

Regional Payments Systems in Africa with a specific focus on the SADC Integrated Settlement System (SIRESS)

Introduction

- Regional financial integration is one of the key objectives of the African Union in its pursuit of economic integration of the African continent
- The WB define financial integration as “the process through which the financial markets of a country become more closely integrated with other countries
- Regional economic communities across Africa have included financial integration as a key objective in founding documents, including in the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC).

Introduction (Continue)

- The process of integration is being pursued on various fronts, ie trade, banking supervision, ITC
- This paper focuses on the development of payment systems to promote regional financial integration in Africa
- Focus will be on COMESA, EAC and ECOWAS and SADC

COMESA

COMESA consists of 19 member countries

In 2010 the region decided to implement the Regional Payments and Settlement System (REPSS).

REPSS envisages faster transfer and receipts of funds within the region at a lower price

REPSS went live operations on 3 October 2012

The Central Bank of Mauritius is the settlement bank of the COMESA REPSS

COMESA (Continue)

- REPSS operates on the basis of same day settlement in USD and EUR
- The system is fully backed by central banks
- COMESA indicated that the cost of cross-border payment for the intra-regional trade of US\$17,4 billion in 2010 had been estimated at US\$600 million
- Channelling payments through REPSS would have saved the region a huge proportion of that cost.
- At present, no data on the operation of COMESA payments system could be obtained.

East African Community

- The EAC countries include the following member States: Burundi, Kenya, Rwanda, Tanzania and Uganda
- Under the Common Market Protocol, partner states agreed to remove all barriers and restrictions on the movement, sale, investment and payments of capital.
- In 2010 three members of the EAC, namely, Kenya, Tanzania and Uganda, agreed to develop a multicurrency regional payment system interlinking the domestic payment systems in each of the three countries
- The system is currently operational between Tanzania, Kenya and Uganda, successfully linking Tanzania Interbank Settlement System (TISS), Kenya Electronic Payment and Settlement System (KEPSS) and Uganda National Interbank Settlement (UNIS).
- The immediate next steps of the region are to assist Burundi and Rwanda in the development of financial market infrastructures to facilitate their inclusion in the regional payments system.

Volumes and Transactions for EAPS for 2014

Table 1: Total volumes and values of transactions for EAPS for 2014

	Tanzanian shilling		Kenyan shilling		Ugandan shilling	
	Total Vol	Total Val (Millions)	Total Vol	Total Val (Millions)	Total Vol	Total Val (Millions)
January	8	38	113	220	102	2,554
February	15	576	177	175	38	2,056
March	30	1,631	208	384	34	3,657
April	11	66	273	310	35	1,597
May	11	351	366	391	38	2,631
June	22	263	288	567	32	4,351
July	57	440	389	773	279	8,313
August	39	1,142	410	1,081	63	6,438
September	48	4,743	533	2,218	63	4,142
October	66	1,662	323	2,896	84	6,742
November	57	774	277	2,077	74	7,480
December	76	3,918	322	1,939	471	5,174
	440	15,603	3,679	13,031	1,313	55,135

Source: COMESA

Economic Community of West African States (ECOWAS)

- ECOWAS Monetary Cooperation Programme (EMCP) provided the blueprint for the economic integration of the countries of West Africa.
- The EMCP called for the creation of a single monetary zone in the sub-regions known as the West African Monetary Zone (WAMZ) in April 2000 with the goal to establish economic and monetary union of the member countries.
- In 2001, WAMZ created the West African monetary Institute (WAMI) to undertake preparatory activities for the establishment of the West African Central Bank (WACB), and the launching of a monetary union for the Zone
- In 2010 the African Development Bank approved a grant of USD 30 million to ECOWAS for the WAMZ Payments System Development Project
- The Gambia's high-value payment system went live in July 2012 and Sierra Leone followed in 2013. The target date of the project completion in all four countries was June 2014. This target has however not been achieved.
- No data for the progress of the WAMZ payments project could be obtained.

The Evolution of the SIRESS Project

- The SADC region inter alia aims to promote regional financial integration, establish a free trade area, a customs union, and a regional payments system
- The first phase of SIRESS went live for CMA countries in July 2013
- The new system allows the settlement of payment transactions in a central location (SARB) using rand as the common settlement currency.

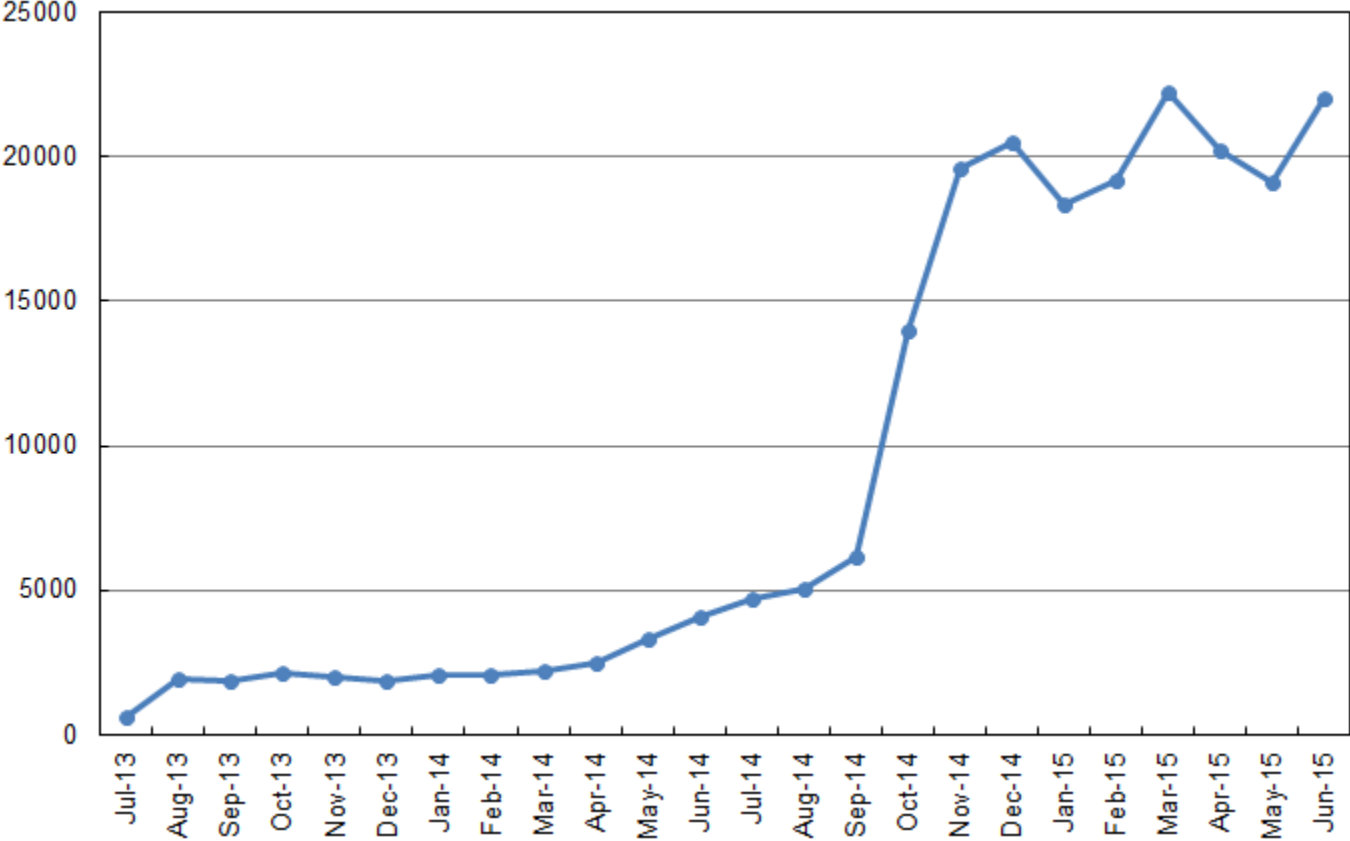
The Evolution of the SIRESS Project (Continue)

- The implementation of the SIRESS was made possible through collaboration between commercial banks through the SADC Banking Association, and SADC central banks in the SADC Member States.
- The systems allows for money clearances across borders within the same working day, whereas with cheques and paper-based transactions clearance period took between 7 and 21 working days
- Since its launch, a few commercial banks and some central banks from non-CMA SADC Member States have joined and are now active participants on the system.

The Evolution of the SIRESS Project (Continue)

Country	Number of participants
Lesotho	5
Malawi	12
Mauritius	4
Namibia	7
South Africa	10
Swaziland	5
Tanzania	5
Zambia	9
Zimbabwe	15

Total number of transactions settled on SIRESS, July 2013-June 2015



SIRRES Project (Continue)

- As at June 2015, six central bank and 65 commercial bank participants from nine SADC Member States are participating in the SIRESS platform.
- SIRESS processed 22 044 transactions to the value of R81,29 billion since inception in July 2014.
- The average number of transactions processed per day 1050, which represents an average value of R3,84 billion.
- A total of 217 736 transactions to the value of R1 157 trillion have been settled on the system to date in June 2015.
- Furthermore, a peak monthly volume of 22 301 transactions were observed in March 2015, while a peak value of R87, 67 billion was recorded in December 2014.

Potential Impact on Trade

- With the exception of South Africa, SADC economies rely primarily on the trade of primary goods.
- In 2013, total exports from SADC were reported at US\$246,2 billion with 44,4 per cent of these exports coming from South Africa and 28,1 per cent from Angola.
- Similarly, total imports were US\$256,9 billion, with South Africa accounting for 46,3 per cent of total imports, while Angola accounting for 19,7 per cent of total imports.

Potential Impact on Trade

2011	% of global SADC total trade			SADC global trade \$ million		
Country	Angola	Botswana	DRC	Angola	Botswana	DRC
Exports	28.1%	3.3%	4.6%	69,263	8,149	11,191
Imports	19.7%	3.5%	5.1%	50,561	8,856	13,218
	Lesotho	Madagascar	Malawi	Lesotho	Madagascar	Malawi
Exports	n/a	1.3%	0.7%	n/a	3,191	1,717
Imports	n/a	1.8%	0.9%	n/a	4,562	2,378
	Mauritius	Mozambique	Namibia	Mauritius	Mozambique	Namibia
Exports	2.6%	1.9%	2.3%	2,647	4,716	5,640
Imports	3.1%	3.5%	3.1%	5,158	6,307	8,008
	Seychelles	RSA	Swaziland	Seychelles	RSA	Swaziland
Exports	0.6%	44.4%	0.9%	1102	109,202	2,096
Imports	0.5%	46.3%	0.9%	1266	119,061	2,250
	Tanzania	Zambia	Zimbabwe	Tanzania	Zambia	Zimbabwe
Exports	3.3%	4.6%	1.6%	8,215	10,655	3,978
Imports	5.5%	4.2%	3.0%	14,195	11,231	7,684
Total Exports	246,170 million					
Total Imports	256,933 million					

SIRESS and Multiple Currencies of Settlement

- Within SADC, the South African Rand is the most convertible currency followed by the Botswana pula.
- As a result, the region has limited choices for a settlement currency on the basis on currency convertibility.
- Most SADC member states use the US dollar for intra SADC trade
- Followed by the Rand
- One crucial issue to be resolved by SADC is whether multiple currencies could be used on the platform.

Conclusions

- Africa is making slow but steady progress with the implementation of regional payments systems
- Significant progress has been in SADC made with the implementation of SIRESS
- Integrated payments systems can contribute to regional trade
- Integrated payments systems can reduce the cost of intra regional trade