

SWIFT Insights

Regional Conference in Africa

May 2009

A community in action

This year's conference reflects the challenges topping the agenda of the African SWIFT community as a whole. First and most obvious is the financial crisis. While much is already known about the impact of the crisis on the industry, its members and customers, there are still questions about its extent and duration. A number of certainties have been established, however, Perez-Tasso noted. In particular, managing risk in all its forms has risen – and remains very high – on the agenda of financial institutions. In that regard, he pointed to the success of market infrastructures throughout the crisis in holding up well under extreme pressure. Investment in market infrastructures has clearly paid off, he said.

The second theme is regional initiatives. "There is a clear trend in the region to regional economic groupings and shared services," he observed. Third is worker remittances, which, said Perez-Tasso, often provide the first contact with formal financial services to the recipients of remitted funds. Remittances can therefore act as a stepping-stone to providing a wider range of services to parts of the population that have not yet benefitted from them. The fourth theme, to which Wednesday is largely being devoted, is corporate access. "This is the development that has arguably had the biggest impact on SWIFT in the past decade," said Perez-Tasso.

Looking at the conference as a whole, he pointed out that with 354 attendees this is the largest SWIFT African regional conference ever. The overall conference theme of market harmonisation, which, he said, was "at the heart of the community's business

The SWIFT African Regional Conference will this year be driven by four key themes, Javier Perez Tasso, head of Western Europe, Middle East and Africa, told delegates to the opening plenary session on Tuesday.

priorities" has a bottom-line implication for all participants. He cited a recent comment by the Moroccan Minister of Trade who suggested that successful regional integration would add 2% to Moroccan GDP.

Referring to the host country for the conference, Perez-Tasso noted that Morocco has so far weathered the crisis relatively well with GDP growth still positive and inflation relatively low. This message was subsequently reinforced by Mohamed Karim Mounir, SWIFT User Group chairperson for Morocco who pointed to the number of visible signs of projects in progress, both private and public. As far as SWIFT activity in the country is concerned, Mounir said that outbound traffic growth for Morocco's 19 SWIFT members grew by over 20% in both 2006 and 2007. Despite the crisis, it was still around 10% in 2008. In addition to the role of SWIFT in its RTGS and a number of other infrastructural projects, Mounir also highlighted Morocco's participation in several SWIFT pilots, including TSU and workers remittances.

An age of constraint

Addressing the African conference for the first time, Yawar Shah, chairman of the Board of SWIFT, focused on the impact that tighter financial constraints might have on the way collective initiatives are approached.

Prior to the collapse of Bear Stearns and then Lehman Brothers, SWIFT's business appeared to be going almost 'too well'. Once the crisis hit, however, "We saw events unfolding in real time," said Shah. SWIFT itself remained resilient throughout and remains on a solid financial footing. SWIFT is not, however, acting on its own and, said Shah, both the Executive and the Board recognise the need to prepare for the potential impact of volume contractions. It is therefore preparing for the possibility of falls in traffic of 5-30%, while at the same time continuing to invest in key initiatives that will result in improved STP rates and add value to the community's risk management processes.

At the same time, Shah broached the need for the community as a whole to re-examine some of its investments in collective initiatives. "We banks have invested in numerous competing schemes," he pointed out. "Now, when we have to consolidate, we need to look at shared services in a different way." Shah suggested that where there is overlap, some existing initiatives might be combined. Some of these might come under the SWIFT umbrella and others might be ceded to different bodies. "Let's have a strategic dialogue about what we need and make sure we govern it together," said Shah. ➤



Alice Zanza, senior financial sector specialist in the World Bank Payment Systems Development Group, and previously head of payments system at the Reserve Bank of Zimbabwe, provided a retrospective of how the crisis unfolded from Sibos in Vienna onwards. "When we saw people leaving Sibos, we wondered what the impact would be on our markets, little expecting the implications to be so widespread," she said.

Africa has not been spared: falling commodity prices, reduced foreign direct inflows, a slump in remittances, and companies scaling back or shutting down are visible signs of the crisis across the continent. One piece of good news came in December, however, when the Somali central bank went live on SWIFT making SWIFT coverage of the continent complete.

Zanza provided delegates with a list of outstanding issues that remain on the agenda. These include upgrading retail payments systems – where Africa is lagging – and the need to focus on particular payments corridors, which remain expensive for users. Other challenges involve building capacity, reforming legal and regulatory frameworks, overcoming an unwillingness to share infrastructure, and developing secondary markets. "We need to cross bridges in our imagination before we come to them," said Zanza, noting that it took 192 years for the channel tunnel between England and France to move from conception to completion.

Alain Raes, chief executive, EMEA, SWIFT, aware that he was the last barrier between delegates and coffee, provided a brief overview of where the experience in other regions might offer useful lessons for the various African regional initiatives and what new needs might arise as a result, not only of the financial crisis, but of the arrival of new players on the scene.

Much of the rest of the day was given over to exploring the range of regional initiatives across Africa with their different models and varying degrees of ambition. While many of these have been well mapped out, the final question of an interactive afternoon session brought home the depth of the challenges facing the promoters of regional integration, from achieving consensus among a large group, to coping with different levels of development among participants and the consequent difficulties of macro-economic convergence. 🌐

Looking back

Arthur Cousins, director, strategy and product development, The Standard Bank of South Africa, and long-standing SWIFT Board member, will be stepping down from the Board in June. He spoke to Insights about the progress he has witnessed in the development of the SWIFT African community.



“I’ve been on the Board twice, altogether for a total of some nine years. From both a personal and a Board perspective, the biggest achievement, I feel, is helping to shape a strategic direction for the cooperative that included the emerging world and finding a slot for Africa under that umbrella. This began originally as the BRIC strategy of the Board but with the input of some of the management at SWIFT, this became BRIC+ and Africa was thereby included. This led to a recognition that SWIFT needs to invest in Africa and hence the upgrading of the office in Jo’burg and focusing through the Dubai office on North Africa.

I think in the case of Africa, the community has been eagerly watching, adopting and then deploying infrastructure. As there’s far less legacy, it’s been easier for Africa to adopt SWIFT-based infrastructure than possibly the more developed economies, where there is a lot of legacy. The challenges that present themselves are often basic things like connectivity. It’s all very well being able to log on to SWIFT, but if the underlying power supply, cabling and networks are not up to standard, it still makes it difficult to operate efficiently. So

associated with the financial infrastructure is the need for physical infrastructure to be addressed on an ongoing basis. Cables are, however, being laid all around the continent and progress is being made.

In Africa, the central banks have played a driving role in reforming financial infrastructure. A lot of the central banks have now deployed best of breed RTGS systems that have taken their own communities a step forward. They’ve also often driven financial market improvements in areas such as ACHs and cheque processing. In the US and parts of Europe, commercial banks are often the drivers of a lot of these initiatives, but they involve investment in time, people and money and people possibly don’t see the major returns for that in African markets as they do elsewhere.

As a whole, however, an amazing amount has been achieved since the first African regional conference. Now the regional initiatives will provide the next wave to move Africa forward and SWIFT has got a crucial role to play there. There’s a lot of good stuff to come. I am forever optimistic.” 🌐