



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 24-Jun-2021 | Report No: PIDC244223



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P176529		Low	SADC Transfers Cleared on an Immediate Basis (TCIB) Payment Scheme Project
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA EAST	South Africa	24-Jun-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	South African Reserve Bank	South African Reserve Bank	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	0.45
Total Financing	0.45
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	0.45
Payment Systems And Remittances Trust Fund	0.45

B. Introduction and Context

Country Context

The Southern African Development Community (SADC) is an intergovernmental organization comprising 16-member countries bound by a legal arrangement to cooperate on various issues.[1] The SADC main objectives as outlined in the Treaty are promoting development and sustainable economic growth, alleviating poverty and enhancing the standards of living through deeper cooperation, good governance and regional integration, among others. Several key projects under the various SADC Protocols are underway to support the realization of the above objectives. Each SADC country has one or more sectors which it is responsible for



coordinating. When South Africa joined the SADC in February 1995 it was given the responsibility to coordinate the finance and investments issues of SADC in recognition of the country having the oldest central bank in the region. In this context, the SADC Finance and Investment Sector Coordinating Unit (FISCU) was established and located in South Africa to coordinate all projects falling under it. One of these is the SADC Payment Systems Project (PSP), which was established in 1995 by the SADC Committee of Central Bank Governors (CCBG) in recognition of the importance of payment systems in supporting economic activity and development.

Regional integration of payment systems is a key enabler for regional economic integration and the Digital Economy for Africa (DE4A) agenda. Payment systems provide a critical conduit to economic activity, and regional groupings have tended to focus on payment systems projects that support the establishment of free or preferential trade zones. Safe and efficient regional payment systems can increase intra-regional trade, reduce costs and help in building trust amongst traders and payment service providers. Regional cooperation and integration initiatives in Africa have taken many forms and have been largely driven by treaties with legal arrangements binding member countries to cooperate on various issues.

The SADC PSP was to become the main channel for establishing a regional coordinated approach to both domestic and cross border payments. The PSP set out four strategic objectives: a) harmonizing the legal and regulatory framework; b) implementing an integrated regional cross border payment system infrastructure—the SADC Real Time Gross Settlement (RTGS) System; c) establishing a regional cooperative oversight arrangement based on the harmonized legal framework (Payment System Oversight Committee-POSC); and d) implementing an integrated regional cross border payment and post trade clearing infrastructure, for retail payments and securities. Considerable ground has been covered with the laying of foundational payments infrastructure in each member country, and successful implementation of all but one of the above four strategic objectives. As noted, one of the PSP objectives is still under implementation, with the retail payments component, namely the low value payment scheme, and is set to be supported through this proposed small recipient-executed trust fund (REFT) project.

In line with the global drive to reduce the cost of remittances at the global level, by 5 percentage points over 5 years[2], the World Bank has been monitoring the cost of remittances through its Remittance Prices Worldwide (RPW) database.[3] Since the launch of the RPW database, Sub Saharan Africa has remained the most expensive region to send money to with nine of the ten most expensive corridors being intra-Africa, and of these six being in the SADC region. The SADC countries are aware of the expensive remittance corridors existing in the region and have jointly decided to address this, through a request for assistance made to the World Bank by the SADC Committee of Central Bank Governors. The regional integration of payment systems and bolstering digital financial services not only make cross-border payments easier but also reduce the level of fees for remittance payments.

For many countries in Sub-Saharan Africa, remittances are the most important buffer for unexpected life expenses and investments into a better future. The shut-down of the service sectors due to the COVID-19 pandemic has jeopardized the livelihoods of both migrant workers and those that depend on their remittances for daily household expenses. The closure of some remittances agent locations due to lockdown



and other policy measures taken by authorities to reduce the risk of COVID-19 transmission, posed serious challenges for remittances service providers and customers. These challenges brought to the fore the importance of digitizing remittances and expanding digital offerings. A cross-border remittance transaction usually involves foreign-exchange conversion and in times of increased uncertainty, volatility in foreign exchange rates results in higher fees further reiterating the importance of integration in payment systems. Adoption of digital financial services and the development of a payments ecosystem that makes remittances cheaper and more convenient should be a priority once the immediate health crisis has been stabilized.

[1] Currently, the SADC has 16 countries: Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Eswatini, Tanzania, Zambia, and Zimbabwe.

[2] The G8 included remittances in its agenda and in July 2009 adopted the so-called “5X5 Objective” with the goal of reducing the global cost of remittances by 5 percentage points over 5 years. The 5X5 Objective was subsequently adopted by the G20 in 2010.

[3] Available at <http://remittanceprices.worldbank.org>

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Sectoral and Institutional Context

SADC member countries have adopted and incorporated payments modernization into their domestic agenda for reform. These adoptions have been supported by appropriate policy measures and technical assistance obtained from various sources including development partners, and with the goal of extending payment services to unbanked and under-banked populations throughout the region. Hence, activities under this project will focus on enhancing SADC regional payments modernization efforts that form an integral part of the envisaged harmonized SADC regional payment system.

In line with its mandate under the SADC Finance and Investment Protocol, the South Africa Reserve Bank (SARB) chairs the SADC Payment System Subcommittee (PSS) which comprises Heads of Payments Systems Departments from all member central banks. The members of the PSS are responsible for spearheading the payment systems modernization initiatives at national and regional level. With the implementation of the SADC RTGS system, the SADC Payment Systems Oversight Committee (PSOC) was set up to ensure the safety and efficiency of the regional payment system. The PSOC serves as the regulatory body of the SADC RTGS system, tasked with establishing a cooperative oversight arrangement, based on a harmonized regulatory framework for cross border payment and settlement. The POSC oversees the SADC financial market infrastructures, ensuring compliance with international standards at domestic and regional level. Building capacity in knowledge and application of standards that govern financial market infrastructures is noted as key in sustaining the market infrastructures and ensuring their safety and efficiency.

In recognition of the importance of the private sector in driving retail payments, the SADC Banking Association (BA) has been charged with the task of coordinating all the essential prerequisites to facilitate regional clearing and implementation of the low value payment scheme are in place and that the private



sector specific project activities are driven with an eye firmly on the end results. In this context, the SADC BA established the SADC Payment Scheme Management Body (PSMB) which is a subcomponent of the SADC Banking Association. From a governance perspective, the low value payment scheme will be jointly managed by the SADC PSOC and the PSMB; this structure supports an inclusive approach which fosters collaboration among public and private sector participants. To facilitate regional clearing and settlement through the SADC RTGS, the PSMB appointed BankServ Africa as a SADC Regional Clearing and Settlement Operator (RCSO), a decision which received a no objection from the SADC PSOC as the overall payments regulatory body.

The SADC Secretariat agrees with the approach of having SARB receive and implement the proposed financing under current RETF on behalf of SADC countries in support of the SADC Payment Systems Project, under the guidance of the SADC CCBG. A letter of no objection has been issued in this regard. The SADC RTGS system is currently running on the backbone of the South African Multiple Option System (the SARB operated RTGS system for South Africa). The SARB is therefore a designated Operator of the SADC RTGS as approved by participating SADC member central banks under a multilateral agreement.

Relationship to CPF

The project is aligned with the World Bank Group's DE4A Initiative. The DE4A Initiative aims by 2030 to digitally connect every individual, business and government in Africa and ensure each is digital-enabled and ready to thrive in the digital economy. Two of the targets under the DE4A initiative are to have universal access to digital financial services and an Africa-wide payments infrastructure/platform in place by 2030. The financial sector plays an important role in regional integration by facilitating and sustaining regional trade and capital flows, promoting responsible financing in strategic sectors, and championing job creation. A robust ecosystem for digital payments and overall digital financial services is one of the underlying drivers of regional financial sector integration. It reduces the cost of cross-border payments and improves access to financing through regional and global value chains by potentially providing payments, credit and insurance services that could be linked to value chain contracts.

The project is also aligned with the draft South Africa Country Partnership Framework for FY22-26 currently in the process of preparation. In particular, it will contribute to Focus Area 1. Promote increased competition and improved business environment for sustainable growth, Objective 1.1 Improve the competition framework, contestability of selected markets and the business environment. In the financial sector, diversification is important for promoting competition, increasing utilization of financial products and broadening and deepening the sector. The WBG will work towards a competitive, inclusive and resilient financial sector. The focus of this engagement will be on acceptance of new players and innovative products in order to strengthen competition which is relevant to the proposed operation. One of the outcomes of the Focus Area 1 calls for increased use of digital payments by adults (Adults (age 15 years +) making or receiving digital payments) where this project can contribute directly.

The proposed project will contribute to and finance one of the workstreams of the broader SADC Payment Systems initiative which has been supported by the World Bank through the regional Advisory service and



Analytics (ASA) project “Digital Financial Services and Regional Payments Integration in Africa” (P171721) and other activities since FY2017. The low-value credit stream aims at full interoperability between banks and non-banks in SADC which should lead to healthy competition, wide end beneficiary reach and cost reductions. This in turn should lead to higher levels of financial inclusion due to the ease with which transactions will be done via mobile instruments.

The CCBG was created with approval from the SADC Ministers responsible for national matters and approved by the SADC Council. Central banks play a crucial role in the promotion of financial and economic development by pursuing policies that enhance financial and macroeconomic stability. In line with this role, the CCBG serves as a specialized body that promotes closer co-operation among central banks within the SADC Community, focusing on development of financial institutions and markets, cooperation on international and regional financial relations, monetary and foreign exchange issues, inter alia.

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C. Project Development Objective(s)

Proposed Development Objective(s)

The proposed project development objective (PDO) is to support payment system integration efforts in SADC countries. This will be achieved through (i) design, mobilization and deployment of low value credit scheme implemented by SADC member countries to support cross border transfers of remittances, and (ii) data subscription.

Key Results

The proposed PDO-level result indicators are:

- i. Design of the Transactions Cleared on an Immediate Basis Payment Scheme (TCIB Scheme) is completed
- ii. The TCIB scheme is ready for full production
- iii. Number of participants onboarded in the TCIB scheme

D. Preliminary Description

Activities/Components

The low value credit transfer system known as the Transactions Cleared on an Immediate Basis (TCIB) Payment Scheme Project has been initiated under the SADC Payment System Integration initiative. The project will support the development of a piloting kit for low-value credit transfers to streamline onboarding for banks and non-banks (such as mobile money operators and remittance service providers) in the low-value credit scheme to support the transfer of cross-border remittances. See attachment for full description of the project's phases.

The scope of the activities funded under the proposed RETF project will include the following two areas:



- 1. TCIB Scheme Design, Build and Onboarding:** This will include the design of the Transactions Cleared on an Immediate Basis (TCIB) Payment Scheme for SADC member countries, including aspects such as (i) scheme governance, (ii) scheme operating model, (iii) operating structure and blueprint for the Payment System Operator, (iv) contracting framework, as well as (iv) risk management and compliance framework. Following that, the project would implement the onboarding of at least 40 new scheme participants, develop plans for the scheme’s marketing and business development, support roles, and stakeholder engagement.
- 2. Data subscription:** The project will finance a subscription for the Watch Banking Analytics Premium license with SWIFT that will include reporting on data within SADC countries covering payment and trade finance data and onboarding training.

The project is a small Recipient-Executed Trust Fund (RETF) using the Investment Project Financing lending instrument. The financing vehicle will be the Harnessing Innovation for Financial Inclusion Trust Fund funded by the United Kingdom of Great Britain and Northern Ireland, acting through the Foreign, Commonwealth and Development Office (FCDO) (formerly the Department for International Development (DFID)). The project implementation, monitoring and reporting will be performed in line with the WBG procedures and guidelines.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant



Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The project includes standalone technical assistance activities funded by a small grant from a recipient executed trust fund. Negligible or limited environmental and social impacts are expected as a result of the project activities described above. The Grant will not finance physical infrastructure facilities or develop policies/regulations/approaches that may cause, from its implementation, significant adverse environmental and social impacts. The anticipated environmental and social risks and impacts that have been identified are; 1) protection of identity and personal information will need to be considered in the TCIB scheme design due to potential cyber fraud which is a particular problem in the region, 2) Risks and impacts related to labor and working conditions is expected to be negligible as the project will only engage a small number of technical experts to manage the project and to design the TCIB Scheme, minor risks related to sexual harassment may occur in the workplace. Other labor risks anticipated are travel safety while travelling for the project (on road or via air) and exposure to COVID-19 through stakeholder engagement activities, physical meetings, etc. and 3) impacts related to the generation of electronic and paper waste and energy consumption (electricity) and usages of remittance for activities which may have an environmental impact and cannot be determined at this stage.

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Borrower/Client/Recipient

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Implementing Agencies

Implementing Agency :	South African Reserve Bank
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SADC Transfers Cleared on an Immediate Basis (TCIB) Payment Scheme Project

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