PRIME Africa initiative

Enabling remittances access in Ghana – Technical assistance and capacity building

September 2022

Financing Facility for Remittances
Overview of presentation

**Purpose:** Going forward, share **progress, learnings** and **takeaways** from work being done with remittances service providers (RSPs) in Ghana under The Remittance Access and Innovation (RAI) programme by IFAD’s Financing Facility for Remittances and Cenfri.

This will be achieved in the following sections:

- **Section 1** Journey to, and overview of, the RAI programme
- **Section 2** The role of Cenfri in supporting RAI
- **Section 3** Our work in Ghana
- **Section 4** Lessons and opportunities identified from our work in Ghana
- **Section 5** Questions and answers
About Cenfri

Cenfri is a leading economic impact agency based in Cape Town and Kigali

Purpose:
Empowering people to solve problems that matter – to create ideas and solutions that have lasting impact.

Vision:
People living their financial lives optimally to enhance welfare and grow the economy.

Mission:
Unlocking development outcomes through insights and technical support.

With strong expertise in the remittance and integrity space

Where are the flows? Exploring barriers to remittances
Inclusive financial integrity toolkit
Biometrics and financial inclusion
KYC Innovations in selected AFI member Countries

Capacitating regulators, policy makers and financial service providers on financial integrity issues
Journey to, and overview of, the RAI programme under IFAD’s Financing Facility for Remittances
Journey to the RAI programme

2019
Launch of the Platform for Remittances, Investment and Migrants’ Entrepreneurship in Africa (PRIME) by IFAD’s Financing Facility for Remittances (FFR) and the European Commission

• Focus on seven select African countries (Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda).
• Initiative aims to reduce inequality and enhance financial inclusion in Africa through the reduction of remittance costs and the maximization of their impact.

2020
Under PRIME, IFAD conducts remittance market diagnostic studies in seven African countries

Studies revealed that know your customer (KYC) and customer due diligence (CDD) requirements are key impediments to remittance access by low-income, rural households and women.

2021
IFAD’s Financing Facility for Remittances and Cenfri launch the two-year Remittance Access and Innovation (RAI) programme

Aims to provide support to RSPs to address KYC and CDD impediments and enhance remittance access by low-income, rural households and women (a key objective PRIME Africa).
**RAI objectives**

**Main goal**

Reduce barriers to remittance access opportunities for low-income, rural households, and particularly women, to support livelihoods, thereby enhancing financial inclusion and sustainable development.

**Outcomes targeted for RSPs**

- Interventions align with RSP strategic objectives of expanding customer base
- Reduce cost of compliance to lower costs borne by remittance receivers/sender
- Improve KYC, CDD and risk assessment frameworks to be better aligned with FATF framework and local regulations
- Strengthen RSP communication and connection with target groups/customer

RAI supports PRIME’s objective of achieving **improved access and usage to un(der)banked people (50% being women) sending or receiving remittances** to formal financial services.
How do regulators and donors also benefit?

**Benefits for regulators**
- RSP KYC/CDD frameworks enhanced to better achieve inclusive financial integrity and sustainable development outcomes
- Strengthen implementation of a risk-based approach
- Enable innovation in the financial sector that supports financial inclusion
- To support and deepen financial market development

**Benefits for donors**
- Enhance livelihoods in line with SDG goals
- New project opportunities resulting from KYC and identity innovations
- Technical assistance opportunities to advance inclusive financial integrity
- Support in creating engagement opportunities between regulators and industry players
The role of Cenfri in supporting RAI
How does Cenfri fit in?

Cenfri’s two pronged approach:

1. Legislative and regulatory assessment component
2. Technical assistance component

The four elements of our TA work:

1. Identify RSPs that offer remittance products that cover low-income, rural households and have identified KYC/CDD processes as key challenges for beneficiary access.

2. Work with the RSP to identify levers for change.

3. Collaborate with RSP to identify and design the best fit-for-purpose solutions.

4. Implement and troubleshoot interventions.
Our work with RSPs in Ghana
Learnings and outcomes from our regulatory assessment

**What we found:** existence of robust, inclusive and enabling environment in Ghana

<table>
<thead>
<tr>
<th>Provisions exist under Section 2.54 of Bank of Ghana (BoG)/Financial Intelligence Centre (FIC) AML-CFT-CPF guidance for banks and non-banks to service individuals without ID.</th>
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<tr>
<td>Though the Bank of Ghana’s launch of a regulatory sandbox that encourages innovative solutions (including remittance products) that have the potential of addressing financial inclusion challenges.</td>
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<tr>
<td>New Anti-Money Laundering Act, 2020 (Act 1044) allows leeway for institutions in satisfying the regulator that they have sufficiently identified their client using other means of identification, e.g. using GIS system.</td>
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Stumbling blocks faced by RSPs in Ghana

- Uncertainty when navigating evolving KYC regulations
- Implementing a risk-based approach
- Working with international money transfer operators (IMTOs) to innovate in aid of financial inclusion objectives
- Obtaining desegregated data on their over-the-counter customers
RAI programme journey to date and key milestones

Who we’re working with in Ghana:

- Pan–African commercial bank
- Domestic bank
- Pan-African mobile network operator

Technical assistance Cenfri provided to RSPs to date:
- Interrogating risk management frameworks
- Providing clarity on regulations
- Enhanced data collection templates
- Facilitating engagements with the regulator on key regulatory issues
- Regulatory compliance training

Outcomes of this technical assistance to date:
- Co-created innovations to enhance beneficiary access to remittances
- Development of bespoke risk assessment models
- Granular collection of datapoints on their clients
Learnings and opportunities identified to date
Lessons identified from engagements with RSPs

**Lesson 1**
RSPs are open to innovation and working with the regulator to leverage opportunities in country regulatory frameworks.

**Lesson 2**
RSPs are eager to serve rural customers but struggle to communicate with them.

**Lesson 3**
Relationships with IMTOs are complex and require a long-term view.

**Lesson 4**
Data collection for FSPs requires investment in time, money and expertise.
Opportunities identified from engagements with RSPs

- **Additional support** required in scaling up some of the interventions

- Creating **engagement opportunities** between RSPs, the regulator, and their partners by donors

- Support in **developing tools** to help RSPs in the collection of disaggregated customer data

- Leveraging Cenfri’s **Regulation for Innovation Toolkit** to support regulators in their role of regulating for innovation
Regulating for innovation toolkit

Four categories of tools are at regulators’ disposal to strike the balance: engagement tools, regulatory tools, supervisory tools and monitoring tools.

**Policymaking for responsible innovation**
- Provide mandate
- Policy direction
- Facilitate coordination
- Monitor

**Regulating for responsible innovation**

**Market Development:** Proactively engage, encourage and support innovation

**Protection:** Assessing innovation risk and regulatory gaps that could harm consumers

**Engagement tools**
- Industry
  - Opening new communication channels, e.g. industry newsletter, innovation workshop
  - Closer bilateral engagement with non-industry players
- Non-industry/potential entrants

**Regulatory and supervisory tools**
- Evolving existing supervisory tools
  - Proportionality, e.g. tiered licensing, proportionate measures
  - Flexibility, e.g. sandbox, test-and-learn approach
  - Principles-based framework for consumer outcomes
- Responding to new, emerging risk
  - Tailored approach to specific issues
  - Closing gaps/removing grey areas

**Monitoring**
Opportunities for innovation within financial integrity space

- Leveraging e-KYC and digital ID for identity proofing
- Use of proxy identifiers as alternative means of identification
- Use of **Regulatory Technology** (RegTech) to strengthen regulatory compliance
- Use of **Supervisory Technology** (SupTech) to identify and manage risk
Question

What else could be covered in the Regulating for Innovation Toolkit?
Break-out session

Navigating hurdles to market development and innovation and how the regulator and industry can come together to create enabling environment for remittances

Breakout room discussion

- What KYC constrains industry players face to innovation? (10 mins)
- How could these hurdles be overcome using the regulating for innovation toolkit? (10 mins)
- Feedback on outcomes of discussions (10 mins)

Key questions to discuss
Thank you
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About Cenfri
Cenfri is a global independent economic impact agency and non-profit enterprise that bridges the gap between insights and impact in the financial sector. It collaborates with its partners to foster economic growth and sustainable development in emerging and developing markets in Africa and beyond. 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 who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About IFAD’s Financing Facility for Remittances
Since 2006, IFAD’s multi-donor Financing Facility for Remittances (FFR) aims to maximise the impact of remittances on development, and to promote migrants’ engagement in their countries of origin. Through the financing of almost 70 projects in over 40 countries, the FFR is successfully increasing the impact of remittances on development by promoting innovative investments and transfer modalities; supporting financially inclusive mechanisms; enhancing competition; empowering migrants and their families through financial education and inclusion; and encouraging migrant investment and entrepreneurship. The FFR is cofinanced by IFAD, the European Union, the Grand-Duchy of Luxembourg, the Ministry of Foreign Affairs of Spain and the Swedish International Development Cooperation Agency (Sida).