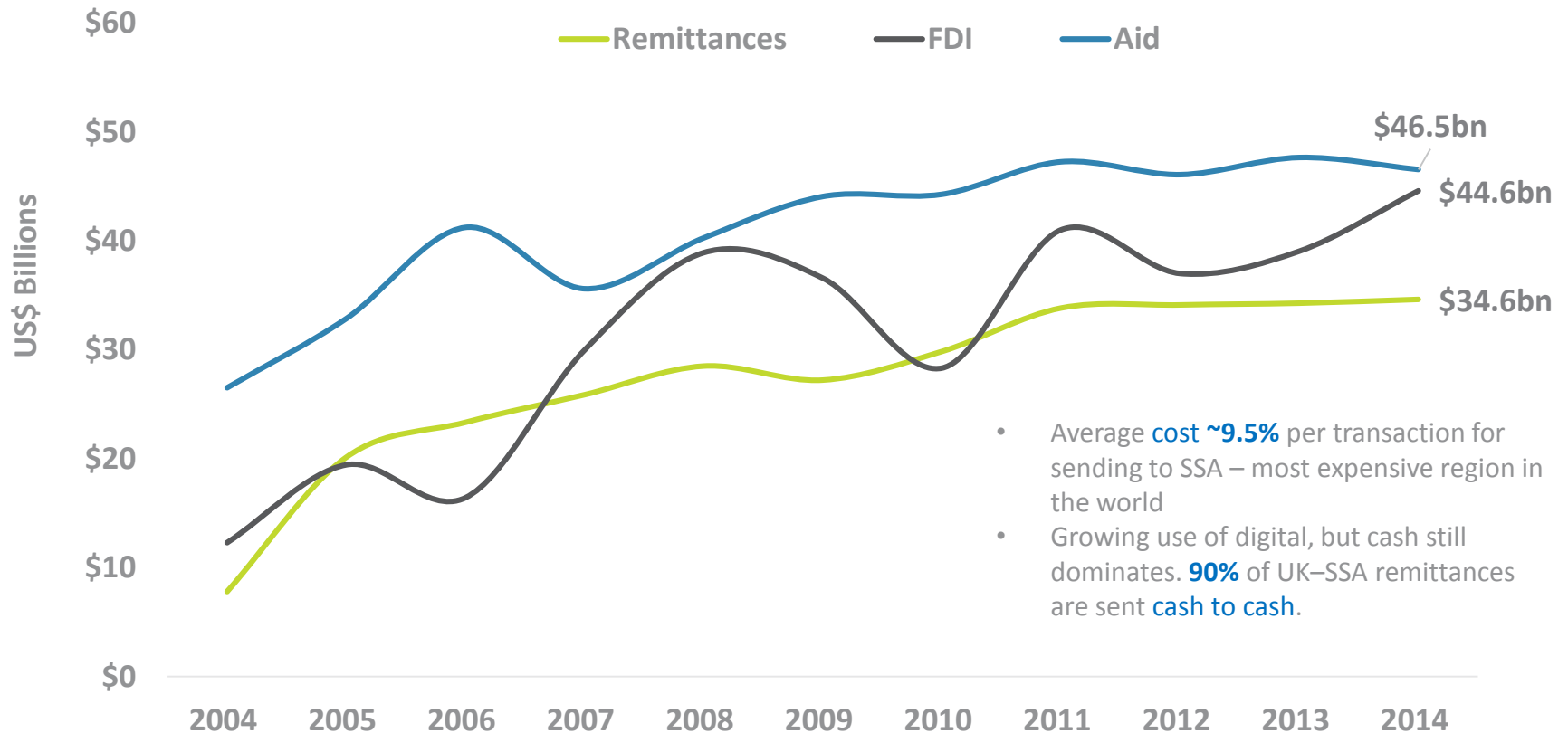


# Where are the flows? Developing remittance corridors in sub-Saharan Africa

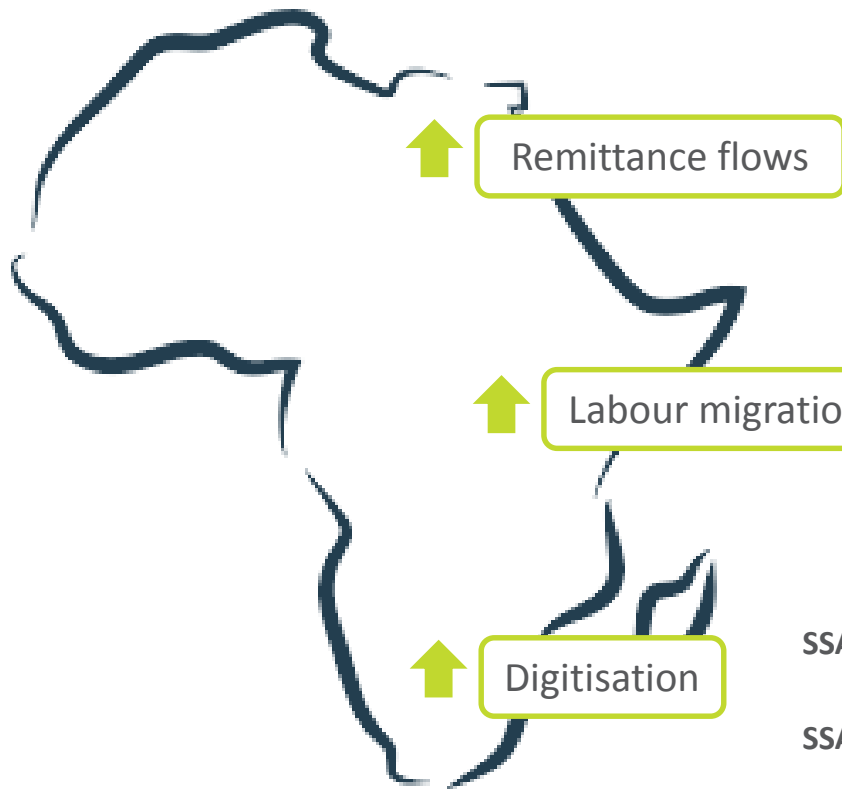
Barry Cooper  
Technical Director

# Remittances are a vital capital flow to SSA.



Remittances, FDI and Aid to sub-Saharan Africa (2004 to 2014)

# Macro indicators show significant opportunities for growth in remittances



**Flows to SSA:** → **\$35bn** into SSA (2015)  
**\$1.8bn** (1990) → **\$12bn** intra SSA (2015)

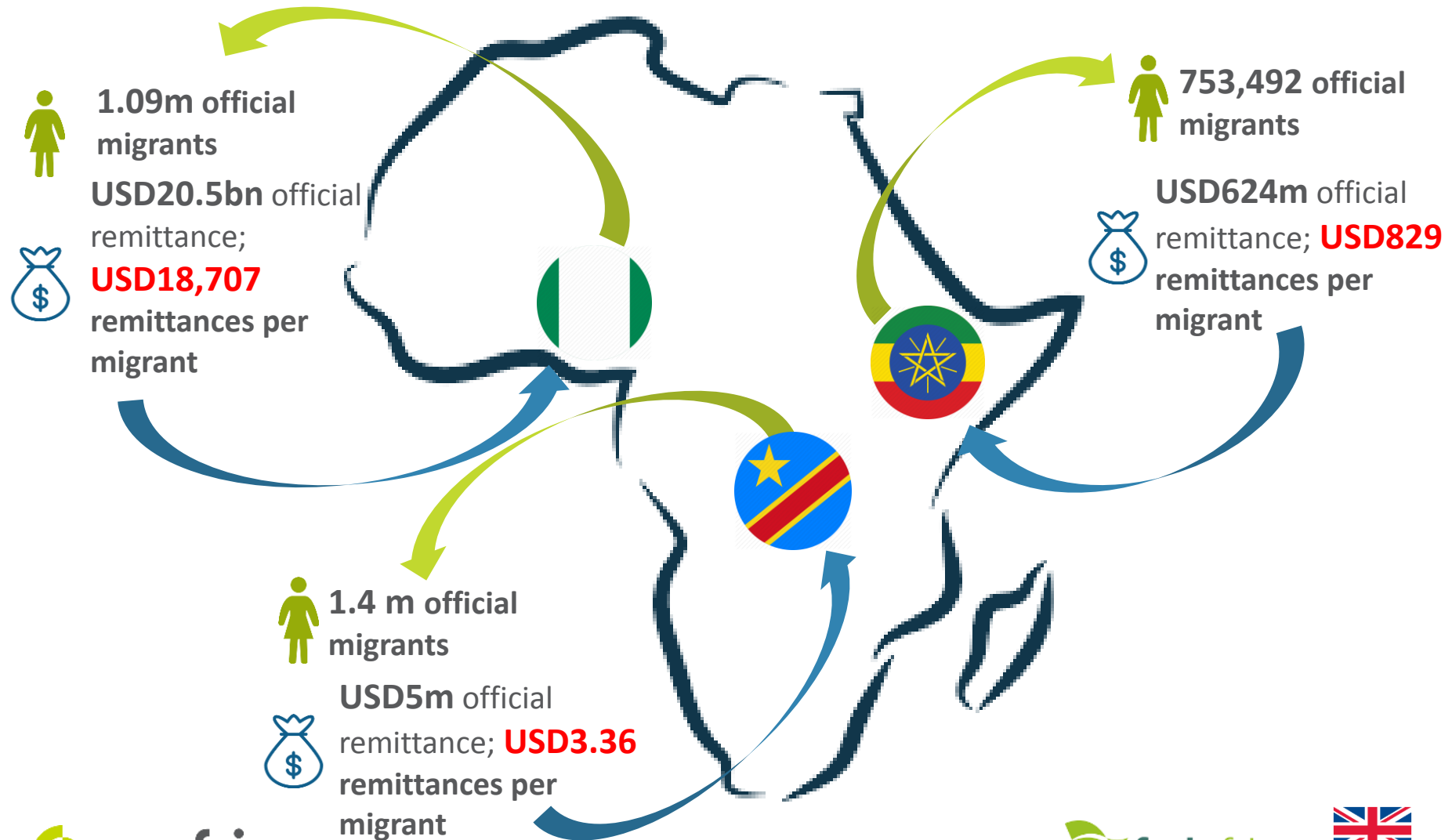
**Intra-Africa:**  
**13 million** (1990) → **16 million** (2015)

**Out of Africa:**  
**6.2 million** (1990) → **13.3 million** (2015)

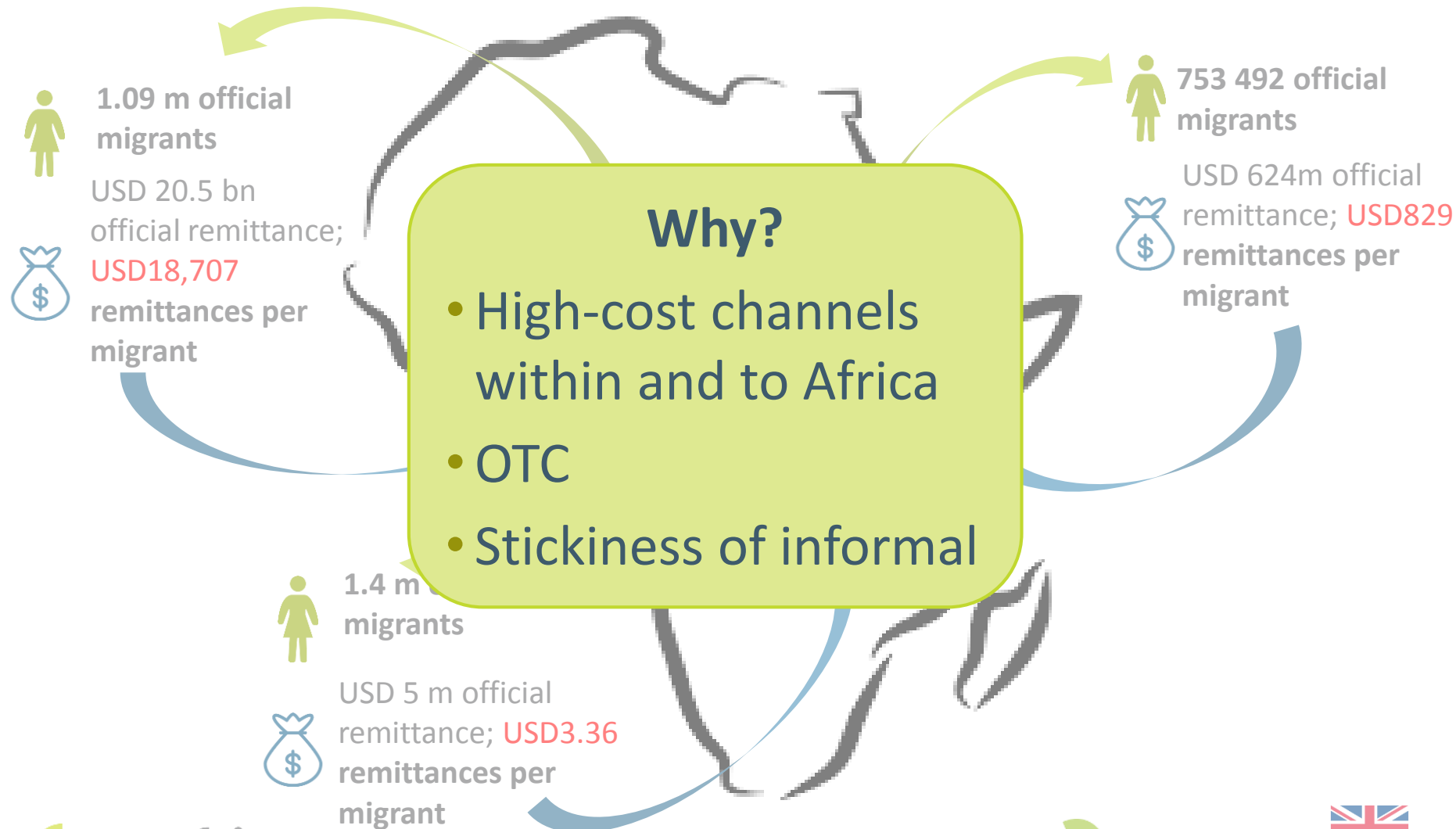
**SSA mobile money accounts:** **277 million** (2016)  
**vs**  
**SSA bank accounts:** **178 million** (2016)

“... but is this opportunity being realised?”

# However, there is often a mismatch between the flow of migrants vs the flow of remittances...

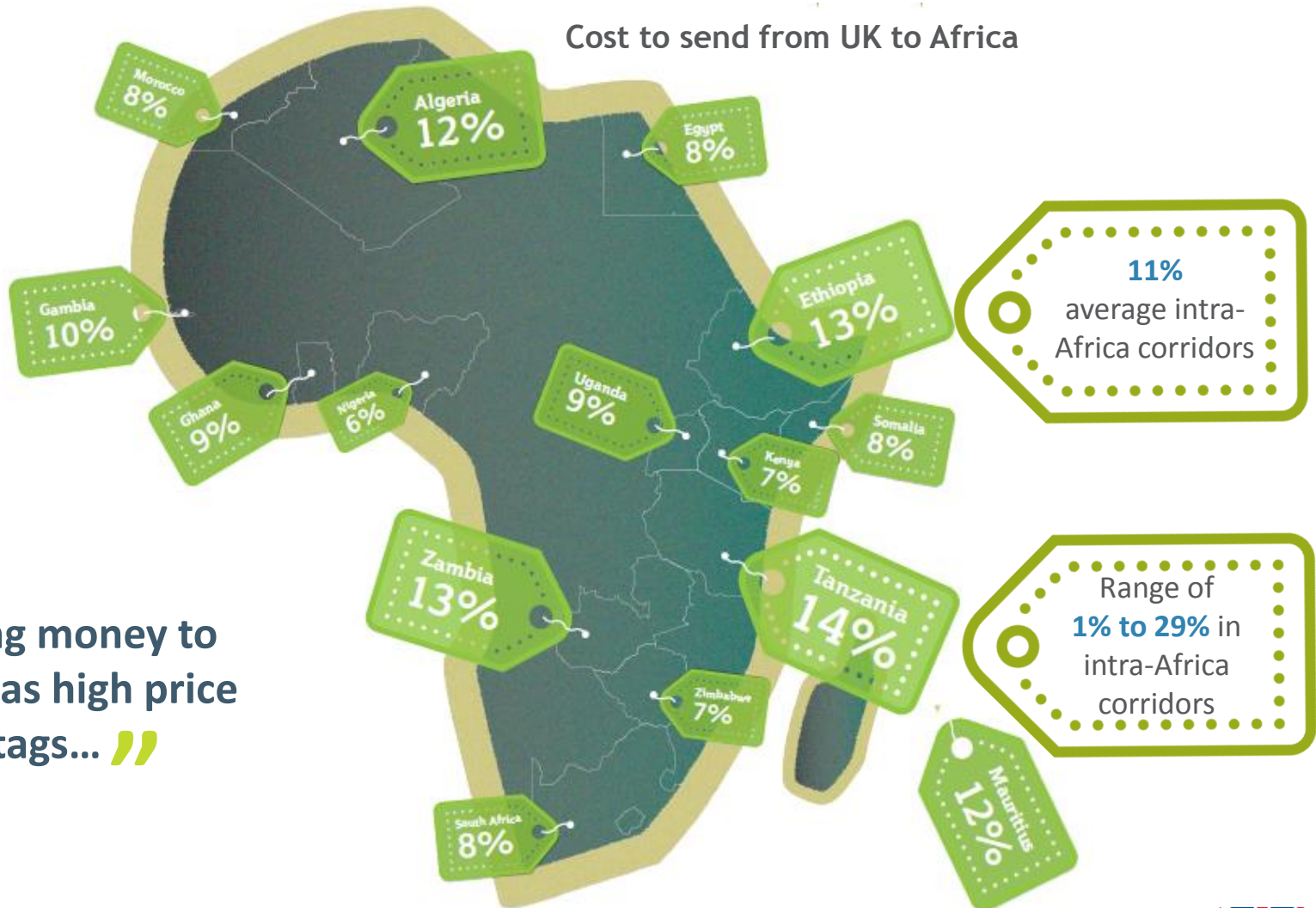


# However, there is often a mismatch between the flow of migrants vs the flow of remittances...



# Africa has some of the most expensive remittance corridors in the world!

Cost to send from UK to Africa



“ Sending money to Africa has high price tags... ”

# Africa has some of the most expensive remittance corridors in the world!

Cost to send from UK to Africa



**Digitising payments can help to bring this cost down, but we must consider the real cost of digital remittances to the consumer.**

11%  
average intra-Africa corridors

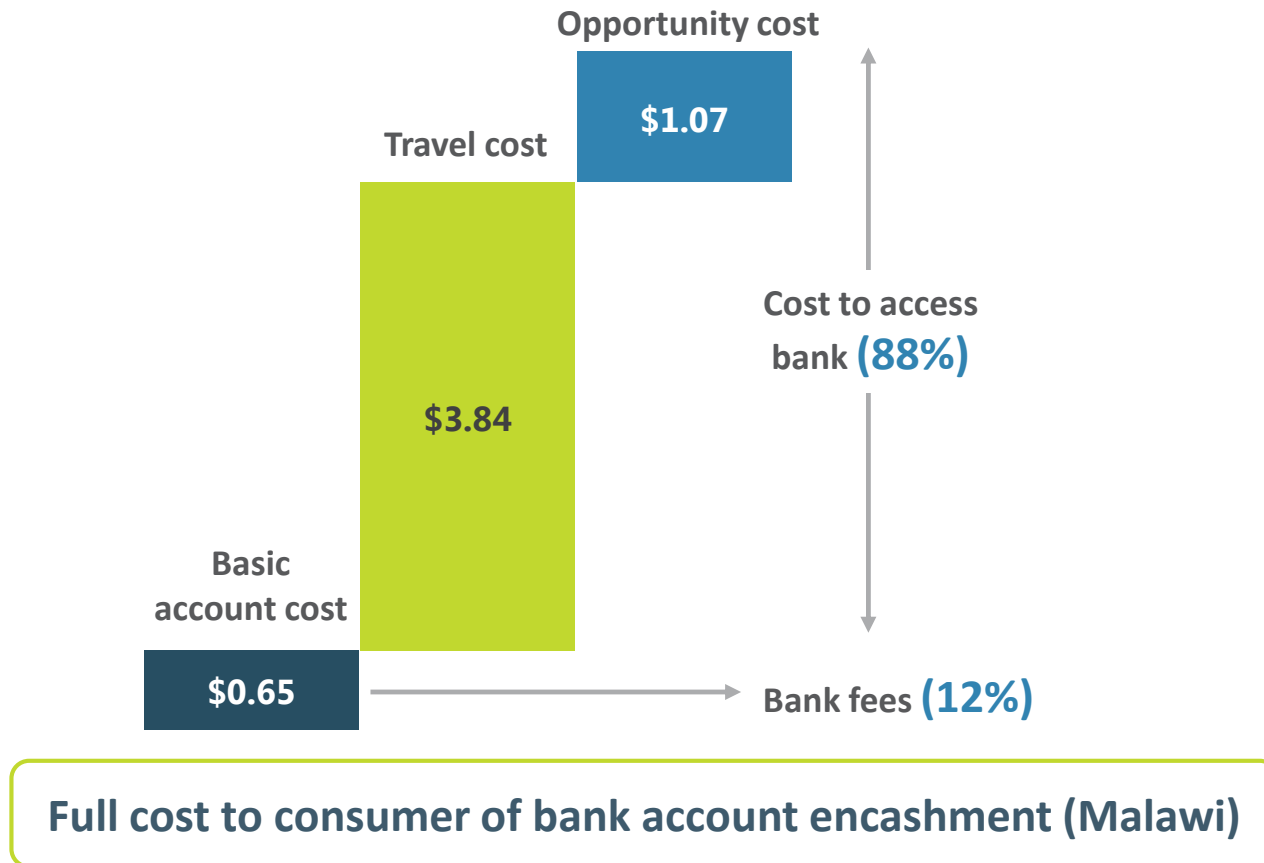
Range of  
1% to 29% in  
intra-Africa  
corridors

“ Sending money to Africa has high price tags... ”



# The cost of accessing digital payments can exceed the fees of using the services

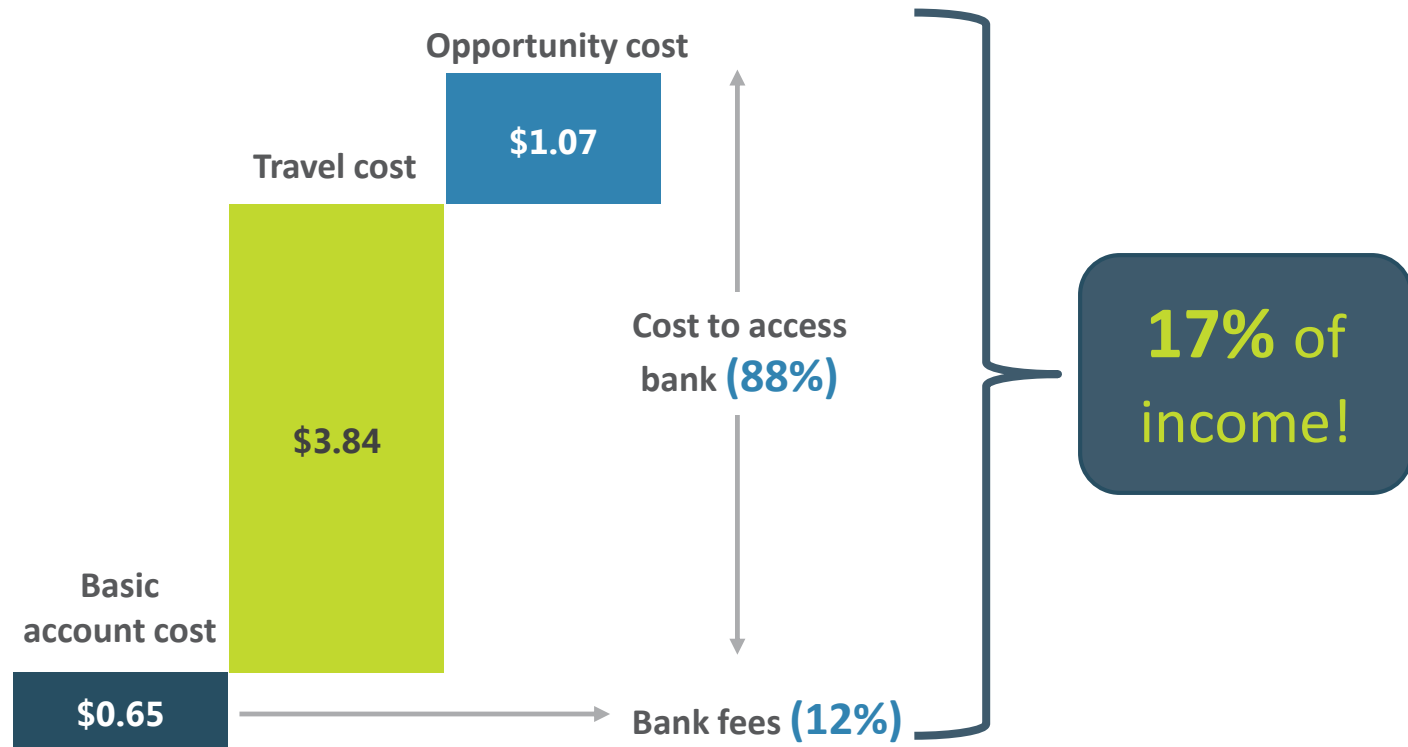
... to drive financial inclusion and transformation to digital payments





# The cost of accessing digital payments can exceed the fees of using the services

... to drive financial inclusion and transformation to digital payments

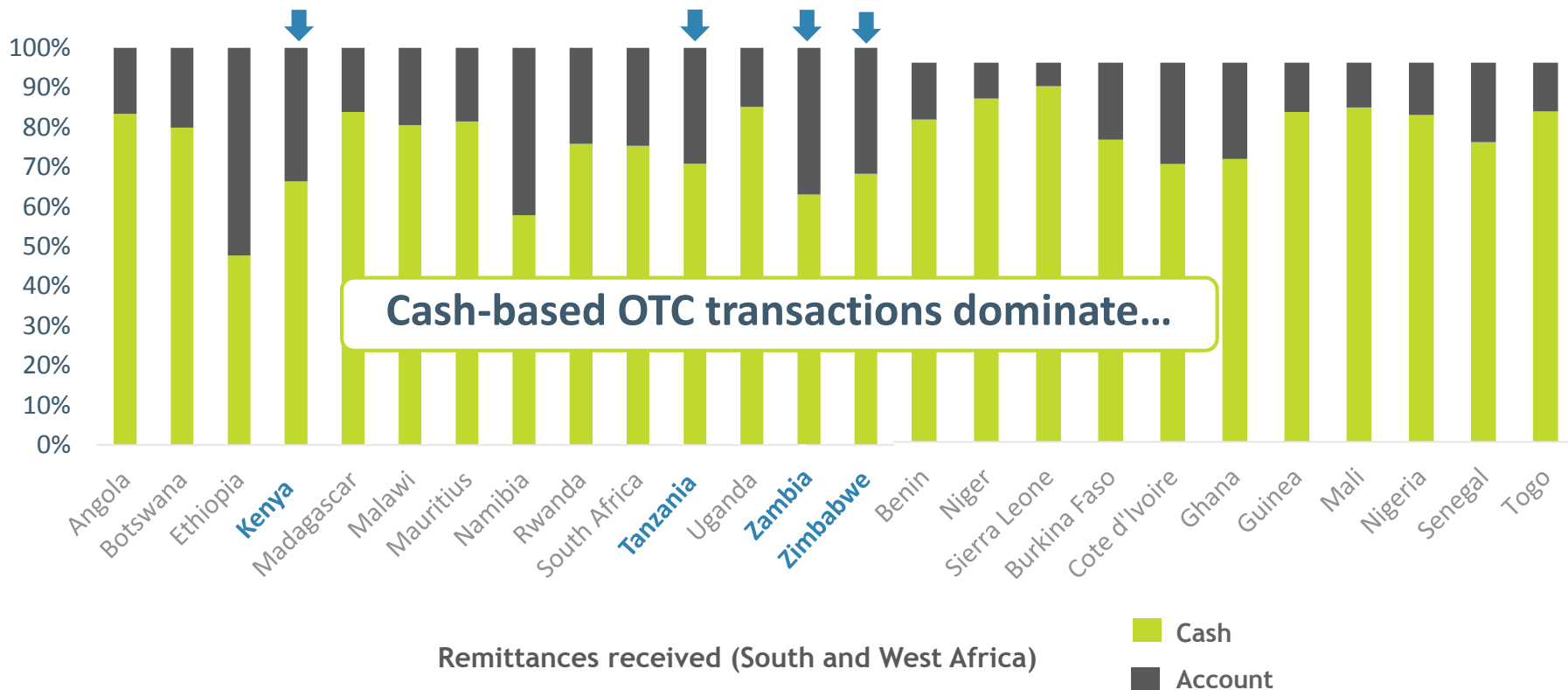


Full cost to consumer of bank account encashment (Malawi)

# Cash is still king when it come to OTC transfers

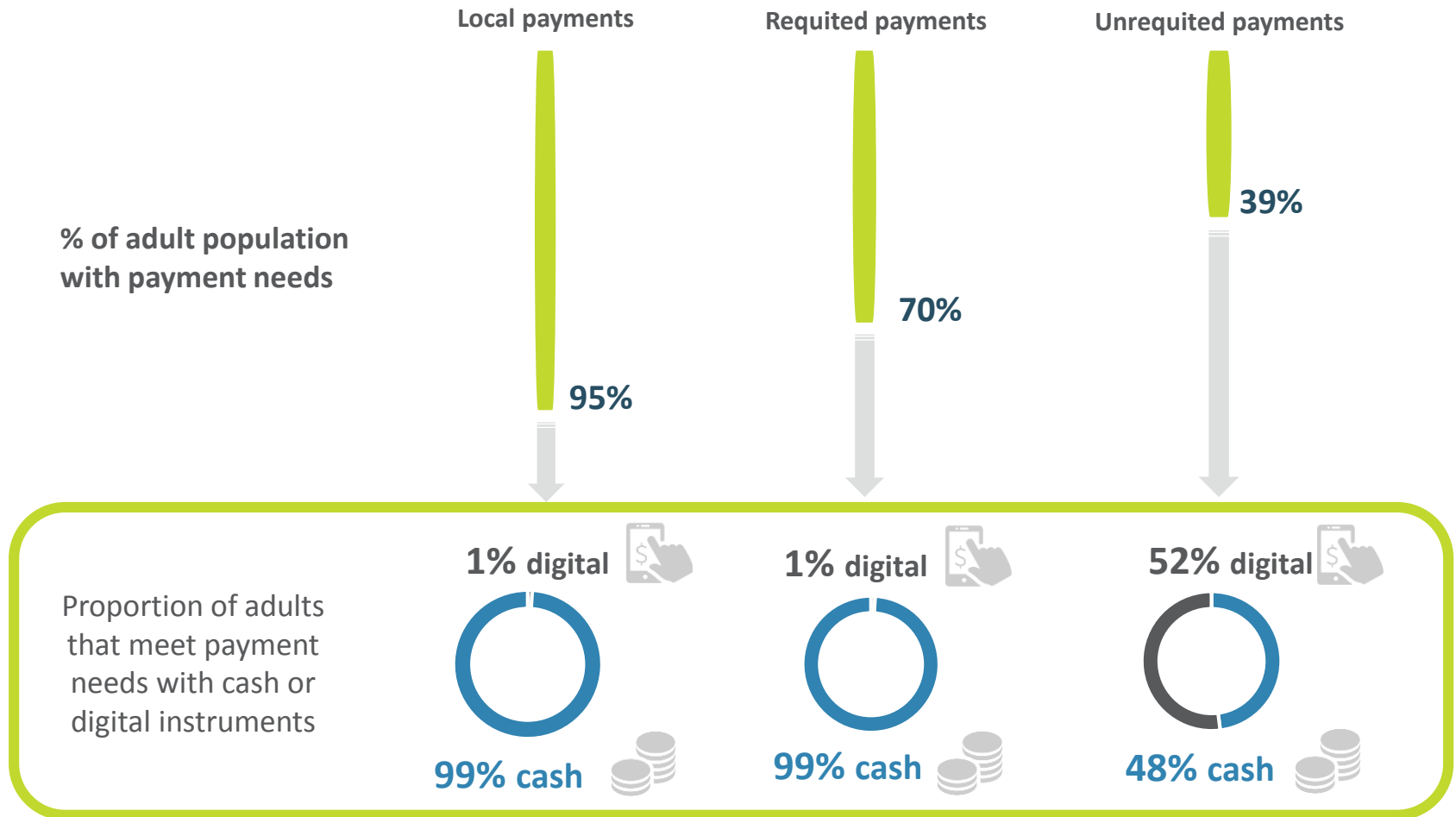
Despite an array of digital solutions...

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



# But, remittances provide the best gateway to the adoption of digital payments

Evidence from Thailand, Myanmar, Mozambique, Lesotho, Swaziland and Malawi



# Informal RSPs are real competitors to formal providers

... because informal often has a better value proposition than formal



“

It is estimated **informal remittances account** for between **45% and 65%** of **formal remittances flows in SSA\***.

**Informal does not mean unsophisticated** – it often mimics the formal market with greater efficiency.

Informal channels are often **more trusted and more efficient** than formal ones.

”

- As long as there is no **digital ecosystem**, cash will still dominate.
- **Digitising value chains** is an important first step to digitising payments.
- DFS needs to be **ubiquitous, reliable, trusted, universally accepted and interoperable with the cash economy** in order to encourage the uptake of digital payments.

# What is standing in the way of remittances development?





# The main drivers of barriers are “disconnected” systems.

Lacking policy mandate

Disjointed regulatory frameworks

Growing but disconnected  
infrastructure system

Not designed for inclusion  
(of individuals)

Decreasing level of influence

## Solution to drive FI?

“A coordinated, system-wide response is needed.”

# 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)



# 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)

- 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

# 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)

- Region-wide coordinated interoperable infrastructure development
- Harmonise cross-border technical standards
- Develop ubiquitous digital ecosystem to enable cash staying digital
- Grow skills in market to support effective payment systems operation

# 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)

- Enable system to support high-volume, low-value payments
- Develop system capabilities to support high volumes
- Enhance digital payments ecosystem and convenient first/last mile encashment points
- Promote market competition
- Implement standards that are sensitive to informal market access (e.g. KYC)
- Build better understanding of what value means to the consumer and drive system development that supports this

# 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.

