



40<sup>th</sup>  
Anniversary  
1980 - 2020

## SUCCESS STORIES



Zambia | Story 3 – 2020

### One region 16 nations Towards a common future

From the beginning of time, the principles of Ubuntu have guided African societies. Best described as an African philosophy rooted in a deep awareness of: "I am because of who we all are"; the spirit of Ubuntu resonates in every fibre of SADC's existence – past and present. The 40<sup>th</sup> anniversary of SADC in 2020 commemorates a journey of progress on the complex road to achieving peace and security, development and economic growth.

This "SADC Success Stories 2020" series shines a spotlight on the positive impacts achieved through regional integration in communities and in the lives of the people of the SADC region.

*This story 'Speeding up financial transactions' is based on the SADC Protocol on Trade adopted in 1996 as well as the SADC Protocol on Finance and Investment, adopted in 2006.*

### Speeding up financial transactions

**"The government and the Bank of Zambia have always been committed to achieving regional integration, specifically in the area of payment systems. These payment systems, if fully-utilised, will reduce transaction times and the cost of making payments, and are expected to promote trade and investment in the SADC region," states Dr Denny Kalyalya, Bank of Zambia Governor.**

Trade in goods and services is a major area of co-operation that supports the Southern African Development Community's (SADC's) agenda of promoting sustainable development in the region, as envisaged in the SADC Protocol on Trade, Protocol on Finance and Investment, and other Protocols which have been adopted by heads of state and government. Under the SADC Protocol on Finance and Investment, the SADC's Committee of Central Bank Governors (CCBG) have developed and implemented a regional payment and settlement system to support regional integration through the efficient and safe flow of investment funds (including remittances) and payments for trade transactions. This is in recognition that a safe and efficient payment system is critical to supporting intra-regional trade and flow of funds among member states. This has resulted in the implementation of the Integrated Regional Settlement System (SIRESS) now called SADC Real Time Gross Settlement System (SADC-RTGS) to facilitate the transfer of funds within the regional grouping.

The SADC-RTGS is an electronic cross-border funds transfer system that facilitates settlement of funds within the SADC region, in real-time. Once processed, a transaction normally settles on the same day. The SADC-RTGS allows both individuals and companies to send funds to recipients who bank with commercial banks that participate on the system.

Prior to the implementation of the SADC-RTGS, all transactions between SADC member states were treated as international transactions and were processed through correspondent banking arrangements, which are costly and time-consuming. The process of implementing the SADC-RTGS commenced in 2010, and it became operational in July 2013, with Zambia going live on the system in September 2014. The implementation has achieved a number of objectives, including improved intra-regional cross-border trade; and the facilitation of regional integration.

Bank of Zambia Governor Dr Denny Kalyalya says that the SADC member states developed and implemented SADC-RTGS to enable safe, efficient and less expensive cross-border payments within the region. Another positive is increased financial inclusion. The SADC-RTGS offers a strong opportunity to bring more people into the formal financial system and enable more people to use financial services through increased network access points and reduced transaction costs. This is in line with Zambia's aspiration under the 7th National Development Plan, which envisages 'accelerated development without leaving anyone behind'.

The participation of SADC member states on the SADC-RTGS is 94%. Currently, the only member state not participating is Madagascar – which is in the process of joining. Effectively, this means that a Zambian person or business entity is now able to trade and transact easily across the entire SADC region.

Across the region, 83 commercial banks are participating on SADC-RTGS. Of these, Zambia has nine commercial banks and the Bank of Zambia on the system. The commercial banks include ZANACO, Atlas Mara, BancABC, Cavmont, Barclays, Ecobank, First National Bank, Stanbic and Standard Chartered Bank. As the SADC-RTGS hosts central bank regulated commercial banks, the risks related to cross-border payments have been reduced considerably. All member central banks are members of the Payment Systems Oversight Committee, a body that is mandated to oversee SADC-RTGS for safety and efficiency. This has resulted in reduced settlement risk and a high degree of finality of payments.

At the moment the settlement currency on the SADC-RTGS is the South African Rand (ZAR) and plans are underway to on-board other member countries' currencies. This decision will facilitate increased trade among the SADC member states.

With regards to value and volume of transactions, the SADC-RTGS has performed well and shown consistent growth over the years. From implementation in 2014, to 2018, the number of transactions processed by all states has increased by an annual average of around 92.2%. In

2018, 348 620 transactions were recorded. Values have also significantly increased – by an annual average of 71.4% over the same period. ZAR1.27 billion was processed in 2018 alone, compared to ZAR0.98 billion in 2015 and ZAR0.27 billion in 2014.

Growth trends have also been witnessed in Zambia. In 2018, the volume and value of Zambia's SADC-RTGS payments increased by an annual average of 115.7% and 96.4%, to 20 008 transactions and ZAR5.723 billion respectively. Similarly, in terms of receipts by Zambian banks on the SADC-RTGS, the volume and value of transactions increased by an annual average of 116.8% and 95.2%, to 6 942 transactions and ZAR5.716 billion, respectively, in the same year. Following this upward growth, the Bank of Zambia continues to encourage commercial banks in its jurisdiction to join the SADC-RTGS.

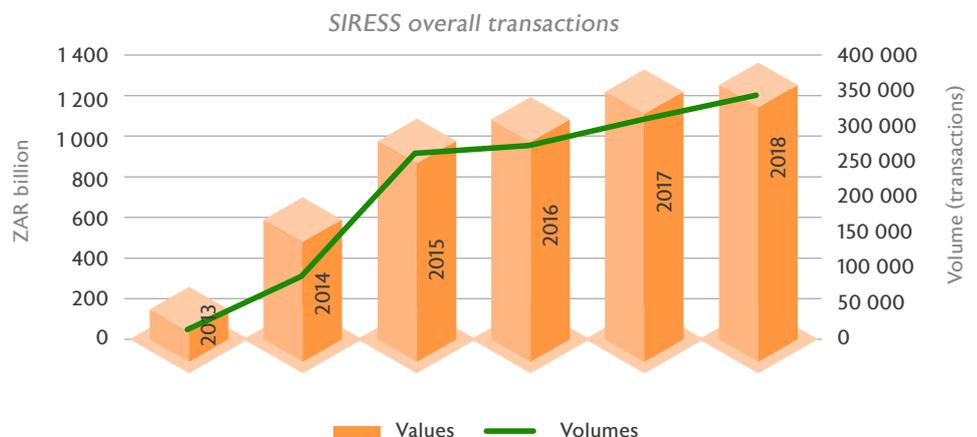
Further growth in the regional application of SADC-RTGS can be attained if member central banks continue to collaborate with participating commercial banks in conducting public awareness campaigns on the system's availability and benefits. Kalyalya urges Zambians making cross-border payments within SADC to utilise SADC-RTGS by requesting the service from commercial banks.

Other SADC-RTGS transaction systems, like cross-border mobile payment and low-value credit transfers, once implemented, will be major milestones and will fundamentally transform the way that business is conducted in the SADC region.

The SADC-RTGS was designed, in the light of the SADC Protocol on Finance and Investment, to support efficient and effective cross-border payments. The SADC-RTGS has facilitated efficient and safe digital cross-border payments for both business entities and individuals. Its implementation, particularly with regards large-value and low-value (retail) transactions, has been a success.

**Written by: Bank of Zambia; Banking, Currency and Payment Systems Department**

*“SIRESS has facilitated efficient and safe digital cross-border payments for both business entities and individuals.”*



The number of SIRESS transactions, from implementation in 2013 to date, continues to rise.

