

Dr. L. A Kasekende's Speaking Notes on the Remembrance of Prof. Benno Ndulu as a Regional Visionary on Payment Systems and Financial Inclusion

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Ladies and gentlemen,

Today we remember the life of the late Prof. Benno Ndulu. I first met Benno, as he was popularly referred to, in the late 1980s. Our lives have since criss-crossed at a professional and personal level. He is someone I took as a professional acquaintance and friend. I am greatly honoured to have been requested to say a few words on this day as we remember a fallen hero.

Prof. Ndulu, to many, will be remembered as a remarkably gifted economist, who used his knowledge and skills to influence Economic Policy Making in the continent and at a global level, worked tirelessly to strengthen the teaching of economics at universities across Africa, enhance the capacity to conduct research among economists and to bridge the gap between research and policy. He mentored and nurtured many economists who have since taken on positions of influence in institutions of learning and policy across Africa. Today, I have been requested to talk about a passion that Benno picked up later in his career and equally applied his knowledge and skills to bridge the gap in access to financial services.

Prof. Ndulu championed financial inclusion on the African continent and the world. He embodied a zeal that steered the Bank of Tanzania into undertaking massive initiatives to innovate and develop information technology to revolutionize the offering of financial services and bring on board most of the adult population. This made Tanzania one of the best performers in financial inclusion in the world.ⁱ

He was very clear and emphatic that a broader reach of the financial system would make the Central Bank more effective in executing its mandate and especially, in its conduct of monetary policy.ⁱⁱ With a majority of the population excluded from the financial system and especially, access to credit, the reach and effectiveness of monetary policy would be limited. In one of his many publications, (together with

Prof. Christopher Adams) they reminded us that to catalyse economic transformation in Africa, Central Banks would do good in proceeding cautiously to uncover and assess monetary policy limits.ⁱⁱⁱ This almost certainly drove his commitment to enhance financial inclusion in the region and beyond.

I vividly recall when he graced the 26th Joseph Mubiru Memorial lecture in Kampala on 20th February 2019 to discuss “[t]he role of financial innovation and inclusion in scaling up growth in Uganda”. It was evident that financial inclusion was high on his agenda for the region.^{iv} At that lecture, he discussed issues like the critical connection between financial inclusion and sustained growth - a key objective of most policymakers in the region. He further delved into technology and its role as an enabler and the practical impact it can have on the economy. Then he zeroed-in on challenging aspects with actual usage. He finally closed by attempting to look at possible future developments and challenges.

One of the ways Africa can accelerate growth and development is by strengthening its integration into the global trading system and specifically catalyse intra-continental trade. Africa’s share of global trade is a small fraction, reportedly at 3% of global trade^v. Even for those researchers who believe that intra-continental trade is relatively underestimated, there is a consensus that the ratio still lags the other regions worldwide. As UNCTAD observes “[I]ntra-African exports were 16.6% of total exports in 2017, compared with 68.1% in Europe, 59.4% in Asia, 55.0% in America and 7.0% in Oceania”^{vi}. Growing this continental trade would certainly help support many other economic policy initiatives like spurring growth of output, growing income levels, creating employment, increasing savings and reducing poverty. Consequently, there have been several initiatives to spur intra-Africa trade. One of them is the Pan-African payment systems, which by some estimates, can enable continental SMEs to save about USD 5Bn in annual transaction costs.^{vii} The late Prof. Ndulu clearly drew a link between the growth of regional cross border payment systems and financial inclusion on one hand and the link between regional cross border trade and an efficient cross border payments system for both large and small value payments on the other hand - making the case for a multicurrency regional retail payment system and exploring possible pathways of achieving this^{viii}. He believed and promoted the need of building connectivity from well-functioning national systems to the regional level and finally connected to support inter-continental trade.

In line with this thinking, the recent past has witnessed tectonic changes in the payment systems arena in Tanzania. Various payment systems reforms with a view to enhance efficiency in the financial system were undertaken. As Tanzania shifted towards a more liberal financial sector and a robust competitive environment, many banks started leveraging technology in their operations and customer offering. At about the same time, the Central Bank put more effort in modernizing the payment systems. This included the introduction of the Tanzania Interbank Settlement System (TISS), a real time settlement system enabling large value domestic transactions. This was followed by more platforms. Subsequently, interoperability across platforms became the norm in the payments ecosystem in Tanzania.

In the global media, Tanzania was recognised as one of the most vibrant markets with respect to financial digitisation and financial inclusion. The Finscope survey of 2013 revealed that the ratio of financially excluded population had reduced from 54% in 2009 to 26.8% by 2013 ^{ix}.

The advancement in the payments system in Tanzania was closely followed by the launch of the East African Payments System (EAPS) in May 2014 that supported cross-border funds transfer between Kenya, Uganda and Tanzania in which Prof. Ndulu was a key player. EAPS leveraged the Partner states Real Time Gross Systems, which were using swift messaging system, to deliver secure payments and settlement messages across the region. However, EAPS was designed to support large value payments across the region and without doubt supported intra-regional trade in the East African Community. To Benno, this was a major milestone but fell short of his broader vision of financial inclusion of the majority as it left out support to payments transactions of a low value.

Within the late Governor Benno Ndulu, clearly, we see an economist who had continental transformation at heart. While it is hard to recount many of his achievements, we will delve into a few here that highlight his role in furthering policy with respect to financial inclusion on the continent. I, therefore, will pick just two observations from the book “*Tanzania: The Path to Prosperity*” which he co – edited with Prof. Christopher S. Adam and Prof. Paul Collier.^x

- Firstly, in conclusion of chapter 2 there is a clear verdict that supporting the use of the mobile money payment platforms has helped reduce financial exclusion by more than half within four years, making Tanzania a clear leader

in the competitive operation of mobile money payment platform and promoting interoperability among the multiple providers. This further helped reduce user costs substantially ^{xi}.

- Secondly, the final chapter offers a prognosis that covers concepts like a possible emergence of non-bank payment service providers that are not subject to deposit taking banking regulation. Today, with hindsight, we see the possible reference to digital currencies and variants thereof. This is strongly reminiscent of the issues central bankers are grappling with at this moment in time such as;
 - cryptocurrencies,
 - central bank digital currencies,
 - related cybersecurity concerns,
 - big data in credit risk and the possibility to strengthening the credit reference role
 - the possibilities to lift financial inclusion to a deeper level of penetration.

Therefore, reflecting on Prof. Ndulu's leadership, mettle and focus, today we stand at the cusp of a moment that requires decisive action beyond the norms we have been used to in the past. Benno was an architect of financial inclusion in Tanzania and beyond. The continent lost an incredible visionary leader who nurtured and impacted many individuals and economies. The call to those of us still alive is that we explore more ways to make his dreams a reality in our regions as we continue to champion financial inclusion.

Thank you all.

Notes

ⁱ <https://www.bot.go.tz/Blog/Condolence>

ⁱⁱ See his interview carried in FINANCE & DEVELOPMENT, September 2017, Vol. 54, No. 3 which is accessible at <https://www.imf.org/external/pubs/ft/fandd/2017/09/pdf/trenches.pdf>

ⁱⁱⁱ "Africa needs smart macroeconomic policies to navigate headwinds" accessed on 1 Feb 2022 from <https://www.theigc.org/blog/africa-needs-smart-macroeconomic-policies-to-navigate-headwinds/>

^{iv} Accessed on 1 February from

[https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/MediaCenter/speeches/Joseph Mubiru lectures/mubirulectures/26th-Joseph-Mubiru-Memorial-Lecture-Feb-20-2019-by-Prof.-Benno-Ndulu-JMML2019.pdf](https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/MediaCenter/speeches/Joseph%20Mubiru%20lectures/mubirulectures/26th-Joseph-Mubiru-Memorial-Lecture-Feb-20-2019-by-Prof.-Benno-Ndulu-JMML2019.pdf)

^v Cited at <https://sdg.iisd.org/news/wto-report-highlights-programmes-to-strengthen-africas-trade-capacity/#:~:text=While%20African%20trade%20in%20goods,of%20global%20imports%20and%20exports.>

^{vi} See <https://unctad.org/press-material/facts-figures-0>

^{vii} See article at <https://techcabal.com/2022/01/19/new-pan-african-payment-platform-empowers-smes-and-strengthens-local-currencies/>

^{viii} Benno J. Ndulu "Towards a tripartite regional retail payment system; rationale, options and imperatives for action",

^{ix} Adam, S. C; Collier, P; Ndulu B; (Eds) "Tanzania, The path to prosperity", Oxford University press, Page 307

^x Adam, S. C; Collier, P; Ndulu B; (Eds) "Tanzania, The path to prosperity", Oxford University press, 2017

^{xi} Adam, S. C; Collier, P; Ndulu B; (Eds) "Tanzania, The path to prosperity", Oxford University press, Page 30