Reducing the cost of remittances to and within Africa

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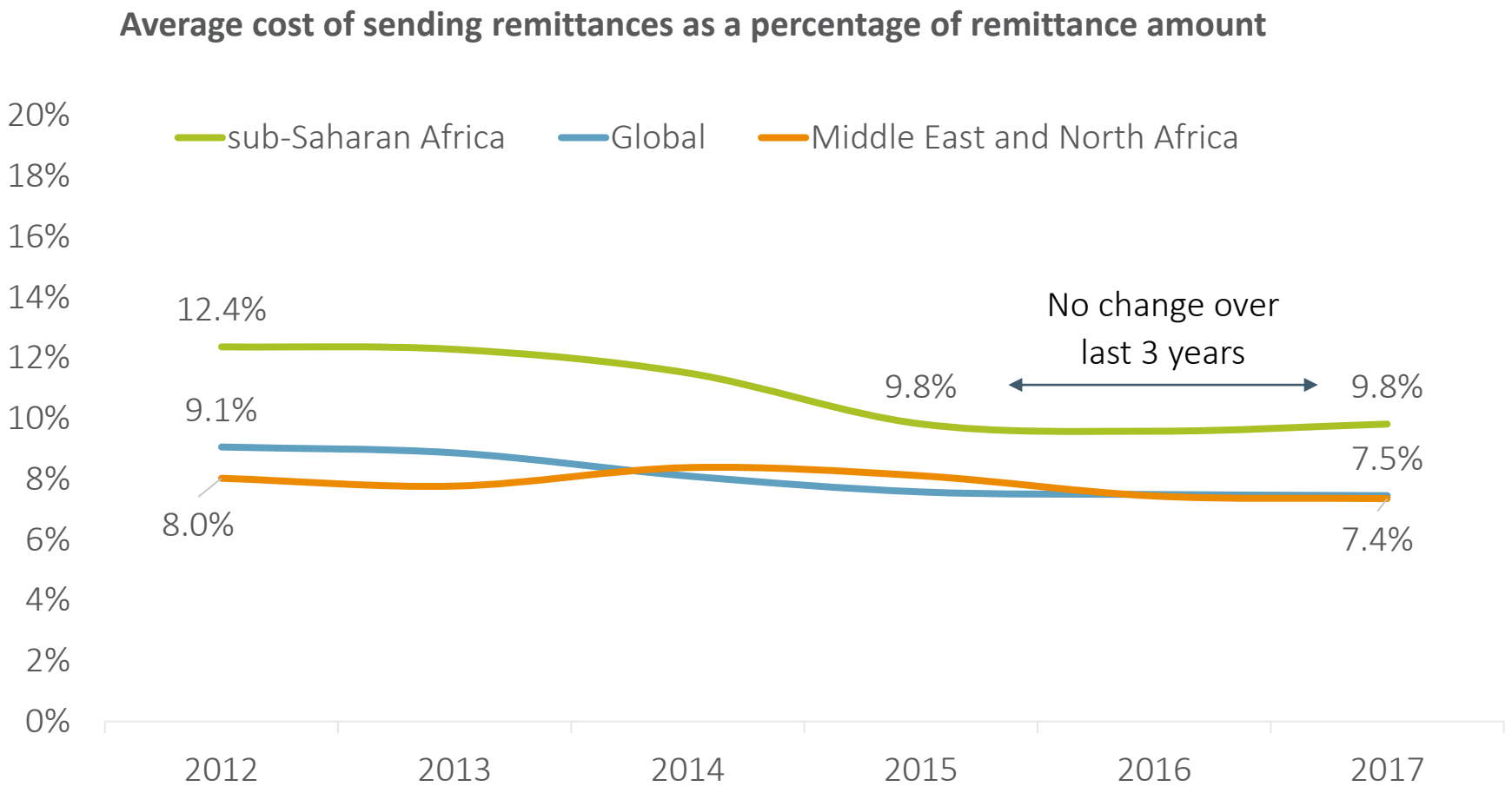
The cost of sending remittances to and within Africa are the highest in the world

11%
average intra-Africa corridors

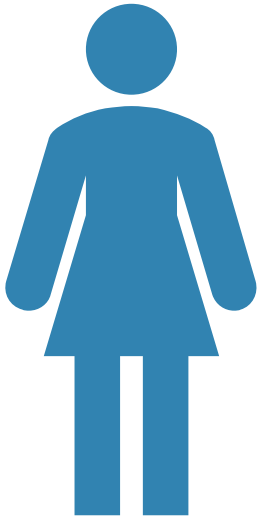
Range of
1% to 29% in
intra-Africa
corridors

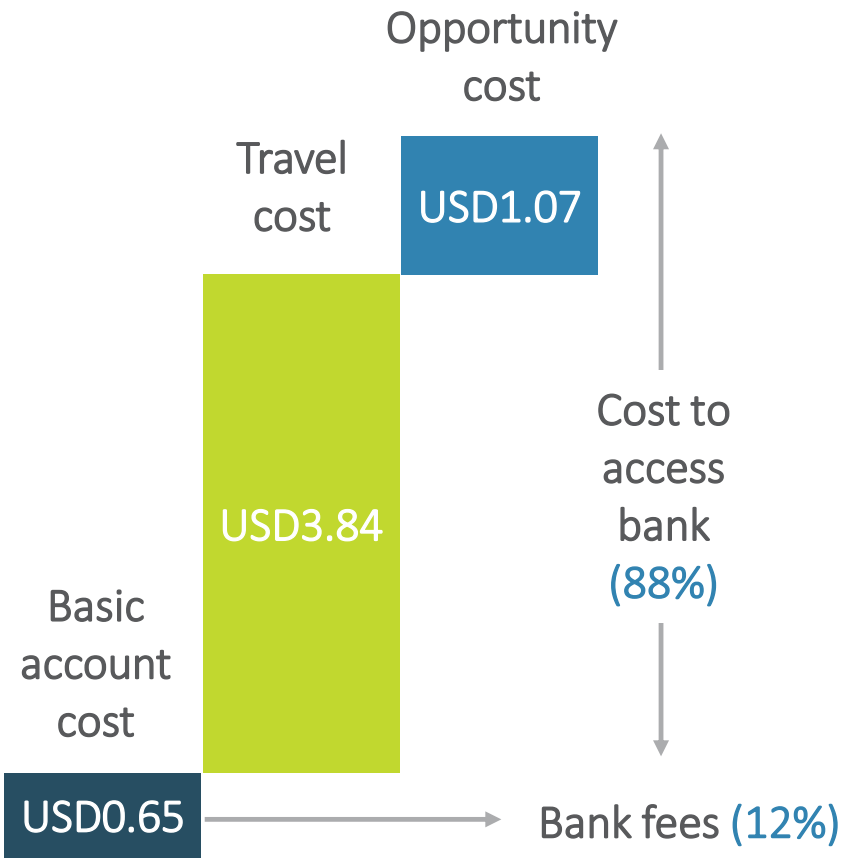
Following an initial decrease, the price of remittances has not changed over the last three years



The real cost for consumers in Africa remains even higher

In Malawi, the **cost of using a bank account is 17% of the average monthly income** of adults





Market realities make it hard to further reduce prices with existing approaches

- High **variation in infrastructure** and **regulatory frameworks** to support affordable national and cross-border low-value, high-volume payments
- Consumer dependency on and, **preference for cash-based payment services** limiting the uptake of digital solutions
- High levels and **increasing sophistication of informal** over-distance payments, meeting consumer needs better
- **Disproportionate KYC documentation** required for cross-border remittance services reduces formal flows

New approaches required to bring down the cost of remittances without driving exclusion

- Reducing the barriers for adopting and using digital payments solutions over cash and informal services by changing the environment/context in which they exist
  - Regional payment systems that are interoperable with domestic payment solutions (e.g. hubs, cryptos, protocols) *by proof of concept*
  - Regulatory harmonisation (e.g. BoP reporting and cross-border AML/CFT measures) *by regulatory TA and influencing global FATF/ITU guidelines*
- Increasing the scale of formal remittances by working with existing cash-based payments behaviour
  - Full supply value chain digitisation to incentivise consumer/merchant uptake of digital solutions *by understanding cash reticulation systems and the role of technology*
  - Formalising consumers through the application of technology in identity (e.g. biometrics) and special-purpose vehicles *by understanding remittance sending and receiving behaviour*

Thank you

Please engage with us:

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About Cenfri

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.

About FSD Africa

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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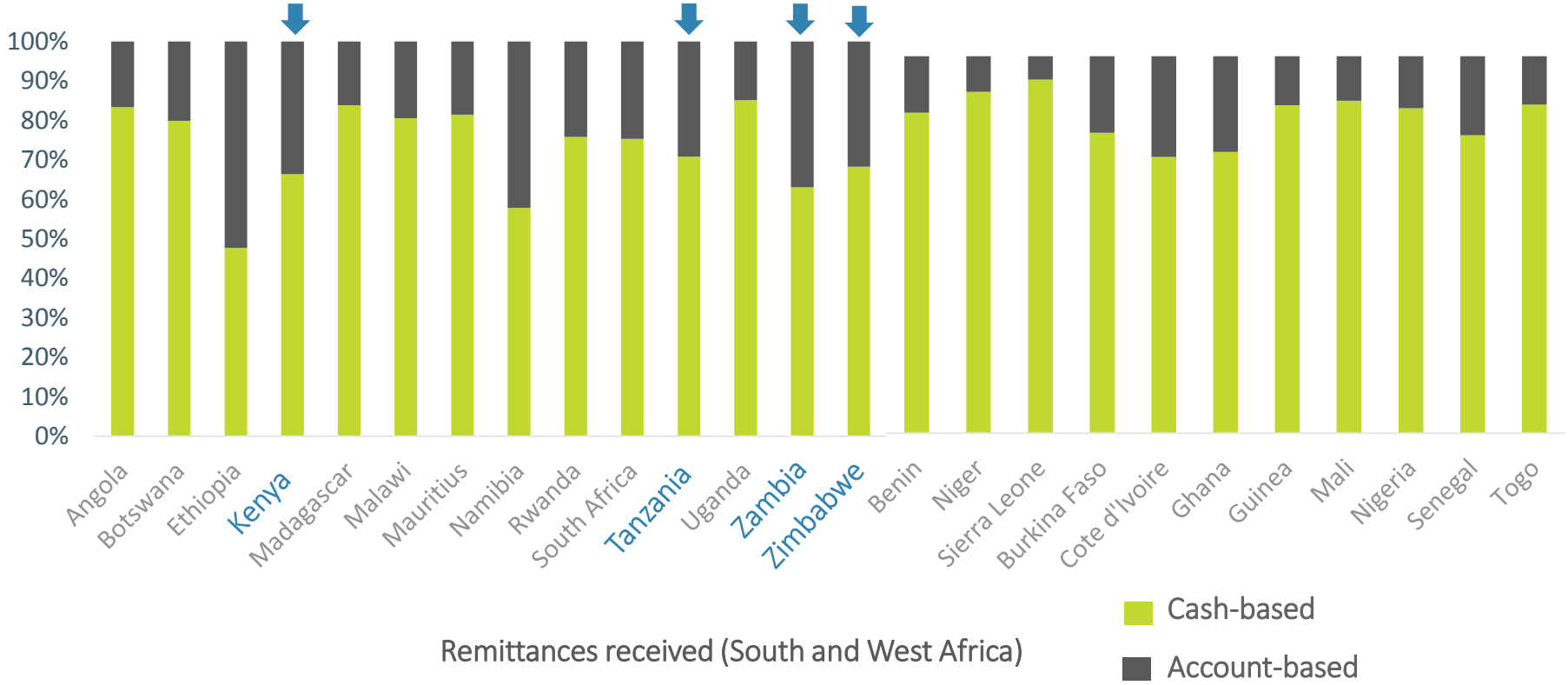
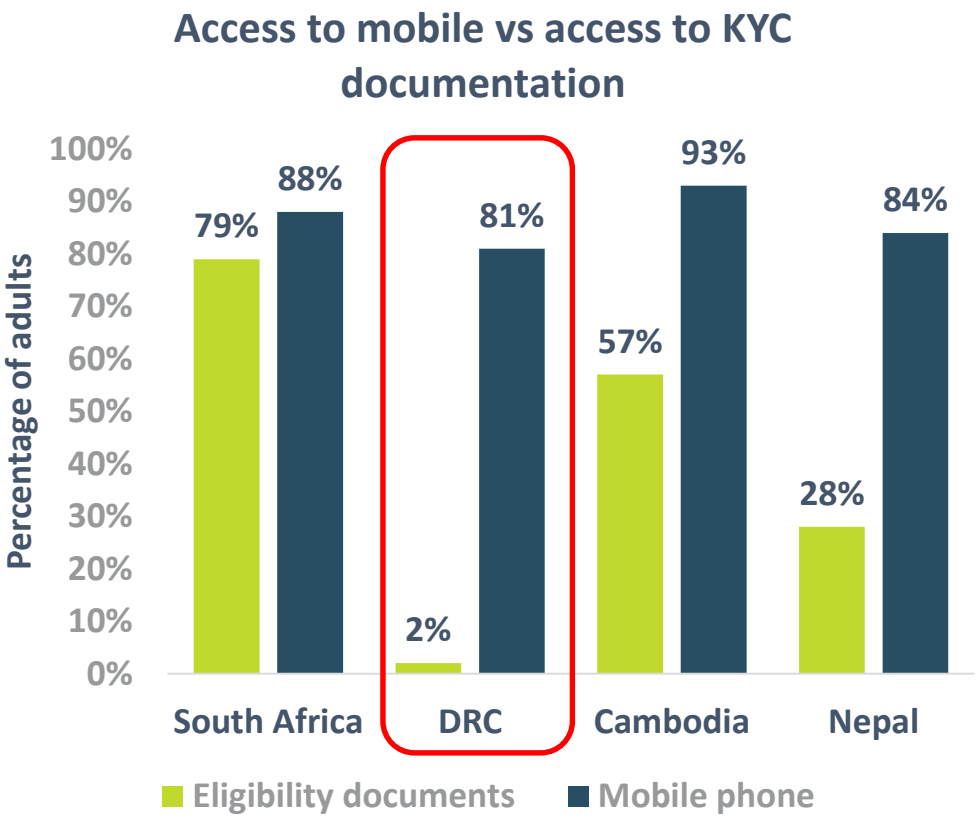
Annex 1: Cash-based OTC transactions dominate in Africa

- Even in the UK, cash still dominates according to new DMA research.
- African countries are largely cash-dominated when it comes to remittances.



Annex 2: Disproportionate regulation drives informality



- Excluded and inconvenienced consumers are forced to access informal financial services.
- Informal systems have competitive advantage – not hamstrung by regulation.
- Through technological innovations, informal financial services can offer high-quality and more efficient services to consumers.

- **Disproportionality exacerbates informalisation in the retail sector**
- **Disproportionality encourages shadow banking in the wholesale sector**

Annex 3: High levels of exclusion due to documentation