

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

JULIET MUNRO, INCLUSIVE FINANCE DIRECTOR  
FSD AFRICA

BARRY COOPER, TECHNICAL DIRECTOR  
CENFRI

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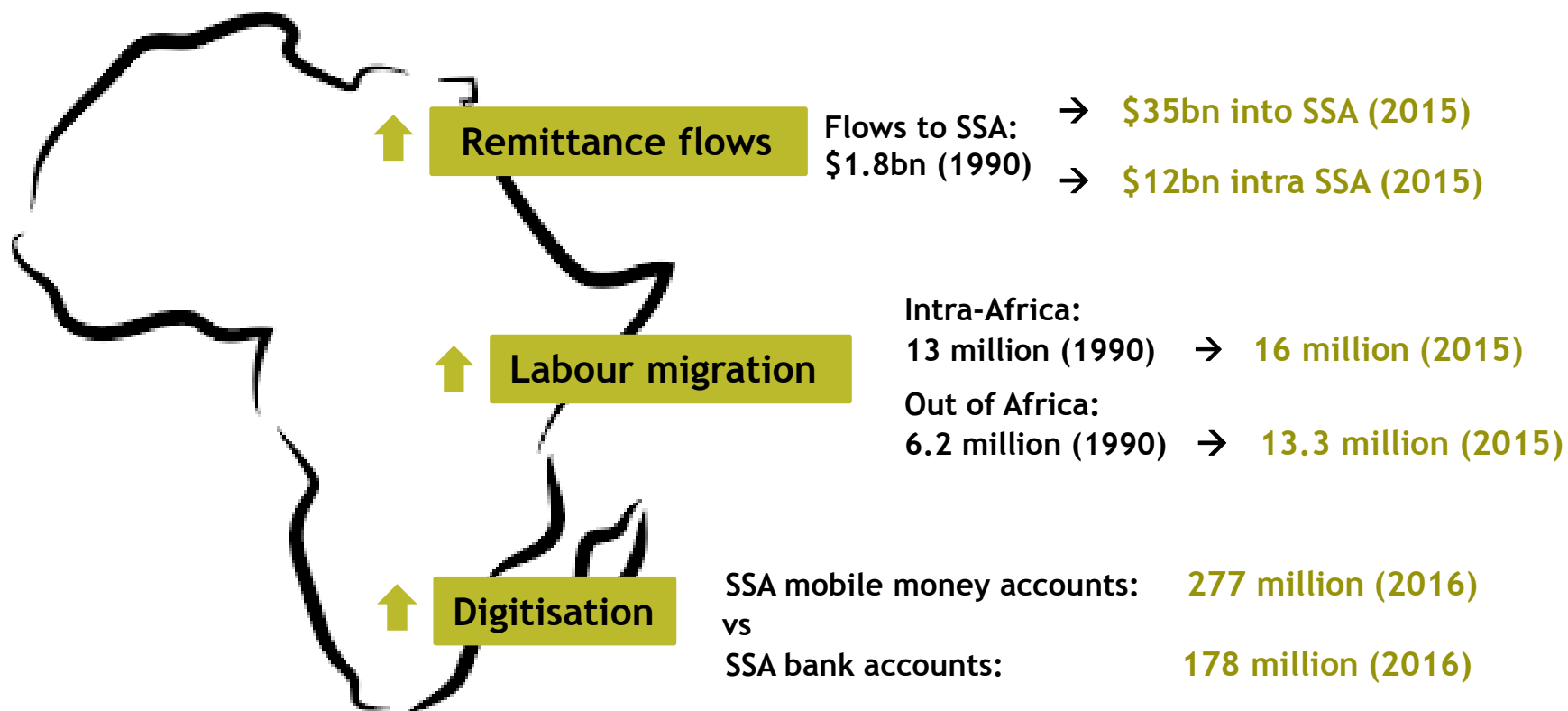


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# SIGNIFICANT GROWTH OPPORTUNITIES IN AFRICA



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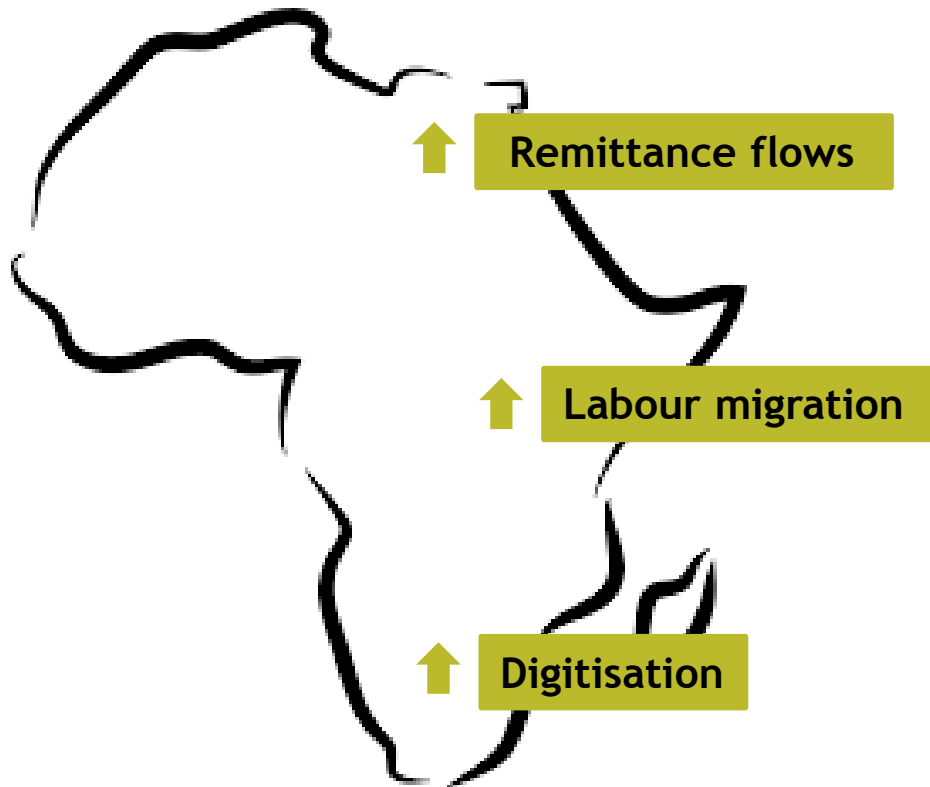
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Source: GSMA, 2016; World Bank, 2017

# SIGNIFICANT GROWTH OPPORTUNITIES...BUT DO THEY TRANSLATE INTO FI IN PAYMENTS?



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

  
The system is disconnected

# HIGH, BUT DECREASING COSTS...



11%  
average  
intra-Africa  
corridors

Range of  
1% to 29% in  
intra-Africa  
corridors

Sending money to Africa has high price tags...

Cost to send from UK to Africa This presentation is supported by :



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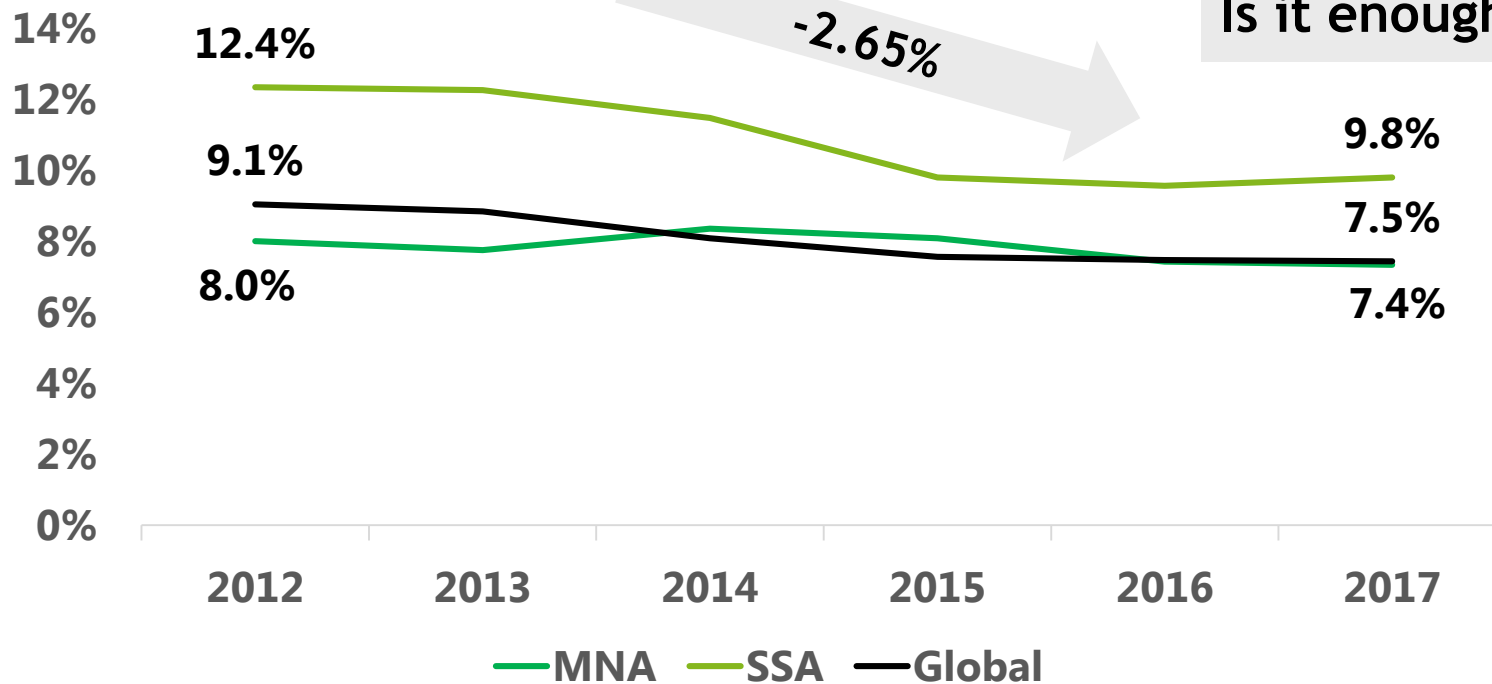


Source: FSDA, 2017; World Bank, 2017

# HIGH, BUT DECREASING COSTS...

...yet the average cost is reducing.

Is it enough?



Average remittance price to region



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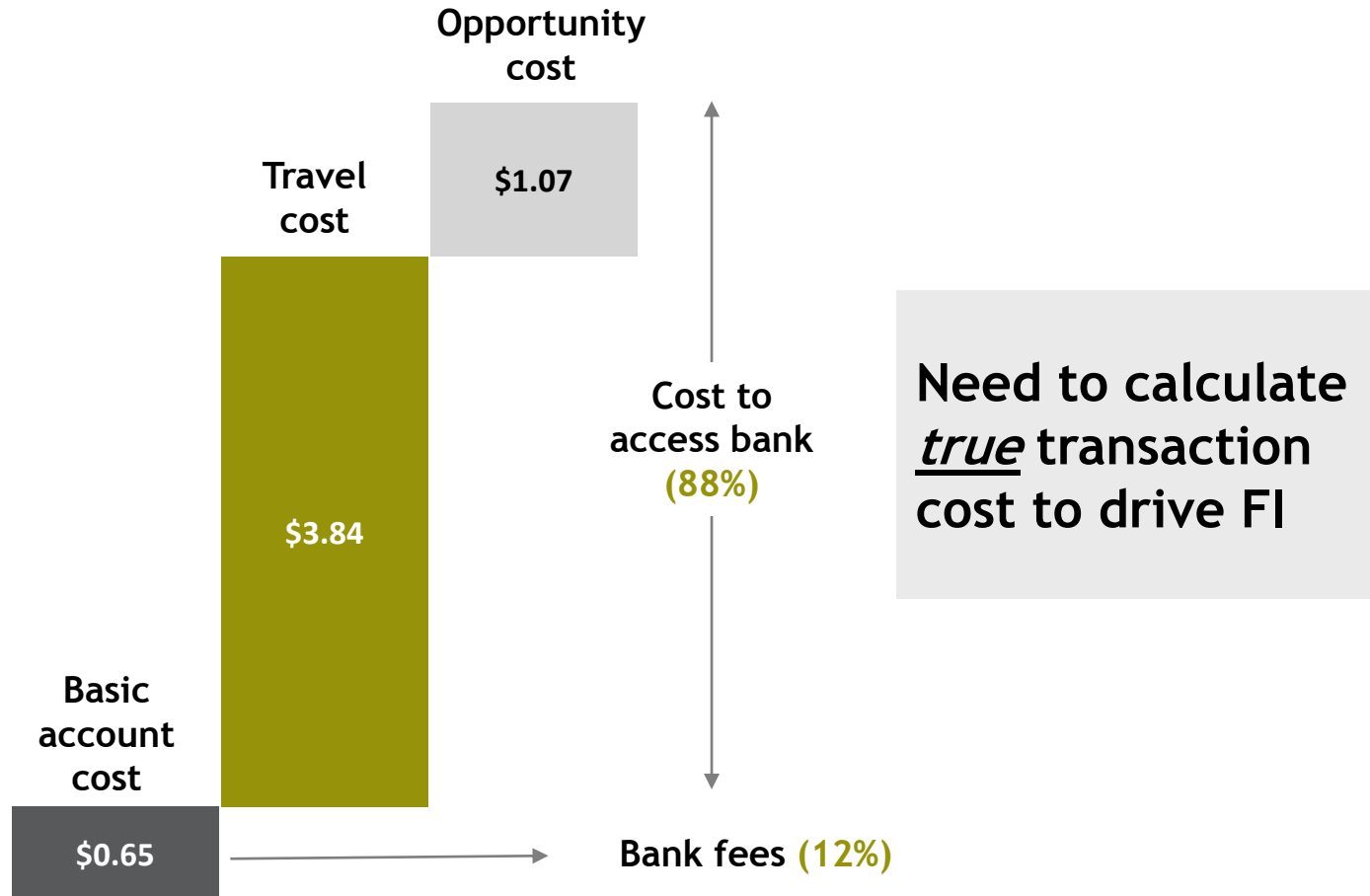
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Source: FSDA, 2017

# HIGH, BUT DECREASING COSTS...



## Full cost to consumer of bank account encashment (Malawi)

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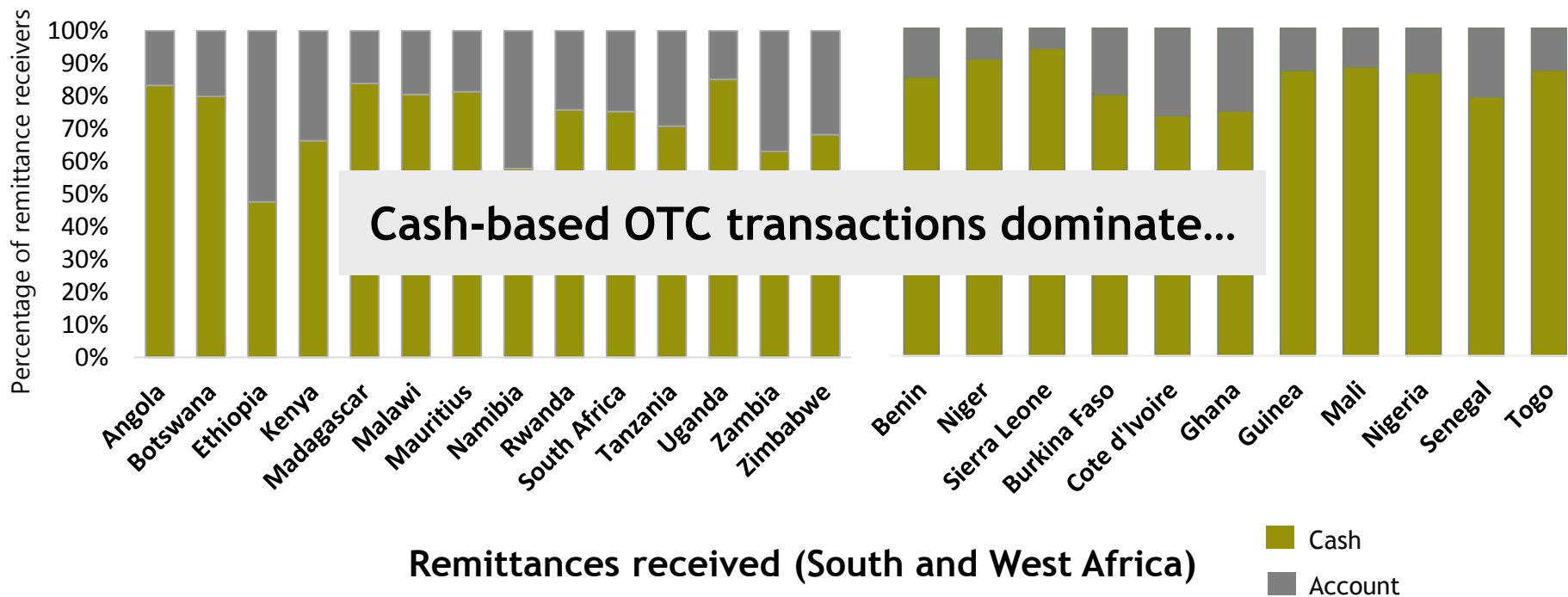
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Source: FinScope Malawi, 2014; Mystery shopping, 2014

# ...YET INFORMAL AND OTC STILL DOMINATE



...and value through informal channels often matches formal



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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**



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# 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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- **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

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- 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

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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



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# ABOUT CENFRI AND FSD AFRICA

**Barry Cooper**

Email: [barry@cenfri.org](mailto:barry@cenfri.org)

**Juliet Munro**

Email: [juliet@fsdafrica.org](mailto:juliet@fsdafrica.org)



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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