

National Remittances Stakeholder Network

Enabling remittances access in Kenya

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Financing Facility for Remittances



Presentation overview

Purpose: To introduce the Remittance Access and Innovation (RAI) programme under the IFAD Financing Facility for Remittances (FFR), and to share emerging insights gathered by Cenfri from our regulatory assessment and technical assistance with RSPs in Kenya to support remittance market innovation

This will be achieved in the following sections:



Section 1
Overview of the RAI



Section 2
Kenya regulatory
assessment



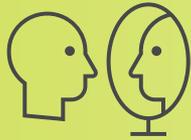
Section 3
Lessons and
opportunities identified
from our work in Kenya



Section 4
Questions

About Cenfri

Cenfri is a **leading non-profit 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

Overview of the IFAD FFR Remittance Access Initiative



Journey to the RAI

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

- **Aim:** Reduce inequality and enhance financial inclusion in Africa through **the reduction of remittance costs**.
- Focus on **seven African counties** (Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda).

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

Aim: to provide support to RSPs to address KYC and CDD impediments and enhance remittance access

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.

What success looks like under the RAI

RSPs



1. Enhance the value proposition of inbound remittance products for target populations
2. Strengthen RSP communication and connection with target groups/customer
3. Reduce cost of compliance to lower costs borne by remittance receivers/sender
4. Improve KYC, CDD and risk assessment frameworks to be better aligned with FATF risk-based approach (RBA) frameworks and local regulations

Regulators



1. RSP KYC/CDD frameworks enhanced to better achieve inclusive financial integrity and sustainable development outcomes
2. Strengthen implementation of RBA
3. To support and deepen financial market development and inclusion

Development partners



1. Enhance livelihoods in line with SDG goals
2. New project opportunities resulting from KYC and identity innovations
3. Support in creating engagement opportunities between regulators and industry players

Findings from our work in Kenya



Learnings and outcomes from our regulatory assessment



Concept of identity

The Proceeds of Crime and Anti-Money Laundering (POCAML) Act outlines that RSPs are required to verify customer identity by collecting either of the following: (verified) **National ID or passport number**. In the case of refugees, the **refugee ID** is required.



Risk-based approach to KYC and CDD is required

POCAML regulations and the guidelines on AML/CFT, make provisions that financial institutions have to adopt a risk-based approach, which is in line with the FATF recommendations.



RSPs can rely on third parties for CDD

RSPs can rely on a third party to perform elements of CDD measures provided that the institution meets the criteria set out in the AML Regulations (2013).



Non-face-to-face identification and verification is allowed

The AML/CFT Guidelines state that non-face-to-face transactions “**inevitably poses challenges for customer identification and can provide additional opportunities for criminals**” and prescribe measures that could be applied by institutions. The **utilisation of databases and computerised systems** is among the recommended verification procedures for non-face-to-face transactions.

Learnings and outcomes from our identity ecosystem assessment



An **integrated database system** exists

IPRS is an integrated database that can be used by both government stakeholders and private sector actors such as banks, RSPs and mobile operators to validate customer national IDs.



Mobile numbers are **robust proxy IDs**

- Mobile numbers are linked to the ID card number, as well as the IPRS database.
- A SIM card can be linked to an identity, which enables the use of an individual's phone number as an identifier. Safaricom has APIs in place which can be leveraged by RSPs in order to validate customers through their mobile numbers.



Implementation of **digital ID system** is in progress

- Kenya is currently implementing a digital ID system, the National Integrated Identity Management System (NIIMS).
- Each citizens gets issued a unique identification number—the 'Huduma Namba'—and eventually a Huduma card.

Challenges faced by RSPs



Customers not willing or able to provide additional documentation when required to



False positives experienced due to name mismatching issues when conducting sanctions screening due to lack of information on the sender/receiver



RSPs struggle to serve refugees due to expired ID documents and the lengthy process to renew their IDs or to process refugee status applications



RSPs at times do not have immediate access to some customer ID copies due to reliance on third parties for CDD



Customers required to present their ID every time they want to send or receive a remittance - results in higher cost due to document storage, longer CDD processing times, and exclusion of individuals that have lost IDs

**Learnings and
opportunities
identified to date**



General programme learnings and reflections



Regulatory level

Addressing CDD challenges to remittances critically relies on **both RSPs and the regulator coming to the table** for change.



RSP level

RSPs are **eager to serve** rural customers but it requires a **commitment & willingness** to think out of the box.



Innovation level

Programme has confirmed that there are **ample opportunities** for RSPs to **innovate through KYC & CDD innovations**.



Cross-country level

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

Overall, the **remittance business** is very **underdeveloped** from a **risk-based approach** perspective, with little differentiation between customer groups.

Opportunities identified from engagements with RSPs



Additional support required in scaling up some of the interventions



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



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

Questions ?

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).



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