Continental Shift

Digitalising Sub-Saharan Africa

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Sub-Saharan Africa is a vibrant, forward-looking continent where innovation and early digital adoption is practically the norm. There are opportunities to progress at a pace that could outstrip other regions. Esther Chibesa, TTS Head for Sub-Saharan Africa, Citi, and Sheetal Shah, TTS Sales Head for Sub-Saharan Africa, Citi, explain how this region is adapting and advancing.

Like almost everywhere else on the planet, Sub-Saharan Africa is now emerging from the impact of the Covid-19 pandemic. Thankfully, due to the readiness of the population to be early digital adopters, the region is bouncing back quickly and strongly. With the digital-first mindset prevailing across many Sub-Saharan Africa countries, there is a real opportunity to show other regions how it can be done.

For instance, South Africa removed cheque books from its menu of payment mechanisms in 2020, whereas the UK and, in particular, the US still cling to this legacy format. Payments on mobile phones are now perhaps more embedded across Africa than in any other geography. There are many more examples, and for Shah, Citi has been taking on a key role in the digitalisation journey, as treasuries across the continent evolve to embrace the new digital normal.

Rapid progress

While the appetite for new financial technologies has evidently increased in recent times, the push for digitalisation has been gathering momentum for quite some time, says Shah. One of the key levers for this desire to progress, she explains, has been the region's widespread lack of legacy tools and systems. Being unencumbered by ageing tools has meant it can adopt new technology easily and effectively to its advantage.

While digitalisation in general continues to be important, Chibesa adds that perhaps the most pressing call from a treasury perspective is for a real-time set-up.

The elevation of immediate data accessibility to a central role in treasury is also driving real-time digital solutions to the fore as treasurers seek more timely and accurate analytics to enhance their decision-making.

"In markets with capital controls [such as Angola, Equatorial Guinea, Gabon, Nigeria, and Zambia] that are highly dependent on inflows from single commodity exports, clients need forecasting tools that can combine historical cash behaviours with externally sourced live market activities," explains Chibesa.

Businesses in crisis mode obviously have to change the cadence at which decisions are made, with biweekly or monthly forecasts shifting to a daily or intraday activity. "While the decision-making patterns of our clients changed during the pandemic, as we begin to think in post-crisis terms, there are other global events continuing to impact corporate treasuries in Africa," notes Chibesa. "This ensures crisis decision-making, and thus the need for real-time systems, lives on."

Drivers for change

Taking a wider perspective on the rise of real-time to the top of the agenda, Shah says businesses have changed the way they behave because of consumer demand. With circumstances seemingly dictating the need for progress, smart businesses are doing more than just reacting and keeping up; they are seeking opportunities to leverage the real-time environment.

The importance of accurate cash flow forecasting is highlighted as the number one priority in PwC's 2021 Global Treasury Survey, notes Shah. This clearly reflects ongoing market volatility. But technology and digital innovation is also high on the priority list, with treasurers seeking new ways to navigate payments and collections processes. In Africa, the real star of the show is mobile money. "It's changing the landscape of collections and how businesses manage liquidity," she comments.

In addition to cash flow forecasting, Chibesa says technology is presenting a good opportunity for treasurers to reassess their approach to finance. "Treasurers are beginning to think carefully about ways to optimise their financing structures, and they are considering how they can support suppliers," she notes. With a marked regional uplift in payables finance programmes, she explains that Citi customers are increasingly seeking ways to de-risk their value and supply chains.

As well as steering suppliers to Citi's payables finance platform, while corporates will continue to leverage value chains with a strong global component, Chibesa notes that many are exploring options such as near-shoring supplier bases as a longer-term security consideration, and as part of their contingency planning.

Stronger together

Most companies have experienced some challenges in recent times and Chibesa notes that this has encouraged more reflective thinking on the role of treasury. "I don't think there is a company that came out of the crisis less appreciative of the fact that they are part and parcel of a greater ecosystem, and that they play a pivotal role in supporting that whole structure, its efficiency, and even its survival."

As part of the responsibility to support these ecosystems, where for example current economic circumstances have pressurised cash flows, adoption of digital receivables financing solutions can help optimise working capital, suggests Chibesa. "By rolling this out in a number of our markets – with more to come – we are enabling businesses to gain easier access to good-quality funding."

Ecosystem awareness and the wider adoption of Supply Chain Finance (SCF) dovetails with the rising ESG agenda, says

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Shah. "We've seen buyers on Citi's SCF programmes express greater interest in supporting marginalised and smaller-scale suppliers, creating access to finance, and generating new opportunities for them. It's a win-win because every stakeholder is looking for supply chain security."

Indeed, she continues, one of the lessons of the pandemic and the following crisis in Ukraine has been the realisation that new ways must be found to ensure supply chains are not disrupted – and that means looking out for every participant. In addition to the shift from a just in time (JIT) to a just in case (JIC) inventory model, to near-shoring production and supply lines, many of the larger corporate buyers now understand that protecting less powerful suppliers is key to supporting supply-chain security and their own success.

"In South Africa, the government-backed Black Economic Empowerment programme is a way of visibly demonstrating which suppliers a corporate is supporting in terms of its whole enterprise value chain," Shah comments. "It really is about finding innovative ways to support the entire ecosystem."

For Chibesa, conversations with many corporate clients have for some time been focused on their commitment to reducing carbon emissions to net zero over the next decade or so. "They are hungry for ideas on how to achieve what for some are ambitious targets," she says. "So when we introduce to the discussion additional opportunities to

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meet their commitments, we typically see genuine interest."

These discussions are open minded, and so Chibesa says a programme to support marginalised business communities sits alongside the discovery of how a large corporate buyer can help drive the adoption of renewable energy sources among its supply chain partners.

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Digital first

If the adoption of affirmative ESG-focused action is rising up the agenda, then the deployment of digital solutions in the region's corporate treasuries has already become part of the strategic plan for many, comments Shah.

Progress depends where in the value chain a business sits, but she says the region is home to a number of multinationals that have evolved through digital invoicing and payments. This creates customer expectation, which itself encourages greater uptake of digital solutions by businesses across Sub-Saharan Africa.

"With e-commerce central to top-line growth in the region for a lot of our clients, many have realised the need to change their sales and distribution practices," explains Shah. "This draws the focus onto digital channels and mechanisms such as contactless payments [Citi having also just introduced recycled PVC for its corporate cards], which in turn lays the groundwork for the roll-out of real-time treasury processes."

There continues to be a wealth of opportunities for the region's wider business community, continues Chibesa. The number of manual interactions Citi has with its clients is "vastly diminishing" in line with the growing appetite its clients have for digitisation. Indeed, she adds that many remaining manual interactions now exist only because they are still subject to domestic-system idiosyncrasies that are waiting for government-level attention. This is on the agenda.

"The increase in digital inclusion in Africa is revealing because it tells us not only about our customers but also about the populace as whole," Chibesa comments. "Digital inclusion is being driven by banks and their business clients, but it is also being propelled by policymakers, with our central banks and governments playing a critical role in digitalisation."

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Top-level support

The Kenyan Government has recently published an updated digital strategy outlining its development programme. Nigeria has already progressed to a third phase of its National Digital Economy Policy and Strategy. The Zambia Digital Economy Status Report 2022 has also lately published outline plans for transforming the nation's digital infrastructure and services.

"These commitments create the necessary legal and policy space, and the opportunity for more innovation to take place," comments Chibesa. "By providing policy direction, they are inviting attention, investment and ultimately change."

However, she adds, digital progress will have its challenges, with regulatory complexity sometimes a negative unintended consequence. Consumer protection rules must also be tightened, with effective systems of complaint and recourse essential to gain trust from all users. Data-sharing rules also require considerable work to facilitate the smooth flow of information.

Crossing borders

For many businesses a key issue is FX flows, notes Shah. It is not possible to seamlessly move money from South Africa to Nigeria, for example. The lack of fluidity impacts the feasibility of cash concentration,sweeping and pooling mechanisms that otherwise could be automated to derive significant cash and liquidity management value for cross-border operations. The region has worked hard to form a number of trade and investment hubs based on compass-point allegiances (such as the Southern Africa Trade and Investment Hub, and the East Africa Trade and Investment Hub). These are intended to aid currency movements within each cluster of countries. "We have pockets of excellence. It's not seamless but we're getting there," comments Chibesa.

Of course, its large continental (and global) footprint places Citi in a strong position to help treasurers covering Sub-Saharan Africa drive improvements in core activities such as cash flow forecasting, says Shah. "While forecasting may have traditionally been seen as a planning tool, with the application of AI it can become an optimisation tool," she continues. "Citi is able to seamlessly provide visibility of funds across the region, with full data integration. It hands greater control to treasurers, and with that, enhanced decision-making."

With the addition of its strong on-the-ground advisory capabilities, Citi is making impressive headway with its aim to be the trusted advisory service on the continent. This counts both for corporate treasurers and government bodies seeking to leverage digitalisation. Indeed, the impression of progress across this whole region in the direction of digitalisation suggests that others still battling with legacy technologies could learn a lesson or two from Sub-Saharan Africa. ■