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Boosting the Pan-African Payments and Settlement System

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Introduction

When South Africa takes up the G20 presidency in 2025, the country will be presented with a significant opportunity to support the G20 Cross-border Payments Programme, first introduced in 2020 by the Financial Stability Board (FSB) together with the Bank for International Settlements' (BIS) Committee on Payments and Market Infrastructures (CPMS). The Cross-border Payments Roadmap was presented to the G20 to enhance the speed, transparency and cost-efficiency of cross-border payments. In this context, South Africa can provide momentum to African-driven cross-border payment initiatives, particularly with the AU now a full G20 member. Leveraging this theme allows for major advancements in key initiatives such as the Pan-African Payment and Settlement System (PAPSS) and the African Continental Free Trade Area (AfCFTA) Protocol on Digital Trade.

Outcomes of recent G20 discussions on digital public infrastructure

While digital themes have been on the G20 agenda for nearly three decades, the systematic focus on building a resilient digital economy began in 2016 with the creation of the G20 Digital Economy Task Force.[1] Recent presidencies have continued to advance the digitalisation agenda, building on previous initiatives and making new commitments. Moreover, since the advent of the COVID-19 pandemic, leaders have increasingly turned to digital solutions as a method of socio-economic recovery.

During Saudi Arabia's presidency, G20 digital economy ministers emphasised the critical role of internet access in achieving global connectivity and economic recovery post-COVID-19. They focused on leveraging digital technologies to enhance resilience against future crises and achieve the UN Sustainable Development Goals (SDGs), highlighting artificial intelligence (AI), smart cities, data security and inclusive growth, among key drivers.[2] Italy's presidency saw a focus on the digital transformation of productive activities. Ministers acknowledged the impact of COVID-19, and committed to leveraging AI for micro, small, and medium enterprises (MSMEs), enhancing consumer protection, promoting child safety online and prioritising smart cities, connectivity and digital public services, among others. It was at this time that the Digital Economy Task Force was transformed into a permanent Digital Economy Working Group.[3]

In 2022, under Indonesia's presidency, G20 digital economy ministers emphasised international cooperation to enhance digital connectivity, literacy and skills for post-COVID-19 recovery. They discussed data free flow, cross-border data flows and the importance of digital skills for vulnerable populations and MSMEs, promoting secure, human-centric digital services and digital innovation across sectors.[4]

India's 2023 presidency brought digital public infrastructure (DPI) to the forefront. This G20 digital economy ministers meeting focused on digital innovation, inclusion, skilling and security, emphasising the importance of bridging digital divides and ensuring universal connectivity for sustainable development. Members endorsed the G20 Framework for DPI and promoted digital skills, through the G20 Toolkit for Designing and

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[1] World Economic Forum, *The G20 Digital Agenda: Cross-Presidency Priorities*.

[2] Ruba Obaid, "G20 Ministers Highlight Importance of Technology-Driven Economy", *Arab News*, July 23, 2020.

[3] "The Digital Ministers Approves a Declaration Identifying 12 Actions to Accelerate the Digital Transition of the Economy and Governments", *G20 Italia*, August 5, 2021.

[4] Government of Indonesia, Ministry of Communications and Informatics, *G20 Digital Economy Ministers' Meeting 2022: Chair's Summary* (Jakarta: Ministry of Communications and Informatics, 2022).

Introducing Digital Upskilling and Reskilling Programs and committed to advancing an inclusive and secure digital economy.[5]

> DPI is defined as systems and technologies that provide the foundational digital layers essential for public and private service delivery. It emphasises three core elements: digital identity, which ensures unique identification for individuals; digital payments, which facilitate seamless and inclusive financial transactions; and data exchange, which enables secure and efficient data sharing across platforms, supported by interoperable and open standards. DPI supports several SDGs, as it reduces inequality through expanded financial services, enhances health with better data integration and fosters economic growth by improving access to critical information for businesses.[6]

Brazil's current G20 presidency aims to continue these efforts. In terms of DPI, Brazil seeks to deepen the debate on the components related to digital identity and data governance and provide relevant insights on how DPI can promote digital inclusion.[7] It is noted that, under the Brazilian presidency, financial inclusion for individuals and MSMEs, through DPI, remains on the agenda.[8]

Identifying consensus and opportunities for South Africa in 2025

Building on the digital advancements championed by previous G20 presidencies, South Africa's G20 presidency in 2025 offers the promise to integrate both digital and traditional economic priorities, aligning with recent G20 commitments to digital inclusion and financial inclusion. Moreover, South Africa's (upcoming) G20 presidency, along with its AU membership, offers the opportunity to align G20 initiatives with the AU's Agenda 2063 goals, amplifying Africa's voice in global economic governance while promoting sustainable development across the continent. By leveraging these synergies, the 2025 G20 South African presidency can catalyse transformative initiatives that benefit member states, the AU and the broader global community.

Advancing the digital agenda is a low-hanging fruit on which the South African G20 presidency must capitalise. Digitalisation provides an overarching mechanism to ensure sustainable economic development. Advancing universal access to affordable and reliable internet services, particularly in underserved regions and for vulnerable populations, should remain a priority. Likewise, championing initiatives that bridge the digital divide, by promoting digital literacy and skills development for youth and women, is a necessity.

Closely linked to digital inclusion and, in part, driven by it, is financial inclusion. Bank account ownership in South Africa is among the highest on the continent and the country's commercial banks are among the

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[5] G7G20 Documents Database, "G20 Digital Economy Ministers Meeting Outcome Document and Chair Summary", https://g7g20-documents.org/database/document/2023-g20-india-sherpa-track-digital-economy-ministers-ministers-language-g20-digital-economy-ministers-meeting-outcome-document-and-chair-summary.

[6] Thao Hong, "Why Digital Public Infrastructure Matters", Bill and Melinda Gates Foundation, August 16, 2023.

[7] Bruna Santos and Luanna Roncaratti, "Brazil's Role in Shaping the Digital Transformation", Wilson Center (blog), February 29, 2024.

[8] Global Partnership for Financial Inclusion, "Global Partnership for Financial Inclusion 2024 Annual Work Plan", https://www.gpfi.org/sites/gpfi/files/GPFI%20Annual%20Work%20Plan%202024.pdf

most innovative in the world.[9] In addition to the benefits accrued at the level of the individual, advancing digital financial inclusion (and digitalisation, in general) will benefit businesses, particularly MSMEs, as it will enable them to bolster their productive capabilities and take advantage of key initiatives, including the AfCFTA. As such, the promotion and digital transformation of MSMEs must also remain a key focus point.

South Africa's Financial Inclusion Policy Framework, An Inclusive Financial Sector for All, highlights the country's commitment to enhancing access to financial services for individuals and MSMEs.[10] The G20 has also been actively involved in promoting financial inclusion globally, establishing the Global Partnership for Financial Inclusion to coordinate efforts in this area. The 2025 G20 presidency must, therefore, capitalise on South Africa's capability to enhance financial inclusion – especially for marginalised groups. It can also turn to its continental neighbours, like Kenya, who has pioneered mobile money solutions for those without access to traditional banking services.

To advance the digital and financial inclusion agenda, the 2025 presidency must build on the DPI successes of the Indian and, subsequently, Brazilian presidencies. With the launch of the AfCFTA's Protocol on Digital Trade and the launch of PAPSS, South Africa's advancement of DPI and the associated digital payments element, among others, also provides the opportunity to champion the digitalisation agenda of the AU, while maintaining alignment with broader G20 objectives.

Actions for South Africa's G20 presidency to advance African-driven cross-border payment initiatives

To further G20 DPI initiatives, the South African G20 presidency should prioritise African-driven initiatives, capitalising on and celebrating the AU's full G20 membership. The AU is actively promoting several initiatives to enhance digital connectivity, foster economic growth and support sustainable development across Africa. Key initiatives include PAPSS, which facilitates seamless cross-border payments to boost intra-African trade, and the AfCFTA Protocol on Digital Trade. The latter establishes harmonised rules, common principles and standards that facilitate and promote digital trade to foster sustainable and inclusive socio-economic growth and drive the continent's digital economy. The Smart Africa Initiative aims to transform Africa into a single digital market with projects like the One Africa Network and Smart Broadband 2025 to improve internet connectivity. The Digital Transformation Strategy for Africa (2020-2030) provides a comprehensive framework focusing on infrastructure development, digital skills, innovation, governance and cybersecurity.

Additionally, the Programme for Infrastructure Development in Africa (PIDA) and digital identity systems aim to improve connectivity and public service delivery. These efforts reflect the AU's commitment to using digital infrastructure to drive economic progress and sustainable development across the continent. The South African G20 presidency therefore presents an opportunity for the G20 to support the adoption and implementation of African cross-border payment initiatives such as PAPSS.

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[9] World Bank Group, "Data from the Global Findex 2021: Financial Inclusion in Sub-Saharan Africa—Overview", https://www.worldbank.org/en/publication/globalfindex/brief/financial-inclusion-in-sub-saharan-africa-overview#:~:text=In%2016%20of%20the%2036,all%20economies%20in%20the%20region; Pierre Romagny, "South African Banks Must Be Lauded for Their Globally Recognised Digital Innovation", *FA News*, February 7, 2024.

[10] Government of South Africa, National Treasury, *An Inclusive Financial Sector for All* (Pretoria: National Treasury, 2023).

In 2020, the G20 prioritised enhancing cross-border payments, an initiative already on the AU agenda under Agenda 2063 flagship projects such as the AfCFTA.[11] Faster, cheaper, more transparent and inclusive cross-border payments benefit citizens, businesses and economies globally, supporting economic growth, trade, sustainable development and financial inclusion. The G20 Roadmap for Enhancing Cross-border Payments developed by the FSB and BIS CPMS outlined strategies to address these challenges, already achieving notable progress in its first two years.[12] The G20 leaders approved the roadmap in Riyadh, Saudi Arabia in November 2020. The roadmap seeks to make international payments more affordable, quicker, transparent and widely accessible by 2027. The updated 2023 Roadmap focuses on three key areas: payment system interoperability, regulatory frameworks and cross-border data exchange. These actions highlight the importance of public-private partnerships and global cooperation, involving organisations like the International Monetary Fund (IMF) and World Bank that offer technical assistance, to enhance payment systems worldwide.[13]

The G20's 2027 target for faster, cheaper, transparent and more accessible international payments is in the offing with significant progress having been made. It is agreed that achieving the objectives requires extensive collaboration between G20 nations and beyond, involving both the public and private sectors. To support this, the FSB and the Committee on Payments and Market Infrastructures (CPMI) have established public-private taskforces to address infrastructure needs and regulatory considerations, while the IMF and World Bank have enhanced their technical assistance programmes and the CPMI has created a community of practice for central banks, including those outside the G20.[14] Notable challenges, however, include fragmented payment systems and policy and regulatory frameworks on payment systems, and poor infrastructure in developing countries.

By enabling instant payments from one local African currency to another, regional payment systems, such as PAPSS, have the potential to become early exemplars of the G20 Roadmap, demonstrating high potential to boost growth and trade by making payments faster, cheaper and more transparent.[15] Taking advantage of the momentum generated by the G20 cross-border payments programme, South Africa can use its G20 presidency to advance the adoption and implementation of PAPSS. Cross-border payments are the backbone of international trade and cross-border trading is high on the AU agenda through the AfCFTA agreement. PAPSS is therefore primed to facilitate the expected increased volumes in cross-border payments. The AU, under South Africa's 2025 presidency, could engage on the FSB and BIS work on cross-border payments within the G20 framework to drive the implementation of PAPSS.

Recommendations

The following recommendations will position South Africa's G20 presidency as a catalyst for advancing African-driven DPI initiatives, particularly PAPSS, contributing to regional economic development and fostering global partnerships for sustainable growth.

Championing PAPSS implementation and adoption. In its engagement with the AU, South Africa should lead efforts to advocate for the adoption of PAPSS and its alignment with the work being done by the FSB and the BIS on cross-border payment systems in the context of the G20, guided by the G20 Roadmap for

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[11] International Monetary Fund, "IMF and World Bank Approach to Cross -border Payments Technical Assistance" (IMF Policy Papers, IMF, Washington DC, 2023).

[12] Financial Stability Board, *G20 Roadmap for Enhancing Cross-border Payments* (Basel: FSB, 2023).

[13] IMF, "IMF and World Bank Approach".

[14] FSB, "FSB Assesses Progress Toward Achieving G20 Cross-Border Payments Targets", October 2023.

[15] Sabine Mensah and Michael Wiegand, "How Instant Payment Systems Across Africa Can Be the Role Model for the World", *CNBC Africa,* May 27, 2024.

Enhancing Cross-border Payments. The presidency will allow South African stakeholders with G20 partners such as the FSB and BIS to initiate campaigns to raise awareness, educate stakeholders and garner support for PAPSS, emphasising its potential to enhance economic integration and facilitate cross-border trade. This can be achieved by working in partnership with African central banks. Central banks play a crucial role in the adoption and implementation of PAPSS, given their influence within their jurisdictions, making them key advocates for the system. The Association of African Central Banks (AACB) 's proposed guiding principles aim to strengthen collaboration between central banks and Afreximbank, which is essential for ensuring the successful implementation and broader acceptance of PAPSS across Africa.

Enhancing central bank collaboration for PAPSS. Facilitate stronger collaboration among African central banks and between the AACB and Afreximbank to strengthen the infrastructure needed for PAPSS. South Africa, through its G20 presidency, can convene discussions and initiatives aimed at harmonising regulatory frameworks, improving payment system interoperability and ensuring the security and efficiency of cross-border payments. Extending PAPSS beyond African borders is essential for improving trade efficiency with external partners, including G20 economies, and efforts are already underway to include non-African users. International partnerships, such as the Memorandum of Understanding with the Arab Monetary Fund and the adoption by all 11 central banks from the Caribbean Community, highlight this expansion.

Fostering public-private partnerships in DPI initiatives. Encourage robust PPPs to mobilise resources and expertise necessary for the development and expansion of DPI initiatives, including PAPSS. South Africa can facilitate dialogue and operationalise projects between governments, private sector entities and international organisations like the IMF, World Bank and FSB to support technical assistance and promote investments in developing countries. By leveraging public-private partnerships, through its presidency of the G20, South Africa can attract sustainable funding for the implementation of DPI projects (including cross-border payment systems), promoting economic resilience and digital transformation across Africa and the developing world.

Leveraging BIS and FSB initiatives on cross-border payments. South Africa should leverage the G20 framework and initiatives undertaken by the FSB and BIS. In addition, the South African presidency should draw on and independently review the baseline and targets that have been set in the latest annual FSB report on the progress towards the G20 Roadmap with the aim of improving cross-border payment systems for developing countries (including PAPSS) and their integration with other cross-border payment systems. This would align with the G20 roadmap and facilitate Africa's trade with other global economies.

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