

Technology in remittances in Africa – bound by imperfect ecosystems

Barry Cooper, Technical Director

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No doubt – theoretically, technology has lowered costs

especially through mobile-phone solutions and middle-mile efficiencies

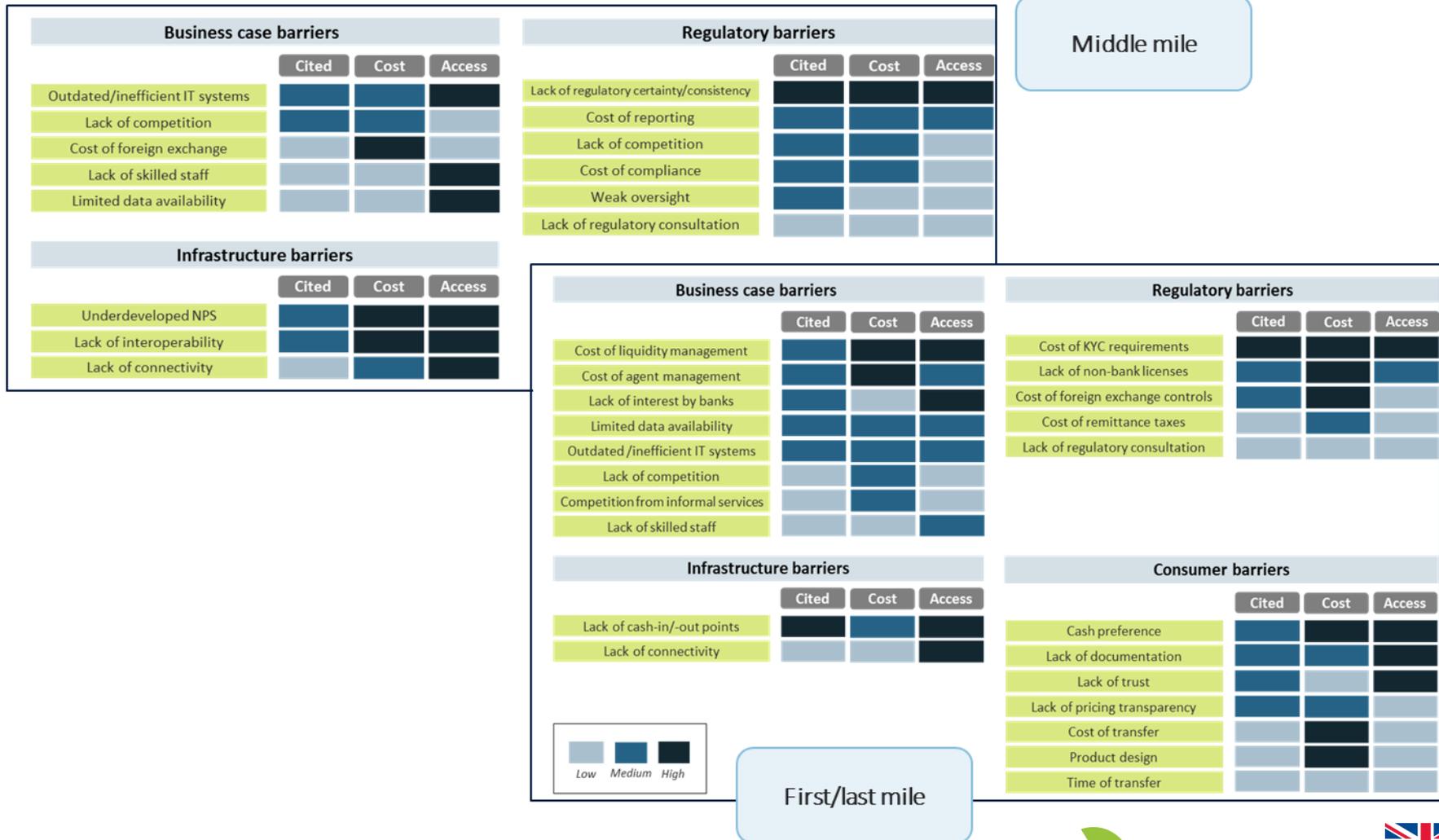


Yet, cost reductions fairly minimal for last-mile recipients

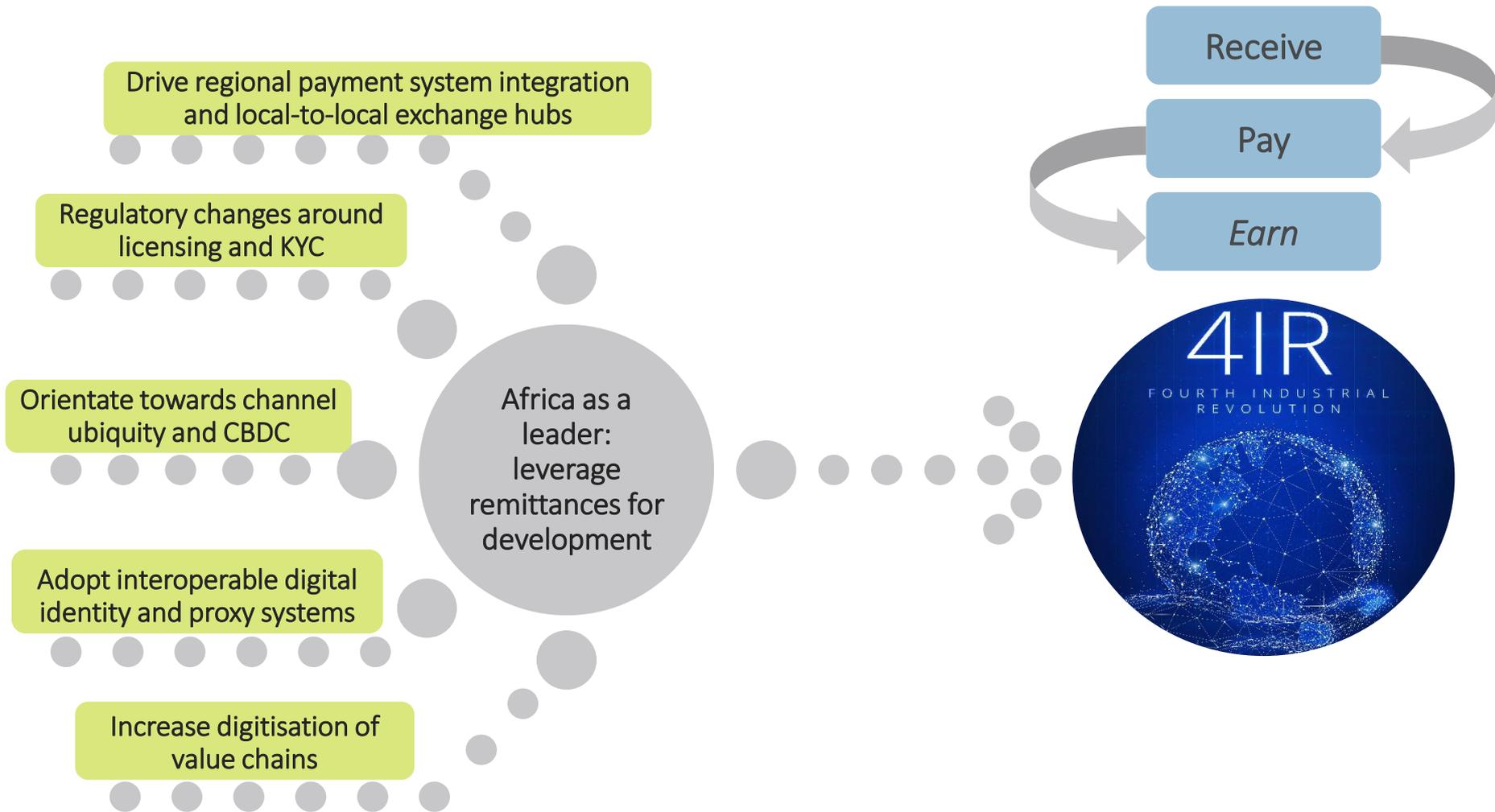
because recipients operate overwhelmingly in cash



(Technology) providers are hamstrung by outdated regulation and inefficient infrastructure



To reduce remittance costs much further, systemic payment changes are needed



Review our forthcoming full list of recommendations

REMITTANCE PROVIDERS	
Barrier	Recommendation
Lack of skilled staff	<ul style="list-style-type: none"> Develop learning/training programmes and partner with academic institutions for placements Recruit employees on knowledge exchange missions Design systems and processes to accommodate offshore staff at scale
Lack of interest by banks	<ul style="list-style-type: none"> Improve angle of business case by present to banks Improve business case data collection Focus on benefits to bank keeping funds in perpetuity Improve reporting and quality of data Aggregate correspondent banking relationships
Cost of remittance taxes	<ul style="list-style-type: none"> Lobby against mobile money remittance taxes Assist pricing model to that consumers are not hindered by taxes Assist with re-architected data on impact of taxes on flows
Lack of regulatory consultation	<ul style="list-style-type: none"> Regular check-in with regulator

REGULATORS AND POLICYMAKERS

Barrier	Recommendation
Lack of regulatory certainty	<ul style="list-style-type: none"> Facilitate the deployment of interoperable CDD and ID proxy systems either centrally or through interoperable databases Facilitate access to a centralised, accessible database RBA/RBS to ML/FT; develop guidance
Cash preference	<ul style="list-style-type: none"> Remove compulsion requirement; provide robust identifiers Provide a regulated electronic on-board e-storage

DEVELOPMENT PARTNERS

Barrier	Recommendation
Cost of foreign exchange controls	<ul style="list-style-type: none"> Research on effects of foreign exchange controls at micro- and macro- level Technical assistance on the softening of exchange controls, particularly with regards to SME growth and low-value retail consumers Research on parallel market that foreign exchange controls fuel
Lack of connectivity	<ul style="list-style-type: none"> Assist with electricity quality and penetration Remedial plan to guarantee tower roll-out in high population-density areas GIS analysis of services overlaid with population density to discover gaps in digitisation Investigate implementation of risk-appropriate, offline digital transactions, including offline digital identity Development of joint working groups with multi-ministerial representatives (communications regulator, payments regulator, ICT regulator)

Barrier	Recommendation
Outdated/inefficient IT systems	<ul style="list-style-type: none"> Assist with ISO20022 integration; capacity building Technical assistance, upskilling staff Support undercapitalised yet vital institutions for lower-income consumers with IT system development
Limited data availability	<ul style="list-style-type: none"> Harmonise data standards and taxonomies across regulators Train regulators on common standards regularly; ensure continuity Leverage regional platforms such as AF, ESAMILE, CABA, GABAC, AIR for trainings on data quality Country diagnostics on the informal market to size informal flows Introduce global data quality standards Fund qualitative data initiatives to bridge quantitative data gaps

Barrier	Recommendation
Lack of skilled staff	<ul style="list-style-type: none"> Assist with improving course content Enable knowledge exchange between regulators Develop learning/training programmes contingent upon service in local institutions Study exchange and knowledge transmission for regulators Secondment programmes from developed to developing markets to facilitate knowledge transfer
Lack of interest by banks	<ul style="list-style-type: none"> Policy recommendations around the adjustment of banking licenses with a flexible inclusion component (incl. remittance) Develop code of market conduct, banking practice, treating customers fairly, financial services charters that require banks to ensure fair service provision

Barrier	Recommendation
Cost of remittance taxes	<ul style="list-style-type: none"> Systematic study of feasibility and implications of taxation of (outward and inward) remittance flows Analytical modeling of remittance taxes Compile body of evidence; organise events and workshops around the topic Understand the micro- and macro-implications on remittances
Lack of regulatory consultation	<ul style="list-style-type: none"> Create mandates and structures of consultative forums Develop policy guidance on and seek funding for forums

Barrier	Recommendation
Lack of trust	<ul style="list-style-type: none"> Research on consumer protection and recourse best practices Research on drivers of DFS uptake Set up industry pricing comparison information portals Set up consumer recourse ombudsman Deployment of redress to better understand market abuses and consumer complaints
Cost of compliance	<ul style="list-style-type: none"> Costing exercise for different tiers of providers Assist with regional harmonisation through entities such as AF and FAT Funding of inclusive compliance model studies Provide policy recommendations on cost of compliance for regulators and policy makers

Barrier	Recommendation
Time of transfer	<ul style="list-style-type: none"> Foster strategic partnerships Leverage resources, skills and institutions in developed markets to assist with local-to-local currency transfers Develop guidance on how to protect developing country customer data to foster deployment cloud-based services
Interoperability legislation	<ul style="list-style-type: none"> Review agent licencing Superegnet structure Enhance cross-gu
Anti-competitive provider	<ul style="list-style-type: none"> Prohibit exclusive Mandate interope Establish clear cor Increase financial Enhance cross-gu
License outside banking licenses	<ul style="list-style-type: none"> Use outside banking licenses Increase financial Reduce informal activity on economy

Cost of licensing and annual license costs in relation to risks and competition

Cost of foreign exchange controls

Develop a policy framework for guidance on industry approved regulatory framework

Develop a policy framework for guidance on industry approved regulatory framework



REMITTANCE PROVIDERS

Barrier	Recommendation
Cost of KYC requirements	<ul style="list-style-type: none"> Develop use cases for interoperable ID proxy systems Adopt an effective risk-based approach Improve quality of collected KYC data
Lack of regulatory certainty	<ul style="list-style-type: none"> Regular check-ins with the regulator (e.g. through participation in forums between industry and regulator(s)) Focus on understanding and mitigation of risks when presenting to regulator

Barrier	Recommendation
Cash preference	<ul style="list-style-type: none"> Understand consumer demand through qualitative and quantitative research Change incentive structure for agents away from cash-out Improve consumer awareness and understanding of DFS Tackle DFS fraud
Lack of interoperability	<ul style="list-style-type: none"> Understand the business case for interoperability and integrate voluntarily Put in place ubiquity of channels infrastructure as the ultimate goal

Barrier	Recommendation
Underdeveloped payment systems	<ul style="list-style-type: none"> Utilise local rails where feasible Decrease the number of closed-loop systems by focusing on regional/international open-loop system integration
Cost of liquidity management	<ul style="list-style-type: none"> Leverage fintech solutions for better agent float management Agreements with cash-heavy businesses for better float management Consider superegnet structures

Barrier	Recommendation
Lack of cash-in/cash-out points	<ul style="list-style-type: none"> Partner with retailers/aggregators Revise agent roll-out strategies Locate cash-in/cash-out within value chains to understand digitisation gaps
Cost of agent management	<ul style="list-style-type: none"> Rationalise agent incentive with competitors Revise agent force structures Digitise agents Develop interchange model with other providers for better coverage Drive interoperability

Barrier	Recommendation
Lack of competition	<ul style="list-style-type: none"> Cap analysis of agent network in recipient country Understand consumer demand and preferences Develop value-added digital products aligned with market demand Increase marketing efforts Introduce appropriate transparency in pricing, especially in the foreign exchange margin, as a competitive advantage
Cost of licensing	<ul style="list-style-type: none"> Regular check-ins with regulator Participate in regulation for innovation pilots

Barrier	Recommendation
Cost of foreign exchange controls	<ul style="list-style-type: none"> Provide regulator with cost estimate of foreign exchange controls and their effect on consumers/the economy
Lack of connectivity	<ul style="list-style-type: none"> Increase 4G tower penetration
Outdated/inefficient IT systems	<ul style="list-style-type: none"> Integrate with ISO20022 (there are slimmer versions possible) Leverage slimmer fintech solutions and open APIs; utilise combined industry providers

Limited data availability

DEVELOPMENT PARTNERS

Barrier	Recommendation
Cost of KYC requirements	<ul style="list-style-type: none"> Research international, regional KYC processes linking into local ID proxy systems and explore ways funding innovation Assist with the development of guidance on risk-based innovative KYC models at regional FAT-style bodies Host regional/national workshops and conferences on a KYC, ID proxy and RBA/RBS Assistance with sector consumer risk assessments to modernise the KYC regimes
Lack of regulatory certainty	<ul style="list-style-type: none"> Regulatory gap analysis understanding the key regulatory areas Regularly convene regulators regularly; insist on collaboration of individuals Provide funding and technical assistance for the development of a regulation for innovation framework

Barrier	Recommendation
Cash preference	<ul style="list-style-type: none"> Research on drivers of digital uptake, including participation in forums between industry and regulator(s) Focus on understanding and mitigation of risks when presenting to regulator
Lack of interoperability	<ul style="list-style-type: none"> Understand consumer demand through qualitative and quantitative research Change incentive structure for agents away from cash-out Improve consumer awareness and understanding of DFS Tackle DFS fraud

Barrier	Recommendation
Underdeveloped payment systems	<ul style="list-style-type: none"> Research and regional plan on movement from closed-loop to interoperability to ubiquity Assess current digital infrastructure and their respective security, and develop sequential implementation plan towards a more secure common instrument Research and pricing of central bank digital currency (country diagnostic)
Cost of liquidity management	<ul style="list-style-type: none"> Leverage fintech solutions for better agent float management Agreements with cash-heavy businesses for better float management Consider superegnet structures

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Develop industry-led reporting standards



Cenfri remittances/integrity research overview

- **Barriers to remittances series:**
<https://cenfri.org/publications/where-are-the-flows/>
- **Payment ecosystems in SSA: an overview:**
<https://cenfri.org/blog/tipping-the-scale-in-favour-of-payment-systems-in-sub-saharan-africa-ssa/>
- **Benefits and risks of digital fiat currencies:**
<https://cenfri.org/publications/the-benefits-and-potential-risks-of-fiat-currencies/>
- **Central bank digital currency (CBDC) and financial inclusion:**
<https://cenfri.org/publications/central-bank-digital-currency-cbdc-and-financial-inclusion/>
- **Biometrics and financial inclusion:**
<https://cenfri.org/publications/biometrics-and-financial-inclusion-a-roadmap-for-implementing-biometric-identity-systems-in-sub-saharan-africa/>
- **Inclusive financial integrity:**
<https://cenfri.org/publications/inclusive-financial-integrity-guidance-note/>
- **Illicit financial flows and inclusive integrity:**
<https://cenfri.org/publications/illicit-financial-flows-a-financial-integrity-perspective/>
- **The evolution of agent networks in Africa:**
<https://cenfri.org/publications/the-evolution-of-agent-networks-in-africa/>

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