

Caleb M Fundanga: Payment system developments in the region

Speech by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official opening of the 2007 SADC Payment Systems Regional Conference, Livingstone, 2 April 2007.

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- SADC Payment Systems Project Team Leader;
- SADC Payment Systems Project Country Leaders;
- Chairperson, Bankers Association of Zambia;
- Delegates from all SADC Countries;
- Distinguished invited guests; and
- Ladies and Gentlemen

On behalf of the Bank of Zambia and indeed on my own behalf, I wish to welcome you all to Zambia and Livingstone in particular. For those of you coming to Livingstone for the first time, you will no doubt soon discover that this historical city, which incidentally was Zambia's capital city until 1935 when it was moved to Lusaka, is one of the world's pristine tourist destination and boasts of a number of magnificent sights and places of cultural interest. For those of you that have been here before, I wish you a joyous time as you renew your acquaintance with this beautiful city and enigmatic Victoria Falls. To all of you, I implore you to shop around and take a piece of Livingstone as souvenir on your return.

Ladies and Gentlemen, allow me to thank you all for being here for the 2007 SADC Payment Systems Regional Conference. This event has now become interwoven into the tradition and fabric of SADC. It has come to symbolize our commitment to collaboration and consultation within the SADC Committee of Central Bank Governors (CCBG) and annually marks our contribution to the process of regional economic co-operation and integration. It is in this light that the Bank of Zambia applauds the favourable response from all central banks, individuals and other institutions represented here for allowing their members of staff to attend this event. As Bank of Zambia, we believe this event provides an excellent opportunity for exchanging views and sharing ideas in improving our national payment arrangements to foster economic growth and integration.

Ladies and Gentlemen, lessons from the development of payment systems in the European Union and the United States of America provide a useful guide for emerging market economies such as ours. That be as it may, recent technological advancements and developments in China and India are also instructive as they glaringly indicate that it is possible to leap frog some of the historical development experiences of these major industrialized economies. However, it is without a doubt that this will require the concerted efforts and commitment of all those involved in the transformation of national payment systems to stay the course as challenges are abound. For instance, it is quite clear that consumer demand for payment services largely outstrip supply and more work needs to go into improving the outreach, efficiency and pricing of existing payment arrangements. In this regard, payment systems researchers warn that if left unattended or unresolved these challenges could eventually overwhelm us and hinder the effectiveness of payment systems and hence commerce.

Ladies and Gentlemen, I would therefore like to salute the SADC Payment Systems Project Team for showing good leadership. This has ensured that the basis of the evolution of payment systems in the region is collaborative and consultative, which is critical to the overarching objective of regional economic co-operation and integration. In this regard, not only have most SADC member country implemented real time settlement systems, but these developments have also been anchored on common and jointly developed business and technical specifications. Other developments include the introduction of automated clearing houses. This particular development has positively contributed to improving the processing efficiency and reducing risks associated with cheque transactions. Most importantly, perhaps, is that this development has enabled the introduction of systems such as direct deposits (or credits) and direct payments (or debits) which are truly convenient mechanisms for handling the direct deposits of salaries and wages of workers amongst others. These direct-credit and direct-debit systems are also used to handle regular monthly bills for utilities and could potentially be used in administering pensions and many other government benefits. It is also instructive to note that these developments are supported by sound legal bases that ensure that payment systems in the region are safe, practical and meet international best practice.

Ladies and Gentlemen, payment instruments and mechanisms are not new in this region. We all are aware from our own history that some kind of instrument and mechanism has always existed to

facilitate trade and other endeavours. What is abundantly clear, however, is that given the increased mobility of the citizens within the respective SADC member countries between cities and rural areas and at times between member countries, the need for payment instruments and the attendant mechanisms to facilitate safe and efficient remittances is arguably the relatively newer phenomenon. It is therefore the expectation of the Bank of Zambia that the 2007 SADC Payment Systems Regional Conference will discuss some of the most important trends and other strategic priorities confronting banks, payment system businesses, merchants and other service providers involved in the delivery channel for payment and other financial services. This is imperative as it would facilitate the drawing up of a development agenda of future priorities and contextualise the future of payment system oversight.

Ladies and Gentlemen, since the establishment of the CCBG a decade ago, methods of effecting payments and other financial transactions have quickly become sophisticated with a trend towards execution in real time electronic media. All this is taking place because consumer confidence is growing in these instruments and mechanisms, which have been supported by growing confidence in SADC member countries' economies in general and stability of the national financial systems in particular. It is therefore the expectation of the Bank of Zambia that this Conference will discuss this trend and its implications, particularly with regard to limited accessibility to technology and technical-know how of consumers in SADC member countries. Other themes I am sure you will deliberate upon include confidentiality of financial information, money laundering and terrorist financing.

Effective payment system oversight needs to be promoted so that public confidence in the safety and soundness of the national payment systems is maintained. Understandably, this is a new area and in most member countries work is still exploratory. I therefore urge you all to double your efforts in this regard and deliver on this very important central bank responsibility.

Ladies and Gentlemen, another new area is that of mobile phone enabled payment services. This development has a huge potential to help the SADC region leap frog a number of financial sector development challenges particularly those related to improving access and availability of financial services. This is because mobile phone based services, particularly those focused on low-value payments where swift and convenient service is the primary goal could be a practical solution for SADC member countries. The challenge therefore is how well we all respond without damaging this sprouting and potentially cost-effective delivery channel for financial services, which can be damaged with over regulation or lack of mitigation for the risks its poses.

Ladies and Gentlemen, I wish to conclude by reminding all delegates that it is my hope that at the end of the Conference all of you will have obtained a better understanding of payment systems best practice. Equally important you will also have obtained a clearer view of the purpose of payment systems within a developmental context and the need for concerted efforts in balancing our responses in a manner that is supportive of the objective of attaining economic inclusion and growth, regional economic co-operation and integration.

With these remarks, I declare the Conference officially open and wish you successful deliberations.

I thank you.