

IMPACT SNAPSHOT

Financial sector innovation in Africa

In 2016, Cenfri and FSD Africa launched a five-year partnership to address barriers and identify opportunities for financial sectors across sub-Saharan Africa to better serve individuals and small businesses, as well as facilitate more inclusive growth.

The [Risk, Remittances and Integrity \(RRI\) programme](#) aimed to strengthen the integrity and risk management role of the financial sector and to facilitate remittance flows within and into the continent.

Five years later we are unpacking the impact we achieved through the programme and the key learnings for stakeholders navigating a changing financial sector.

We removed barriers to inclusive finance for an estimated 5.6 million people while ensuring safe and stable financial markets and helped financial service providers improve products for just over 361 000 people. To achieve this, we:



Worked with regulators, financial integrity centres and units, to enable more inclusive risk-based approaches to benefit more than 5 million excluded people, whilst helping to safeguard the financial system



Provided capacity-building to 750 regulators, supervisors and policymakers, we catalysed innovation to advance financial inclusion and strengthen markets



Implemented systemic interventions to support over 338,000 (and counting) remittance receivers or cross-border traders to use new remittances channels or new products



Worked with insurance innovators and distribution partners to enable close to 24,000 low-income households to take up insurance



Provided advice to 530 financial service providers and other actors on how to foster innovation and support risk-based approaches for inclusive finance

Disclaimer: This snapshot showcases a selection of our achievements as documented at the end of the RRI programme and some details have not been disclosed due to the protection of private information. Note, the estimated number of people who can benefit from access to formal financial services is based on changes to key regulation in Ghana and Zimbabwe due to programme contributions and uses the World Bank's Findex database which shows that in 2019, the mid-point during the programme, over 5.6 million adults in Zimbabwe and Ghana were excluded due to lack of physical identity documents.

By strengthening market ecosystems through regulatory design, innovative business model support and ecosystem engagement, we were able to:

Inform 19 regulatory approaches, policies and frameworks at national, regional and global levels.

We worked with regulators, policymakers and standard-setting bodies to implement new regulations and supervisory practices to create more robust and inclusive regulatory environments. For example, the Access to Insurance Initiative and International Association of Insurance Supervisors (IAIS) adopted guidance on new technologies in insurance and we worked with the International Telecommunication Union to guide central banks globally on the potential benefits, risks and prerequisites for effectively implementing central-bank digital currency.

Accelerate regulatory change by creating tools and frameworks that enable inclusive financial systems

to evolve their risk management and supervisory processes to better adapt and enable innovation and inclusion. Amongst others, we've worked with regional financial integrity bodies (ESAAMLG and GIABA) and national bodies in Ghana, Uganda and Zimbabwe to address risks for financial integrity through country legislation and frameworks that enable more secure and more inclusive financial systems.

Work with financial sector trailblazers on new and inclusive insurance, payments and remittance products for previously excluded and underserved groups.

We provided technical assistance to remittance providers and insurers to help introduce and improve products and open up new corridors. This included working with [digital platforms](#) to better distribute and enable financial services to improve the resilience and welfare of platform workers.

Understand the local context and people's financial needs, through demand-side research and behavioural science to develop and improve insurance, payments and remittance products. By working with financial service providers, we have improved product design and engagement for previously underserved people. For example, we've been working to better manage the negative effects of risks on lower-income households through [remittance-linked insurance products](#).

Broker 13 partnerships and work with 137 financial service providers across both new and traditional service providers (from digital platforms, insurers and remittance service providers to banks). We supported proactive communication with fintech hubs, improved supervisory product approval processes and helped regulators to create an enabling environment for innovation by better understanding risks and developing monitoring frameworks for market development.

We identified barriers and addressed opportunities to build resilience and advance inclusive finance through targeted research and convenings. In total we:



Conducted 209 research projects and produced 62,169 knowledge resources



Achieved over 920,000 online views of our work



Convened over 6 700 stakeholders across industries, regulatory authorities and academia



Contributed to 107 events, 8 working groups and 13 communities of practice





Digital transformation has revealed gaps in existing regulatory models around innovation, but simple adaptations have already shown progress in addressing them.

Even before COVID-19, the adoption of new technologies was reshaping the financial landscape in Africa. A big focus in financial sector development has been on how to equip regulators to balance innovation and consumer protection. This is becoming more complex with new cross-border partnerships involving non-traditional players. Much of the focus has been on national regulatory sandboxes, but limited regulatory capacity and resources across the continent mean that sandboxes may not be as effective as envisaged in supporting innovation. The programme found that simpler adaptations to supervisory processes that work within regulators' existing processes can better equip regulators to navigate this balance. These interventions are often less resource-intensive and may also be more effective over the long term.



Regional payment and data infrastructure is critical for regional trade integration.

The signing of the African Continental Free Trade Agreement (ACFTA) is a big step forward for growing trade in Africa. However, regional financial sector and data integration is lagging or is not being effectively implemented. Many countries are still pushing the financing of national payments infrastructure and localised data policies, which have the potential to undermine regional trade given the need for regional payment systems and cross-border data flows to support the cross-border flow of goods and services. It remains costly for most countries in Africa to invest in national payment and data infrastructure given the scale needed to make it viable. While [challenges exist](#) for regional integration, infrastructure sharing is key to increase regional trade and to leverage technology effectively.



Over time, value-bearing digital instruments will transform the financial system, but they come with considerable risks that need to be understood if they are to be implemented effectively.

Value-bearing digital instruments such as Central Bank Digital Currencies ([CBDC](#)) and private cryptocurrencies have received increasing attention in Africa given their potential to overcome pain points in the financial system. While these innovations hold promise, they are also under scrutiny due to the associated potential for increased [risks](#) related to financial exclusion, data privacy and protection and illicit financial activity. Taking the time to understand and locate these risks in an appropriate regulatory framework will determine how effectively value-bearing digital instruments will shape and transform the financial system landscape for good.



Open data and data sharing will shape the future of financial services in Africa. The strengths and weaknesses of data can both hamper and enable the ability to meet customer needs and mitigate risks.

Since the programme was established, there has been a proliferation of open-source information supporting financial innovation in sub-Saharan Africa. However, the existing data often does not have the necessary depth, breadth or quality to support financial innovation effectively. Currently, consumer data is often used as a critical asset to entrench existing market positions for incumbents, rather than to support innovation around customer value. For innovation to reach the level seen in other markets, actors throughout the ecosystem need access to critical and free information to inform product and distribution strategies, broker partnerships or advocate change to regulators.



Evidence and partnership are core to enable market system change.

Taking steps into the unknown is very difficult, even more so if you have to do it alone and without the right information. Throughout RRI, quality evidence and partnership emerged as innovation catalysts and foundational components of market system change to address Africa's development goals. Quality, targeted evidence to explore a problem or propose potential solutions was raised time and again by the private sector and regulators alike as of substantial value to help stimulate and de-risk innovation decisions. Evidence alone is not enough: bringing people together to deliver on ideas or find new solutions through collaboration has been critical to unlock positive impact.

A selection of actionable insights generated under the RRI programme

Payment systems in sub-Saharan Africa

[See more payments-related content](#)

The benefits and potential risks of central bank digital currency (CBDC)

[See more CBDC-related content](#)

Insurtech Tracker: The rise of insurtechs in emerging markets

[See more insurtech-related content](#)

Where are the flows? Exploring barriers to remittances in sub-Saharan Africa

[See more remittances-related content](#)

De-risking in Africa: The importance of combatting illicit financial flows

[See more illicit financial flows content](#)

The potential of remittance-linked insurance products in sub-Saharan Africa

[See more innovative-business model-related content](#)

Inclusive integrity toolkit

[See more inclusive financial integrity content](#)

The impact of COVID-19 on insurance markets

[See more resilience-related content](#)

The resilience of MSMEs

[See more MSME-related content](#)

Regulating for innovation: A supervisory toolkit

[See more insurance for development-related content](#)



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About Cenfri

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 who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.



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About FSD Africa

FSD Africa is a specialist development agency working to reduce poverty by strengthening financial markets across sub-Saharan Africa. Based in Nairobi, FSD Africa's team of financial sector experts work alongside governments, business leaders, regulators and policy makers to design and build ambitious programmes that make financial markets work better for everyone. Established in 2012, FSD Africa is incorporated as a non-profit company limited by guarantee in Kenya. It is funded by UK aid from the UK government.



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