AFRICA CROSS-BORDER PAYMENTS/REMITTANCES
POLICY AND REGULATORY CONSIDERATIONS TO SPUR FINANCIAL INCLUSION

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SIGNIFICANT GROWTH OPPORTUNITIES IN AFRICA

Remittance flows

- $12bn intra SSA (2015)

Labour migration


Digitisation

- SSA mobile money accounts: 277 million (2016)
- SSA bank accounts: 178 million (2016)

Source: GSMA, 2016; World Bank, 2017
SIGNIFICANT GROWTH OPPORTUNITIES...BUT DO THEY TRANSLATE INTO FIN IN PAYMENTS?

Remittance flows

Labour migration

Digitisation

Yet... stickiness of informal, OTC and high-cost channels within and to Africa

The system is disconnected

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EXPLORING DIVERSITY, PROMOTING INCLUSION

THE 2017 AFI GLOBAL POLICY FORUM

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SHARM EL SHEIKH, EGYPT

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UKaid
HIGH, BUT DECREASING COSTS...

Sending money to Africa has high price tags...

Cost to send from UK to Africa

Source: FSDA, 2017; World Bank, 2017
HIGH, BUT DECREASING COSTS...

...yet the average cost is reducing.
Is it enough?

Average remittance price to region

Source: FSDA, 2017
HIGH, BUT DECREASING COSTS...

Full cost to consumer of bank account encashment (Malawi)

- Basic account cost: $0.65
- Travel cost: $3.84
- Opportunity cost: $1.07
- Cost to access bank (88%): $3.84
- Bank fees (12%):

Need to calculate true transaction cost to drive FI

Source: FinScope Malawi, 2014; Mystery shopping, 2014
...YET INFORMAL AND OTC STILL DOMINATE

Cash-based OTC transactions dominate...

Remittances received (South and West Africa)

...and value through informal channels often matches formal

Source: World Bank FinDex, 2014
MAIN DRIVERS OF DISCONNECTED SYSTEM

Lacking policy mandate
Disjointed regulatory frameworks
Growing, but disconnected infrastructure system
Not designed for inclusion (of individuals)

Solution to drive FI?
A coordinated, system-wide response is needed
SOLUTIONS TO CONNECT AND GROW AN INCLUSIVE SYSTEM

- Lacking policy mandate
- Disjointed regulatory frameworks
- Growing, but disconnected infrastructure system
- Not designed for inclusion (of individuals)

- Input at global standard-setting body level to drive global mandates
- Evaluate the cross-border mandate gaps per jurisdiction and align across region
- Update mandate to:
  - Develop inclusive payments systems
  - Coordinate regulatory action (cross-border)
  - Coordinate regulatory action (domestic)

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LACKING POLICY MANDATE

Disjointed regulatory frameworks

Growing, but disconnected infrastructure system

Not designed for inclusion (of individuals)

SOLUTIONS TO CONNECT AND GROW AN INCLUSIVE SYSTEM

- Harmonise regional regulatory frameworks:
  - Prudential, risk, AML/CFT and consumer protection
- Fill regulatory framework gaps on DFS
- Coordination between domestic regulators overseeing payments systems components
- Peer support to build capacity to develop and implement regulatory frameworks supportive of innovation

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SOLUTIONS TO CONNECT AND GROW AN INCLUSIVE SYSTEM

- Region-wide coordinated interoperable infrastructure development
- Update regulatory frameworks to support effective interoperability and all market players (e.g. licensing and recognition of payments providers)
  > Provide certainty on application of regulatory frameworks for market
- Harmonised cross-border technical standards
- Grow skills in market to support effective payment systems operation

Lacking policy mandate
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SOLUTIONS TO CONNECT AND GROW AN INCLUSIVE SYSTEM

Lacking policy mandate

Disjointed regulatory frameworks

Growing, but disconnected infrastructure system

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- **Enable system to support high-volume, low-value payments:**
  > Develop system capabilities to support volumes, digital payments ecosystem and convenient first/last mile encashment points
  > Promote market competition
  > Develop regulation that is proportional to risk

- **Implement standards that are sensitive to informal market access** (e.g. KYC)

- **Build better understanding of what value means to consumer and drive system development** that supports this

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Q&A
ABOUT CENFRI AND FSD AFRICA

The Centre for Financial Regulation & Inclusion (Cenfri) is a global think tank and non-profit enterprise that bridges the gap between insights and impact in the financial sector. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors seeking to unlock development outcomes through inclusive financial services and the financial sector more broadly.

FSD Africa is a non-profit company that aims to increase prosperity, create jobs and reduce poverty by bringing about a transformation in financial markets in Sub-Saharan Africa (SSA) and in the economies they serve. It provides know-how and capital to champions of change whose ideas, influence and actions will make finance more useful to African businesses and households. It is funded by the UK Aid from the UK Government. FSD Africa also provides technical and operational support to a family of 10 financial market development agencies or “FSDs” across SSA called the FSD Network.

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