THE NETWORK FORUM | AFRICA MEETING
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Three years ago, TNF was forced to hastily abandon its Africa Meeting (albeit not in time to prevent a handful of people arriving in Johannesburg first) as the severity of COVID-19 became startlingly apparent. In the weeks that followed, South Africa implemented one of the world's strictest lockdowns, even going so far as to ban the sale of alcohol and tobacco.

Today, the relative normality in Johannesburg makes it feel like COVID-19 never happened, a sentiment echoed by several attendees at TNF.

So what were the biggest talking points to emerge from TNF Africa?

Load Shedding

For South Africans right now, load shedding is now a normal part of life. For the uninitiated, load shedding is a term which refers to the periodic shutting down of the energy network in certain geographical areas for several hours at a time to reduce demand, thereby preventing the country's entire power infrastructure from collapsing altogether.

Critics – including the Former (and very nearly assassinated) CEO of Eskom - have highlighted that the South African government's reluctance to invest in ageing coal fired power stations, along with rampant corruption and industrial scale theft by criminal syndicates of coal and infrastructure, are to blame for the chaos.

Although the rolling blackouts plunged TNF into momentary periods of darkness, the disruption was short-lived as the Maslow Hotel's backup generators kicked into action within a minute.

While most major businesses in South Africa can afford petrol powered generators or solar panels to mitigate the impact of these outages, this is a luxury which is not available to everyone. Until this ongoing debacle is resolved, South Africa's economy will struggle to grow - and realise its true potential.

A digital asset stranglehold in Africa

Just as TNF Asia took place barely days after FTX imploded, TNF Africa occurred in the aftermath of the failure of Silicon Valley Bank and crypto lender Signature Bank, two events which have sent shockwaves throughout the digital asset market.

So what impact is this having on African markets?

Although most major institutional investors are steering well clear of crypto-currencies, they are open to the idea of trading regulated digital assets such as security tokens. This is evidenced in a TNF survey which found that 80% of providers are seeing more demand from African clients for digital asset services.

There is also growing consensus among industry leaders that African regulators need to follow the EU's example with MICA (Markets in Crypto Assets Regulation), and introduce some sort of supervisory regime overseeing digital assets.

ESG does not escape Africa

If recent analysis by PwC is to be believed, then 21.5% of all global AUM (assets under management) – corresponding to roughly $33.9 trillion – will be invested in ESG-focused asset managers by 2026. The problem with ESG, however, is that nobody can seem to agree on what it is exactly, an existential shortcoming which has allowed greenwashing to proliferate. The problem is exacerbated by the abundance of different ESG industry standards together with the conflicting ESG scoring methodologies used by different ratings agencies.

Regulators are taking note. For instance, some markets are introducing their own ESG taxonomies designed to help investors benchmark which particular economic activities are green or not. The EU has adopted a very prescriptive taxonomy model, while South Africa has unveiled its own voluntary taxonomy making it the first country in Africa to do so.

Herein lies another fundamental problem in that regulators are now developing byzantine rules and taxonomies, which are not harmonised. This is going to make ESG investing even more complicated and further increases the risk of greenwashing.

Speaking on the fringes of TNF, several attendees acknowledged that ESG regulations and standards globally are a mess, and this is likely to erode investor confidence in the market.

Will T+1 come to Africa?

India's phased adoption of T+1 settlement for equities appears to have gone reasonably smoothly, while all eyes are now fixated on the US and Canada, both of whom plan to introduce T+1 in May 2024.

Other markets – including the UK – are consulting on T+1, although the EU is probably going to wait until the CSDR's Settlement Discipline Regime delivers tangible results on settlement efficiency before taking any further action.

The T+1 debate has not bypassed Africa.

While experts from several African countries said they are not opposed in principle to the idea of T+1, Nigeria is the only market in the region which is proactively talking about adopting it, having reportedly established a committee to investigate whether there is any value in shortening the settlement cycle.

Not everyone is convinced that T+1 is strictly necessary. One market participant said South Africa currently has no plans to adopt T+1, adding the existing infrastructure would not be able to cope with the change.

As to whether more African markets follow the Nigerian example on T+1 remains to be seen, but for now it seems most countries are in favour of retaining the status quo.

TNF will once again return to Athens for its Annual Meeting on June 20-22, before heading to Muscat on October 9-10, New York on October 19, before concluding the year in Asia later in November (location and dates tbc).