06 July 2021

Getting Paid

Wouldn't it be unfortunate if Uendji managed to get clients in Senegal for her graphic design services but had to pass up the opportunity in the end because she could not receive a deposit? Imagine if Khoetage & Sons Inc. won a bid to supply dairy products to a major Cameroonian retailer but due to limiting payment policies, they ultimately abandon the business venture. What if Zuri from Kenya, gained admission to UNAM but because her parents foresaw challenges with monthly remittances to their daughter, she had to further her studies elsewhere. These are real challenges that businesses and consumers at home and around the continent are facing.

We've come a long way as a continent and yet still we have farther to go. In essence the continental free trade agreement should not only result in a higher volume but also a higher value of trade within Africa. But liberalising trade is complicated, even if it came down to the elimination of tariffs alone, which it certainly does not, it would be a challenge. There are other potential obstacles, a prime example being our payment systems.

Cash is by far the leading form of payment in our part of the world. But when it comes to cross-border trade, online and mobile money transactions are growing in popularity. Why? Because of an increasing access to technology (i.e. internet & cell phones) and convenience. Furthermore, the emergence of the Covid-19 pandemic has taken digital payments beyond a matter of convenience and into the realm of necessity as many businesses had to work around in-person transactions.

Successful continental economic integration therefore hinges, to a large extent, on payment system integration. In as much as payments pose a challenge to the AfCFTA, the agreement has brought forth its own solution – the Pan-African Payments & Settlements System (PAPSSS). The PAPSS project, spearheaded by the Africa Import & Export (Afrexim) Bank is meant to facilitate the processing, clearing and settlement of commercial transactions on the continent.

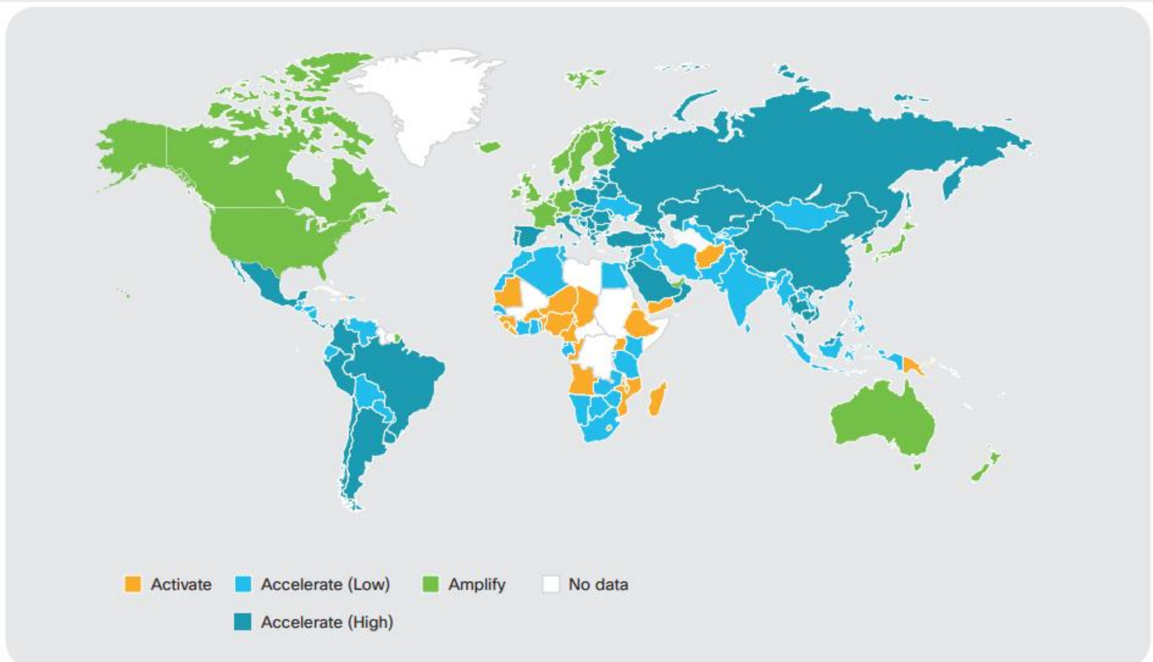
Aside from reducing costs and time involved in the processing of cross border payments, other benefits of PAPSS include, "decreasing liquidity requirements of commercial banks; decreasing liquidity requirements of central banks for settlement as well as its own payments; and strengthening Central Banks' oversight of cross border payment systems" (African Union).

For a country like Namibia continental integration presents a unique opportunity for the sourcing of investments and also for the growth of SMEs. Sadly, at this point in time financial sector regulations (and in some cases the lack thereof) could delay the benefits of trade negotiations. While safeguarding the value of our currency is important, we have to consider that some of those protection measures could be hampering the inflow of capital and export receipts. In which case we may be successful at maintaining a certain level of foreign reserves while foregoing the opportunity to diversify sources of export revenue and investments, and thereby losing the chance to sustainably increase our reserves.

At the moment PAPSS is being piloted in The Gambia, Ghana, Guinea, Liberia, Nigeria and Sierra Leone and is expected to be rolled out by the end of 2021. In the meantime there are some interventions that can be made to be prepared for the opportunities that lie ahead. Namibia is among ten countries on the continent that achieved internet affordability in the ten years since 2010. Therefore, infrastructure needs to be enhanced to make the internet more accessible as well. Furthermore, there are exiting payment platforms that are recognised internationally and we could benefit from regulatory reform that factors in the advancements made in fin-tech especially where there's potential for investment and trade.

TTT Stats

Cisco Global Digital Readiness Index 2019



Source: Cisco

Note:
Overall digital readiness scores ranged between 4.32 and 20.26 out of a maximum possible total of 25. The overall average readiness score for this year’s report was 11.90. No country obtained a perfect score on any of the seven components examined. The analysis revealed three stages of digital readiness-- Amplify, Accelerate, and Activate -- based on their score’s distance from the average result. Countries in the middle stage of digital readiness, Accelerate, were further categorized as Accelerate High if they ranked above the mean for their group of 11.82, or Accelerate Low if they ranked below the mean to yield further insights given the number of countries in this stage.

Current Affairs

Namibia seeks developers for 25 megawatt solar PV plant
Namibia is seeking developers to build a 25 megawatt solar-power facility to source energy for its capital, Windhoek, and help counter an electricity shortage.

ReconAfrica Shares Rise After Refuting Claims of 'No Oil' at Namibia Exploration Site
Shares in Reconnaissance Energy Africa Ltd. rose in late morning trade on Monday after the company refuted claims that no petroleum exists at its exploration site in Namibia.

Jargon Junction

Special drawing rights (SDR)
SDR are an artificial currency instrument created by the International Monetary Fund, which uses them for internal accounting purposes. The value of the SDR is calculated from a weighted basket of major currencies, including the U.S. dollar, the euro, Japanese yen, Chinese yuan, and British pound. **- Investopedia**

For the love of laughs…

For the love of life…

Talk to us

☺ Is there a trade topic that you would like to see featured in *Trade Talk Tuesday*?
☹ Would you like to be removed from the *Trade Talk Tuesday* mailing list?

👍 Email policyanalyst@ntf.org.na to have your enquiry or issue resolved.

Claudia Boamah Capelao | +264 61235327 | policyanalyst@ntf.org.na