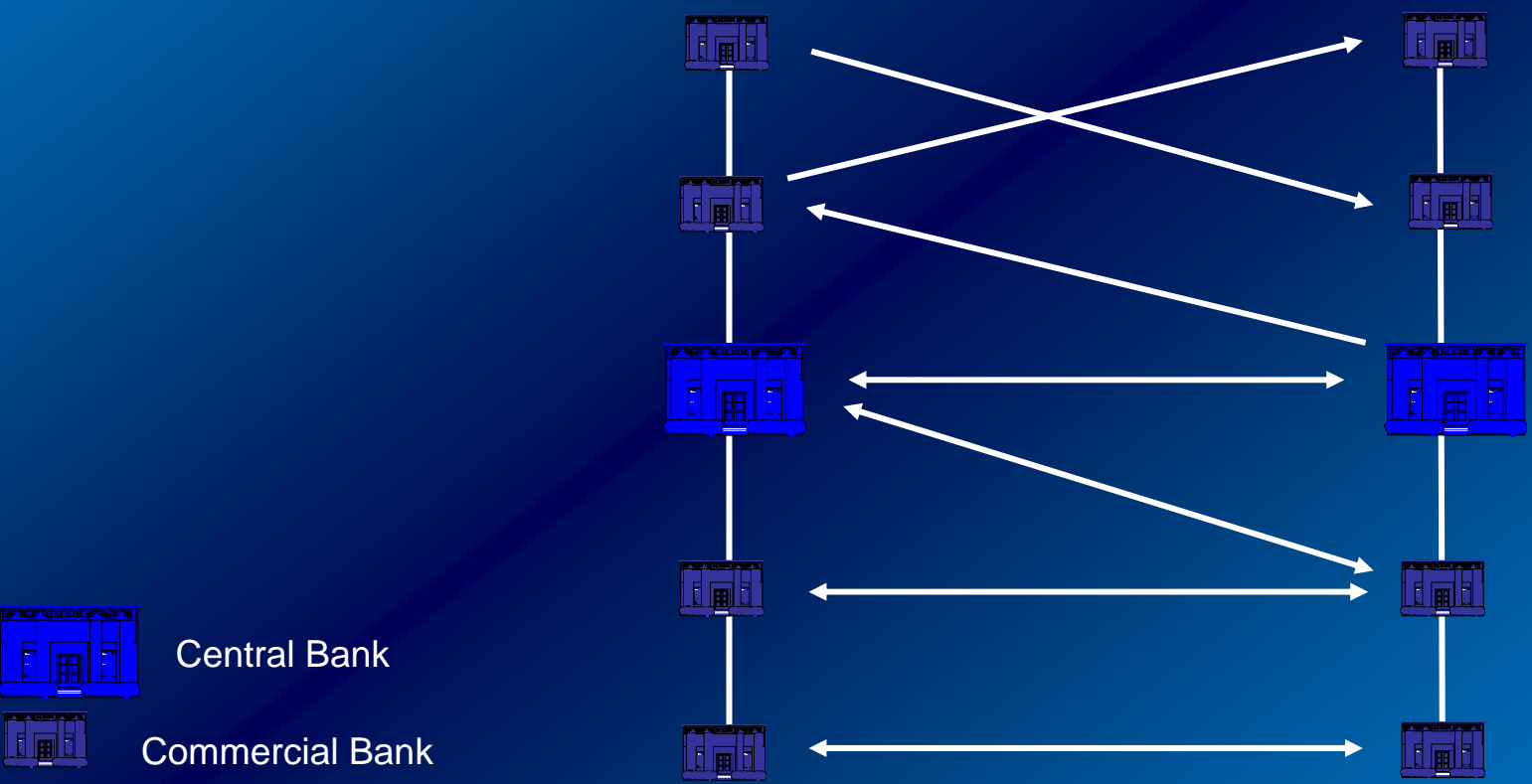
# SADC Payment System – World Bank Report

- Projects under the funding of the Second World Bank IDF Grant
  - SADC Cross-border settlement model initiatives
    - Cross-border Model Workshop – July 2004
      - Focus on Principles
    - Cross-border Model Workshop – June 2005
      - Focus on Models
    - Presentation to CCBG in September 2005

# SADC Correspondent Banking

Country A

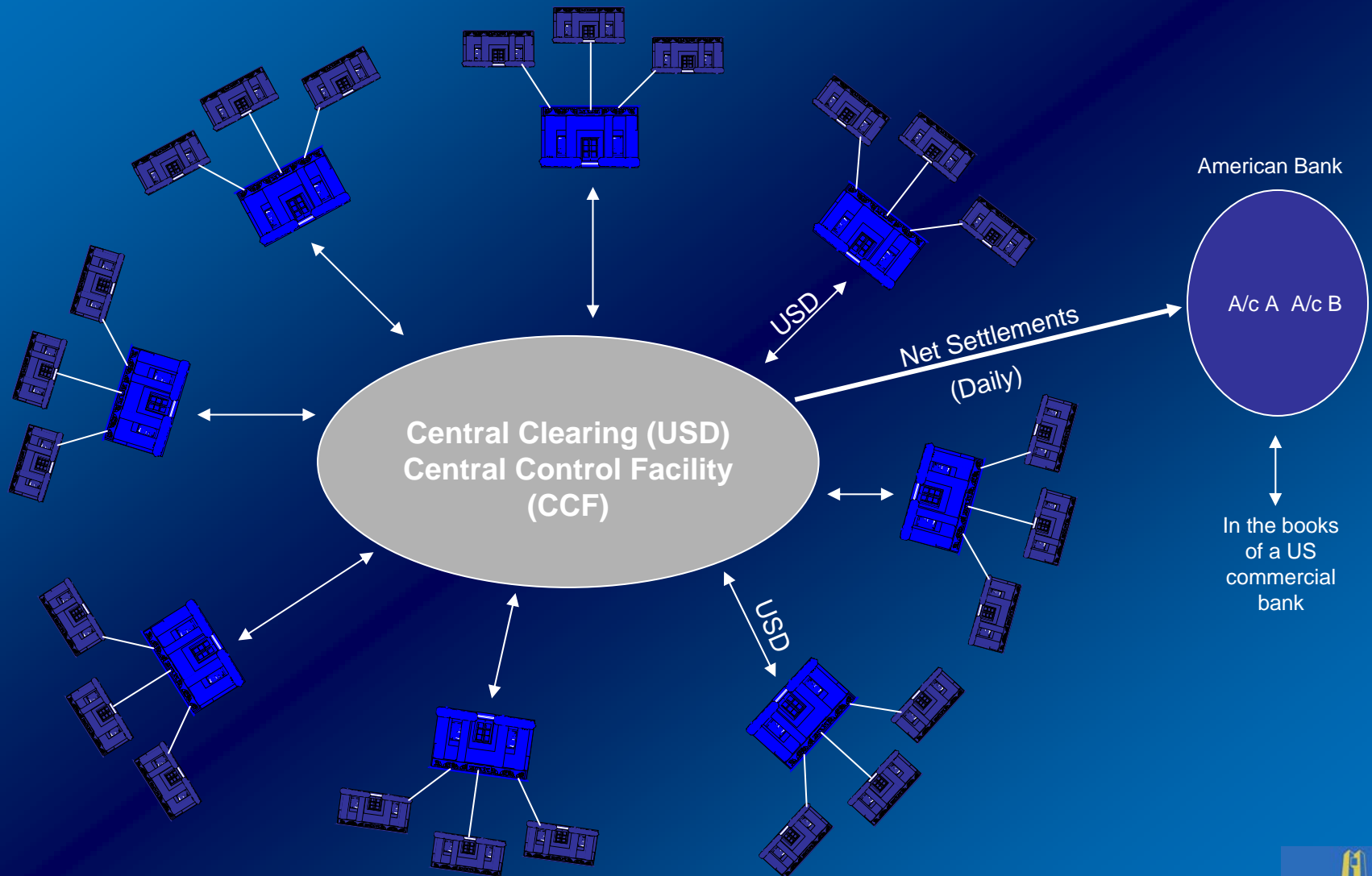
Country B



Central Bank

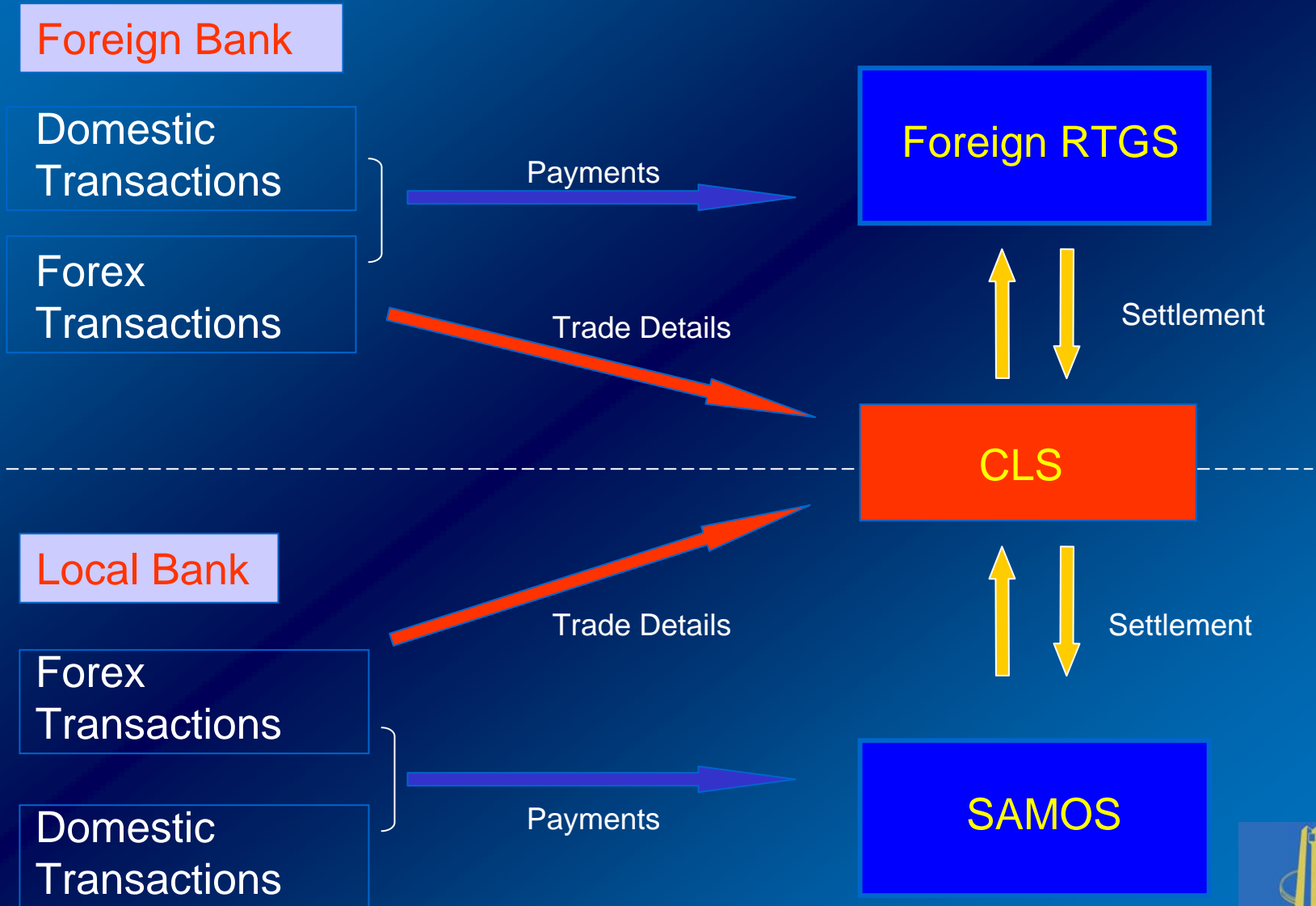
Commercial Bank

# Single US correspondent

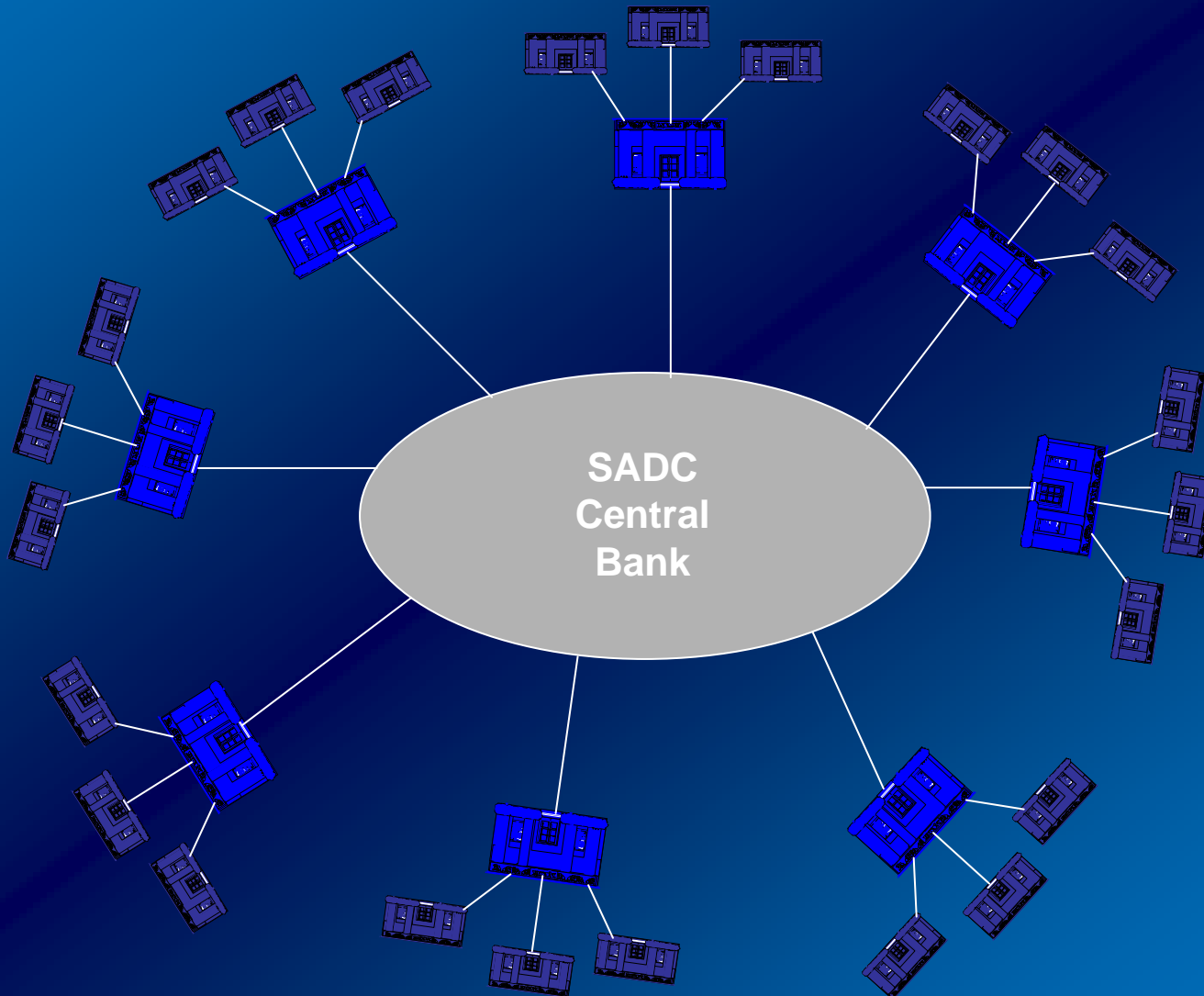




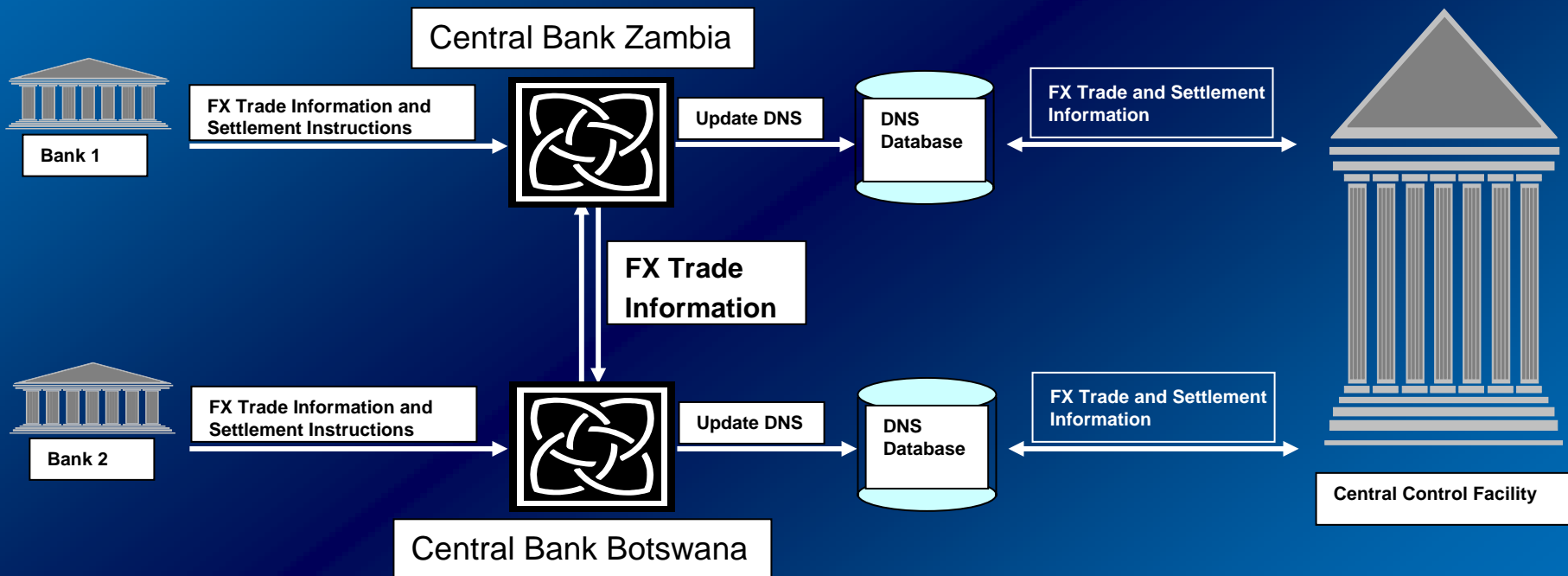
# Multiple currency



# Macro economic convergance



# A proposed model



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- Supporting workshops and seminars held during the Second World Bank IDF Grant
  - Country Leaders' Meeting & Workshop – May 2003
  - Annual Regional Conference – Sept. 2003
  - Annual Regional Conference – Sept. 2004
  - CPSS/SADC Conference – February 2005
  - DRC Sensitisation Workshop – March 2005
  - FSAP Preparatory Workshop – October 2005
  - Self Assessment (FSAP) Workshop – March 2006

# SADC Payment System – World Bank Report

- International contributions
  - BIS CPSIPS
  - General Guidance for National Payment System Development



# SADC Payment System – World Bank Report

- Details of Expenditure - Summary – Grant No. 2 : Period 2003 to 2006

Workshops, meetings and Conferences

- Country leaders' meeting (June 2003)
- Annual Regional Conference (2003)
- Cross-border workshop
- Annual Regional Conferences
- CPSS/ SADC conference
- DRC Sensitisation workshop -2005
- Cross-border settlement model
- FSAP Workshops
- Sub-Total
- Video Project - maintenance
- SADC Newsletter
- Consultants
- **Grand Total**

**USD 416,500.00**



# SADC Payment System – World Bank Report

- FSAP Self Assessment
  - In August 2005 Country Leaders agreed on importance for region
  - Would allow evaluation in terms of CPSIPS
  - Would show progress made and compliance to World Bank
  - Finalised at workshop in March 2006

# Systemically Important Payment Systems (SIPS)

<u>Country</u>	<u>RTGS</u>	<u>ECH / Cheques</u>
Angola	X	
Botswana		X
DRC	-	-
Lesotho		X
Madagascar	-	-
Malawi	X	
Mauritius	X	
Mozambique		X
Namibia	X	
South Africa	X	
Swaziland		X
Tanzania	X	
Zambia	X	
Zimbabwe	X	

# Core Principles for SIPS

Core Principle	Observed	Broadly Observed	Partly Observed	Non Observed	Not Applicable
CP 1	6	3	3	0	2
CP 2	8	3	1	0	2
CP 3	7	5	0	0	2
CP 4	8	3	1	0	2
CP 5	2	2	2	0	6
CP 6	12	0	0	0	2
CP 7	5	7	0	0	2
CP 8	7	4	1	0	2
CP 9	6	5	1	0	2
CP 10	9	3	0	0	2



# Central Bank Responsibilities

Central Bank Responsibilities	Observed	Broadly Observed	Partly Observed	Non Observed	Not Applicable
CBR A	11	1	0	0	2
CBR B	4	7	1	0	2
CBR C	4	4	2	0	4
CBR D	12	0	0	0	2

# SADC Payment System – World Bank Report

- The Way Forward and issues outstanding in the SADC Region
  - Regional
    - Oversight
    - Remittances
    - Securities systems
    - Capacity building
    - Updated statistics

# SADC Payment System – World Bank Report

- The Way Forward and issues outstanding in the SADC Region (cont.)
  - Individual projects
    - Capacity building and assistance to DRC and Madagascar
  - Funding
    - Funding from external sources
    - Self funding

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## Acknowledgements