

Linah K Mohohlo: The role of information technology in domestic economic development and regional integration – opportunities and related challenges

Speech by Ms Linah K Mohohlo, Governor of the Bank of Botswana, at the Gala Dinner of the SWIFT 2013 Africa Regional Conference, Gaborone, 22 May 2013.

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On behalf of the Board and all staff of the Bank, I would like to welcome you, not only to Gaborone and to Botswana, but to this Gala Dinner as well, an event at which we need to relax, mingle and get to know each other less formally.

In his opening remarks yesterday, the Honourable Minister highlighted the importance of this Conference to the development and economic integration process of Africa. Taking cue from this, you have since deliberated on several issues that are fundamental to these developments, which include payments systems, financial inclusion, cross-border payments, as well as information and communication technology (ICT).

This evening, I will share with you some observations on the subject of “The Role of Information Technology in Economic Development and Regional Integration: Opportunities and Related Challenges”. By now, you can hardly have failed to notice the impact of the continuing ICT revolution in transforming the daily lives of most people: both rich and poor, young and old. Contrary to widely-held expectations, ICT has proved to be an effective agent for narrowing, not widening, the digital divide. But the sheer dynamism of this revolution brings not only evolving opportunities, but also challenges, particularly perhaps for traditionally conservative bodies such as central banks.

It is now clear that ICT-driven financial transactions can be the impetus for the next stage of domestic socio-economic development and should, therefore, be fully harnessed in promoting regional economic integration. It goes without saying that, if the benefits of ICT are to be realised, members of the public, financial sectors of respective countries and all stakeholders must be fully on board; they need to embrace its use and ensure that it is not subverted or abused.

Distinguished Ladies and Gentlemen:

The path to regional and, ultimately, continental economic development and integration is complex; it requires purposeful and resolute determination, the preconditions of which include meaningful economic integration, harmonisation of fiscal and monetary policies and convergence of banking policies and systems. With respect to the last of these, you will agree that coordination in harnessing the potential of ICT-based financial transactions infrastructure is critical for progress in driving forward the process of development and integration.

Many in Africa share a common experience of inadequate infrastructure, whether it be for transport, communication, or making payments. Until we are personally inconvenienced, it is easy to forget the problems this can cause. But we need to change the current situation where, in far too many respects, the continent remains more directly linked with developed countries than with its constituent nations. It is not unusual to have better flight connections between African countries by first going to Europe. Indeed, not so long ago, intra-continental telephone communications were routed through London, Paris, Madrid or Lisbon.

I am reminded of the observation made yesterday at the first plenary session that to a large extent, the priority of domestic rail and road infrastructure is outward linkages to seaports, rather than to neighbouring countries. Some rivers marking national boundaries still have no bridges; and to all of this must be added the problems caused by visa applications, customs controls and overly zealous officials manning our borders.

Evidently, the bottlenecks are further compounded by weak, or even non-existent, direct cross-border payments infrastructure between countries. In fact, as already pointed out, it is quicker to effect payments to Europe, North America and other developed markets than across borders within Africa. This is either because, the impressive recent growth of pan-African banking groups notwithstanding, many of our banks and financial institutions are mostly of European or North American parentage; or it is due to better technological linkages with the developed world.

It is pleasing, however, that efforts to redress this infrastructure deficit are at last gathering much-needed momentum, whether it be through established institutions such as the African Development Bank, institutions-in-waiting such as the proposed BRICS development bank, or through funding by way of private capital markets.

Furthermore, advances in ICT abound across the continent, with levels of connectivity heading steadily, rapidly even, in the right direction. Indeed, ICT is key to social and economic connectivity, as it renders payments more efficient and cheaper at all levels: domestic, regional, Pan-African and global. This is of particular benefit in the African context where banks continue to be spread thinly across people's settlements, particularly in rural areas. In this case, cellular phone networks are enabling previously excluded segments of society to access basic financial services, mainly through money transfer facilities, but increasingly through other features associated with traditional banking.

In Botswana, we are making discernable progress (although we can increase the pace); we are in the process of modernising the payments system. We have now electronically automated the Clearing House, and this has reduced the cheque clearing period to only a few days. The objective is to reduce the clearing period further to one day when the cheque imaging and truncation technology is in place. Furthermore, large value payments (that is, those in excess of half a million Pula) are made electronically, in this way benefiting government and large corporations, given improved speed and security, as the risk of fraud is reduced. The Real Time Gross Settlement system has also been in operation for a good number of years (at least 7 years).

A platform of Visa International called Visanet provides a national net settlement service for all participating banks. Internet banking, using a desktop computer, is complimented by mobile phone transactions for paying utility bills, money transfers and managing bank accounts. Many pensioners and beneficiaries of government social security programmes are able to access their entitlements through smart card technology that is operated by local shops and businesses, irrespective of their place of abode.

As a result of these ICT-driven infrastructure improvements, people located in areas far away from developed parts of the country now have access to financial services. The time saved in long distance travel to go to banks and/or pay bills is significant. More broadly, the much needed financial inclusion is being facilitated by affording and extending basic services of money transfer, payments and safe-keeping to those living in all but the most remote communities. This is most important in our society where the extended family remains of central importance. It is particularly gratifying for those of us with long enough memories to recall the effort that was previously required to effect even the most basic transaction from such locations.

Cross-border payments have also been facilitated. In the SADC region, the payments integration project is well underway, and the SADC Integration Regional Electronic Settlement System (SIRESS for short) is expected to be commissioned later this year.

Just as for infrastructure for domestic financial transactions, the prerequisite for effective cross-border payment systems is that they must be safe and secure. To echo the sentiments made by the Honourable Minister yesterday, this means an effective legal and regulatory framework is indispensable in each jurisdiction, in order to satisfy the much needed legal legitimacy of electronic signatures, as well as other identification and evidential information.

I trust SWIFT would want to be associated with these developments (advanced ones and those not so advanced). It is important that Africa receives, from SWIFT, the much needed support so the continent is able to leap-frog into transactions that no longer depend on face-to-face exchanges of cash, particularly in view of the limited bank branch network.

Given my vantage point, I have observed that the reaction of governments and central banks to the rapid spread and increase in usage of electronic financial services, particularly through cellular phones, has been mixed. There are those who wish to push for across-the-board regulation, and others who favour a more selective, or “light-touch”, approach in order not to be seen to discourage innovation of new platforms and business models. The emerging view is that any regulation, oversight and supervision should focus on each specific service, rather than adopt a one-size-fits-all approach.

In other words, a bouquet of oversight regulatory and supervisory instruments will need to be selectively and judiciously brought to bear on ICT-based financial services. Indeed, there are elements to which commercial law and consumer protection regulations should apply; while those that are potentially of systemic importance to the financial sector will fall under the prudential ambit and appear on the supervisory radar. In view of the evolving nature of technology and its application, it is imperative that establishing the appropriate balance between vigilance, adaptation and learning through experience is the order of the day. Needless to say, central banks play a key role in selecting the appropriate colours and scents for this bouquet; what is critical is to learn to be adaptable and, if necessary, creative, without losing sight of the core responsibilities.

Honoured Guests:

I conclude by acknowledging our collective indebtedness to SWIFT and technology solution companies for playing their part in researching and developing technology and its software, in the best interests of enhancing the development and expansion of the financial sector. In turn, this smooths trade relations by expediting cross-border payments, thus enhancing regional and continental economic integration.

Distinguished Guests, Ladies and Gentlemen:

This brings me to the end of my remarks. I wish you fruitful deliberations of what is left of your daunting programme. I also wish you a safe return home. I hope you will take with you pleasant memories of your brief stay in Gaborone.

Better still I hope you are seriously considering the Honourable Minister’s invitation to familiarise yourselves with our city and its surroundings. For those able to spare a little time, please visit at least one of the unique tourist attractions for which the country is renowned. As the brand goes: Botswana is our pride; please make it your destination.

Please enjoy the dinner and the rest of the evening.

I thank you for your attention.