INTRA-AFRICAN REMITTANCE FLOWS:
STRENGTHENING A DYNAMIC MARKET

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At MFS Africa, we believe that the only currency that matters is access. Our mission is to make borders matter less by connecting Africans to each other and to the world, giving them access to the global digital economy.

We are Africa’s leading omnichannel payments platform, enabling real-time cross-border cross-schemes and cross-currency payment within, from and to the continent digitally and offline. We partner with mobile network operators, mobile transfer operators, global enterprises, and financial institutions to connect over 320 million mobile money users to a world of limitless possibilities.

As a fintech company, we strive toward elegance and simplicity in everything we do. Our mission is to make borders matter less, and our values are to simplify, care, and be revolutionary. Our people are talented, curious, and passionate, and the reason our company does exceptional things. Excellence in nurturing our people and their passions is foundational to our success as a business. The MFS Africa team has doubled in the past year and continues to grow rapidly.

Our offices include Abidjan, Accra, Johannesburg, Kampala, Lagos, London, Nairobi, and Port-Louis, and many employees work remotely from locations where we do not have offices.

We pride ourselves on world-class teams and world-class operations. We are regulated by the FSC in Mauritius, BoG in Ghana, BoT in Tanzania, BCC in the DRC, and FCA in the UK.

The International Association of Money Transfer Networks (IAMTN), a not-for-profit membership organisation, is the only global trade association that represents the cross-border payments industry.

IAMTN’s members include, inter alia, banks, payment institutions, electronic money organisations and mobile operators.

Founded in 2005, IAMTN provides a platform for industry partners to come together to discuss common challenges and industry initiatives, and to create opportunities.

IAMTN works closely with governments, regulators, and all other important stakeholders - such as the FATF, FSB, World Bank, International Fund for Agricultural Development (IFAD), UNCDF, Swiss Agency for Development and Cooperation, UK Foreign, Commonwealth and Development Office, African Union - to champion the creation of the most effective, safe, reliable and efficient payment systems and mechanisms for migrants globally.

CALETA is an independent research and development company founded in 2017. We conduct research and promote concrete solutions for more inclusive and responsible finance at the global level. Our mission is to empower people by enabling access to financial services. We collaborate with all the stakeholders of the cross-border payments industry to reach this goal, as part of the global efforts towards reaching the Sustainable Development Goals.

The data collected and generated by Caleta makes unprecedented knowledge available to the industry, which provides new insights and new solutions to existing challenges.
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FOREWORD

The objective of this report is to identify how to strengthen the formal remittance market in Africa, focusing on intra-African corridors.

While millions of Africans send money within the continent to support their families, formal remittance channels remain expensive, slow, and lacking in accessibility and transparency. This report explores the challenges that are observed in different African markets, and how these can be overcome in order to enable the seamless flow of remittances.

The report begins with a short overview of the importance of remittances in the region, and of the migration patterns that drive remittances, so as to gain a better understanding of the motivation behind these flows (seeIAMTN’s report: Intra-Africa Migration: a Major Driver for Remittances within the African Continent for more details). The second chapter presents the intra-African remittance landscape, including the informal market. The balance of the report is dedicated to the views of the private sector operating in the region, and to the description of selected country cases, in order to present different perspectives on how to strengthen the formal markets.

This is an interview-based study, where data has been collected with the contributions of more than 20 remittance services providers with a focus on Intra-African corridors, as well as ongoing conversations with national regulators from selected countries.

The report has been produced with the cooperation of IAMTN’s members and their network. Its findings should be valuable for both private and public sectors.
This chapter explores the importance of remittance flows within Africa, a continent with a very mobile population. It explains how migration is a key driver of remittances, and also gives a detailed overview of migration flows within Sub-Saharan Africa.
Remittances are sums of money sent by international migrants to their loved ones who remain in their countries of origin. These remittances benefit over 200 million family members of African migrant workers\(^1\).

Remittances sent by migrant workers to and within Africa were about US$85 billion in 2021\(^2\). A majority of remittances into Africa come from the United States and Europe, since many Africans have traditionally been relocating to these regions of the world. As the amounts flowing from the US and Europe to African countries are large, much attention has been devoted to analysing these remittance corridors.

Intra-African remittances are also of key importance but are often disregarded. Many individuals migrate within Africa in order to obtain a job with a more secure or higher income, with the goal of supporting their families. While they are working abroad, remittances are the way to offer this support, generally by monthly money transfers to pay for their families’ everyday living expenses, or occasionally for gifts or in an emergency. The average amounts sent by migrants are relatively low, and very variable depending on the country and the expected use of the transfer. However, these small amounts can make a huge difference for the recipients.

Remittances enhance the receivers’ access to food, education, healthcare and new opportunities\(^3\). In fact, about 75% of remittances received are dedicated to these primary needs\(^4\). A majority of recipients are women, and studies have shown that this additional source of income can help them improve their position in the household, as well as in their communities. In a variety of ways, migrant remittances can harness Africa’s development\(^5\) and contribute to the path towards the achievement of the Sustainable Development Goals.
Remittances have an impact not only at the individual level but also at the macro level. A number of African countries are highly dependent on migrant remittances: they are estimated to account for between 20% and 50% of Somalia’s GDP. This figure is 23.1% in Lesotho, and 10.3% in Senegal. Even in nations that are less dependent on them, remittances impact the economic situation of the country. A study shows that remittances to West Africa have a positive and significant effect on economic growth in the countries of the region.

While intra-African remittances are key to improving the lives of millions of people, their seamless circulation should not be taken for granted: the money transfer industry in the region faces a number of challenges that contribute to making remittances expensive and limitedly accessible. Improving the remittance process will require a paradigm shift in the money transfer landscape in Africa, with efforts from all stakeholders to support the use of formal remittance channels and ensure their enhancement to respond to people’s needs.

Understanding the motivations behind remittances, the way they circulate and, most importantly, the impact they have on people requires taking a closer look at migration flows. Population movements within Africa are very dynamic, and are naturally the source of movements of money, through trade and remittances.

International migration flows are largely related to global economic, political and social elements. Many push factors drive people’s decisions to migrate, including lack of job opportunities, political instability, famine, conflict, climate change, and many others. While globalisation has generally had the effect of increasing mobility around the world, the COVID-19 pandemic caused a sudden interruption to most population movements, thus demonstrating that different events have the potential to disrupt migration.

Migration has long been and still is a subject of public attention. Migration-related issues are central in policy debates and widely covered by the media. However, popular conceptions of migration are often biased and quite different from the real migration phenomena and observable data.

In 2020, it was estimated that the total number of international migrants was as high as 281 million people. The largest portion of these were located in Europe (86.7 million), followed by Asia, North America and then Africa.
There is a common misconception that most international migration is African. However, in 2020 only 14.5% of global migrants were from that continent. Furthermore, many people believe that African migration tends to be South-North, meaning from African countries to northern regions such as Europe or North America. Once again, research proves the opposite: about 51.56% (UNDESA 2020) of migrants within Africa in general, and 87% of the 28 million migrants from Sub-Saharan Africa tend to remain on the African continent\textsuperscript{10}.

The Mediterranean Migration Crisis in 2014-2015 received high media coverage. The broadcasting and newspaper reporting of tragic events such as the deaths of over 5,000 people while crossing the Mediterranean to reach Europe during those two years reinforced the belief that African migration to Europe is very high, and that much of this migration is unauthorised. However, it is interesting to note that the majority of African mobility is intra-continental. Additionally, the share of African migrants in Europe is relatively low.
Of the 40.2 million migrants from the African continent, about 27% have Europe as a destination. It is generally becoming more and more difficult for Africans to move to Europe, unless they have rare skills.

In 2020, migration out of Africa dropped significantly owing to COVID-19 border closures. Mediterranean Sea crossings dropped by 20% in 2020 (to 81,502 arrivals), with African migrants comprising roughly half of that number. Regarding the irregularity of African migration, the reality is once again quite far from popular conceptions. There is no clear data on how much of the migration is legal, but some reports state that 94% of African migration is authorised.

The *Africa Migration Report* from the African Union and International Organization for Migration (IOM) highlights that most research on migration is based on Western perspectives, and that adopting an African approach to mobility is key to understanding African migration beyond a purely Western viewpoint. South-North migration should not be disregarded, but it should also not be given disproportionate importance in light of the actual size of the phenomenon. Intra-African migration is majoritary within African migration, and is the basis for an explanation of intra-African remittances.

**INTRA-AFRICAN MIGRATION: FIGURES AND MAIN CORRIDORS**

Intra-African migration contributes to determining economic and social structures in Africa, and is the foundation of an understanding of remittance patterns.

As many African countries lack the capacity to generate data on migration patterns, access to updated and accurate data on intra-African migration is fairly limited. The most accurate data can be found in the United Nations Division of Economic and Social Affairs (UNDESA) database.

The number of international migrants in Africa increased from 15.1 million in 2000 to 25.4 million in 2020. Nevertheless, Africa remains the destination of only 9% of global migrants (UNDESA 2020).
When considering migration patterns in Africa, the major trend observed is the tendency of more than half of African migrants to remain within the continent. Others migrate to Europe, Asia, North America, and the rest of the world.
More than half of the main migration corridors in 2019 were within Africa. Examples of the largest ones are Burkina Faso to Côte d’Ivoire, South Sudan to Uganda, Sudan to Ethiopia and the routes between Mozambique, Zimbabwe and South Africa.

Eastern Africa hosts the largest share of international migrants residing in Africa (30%), followed by Western Africa (29%), Southern Africa (12%), Middle Africa (15%) and Northern Africa (12%).

Even though intra-African migration is an important phenomenon, migrating within Africa still comes with a number of difficulties: border controls are often strict, and sometimes abusive towards migrants. Skill qualifications are not always recognised across countries, leading to issues for working migrants. In order to reduce the barriers to migration on the continent, the African Union is working on establishing the African Economic Community, relating to free movement of persons, right of residence and right of establishment. A few countries, such as Benin, the Gambia and Seychelles, already offer visa-free travel for all Africans.
FUTURE MIGRATION TRENDS:
THE FORECASTED SCENARIO

Migration has always been an important pillar of social and economic life in Africa, and will most likely continue to be so in the future. The COVID-19 pandemic took the world by surprise and severely disrupted global mobility in the form of reduced travel, border closures and travel bans and restrictions. Although migration flows in West and Central Africa dropped by 48% between January and April 2020, the following months saw an increase of 65% in the same region. Out of 54 countries in Africa, 43 closed their borders during 2020, creating large challenges for migrants travelling for work. The COVID-19 pandemic has made global migration flows more unpredictable.

In May 2022, only 15.8% of Africans were fully vaccinated against COVID-19, while many European countries had vaccination rates of up to 80% of their populations. Refugees, asylum seekers and stateless people face an even greater issue regarding access to vaccination, as they are generally excluded from national vaccination programmes. If the shortage of vaccines in Africa becomes prolonged, vaccine inequality could negatively affect African economic development for years to come. The COVID-19 crisis brought the worst recession ever recorded to Africa in 2020, and increased unemployment to high levels. Even though the continent still has to fight against the economic and societal effects of COVID-19, its recovery has already begun.

In the coming years, African countries are expected to embrace the possibilities made available by technology. Africa’s cities are growing and expanding, becoming more and more attractive for both migrants and tourists. While the future is still uncertain, everything points towards the expectation that African people will keep moving within their continent. In order to improve the lives of millions of African migrants and their families, it is vital to ensure that remittances can flow seamlessly.

Read more in our Intra-Africa Migration report.
Remittances are key in Africa: as African populations move and trade across national borders, they also send and receive money across those same borders. This chapter will explore data on the remittance trends within the continent, provide an analysis focused on explaining why remittances circulate in the way they do, and consider how the process can be improved in the interests of billions of people.
AFRICAN REMITTANCES ARE MOST LIKELY UNDERESTIMATED

THE GENERAL PICTURE

Remittances were calculated to be as high as US$701 billion worldwide in 2020, a small decrease compared to the US$719 billion in the previous year\(^7\). For Sub-Saharan Africa, remittances in 2020 were estimated to be **US$42 billion**, which represents a 12.5% decrease compared to 2019. Even though the worldwide decline in remittances can be attributed to the COVID-19 crisis, official data does not show the same pattern for the African region. In fact, the observed decrease was due almost entirely to the 27.7% reduction in remittances to Nigeria, which accounted for 40% of remittance flows to the region\(^7\). If Nigeria is taken out of the picture, remittances in Sub-Saharan Africa increased by 2.3%. In 2021, the growth in remittances is expected to remain slow in Sub-Saharan Africa.

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**Figure 08**

**IN 2020 REMITTANCES TO**

**IN 2021 REMITTANCES TO SUB-SAHARAN AFRICA HAVE INCREASED BY +2.6% (ESTIMATION)**

Source: World Bank Data

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A LARGE INFORMAL MARKET

According to phone surveys\(^7\) carried out with African households, as well as observations from the private sector, remittance income decreased for most households in Sub-Saharan Africa during the COVID-19 crisis. In fact, the global impact of the pandemic and the subsequent economic effects touched migrants all over the world. Many of them lost their jobs or were unable to work remotely owing to the nature of the less qualified jobs in which migrants are generally employed\(^8\). These changes negatively impacted the income of those migrants, making it challenging for them to continue sending remittances to their loved ones. Additionally, many migrants returned to their home countries during the first months of the COVID-19 crisis in 2020.
The gap between official data, which shows a modest increase in remittances in Sub-Saharan Africa during 2020, and observations from the ground that suggest a decrease in remittance income, hides another important aspect of the remittances ecosystem in Africa. This is the importance of the informal remittance channels on the continent, and it explains the limitations for official data to capture the actual remittance flows in Africa.

The increase in remittances found by the World Bank can be understood in this way: the pandemic made it more difficult for people to send and receive remittances in informal ways, which often require actually going to a physical location and carrying cash across borders. Many countries closed their borders and asked their populations to remain locked down at home, which restricted the use of informal remittance channels. As a result, many people modified their behaviour and started sending and receiving remittances in formal ways, generally through remittance services providers or mobile money accounts.

Informal remittances are money transfers that do not involve a formal contract, and are therefore not recorded and visible by national regulators at any stage of the transaction. Informal channels include, for example, carrying money across a border oneself, and also allowing relatives, friends, or informal couriers to transfer the money. Some informal networks such as Hawala also exist, enabling people to send and receive money in a relatively easy way. These systems rely on trust and do not require the actual movement of the money. Informal remittance channels can also include trade relationships.

Informal remittance channels are in some cases modern, and adapted to the needs of their users. Some of them are able to provide relatively cheap and reliable transfers that are accessible to almost everyone. Additionally, they also tend to be fast, as they have large networks operating outside the payment system.

Where informal remittances are high, this could imply that formal remittance channels can be improved in order to attract customers. The use of formal channels can have positive externalities for receivers, such as allowing them to save and invest and therefore to be financially more included. Moreover, the formalisation of the remittances market could have a positive impact on the financial industry overall, owing to a more efficient control of the market, greater transparency, and regulatory supervision minimising money laundering risks.

Today, the volume of remittances in Africa is estimated to be at least double, and perhaps up to ten times as large as reported by authorities.
The largest share of remittance flows transacted through informal channels are intra-African. While relying on informal flows through friends or transportation companies is difficult across continents, such transfers are much more feasible within the African continent, in particular between neighbouring countries. The large proportion of informal flows in the intra-African market makes it challenging to gather data and analyse these flows. The following section will review what is known about intra-African remittances.

**INTRA-AFRICAN REMITTANCE FLOWS**

A very large proportion of remittances in Africa flow within the continent. Most African migrants choose another African country as their destination, and many of these individuals send money to their loved ones in their home countries. Such amounts are referred to as intra-African remittances.

Remittance flows often follow migration and trade routes. However, when considering intra-African remittances, we see a disparity between migration and remittance flows. This is because the use of informal and unrecorded remittance channels is very high in Africa, especially for intra-African remittances, where many migrants tend to carry money across borders when they travel, or entrust someone else to convey it to the receiver. **Transferring money through unregistered trade is also a common practice.** This is mainly observable among countries that share a border, as the relatively limited distances involved could incentivise the use of these informal channels, especially where formal money transfers tend to be costly. The generalised use of informal remittance channels introduces a large bias in the data available on remittance volumes in the region.

In Sub-Saharan Africa, the country receiving the largest amount\(^{20}\) of remittances has historically been Nigeria, with Ghana a distant second, followed by Kenya and Senegal.

![Figure 10: Amount of Remittances Received](image-url)
The only source of data providing a picture of bilateral remittance flows is the Bilateral Remittances Matrix, which was last updated with data from 2017. While a number of central banks publish official estimates of inbound remittances, very few have the data disaggregated by corridor.

The map shows that most African countries receive remittances from other countries within the continent, even without taking informal flows into account. The United States and European countries, in particular the United Kingdom, are also major sources of remittances. The reported volumes flowing from these countries are relatively large.
By contrast, intra-African remittances come from a much wider range of countries. South Africa, Nigeria, Gabon and Rwanda are important remittance sources for many African countries. South Africa and Nigeria, being two of the largest economies on the continent, are able to attract a large migrant workforce, which then sends a portion of their income back to their countries of origin. Many nations in Africa receive high remittance amounts from countries with which they share a border: this can, for example, be observed in Benin, Burkina Faso, Côte D’Ivoire, and many other countries.

**Intra-African remittances are generally lower in amount, but the numbers of transactions are very high.** These remittances are therefore of importance to many individuals, who rely on this additional income for basic needs such as food, healthcare and sanitation. Relatively small amounts can create large positive impacts for poor and low-income households.

A key aspect to mention when describing intra-African remittance flows are the **unequal, and sometimes very high, costs of transferring money within Africa.**

Migrants who have to send money through these corridors are clearly highly impacted by the high transaction fees charged in the formal market, and might be motivated to use informal channels instead. Therefore, finding ways of reducing transaction fees is a key element for strengthening formality, and making the remittance process more efficient for all parties involved.
Africa is a highly integrated continent at the human level, as explained in the above chapter. Although Africans are migrating, it is first and foremost within the continent. Migration flows are dynamic, and large amounts of goods and money move between countries all around the continent. Africa has 54 countries fully recognised by the United Nations, as well as two independent states with limited or no recognition (Western Sahara and Somaliland). Each of these countries is home to a variety of different cultures and languages: it is estimated that about 1,500 languages are spoken in Africa.

While people and goods move across borders on a daily basis, the formal political and economic borders remain relatively rigid. Integration across the African continent has long been limited for different reasons such as outdated borders, transport infrastructure and different regulations across markets. European colonists and some of the subsequent governments in Africa erected barriers to defend their markets from regional competition, making it more expensive to trade with nearby neighbours.

In the last century, however, many governments and institutions made the effort to enhance regional integration, as it became clear that greater unification of trade rules, currencies and migration regulations could largely improve economic prospects and human lives in Africa.

Most of the African integration so far has happened at the regional level rather than at the continental level. Sub-regions have formed, gathering smaller groups of geographically close countries within Sub-Saharan Africa. A number of regional economic communities have developed, which have different roles and structures.
The eight Regional Economic Communities (RECs) in Africa recognised by the African Union are set out below:

**COMESA**, Common Market for Eastern and Southern Africa. Established in 1994, COMESA now includes 21 member states that cooperate for regional integration and creation of a large economic and trading unit. Some of the members initiated a trade liberalisation programme to reduce tariff and non-tariff barriers to intra-regional trade.

**EAC**, East African Community. The regional intergovernmental organisation of the Republics of Kenya, Uganda, Burundi, Rwanda and the United Republic of Tanzania, the EAC was established in 1999 to create deep economic, political and social cooperation among the partners.

**AMU**, Arab Maghreb Union. AMU was founded by Algeria, Libya, Morocco and Tunisia to coordinate and harmonise the development plans of the four countries as well as interregional trade and relations with the EU.

**ECCAS**, Economic Community of Central African States. Recognised with the status of Commission in 2019, ECCAS’s role is to support its eleven member countries in the establishment of a “region of peace, prosperity and solidarity based on a unified economic and political space where each citizen moves freely in order to ensure sustainable and balanced development.”

**SADC**, Southern African Development Community. SADC is an inter-governmental organisation comprising 16 members with a common agenda focused on development and economic growth, peace and security, development of institutions and common strategies for utilisation of resources.

**CEN-SAD**, Community of Sahel-Saharan States. The main objectives of this community are the establishment of a comprehensive economic union, the free movement of people and capital, the provision of regional security and sustainable development measures. It comprises 24 countries of the Sahel region.

**IGAD**, Intergovernmental Authority on Development. IGAD represents a multi-stakeholder strategy for member states to achieve peace and sustainable development promoting regional cooperation and economic integration between the members.

**ECOWAS**, Economic Community of West African States. ECOWAS consists of 15 member countries located in the Western African region that share the common economic interest of creating a borderless region where the population has free movement and access to efficient education and healthcare systems, ensuring shared economic and commercial activities. ECOWAS has been pursuing a common currency agenda since the early 2000s.

Source: Pan-African Chamber of Commerce
THE SOUTHERN AFRICA DEVELOPMENT COMMUNITY

REAL TIME GROSS SETTLEMENT (SADC-RTGS) SYSTEM

The SADC has been working on an initiative called Transfers Cleared on an Immediate Basis (TCIB). The project was established to improve the low-value payment infrastructure in Southern Africa, for the benefit of the end-user.

The TCIB platform is an automated interbank settlement system that links banks, remittance services providers and mobile money operators. They function in accordance with the same rules and the same processes, under the supervision of the regulators of the involved countries. The model is based on a central clearing and settlement operator switch, with the goal of settling payments in real time across the region, in order for counterparties to receive funds more quickly.

The TCIB went live on 31st July 2021, and is now being tested by a number of companies. Even though it is still unclear whether this initiative will gather all the players in the market, it has the potential to truly improve interoperability in the underlying payments infrastructure.

Other organisations are focused on regional integration:

- SACU, the Southern African Customs Union. Created in 1889 between the British Colony of Cape of Good Hope and the Orange Free State Boer Republic, SACU is the oldest customs union in the world. It was extended in 1910 to the Union of South Africa and Lesotho, Botswana, Namibia and Swaziland, and the agreements have been developed several times since then. In 2002 the last provisions related to the creation of institutions to enhance equal participation by member states, a revision of the revenue sharing formula and the need to develop strategies to enhance political, economic, social and cultural integration of the region without jeopardising the economies of the smaller states.

- WAEMU, the West African Economic and Monetary Union. Founded in 1994, the mission of this organisation is to enhance the competitiveness of its member states in the framework of an open and competitive market with a more uniform and harmonised legal context.

Although some of these organisations overlap, they are successful at promoting regional integration at political and economic levels. Empirical evidence shows that a monetary union and free trade zones enhance regional trade through a common currency and lower transaction costs. Closer ties allow countries to increase trade and remittances between one another.
In fact, integration in Sub-Saharan Africa has increased most substantially through trade: intra-African trade has expanded fourfold over the last two decades\(^2\). The five countries constituting the Southern African Customs Union account for 50% of total trade in Sub-Saharan Africa\(^3\). This number does not consider ‘informal trade’ between borders, which is often not recorded in customs statistics, but is widely practised. In particular, small-scale cross-border trade is rarely captured at the border, even though many individuals engage in this type of activity and avoid formal boundaries\(^3\).

In fact, even higher integration and stronger partnerships are still required. Some countries and regions remain very limitedly connected to the rest of Africa. In some cases, particular countries are not part of the community prevailing in the regions in which they are located. Moreover, even though integration is enhanced within regions, difficulties persist primarily for trading and moving across these regional communities.

An interesting case of close ties, without paralleled financial integration, is the relationship between Togo and Ghana, two countries located in West Africa. Formal annual flows between Togo and Ghana (including both remittances and trade) amount to nearly US$400 million, and Ghanaians account for Togo’s largest migrant community. Togo is a very small country which became independent in 1960. The leaders at the time realised that Togo needed to be well connected to other countries of the region in order to be economically sustainable. For this reason, they supported the creation of the Economic Community of West African States, which now connects 15 countries of the region. Togo is currently West Africa’s largest trade hub, connecting the region to the global economy.

Togo’s capital, Lomé, with its large market, Asigamé, is a centre for cross-border trade, and attracts people from all over West Africa. Ghana is Togo’s largest single trade partner, with significant amounts of goods flowing across the border. In 2019, Togo’s trade flows with Ghana reached US$197 million, representing 7% of its total exports and imports. Total trade volumes are even greater, counting the flow of goods that cross the border informally.
Togo attracts people looking for opportunities and a better life. Traders, fishermen and school teachers from the region, and especially from the bordering country, Ghana, move to Togo in order to run businesses. These individuals generally trade across the countries of the region, and often cross national borders, even on a daily basis, for a variety of reasons. Many of them send remittances to support their families in their home countries. As goods and people move freely across borders, significant amounts of money are also transferred from one country to another.

The process for a Ghanaian fisherman to send money to his family in Ghana is described as follows:

“To send money to his children and wife in Tema, Ghana, Blabo has to jump through hoops. He drives to the Aflao-Lomé border, trades CFA francs for cedis, switches his phone to roaming, tops up his MTN wallet, and does a transfer to his family’s account.”

Sending money between Togo and Ghana is not convenient, since these countries have separate currencies, the CFA franc and cedi, which cannot be exchanged digitally. The regulatory border makes money transfers between the countries difficult, and often leaves no choice to senders but to move money in an informal way.

This generally includes a number of steps: crossing a border, exchanging cash at a money changer, and using a mobile money wallet to send money in the destination country. This type of money transfer is not recordable as a remittance flow from Togo to Ghana, as part of it goes through informal channels. Since these transactions are not recorded formally, it is very difficult to estimate the value of money crossing the border every day. However, this is the most convenient and cheapest way for individuals to send remittances from Togo to Ghana, which demonstrates the lack of economic and infrastructural cooperation between the two countries, even though they are so close and are both part of the Economic Community of West African States.
In fact, the CFA franc and cedi inhabit different silos, disconnected by monetary policies and an invisible border. This makes sending money through formal channels unbelievably expensive. The close relationship that can be observed between the two countries at a human level is clearly not equaled at the policy level. The easing of money transfers between the two countries would be a transformative step towards deepening their intertwined economies.

In the same pattern, more than 60% of immigrants in Côte d’Ivoire are from Burkina Faso, and 90% of these immigrants migrate to Côte d’Ivoire to search for paid work and help their families back home. However, remittance flows to Burkina Faso from Côte d’Ivoire make up only 13% of total remittances to Burkina Faso.

African leaders are conscious of the barriers that exist in Africa, and are working to increase integration. As part of this effort, the African Continental Free Trade Area (AfCFTA) was implemented in April 2021. This is an ambitious trade pact signed by 54 out of 55 countries in Africa, with the aim of reducing tariffs among members and facilitating trade in goods and services within the continent.

AfCFTA’s implementation can provide unprecedented opportunities for infrastructures, reduction of rigid regulations for cross-border transfers, renewed fundings and liquidity. In particular it could be the chance to overcome the different levels of trade integration reached in Africa through the diverse Regional Economic Communities (RECs) within the continent. For example, Côte d’Ivoire, Kenya, Morocco, Senegal and South Africa have already been successful regional trading hubs through their REC, but the new challenge for Africa must be to create a more unified economic market. While AfCFTA could represent a great opportunity for the African continent, the effects which this agreement will have in practice are still unclear.

AfCFTA could reduce the gap between the rigid borders of sovereign states (the border posts, currencies and passport controls) and the daily lives of Africans that go beyond borders. In addition, the movement of money across borders should not be restricted: the harmonisation of regulation and of the digital infrastructures across countries is the next major step for Africa.

Fast, affordable and simple financial flows across the continent would also help push AfCFTA’s goal forward. Trade would become less cumbersome and businesses would no longer have to deal with the current slow nature of cross-border payments.

To know more about the meaning of African borders, and in particular the Togo-Ghana relationship, visit the Crossing Borders website.
**INTRA-AFRICAN REMITTANCE FLOWS: STRENGTHENING A DYNAMIC MARKET**

**Informal remittances** are money transfers that do not involve a formal contract, and are therefore not recorded and visible by national regulators at any stage of the transaction. Informal remittances include illegal channels, such as the use of unregistered money transfer operators like the ‘Hawala’ and ‘Hundi’ operators, or legal ones such as the hand-carrying of money by migrants themselves or by a third person, such as a friend, relative or a trusted agent. These channels are often chosen by customers instead of formal ones, which are characterised by transfers registered by banks, post offices and remittance services providers.

The use of informal channels is widespread in Africa, in particular for intra-African transactions that can easily be processed informally. According to the estimates provided by remittance services providers, the informal market represents about 50% to 70% of the overall remittance market in Africa.

Regulators, governments and remittance services providers around the continent are working to attract both remittance senders and recipients to choose formal channels when transferring money, but the behaviour of customers is evolving only slowly.

In fact, there are a variety of reasons why so many customers choose to send money via informal channels. The main factors that determine the choice of a transfer channel are: cost, accessibility, speed, trust and financial literacy.

**COST**

One of the main reasons for choosing informal channels in Africa is the cost of transactions. The cost should include all the elements that determine the price paid by the end-user for cross-border payments (including charges incurred both by the sender and by the receiver of funds).
At the global level, the total cost of transfers using official channels was estimated to be around 6.30% of the remittance value in 2021\textsuperscript{36}. Digital remittances are generally cheaper, with the last recorded cost being 4.99% on average.

Sub-Saharan Africa is one of the regions where remittance costs are much higher than the average: they were estimated to be \textbf{8.72% in Q2 2021}\textsuperscript{36}. This is clearly in excess of the UN’s Sustainable Development Goal target to have no corridor higher than 5% by 2030.

Remittance costs include a fee usually paid by the sender to the remitting agent, and potentially a currency-conversion fee (FX margin) for delivery of local currency to the beneficiary in the receiving country. To these costs are sometimes added charges by the operators to collect remittances.

In Sub-Saharan Africa, fees generally account for the largest portion of remittance costs, while the FX margin is only about one third of the overall cost. Moreover, fees are significantly lower for digital services\textsuperscript{36}.

In particular, mobile money currently offers the lowest fees on remittances. There is often only a 1%-2% cash-out fee, in order to physically obtain money out of the wallet.

In order to provide fair comparisons, it is important that remittance services providers remain transparent on costs, with detailed information on fees and the FX margin, rather than providing an overall cost only. This transparency is key for customers to understand the final amount they will pay for the transaction, which is critical to promote trust in formal channels.

By comparison, for informal remittance channels, the range of costs is estimated to be between 2% and 5%. Remittances sent through friends, taxi drivers, etc. are also low-cost channels compared to the formal ones\textsuperscript{19}, since these channels do not require any compliance or intermediaries. Moreover, the informal network is often a competitive one, which contributes to lowering the average cost of transactions.

When informal channels are cheaper than formal ones, there is a clear incentive for those to be chosen: in this way, the recipient obtains more value for a given amount of money transferred by the sender. The difference in the cost can be crucial for these low-value payments, which are often directed towards basic needs. In fact, data shows that poorer migrants tend to send money informally in small amounts, but more frequently.
It is crucial not to overtax remittance methods, as this increases costs for the customer and drives people away from using formal channels.

Some African countries tax electronic financial transactions. This is the case in Ghana, which in 2022 introduced an ‘Electronic Transaction Levy’ of 1.75% on electronic transactions above GHs100 (US$16) per day to take effect from 1st February 2022. The levy will be applied to mobile money payments, bank transfers, merchant payments and inward remittances. All charges are borne by the sender, except in the case of inward remittances where the charge is borne by the recipient. This measure has been widely criticised, as it could have a negative impact on financial inclusion.

Other countries, such as Tanzania, Uganda, Democratic Republic of Congo and Malawi, have introduced similar measures on mobile money, often followed by a drop in transactions.

Reducing the cost of formal channels is on the agenda of the international community, being a key target of organisations such as the Financial Stability Board and the UN. This is a goal hard to achieve, as many corridors suffer from friction, and the industry lacks economies of scale.

Informal money transmitters are often able to provide cross-border payments instantly to their customers, without having to move money and settle transactions. These informal networks are able to provide services directly, without going through any regulatory checks, and whether or not there is an ongoing relationship with the customer. It is important to note that the speed of this system was greatly reduced during the COVID-19 pandemic, and is therefore dependent on external conditions.

Having said that, formal remittance services providers can also deliver fast payments, ranging from instant (for example through mobile money transfer) to, in some cases, days. Even though the actual payment can happen relatively quickly, the settlement in the background can sometimes take days, since banks do not always have direct links to every country and need to work through intermediate banks, thus delaying the transaction. Compliance checks have also been found to make cross-border payments slower.
**DELIVERY**

Delivery is an additional issue for individuals, especially those living in rural areas. Banks and large commercial money transfer companies are usually located far from rural and remote areas, requiring higher costs in terms of transport and time for recipients. In some countries, picking up money in a physical branch can require driving for hours to the nearest pick-up point, usually located in a larger city. Post offices often allow access to financial services in rural areas, but still to a limited extent only. A portion of the population will not have easy access to those banks, post-offices and agencies, and this facilitates the use of informal methods. In fact, informal remittance channels usually expand across all of a national territory, with a wide network of local agents delivering remittance services.

**ACCESSIBILITY**

Accessibility is another major issue, with many individuals unable to obtain access to formal financial services owing to the lack of legal identification documents. There is a direct correlation between financial exclusion and poverty. An estimated two billion, or 38%, of working-age adults globally have no access to the types of financial services delivered by regulated financial institutions. In Sub-Saharan Africa, 46% of the population does not have an official identity.

Verifying the identity of customers is a necessary provision for financial inclusion. Institutions use the KYC (know your customer) requirements as stipulated in AML/CFT (anti-money laundering/combating the financing of terrorism) regulations, but the strict regulatory barriers can hamper potential improvements in the formal economy. KYC compliance is important for any business in the financial market in order to avoid money laundering processes, and corruption and bribery activities. Collecting and analysing basic personal information such as identity documents is the process undertaken to fight financial crime.

When prospective customers lack formal identification, or when providers cannot easily verify identities and perform customer due diligence (CDD), the formal remittance services become more expensive and customers prefer alternative ways of sending money to their home countries. Innovative approaches in conducting customer identification, verification and due diligence can make it easier to include more people in the formal remittance channels. However, there are different institutional constraints to be overcome in order to guarantee effective KYC for remittance services providers.
KYC requirements are inflexible and unable to keep pace with innovation, which moves fast in the financial and technological market. The regulatory framework for the use of digital financial services needs to be more predictable, risk-based and fair without imposing excessive compliance costs. The regulations are often overlapping and national governments miss reliable electronic identification (EID) structures. Leveraging institutional fragmentation and complexity in the regulatory framework of KYC would be one solution to lower the barriers to the use of formal remittance channels.

Uganda is a net receiver of remittances. The Bank of Uganda (BoU) reported that remittance inflows into the country were US$1.2 billion in 2020. It is one of the few countries to have estimates on remittances sent through informal channels. Of the cash remittances received in Uganda in 2018, an estimated 10.2% were received through informal channels. This equated to US$98 million, with money being received mainly through friends in Uganda. The data was gathered through household surveys, and could therefore be biased to some extent.

Uganda is also a net receiver of immigrants, with over 1.7 million foreign nationals residing in the country in 2019, of whom 1.4 million were forcibly displaced persons, mainly from South Sudan and the Democratic Republic of Congo. The World Bank Bilateral Matrix 2018 estimates that the largest outbound remittances corridors from Uganda are Kenya (33.3%), DRC (33.1%), South Sudan (9.4%) and Tanzania (5.4%).

One of the issues faced by forcibly displaced persons in Uganda is identification. While many refugees possess a UN-issued identification card, others do not have such an identifying document. Obtaining this identification card can sometimes take years, during which time the individual cannot access formal financial services. In fact, a recognised ID is necessary to be able to receive or send money through formal remittance services providers, making it impossible to onboard some individuals who do not meet KYC requirements. Such individuals are therefore compelled to choose informal channels for their remittances.

Providing legal identification documents to all individuals is key to enhancing the financial inclusion of migrants in Uganda, and to drive remittances to flow through formal channels. This effort should be undertaken beyond the remittance industry, at the national and regional levels by public institutions and development agencies.
In some cases, migrants and their families do not have the necessary financial literacy to clearly differentiate between formal and informal money transfer services. This can lead them to use informal channels, in particular if the transfer is executed through someone they know and trust.

Lack of familiarity with mobile or internet-based transfer methods and lack of transparent information with clear cost structures are also barriers to the use of regulated services. Thus financial education must be a pillar of every project related to financial services in order to remove barriers to the use of formal remittance channels. A number of remittance services providers have programmes to promote financial literacy among their potential customers.

Government guidance and control is necessary for ensuring the quality of financial literacy campaigns. This can also contribute to demonstrating to individuals that the source of the information is reliable, and therefore can provide better results in terms of financial literacy. Basic financial education can also take place as part of official schooling programmes.

### LACK OF FINANCIAL LITERACY

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<tr>
<th>COST</th>
<th>FORMAL CHANNELS</th>
<th>INFORMAL CHANNELS</th>
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<tr>
<td>High transfer costs (8.72% on average for Sub-Saharan Africa, up to 14% in some corridors), due to lengthier process through intermediary institutions and risks associated with compliance and regulation requirements for institutions at each end. Costs are lower for digital and mobile channels.</td>
<td>Relatively low-cost because of high competition and low operational costs.</td>
<td></td>
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| TRANSFER TIME | Instant transfer in some cases, a few days in other corridors and depending on the channels. | Immediate transfer. |
| DELIVERY | Seamless delivery for digital remittances. For cash pick-up, longer travel times and costs may be required. | Vast nationwide network of branches and agents, with coverage in rural areas. |

| ACCESIBILITY | Only accessible to individuals with official identity documentation, due to regulatory KYC requirements. | Accessible to all, without the need for identity verification. |

| FUNCTIONALITY | Often uncompetitive. Most companies deal with liquidity issues. Limited interoperability within the ecosystem. Traditional formal channels are sometimes unfit for customer needs. | The system relies on trust and on a powerful network. The speed of transfers is high, as there are no liquidity issues. |
This chapter will explore the African remittances market from the point of view of the remittance services providers operating in the region. A large number of company executives with roles in the African remittances industry were interviewed by IAMTN, in order to uncover the challenges they face as remittance services providers. Furthermore, quantitative data on the subject has been collected through a survey sent to remittance services providers.

The general objective of this chapter is to give voice to the private sector. It details the different challenges typically faced by remittance companies in Africa, and the impact these challenges have on their operations as well as on their customers. The chapter concludes by presenting the expectations that remittance services providers have of national regulators.
CHALLENGES WHEN STARTING A MONEY TRANSFER BUSINESS IN SUB-SAHARAN AFRICA

CHALLENGES ENTERING THE MARKET

In many African countries, the remittance market is dominated by banks or mobile wallets. Banks are often the main licensed remittances providers, in a continent where about 40% of people do not have a bank account. In such cases, remittance services providers can enter the market with new propositions for migrants who wish to send remittances. Entering the market can be more or less challenging depending on the country, as well as on the business model of the company.

One of the main challenges that remittance services providers face when entering new markets within Africa is to gain a clear understanding of the regulations in force, in order to position their particular business model within the existing regulatory framework, and request a licence within the right category. Regulations differ widely across countries, and expanding to a new country therefore requires an in-depth analysis of the rules issued by the local central bank. This can require partnering with a lawyer or regulatory firm to obtain support in finding data. Overall, regulation needs to be clearer, and more adapted to the reality of the remittances market.

Remittance services providers indicate that, in Western and Central Africa, the lack of licences for remittance services providers forces them to partner with banks or post offices in order to operate.

CHALLENGES IN OBTAINING A LICENCE

Operating as a formal remittance services provider requires being licensed by a national central bank or partnering with a licensed institution. The licensing procedures differ greatly between countries. In many, the process can be difficult and lengthy: in some others, obtaining a licence is close to impossible. As explained above, some countries do not have licences for remittance services providers. The lack of an enabling framework creates major challenges for entrant companies, and tends to reduce competition in the market, since few companies prevail in particular corridors.
Lack of licences for remittance businesses

Many African regulators do not grant licences to remittance companies. This requires remittance services providers to partner with banks and post offices, which increases the barriers to entering new markets, and reduces competition and remittance products within those national markets.

Lack of mobile money licensing

Almost half of the world's mobile wallets are in Africa. While the use of mobile money is widespread in regions such as West Africa (with about 50% subscriber penetration in 2020 according to GSMA), some countries restrict the entry of mobile money. This has historically been the case in Ethiopia, although the country has been opening up in this regard since 2019. Even though state-owned operators are still advantaged in Ethiopia, it is expected to become more competitive. In the same way, a range of African regulators, especially in Southern Africa, are restricting mobile money penetration in the remittances market\textsuperscript{44}. The regulatory acceptance of mobile money is vital in order for formal remittance channels to develop, and to enhance

Even where licences for remittance services providers and mobile money exist, obtaining a licence is difficult and lengthy.

Most regulations have been developed based on specific business cases. In fact, many countries have not reached the maturity to regulate fintechs:

- Generally, no regulation for fintechs in francophone Africa;
- Some countries are trying to react to new entrants and to explore fintech regulation; South Africa, Ghana, Kenya and others.

In 2021, the Bank of Uganda issued a number of licences under the National Payment Systems Act, including its first two fintech licences to MTN Mobile Money Uganda Limited and Airtel Mobile Commerce Uganda Limited.
**REGULATORY SANDBOXES**

Regulatory sandboxes have been set up in some countries to test and control the development of new business models around remittances. This is key to allowing businesses to develop innovative solutions for remittances.

**South Africa**: The Intergovernmental Fintech Working Group is managing a regulatory sandbox in South Africa. Applications were open until 15th May 2020, and 52 applications were received. Nine companies are currently testing as part of cohort 1.

**Uganda**: In 2021, the Bank of Uganda announced the launch of its sandbox and has admitted M/s Wave Transfer Limited to operate under the [Regulatory Sandbox Framework](#).

**Rwanda**: The National Bank of Rwanda decided to open a sandbox in 2018, with the following regulation being issued: [Regulation Governing Regulatory Sandbox in Rwanda](#). The first company to be granted a licence was the Riha Payment Wallet, since no other company has been granted permission to benefit from this regulatory sandbox.

**Kenya**: The Capital Markets Authority of Kenya has operated a regulatory sandbox since March 2019, under the following [rules](#). Currently, a few companies such as Koa and Pezesha Africa Limited are in the sandbox.

**Mozambique**: The Central Bank of Mozambique launched a regulatory sandbox in 2018, in order to promote innovation with fintechs, as explained in this document. Mukuru and four other companies have been admitted to the regulatory sandbox, which is aimed at increasing financial inclusion in Mozambique.

**Sierra Leone**: The bank of Sierra Leone introduced a regulatory sandbox in 2018. Currently, companies in payments, savings and infrastructure are part of the sandbox. All participants have a focus on financial inclusion.

**Mauritius**: Mauritius has a [Regulatory Sandbox Licence](#), which was announced in 2018. It is reserved for products, services and solutions that are genuinely innovative, i.e. original and not similar to those already available in the market.

**Ghana**: The Bank of Ghana launched a [regulatory and innovation sandbox](#) on 25th February 2021. The sandbox is available to banks, specialised deposit-taking institutions and payment services providers, including dedicated electronic money issuers as well as unregulated entities and persons that have innovations which meet the sandbox requirements.

**Nigeria**: The Central Bank of Nigeria has also issued a framework for regulatory sandbox operations.
Many countries in Sub-Saharan Africa have regulatory sandboxes or have planned to open one. However, in practice only a few sandboxes are active, and a limited number of companies benefit from them. This can be attributed to the fact that operating a sandbox is costly for regulators, and requires the mobilisation of qualified staff and infrastructure. The private sector has reported being largely unaware of the existing sandboxes and of the potential opportunities in this area.

EXCLUSIVITY CONTRACTS

Exclusivity contracts are agreements according to which a given remittance services provider can partner with one bank exclusively, in order to operate in a country. This practice reduces competition in the market and results in increasing money transfer costs. Exclusivity contracts used to be widely practised in Africa, since most banks would sign such an agreement with one of the top remittance services providers.

In 2009, Senegalese regulators issued a formal letter requesting all banks in the country to remove exclusivity contracts. Senegal was the first country to ban such contracts, and led many other nations in West Africa, as well as countries such as Kenya, to do the same. While exclusivity contracts have now mostly disappeared in West Africa, the practice remains observable in Central African countries. As exclusivity contracts are one of the factors that drive up the costs of cross-border remittances, regulators should take action to forbid exclusivity agreements in order to increase competition in the market.

CHALLENGES TO OPERATING IN A MARKET WHERE INFORMAL CHANNELS PREVAIL

As explained above, informal remittance channels are very common in most African countries. According to the assessments of our interviewees, the informal market represents about 50% to 70% of the overall remittances sector. Operating in a market where informal channels are deeply rooted can be a major challenge for remittance services providers. In fact, informal channels can offer an advantageous service for customers in some cases, as they are often cheaper and do not require KYC identity verification procedures.

In order to engage customers and promote the use of formal channels, remittance services providers need to offer transparent and convenient solutions to their customers.
ENGAGING CUSTOMERS ACCUSTOMED TO INFORMAL CHANNELS

Being able to engage customers is critical for remittance services providers to expand their operations in a given country. In particular, where sending remittances through informal channels is the standard for many individuals, it is key to increase potential customers’ awareness of the benefits of using formal channels.

Remittance services providers have shared that identifying potential customers can be difficult, since many tend to use informal channels which are not registered at any stage, and therefore not observable and not quantifiable. The lack of data on intra-African remittances is an issue that has been mentioned repeatedly by companies involved in the remittance process in Sub-Saharan Africa.

Attracting new customers requires a combination of on the ground engagement and digital marketing.

A method commonly used is to have a team on the ground that identifies, engages with and speaks to the communities who send remittances, in particular migrants and expatriates. These teams are in charge of presenting the service, and demonstrating how an individual could benefit from sending remittances through their particular company.

Digital marketing is also key, in particular paid Google Ads and social media marketing on Facebook. This method has proved to be quite effective, as it allows the targeting of potential customers. Remittance services providers report that most social media users who are targeted in this way do use their service at least once.

When a customer is engaged and willing to send remittances through a new provider, it is vital for the business to offer a smooth onboarding process, in order to keep the client satisfied and to ensure customer retention. Offering a good experience to clients supports the creation of brand trust and loyalty.

In fact, understanding and responding to customer needs is the key feature required for a company to attract individuals used to remitting through informal channels. As explained in Chapter 2, people tend to choose informal channels either from habit, or simply because the service is more suited to their needs. Increasing the convenience of formal channels is an aspect that needs to be addressed. Progress in this regard can be achieved through cooperation between the public and private sectors. Ultimately, the digitalisation of remittances can contribute to increasing convenience as well as overall efficiency.
Issues such as limited access to electricity, to the internet and to smartphones are still a barrier to the generalisation of digital remittances, especially in rural areas. However, the ecosystem is moving quickly, as access to both mobile connections and smartphones is growing rapidly. Mobile money remittances are contributing to the increase in convenience, as the number of corridors has expanded from 53 in 2017 to 108 in 2020 (GSMA data).

Reducing the cost of cross-border transactions in Africa is another central aspect that would surely lead people towards using more formal channels for sending and receiving remittances (see below).

**REDUCING COST**

The consensus of the companies with which we have engaged is that the cost of remittances needs to be reduced in order to strengthen formal remittance channels. As analysed in the previous chapter, the lower costs involved in sending and receiving money informally provide a major incentive for the use of these unregistered channels.

Remittance services providers described the various factors which keep operational costs high, and therefore limit the ability of companies to reduce the cost which the customer has to bear.

**The cost has the following components:**

- FX Margin
- Fees
The fees are set by the company to cover operational costs and make a profit. Operating as a remittance services provider entails significant expenses owing to the costs associated with obtaining a licence, and later using the correspondent banking system. The primary component of operational expenses is the cost of compliance, which is incurred in order to adhere to the regulations, in particular AML/CFT standards. This requires setting up and maintaining strict compliance measures and completing KYC processes with each customer.

In order to comply with KYC requirements, it is often necessary to have physical staff at branches, which is expensive for remittance businesses. Regulatory acceptance of digital KYC could be a way to facilitate the process and reduce costs. The use of technological means for onboarding customers could allow for cheaper and more secure compliance.

Additional expenses also apply, such as agent management on the ground and customer acquisition. This is particularly challenging in Sub-Saharan Africa, where many customers in the market are accustomed to using unregulated, and thus cheaper, options for remitting.

In the light of these challenges, many remittance services providers choose to expand the range of services they offer. In this way, they are able to provide more profitable services alongside remittances, and thus reduce the remittance fees for their customers even though it is not profitable for their own businesses. This can allow companies to become more viable in an industry faced by very large operating costs, primarily stemming from compliance obligations.

Ultimately, the key to reducing costs in the region is most likely in the hands of regulators. Granting more licences to remittance services providers to operate in Sub-Saharan African countries could substantially increase competition in the market, thus enhancing the range of options available to the customer and, eventually, improving services and reducing costs.

According to many providers, this development should go hand in hand with regulatory acceptance of technologies (mobile money, blockchain, etc.) that can benefit remittance processes, and contribute to reducing remittance costs.
A BANKING INFRASTRUCTURE THAT HAS TO BE IMPROVED

The consensus of the companies with which we have engaged is that the cost of remittances needs to be reduced in order to strengthen formal remittance channels. As analysed in the previous chapter, the lower costs involved in sending and receiving money informally provide a major incentive for the use of these unregistered channels.

Remittance services providers described the various factors which keep operational costs high, and therefore limit the ability of companies to reduce the cost which the customer has to bear.

The banking infrastructure has developed very differently in individual African countries. South Africa has established an RTGS (real time gross settlement) system working 24/7 on weekdays. Nigeria, Ghana and Kenya are the only countries that also have instant payment systems to this date, although many other countries are currently developing national payment schemes. The only system linking African countries currently remains the SADC (see Chapter 2), which is limited to Southern Africa. In many countries, the banking infrastructure remains underdeveloped, which contributes to making payments slower and more expensive.

An additional issue of consideration for cross-border payments providers is that those different infrastructures are not interoperable, meaning they do not work together efficiently. Owing to the lack of fully functional interoperable payments systems in Sub-Saharan Africa, payment services providers often face challenges in settling cross-border transactions within Africa. Managing the back-end technical infrastructure for cross-border payments can be difficult and expensive, especially in a region where banking infrastructures are fragmented.

Because of this, the settlement of transactions requires the intervention of multiple intermediaries (remittance services providers, bank and correspondent banks, etc.), and leads to a lengthy and costly settlement process. Safe and efficient settlement is critical to the integrity of the payments system\(^45\).

Additionally, improving interoperability encourages competition by removing barriers to market entry for smaller providers. It could also create economies of scale by reducing the need for individual providers to replicate distribution networks where financial access points already exist\(^45\).

In Africa, the slow development of banking infrastructure can be explained by the high costs related to improving the systems. Moreover, market sizes are relatively small when compared to other regions, which undermines economies of scale.
Payment aggregators provide interoperable cross-border payments systems in Africa. They offer a number of advantages, in a setting where the financial ecosystem is relatively fragmented. Cross-border aggregators have an incentive to harmonise the software and technical standards of banks and remittance services providers.

**THE ROLE OF PAYMENT AGGREGATORS**

Payment hubs connect service providers across borders, regulations, payment methods and currencies, thus contributing to solving some of the issues related to the lack of interoperability.

For remittance services providers, partnering with aggregators comes with a number of benefits. Leaving management of the back-end technical infrastructure of cross-border payments to the aggregator is a cheaper and more reliable option for remittance services providers compared with managing their own direct connections, especially for low-value transactions. Cross-border aggregators are highly scalable, and an increasing number of remittance services providers choose to partner with them.

**ENSURING LIQUIDITY**

Maintaining liquidity in the business is challenging for many remittance services providers operating intra-Africa. Traditional cross-border payments require maintaining liquidity in receiving countries, since this is the only way to provide an instant remittance service to customers when transactions are processed through the banking system, which has lengthy settlement times. Keeping cash in many countries can be difficult, expensive and risky for a business, in particular in smaller corridors and in countries with volatile currencies. While many local partners have pre-funded models, remittance services providers prefer post-funding owing to liquidity constraints.

Different business models come with solutions to avoid the need for liquidity. Partnering with a payment hub is one of the preferred options of remittance services providers, leaving the management of underlying transaction mechanisms, and therefore liquidity, to this organisation.

The use of cryptocurrencies for the settlement of transactions can also be an effective alternative to traditional settlement processes, thanks to the potential it provides of settling transactions instantly on a blockchain without the need to go through the banking industry, with its limited opening hours and long processing times. The ability to settle almost instantly removes the need for pre-funding accounts in the receiving country.

A number of remittance services providers reported that using cryptocurrency for transaction settlement would benefit their businesses and their customers, but the generalisation of this process is largely impeded by the lack of regulation regarding cryptocurrencies in the large majority of Sub-Saharan African countries. Many players are waiting for regulators to issue clear guidance on this technology, to allow them to use it as a solution to liquidity challenges faced in their operations.
BANK DE-RISKING

The issue of bank de-risking continues to be one of the barriers to the work of remittance services providers in Sub-Saharan Africa. It is defined by the Financial Action Task Force (FATF) as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF’s risk-based approach”. Banks have been withdrawing or failing to offer these facilities to customers in more significant numbers than previously. As a result, banks worldwide are reviewing their corresponding banking relationships, and many countries in Africa have seen a reduction in their foreign counterparties during the last few years. Money service bureaux and third-party payment processors – such as bureaux de change and micro-finance banks – are some of the most widely affected.

For example, in 2013 and 2015 Angola lost more than 37% of its foreign counterparties and Mauritius 18%. Nigerian banks cut their relationships with other African banks and financial services providers. Consequently, wire transfers, cash management services and trade finance became challenging to access in the affected countries.

In a continent where a vast proportion of the population is unbanked or underbanked, de-risking harms financial inclusion rates. When access to traditional banking channels is removed, the risk that businesses and people will find other methods of making and receiving payments is higher, leaving people and businesses more vulnerable to criminals. There are many reasons why banks may terminate relationships with their customers. For example, when Barclays, BPCE or BNPP exited the African continent by selling their domestic subsidiaries, they encountered a reduction of appetite to continue providing corresponding banking services to local banks. Drivers vary from low profitability of the relationship, AML/FT risks, weak governance, changes in management, and more.

Figure 11
THE DRIVERS OF BANK DE-RISKING:

- Low profitability of the relationship
- Low-risk appetite
- Changes in business model within the bank
- AML/FT risks
- Changes of management
- Bank’s customer deemed too risky
- Country risks deemed too high
- Financial crisis (ex. 2009 crisis)
- Exit of major banks
- Shortcomings in the bank provisions of information
De-risking is having a significant impact on correspondent banking relationships around the world and, while the number of active correspondents is shrinking, the volume of transactions continues to rise. This suggests a trend that may have implications for the financial industry.

WHAT REMITTANCE SERVICES PROVIDERS EXPECT FROM REGULATORS

Remittance services providers largely rely on regulation to operate in given markets at many stages of their operations. Licensing procedures, KYC regulations, money transfer procedures, etc. depend on national directives. Regulators therefore have a key role in ensuring that the remittance market functions properly, and hence in promoting the move towards a formalisation of cross-border remittance flows.

We asked remittance services providers to share what actions they would like to see regulators take in the near future.

01 Enable cross-border remittances to a greater extent, since these low-value payments can be supervised by regulators in order to eliminate risks if proper monitoring systems are in place
02 Engage in more direct and clear communication with the private sector
03 Enhance clarity in regulation, in particular in licensing procedures
04 Increase the speed of the licensing process
05 Regulate new business models, in a way to allow for innovation in the market
06 Introduce greater flexibility in regulations, to allow the market to become more competitive
07 Regulate cryptocurrencies, and allow their use for transaction settlement
This chapter details the remittance landscape of a few chosen countries, including detailed overviews of the regulations in place. The data has been collected with inputs from both private and public sectors. A number of regulators were interviewed in order to understand their perspectives on the market and their future plans in terms of remittances.

Central banks have a major role in the industry, as they set up the regulatory frameworks governing the activities of financial institutions. The role of regulation is to prevent fraud such as money laundering and financing of terrorism, whilst simultaneously keeping markets effective and transparent and ensuring that customers are treated fairly. In other words, regulators have great power over the market, and a responsibility to ensure its efficient functioning.

Regulations differ greatly across Sub-Saharan African countries. While some central banks provide clear regulations and good governance, others are still at an earlier stage of building a regulatory framework.
The Democratic Republic of the Congo (DRC) is the largest country in Sub-Saharan Africa, and is located in the centre of the continent. It is a Francophone country with approximately 92 million inhabitants. The World Bank estimates that the overall amount of remittances received in 2020 was US$1.109 billion. The main intra-African corridors involving the DRC are the Republic of Congo, Rwanda, Tanzania and Uganda.

The financial regulator is the Banque Centrale du Congo, which has been managed by a new administration since July 2021. The regulatory framework in DRC is often considered as being fairly permissive since, for example, microfinance institutions are allowed to offer remittance services.

The Central Bank grants licensing to remittance services providers, known as ‘messageries financières’. Licensing procedures and information (last modified in 2002) can be found here. The Central Bank specifies a timeframe of 90 days for granting a licence, after all the required documentation has been provided by the applicant. In practice, the private sector observes that processing times are often much longer, and that opening a remittance business in DRC is challenging.

Another type of licence is granted for ‘monnaie electronique’: further information can be found here. As with messageries financières, the licensing procedure is said to be limited to 90 days.
Regulations do not permit the use of mobile money for international remittance purposes. A majority of intra-DRC remittances go through mobile money services, which negatively impacts the operations of remittance services providers. However, mobile money operators do not have access to money transfer licensing in DRC, and therefore rely on partnering with fintechs or other licensed institutions.

According to the Central Bank, 82 companies currently have a messagerie financière licence in DRC:
- Category A, operating only at the national level: 36 operators licensed
- Category B, operating at national and international levels: 46 operators licensed
- Partnered with banks: Western Union, Small World, Warri and MoneyGram

The regulators further state that the market is operating appropriately and is competitive.

One of the issues mentioned to IAMTN is the competition between remittance companies and mobile money providers within the DRC remittance market. The Central Bank recognises that mobile money has allowed the financial inclusion of millions of people, and should continue to be supported for this reason. Currently, it is estimated that 27 million people subscribe to mobile money services, with between six and nine million active users.

Another issue discussed is the competition that regulated remittance services providers face from the informal market. A source close to the Central Bank estimates that the informal market represents about 20% of the total remittance market. External sources, however, calculate that this share could be as high as 81%.

Data collected by Finmark in 2018 shows that the most commonly used informal practice is the use of an unofficial remittance agent.

Figure 16
USE OF INFORMAL PRACTICES

<table>
<thead>
<tr>
<th>Informal Agents</th>
<th>79%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through a friend or family</td>
<td>69%</td>
</tr>
<tr>
<td>Associations (Moziki)</td>
<td>10%</td>
</tr>
<tr>
<td>Others</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: Understanding Global Remittances Corridors in the Democratic Republic of Congo (DRC), Finmark Trust (AfricaNenda)
Informal channels are mostly prevalent in remote areas of the country. In these places, informal channels allow the sending and receiving of remittances far more cheaply than formal channels. Regulators believe that providing individuals with more information on formal channels and increasing financial literacy is key to changing behaviours.

The Central Bank recognises the importance of its role in strengthening formal remittance channels in the market: public incentives should be put in place to encourage people to choose formal channels. Another central point is the maintenance of a constructive dialogue between the public and the private sectors.

IAMTN was informed that the Central Bank has been building relationships with organisations carrying out unregulated money transfer services, in order to support them in taking the necessary measures to fit into the regulatory framework and obtain a licence.

The Central Bank of DRC is limiting the competences of remittance services providers to money transfers, without extending them to different activities. This is, in the opinion of the Central Bank, necessary to reduce risks and to protect consumers. However, these types of measures can restrict opportunities for remittance services providers, and increase costs by limiting their ability to cross-subsidise overhead expenses by offering other financial services\textsuperscript{48}. DRC’s money laundering regulations are stricter than required by international standards\textsuperscript{48}.

IAMTN was informed that the Central Bank is currently working on new regulations for remittance services providers, in order to reduce the capital required for obtaining a messagerie financière licence, and to allow these companies to perform payment services. These regulatory changes should be introduced officially in the near future.

The priority of the Central Bank of the Congo is to work with remittance services providers to make regulations more flexible and thus make businesses more profitable, while simultaneously endeavouring to reduce the cost of remittances for end-users.

Another point to highlight is the importance of using new technologies for making remittances more efficient. The Central Bank believes that incentivising innovative companies to operate in the DRC remittance market can come with considerable benefits. In this regard, the Central Bank opened a regulatory sandbox in 2019. According to a source within the private sector, the sandbox is scheduled to become active in 2022.

Regarding the acceptance of cryptocurrencies, the Central Bank still does not have an official position.
Nigeria is located on the Gulf of Guinea, West Africa. Nigerians speak a hundred different languages, owing to the country’s high cultural diversity. Nigeria is not only the largest economy in the region, but also the largest remittance recipient, accounting for one third of remittances to Sub-Saharan Africa. Nigeria received roughly USD24 billion in remittances in 2019, and USD17 billion in 2020. As per the Central Bank of Nigeria (CBN), the main intra-African corridors involving Nigeria are from Southern Africa, as well as Senegal, Benin and Ghana, followed by many other countries of the region.

In the last few years, many changes have happened in the Nigerian remittance market, as much in terms of regulations as in the new technologies and fintechs that have emerged. On 30th November 2020, the CBN issued a new regulation on remittances to Nigeria, which required that all proceeds of diaspora remittances be received in US dollars (USD) only, which could either be paid out in cash from bank branches or into USD-denominated bank accounts (known as ‘domiciliary accounts’).

This change in regulation has been the source of large inflow in the Nigerian remittance landscape, even though it challenged the operations of remittance services providers in the region. About 87% of operators found challenges when implementing the new regulation. These challenges were translated into barriers for customers, owing to both shortages in USD, lack of appropriate bank account numbers and long queues in the banks.

According to the Central Bank, this rule was implemented to increase the inflow and deposit of USD, and to further incentivise the switch from informal to formal channels. The CBN further states that the regulation introduced in 2020 had the desired effect as, according to the bank, weekly P2P formal remittance inflows in cash have evolved from being on average 40 million a week in 2019-2020 to 90 million in 2021.

To further encourage the use of formal channels, the CBN announced the introduction of the ‘CBN Naira 4 Dollar Scheme’, an incentive where recipients of international remittances were, through their commercial banks, paid an incentive of N5 for every US$1 remitted by senders and collected by designated beneficiaries (whether they chose to collect the USD as cash across the counter in a bank or transfer the same into their domiciliary accounts). This scheme was in place from Monday 8th March 2021 to Saturday 8th May 2021 in the first instance, and has improved remittances to Nigeria, according to some local sources.
In December 2021, the CBN estimated informal remittance channels to be about 30% to 40% of the market. The CBN admits that this number is hard to estimate, as it includes both informal (Hawala-type) networks and people bringing money home for others.

While private sector operations have been highly destabilised following the changes in regulation, the Central Bank believes that the support of the private sector is key to facilitate the move towards formal remittance channels. The ongoing conversation and collaboration between businesses operating in Nigeria and the CBN is necessary to facilitate this transition.

As remittances to Nigeria are increasing, the Central Bank further wants to convince remittance businesses that Nigeria is a safe corridor in which to operate, with financial institutions being well regulated. As per the CBN, the licensing procedure is clear and relatively simple. If a business applies with all the necessary documents, the licence should be granted within two months. The list of licensed international money transfer providers in Nigeria as of 31st December 2021 can be found here: List of licenced IMTOs.

The Nigerian regulators have been working on new projects: the eNaira, Nigeria’s Central Bank digital currency (CBDC), was launched on 25th October 2021. It is aimed at strengthening the country’s payment system. According to official sources, adoption has been high and continues to increase. The CBN is still exploring whether there is a good case for using the eNaira for remittances: however, it states that it currently does not see how cryptocurrencies can benefit the operations of remittance services providers, and therefore has no plan related to this. The launch of the eNaira appears to have had an impact on the attention that African regulators give to blockchain and cryptocurrencies. In the light of Nigeria launching their own CBDC, it is now clear to other regulators that the existence of blockchain cannot be disregarded.

Another key pillar of the work on remittances for the CBN is reducing the cost of remittances, in the interests of the end-user. For the Central Bank, this once again requires engaging with the private sector, in order to disaggregate the cost, increase transparency, and gain an understanding of why intra-African remittances are the most expensive.

The CBN’s long-term policy goal with respect to remittances is to keep opening the frontiers to receive more remittances in Nigeria. This comes within a wider economic policy of making Nigeria an attractive country for businesses.
GHANA

Ghana is located in West Africa, and is one of the leading countries in Africa in terms of financial innovations. It is the second largest receiver of remittances in Sub-Saharan Africa. According to the Bank of Ghana, remittances received accounted for US$4.3 billion in 2021, with a large share coming from within Africa, in particular Nigeria, followed by Sierra Leone, Côte d’Ivoire, Burkina Faso, Cameroon, Equatorial Guinea, Gabon, Guinea, Senegal, Togo, Uganda, Liberia and Zambia.

The Central Bank is in charge of creating the enabling regulatory environment that provides certainty of application of laws, competition and collaboration with the private sector.

As part of this, the Central Bank provides licences to payment services providers. Since the Bank realised that previous regulation was unfit for new technologies, it issued a document with new licensing categories (which can be found [here](#)) for payment services providers and financial technology companies.

The licence types are as follows:
- PSP Electronic Money Issuer
- PSP Scheme
- PSP (Enhanced Licence)
- PSP (Medium Licence)
- PSP (Standard Licence)

In February 2021, the Bank further issued Guidelines for Inward Remittance Services by Payment Service Providers. All payment services providers and international remittance services providers need to partner with a local bank, which creates extra costs.

As in other intra-African corridors, a significant proportion of remittances arrive in Ghana through informal channels. It is estimated that, if monitored, remittances sent through informal channels could increase total flows by as much as 50%\(^50\). This is the case even though Ghana has a competitive remittance market, with 53 money transfer operators currently partnering with 23 banks to provide remittance services, according to figures from the Bank of Ghana. Two mobile money providers offer international remittances: Zeepay and MTN Mobile Money. In November 2021, Ghana had 18.4 million active mobile money users\(^37\), making it one of the most successful countries for mobile money.
Ghana has launched a National Financial Inclusion and Development Strategy, aiming to increase the share of Ghanaians that have formal accounts at financial institutions (including mobile money) from 58% to 85% in 2023. Available data shows that in 2022 financial inclusion is still relatively low compared to the goal that was set. According to the Bank of Ghana, the Strategy has increased the use of mobile money, as well as access to micro credit, insurance and pensions for customers who previously used informal channels.

A new change that could endanger the inclusion efforts is Ghana’s introduction of the Electronic Levy on 17th November 2021, to be implemented in February 2022. The levy is a tax of 1.75% on electronic transactions above GHs 100 (US$16) per day, to be borne by the sender, except in the case of inward remittances. The measure will affect mobile money, remittances and other electronic transactions. The effect of this type of tax is often to drive people away from digital services, towards the use of cash. According to the government, the measure should not have any major long-term impact on digitalisation. It predicts that 24% of users will be lost within the first couple of months, but customers will eventually return to using digital services because the benefits outweigh the disadvantages.

The Central Bank is constantly working to permit innovation and enhance formalisation. In 2020, the Bank of Ghana approved 32 products and services for the financial market, 38% of which are for inward remittances. However, the Bank of Ghana is not currently planning to issue regulation concerning the use of cryptocurrencies in cross-border payments.

Another innovation on which the Bank of Ghana is working at this time is its Central Bank digital currency, the e-Cedi, which will be tested with payment services providers, banks, merchants and consumers. According to the Bank of Ghana, the digital currency will work offline, without the need to own a bank account, and without a smartphone, therefore bypassing any accessibility limitations. While the e-Cedi is being designed to be highly inclusive, some concerns remain regarding the digital literacy of the population, as well as their openness to using such a solution. This innovation will of course have implications for the private sector, which will need to adjust its operations accordingly.

Overall, the Ghanaian remittance landscape is evolving rapidly, with a proactive Central Bank, and a number of remittance services providers constantly searching for ways to improve services for their customers. The Bank of Ghana ensures communication with the private sector through regular stakeholder meetings. While Ghana is benefitting from the fast digitalisation of its remittances, cash remains central as well. In particular, informal remittances are still widespread for intra-African transfers, and the improvement of formal services in terms of cost and accessibility is necessary to allow everyone to benefit. The use of the Pan-African Payment and Settlement System provides substantial possibilities for such improvements.
Namibia, located in Southwest Africa, has an economy which is led by a modern market sector. While the COVID-19 pandemic hit Namibia’s economy hard, it grew by 2.4% in 2021 and is projected to expand further by 3.4% in 2022\textsuperscript{52}.

Namibia received N$2.9 billion in remittances in 2021 (Central Bank data), primarily from South Africa, Angola and Zambia: from an outflow point of view, the main corridor is South Africa.

Currently, six Authorised Dealers with Limited Authority (ADLAs) and six Authorised Dealers (ADs) are licenced by the Bank of Namibia. The list can be found here.
When an applicant from the private sector seeks a licence, they communicate directly with the Exchange Control and Legal Services Department. Turnaround time from receiving an ADLA application to granting conditional approval is two months. Applicants who are granted conditional approval are allowed a further six-month period within which to find and prepare business premises for an onsite inspection by the Exchange Control and Legal Services Department. The applicant may not start rendering services as an ADLA until a Certificate of Authorisation to conduct the business of an ADLA is granted by the Bank of Namibia. This Certificate may be issued only if all conditions are met, after the onsite inspection.

The Bank of Namibia explains that remittance transactions are already liberal, with a Single Discretionary Allowance of N$1 million that can be utilised for any purpose without a need to submit documentary evidence (some elements of compliance still have to be fulfilled). These transactions can then be processed instantly depending on the domestic rails that are used by the ADs and ADLAs, who are free to utilise any system.

Namibians tend to remit more through ADLAs, even though high amounts have also been sent through ADs. In the Common Monetary Area (composed of Namibia, Lesotho, Eswatini and South Africa), the favourable environment encourages the transfer of money easily through electronic funds transfer, and banks are then preferred in that corridor.

The mobile money industry in Namibia continues to grow. Currently, the industry is mainly characterised by bank-issued wallets, with only a few non-banks issuing e-money. The use of electronic money (e-money) schemes, which are currently closed-loop, i.e. operating solely within the same financial institution’s systems, continued to increase in 2021. The Bank of Namibia observed an increase in the use of e-money as a payment instrument, which shows a shift in the payments behaviour of users of the domestic payment system. In 2021, the value and volume of e-money transactions increased to N$31.6 billion and 61 million, respectively. This increase can be attributed to changing consumer behaviour in general and the spread of COVID-19, since lockdown regulations prompted various entities to use e-money schemes as the preferred payment method for disbursements to recipients.

There is currently no estimation of the size of the informal remittance market in Namibia. The Bank of Namibia is working on a financial sector strategy planning, inter alia, to estimate the level of the informal market over the next five year period. The Central Bank suggests that, in order to move informal flows to formal channels, the private sector should make use of digital financial services. It also proposes that in the present circumstances innovative and non-traditional modes of delivery such as P2P transfers and agent networks should be explored, as this is the quickest and cheapest way to reach the informal market.
When asked about the role of the public sector in strengthening formal flows, the Bank of Namibia answered as follows:

“The public sector should create an environment that fosters cooperation and partnerships with the private sector providers such as digital financial service providers and agents. An enabling environment entails putting mechanisms such as regulatory sandboxes in place to facilitate the safe testing of initiatives and business models. The public sector should play an active role as a promoter of critical front-end and back-end infrastructure required to support formal remittance channels. In the case of Namibia, Government-owned entities, such as NamPost, can support needed front-end infrastructure, particularly given their national footprint. In terms of back-end infrastructure, the public sector through the regulator (Bank of Namibia) should continue to play its key roles in the development of payment and settlement systems. To support the development of the digital financial services market, which is a critical key enabler for remittances, the Government can facilitate the development of acceptable national identification systems, to allow for ease of customer identification and onboarding. In addition, the Government should take the first step in initiating the use of government-to-person transfer (G2P) platforms, especially in relation to their social welfare programme, a move that will encourage the development of P2P channels.”

The Bank of Namibia is incentivising innovation within the remittance space: it is very much pro-innovation and always seeks to create an environment that will breed new business models. A FinTech Innovation Regulatory Framework was recently developed to attract and admit fintech innovations in the domestic financial system. The Framework contains three regulatory programmes, namely allow-and-see, test-and-learn, and the regulatory sandbox. The Bank of Namibia has the discretion to apply any of these programmes to a new business model, depending on its risk profile.

As in many other countries in the region, the Bank of Namibia does not recognise, support and recommend the possessing, utilisation and trading of cryptocurrencies in Namibia. The full statement can be read here.

The Bank of Namibia’s long-term policy view is to work on its Financial Sector Strategy, which will be developed starting this year. Recognising that remittances have been a key enabler for financial inclusion in the country, the Namibian regulator is planning to keep remittances at the centre of its priorities, and to develop targeted interventions in the next five years.
CONCLUSION

Many Africans move within Africa for economic, social, cultural or climate-related reasons, in order to improve their lives. As people migrate, money flows across borders in a variety of ways. In particular, many migrants send remittances to support their families and loved ones. Often, remitting within Africa can be challenging, as this process is slow, still expensive, and lacks transparency and accessibility.

Informal remittance channels can offer some advantages, as they tend to be cheaper and faster, and therefore provide a more advantageous method of remitting for Africans. In fact, the formal market is still faced with a number of challenges, especially from unfit regulation, lack of competition in the market, and outdated banking infrastructures, which contribute to keeping costs very high and transfer times very slow.

The Intra-African remittance market is dynamic, but still far from attaining its full potential. As representatives of the private sector, we believe that individuals should be able to send money seamlessly to their loved ones across borders. Remittance services providers are working to improve their solutions, in an environment where regulation is fragmented and sometimes acts as a barrier to innovation. The African remittance landscape continues to be characterised by a large gap between the private sector, which has been introducing many new business models and innovations for remittances, and some regulations based on rules that are unfit for new business models and technologies.

As millions of people send remittances every year within Africa, remittance services providers design new products and solutions to facilitate those cross-border payments. The number of remittance solutions available from which Africans can choose keeps growing, ranging from the traditional methods such as banks, to traditional remittance services providers, digital wallets, mobile money wallets and other fintechs. This increasing choice benefits consumers, in both the short and long terms. In fact, enhanced competition between remittance services providers is one of the major ways in which the cost of remittances can be reduced, and eventually attain Sustainable Development Goal 10.c - to reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%.
As the public sector becomes aware of the changes in the remittance market, central banks are working to adapt the regulatory frameworks. The role of regulators is to ensure compliance with AML/FT regulations, to protect consumers and to keep national markets efficient and transparent. Bearing in mind these obligations, some regulators remind us that it is wiser to be prudent about the introduction of new technologies and more flexibility in the market. The views of regulators diverge widely across the African continent. While some are open to innovation, introducing new licences and regulatory sandboxes, others are more conservative and concerned about new technologies.

For these reasons, the exact direction that the remittance industry will take in the years to come is still unclear. While some players in the market are pushing for change, with the use of technologies such as e-wallets and blockchain for remittances, this change remains slow owing to conditions on the ground related to regulation and acceptance. It is reasonable to expect that, once formal remittance channels become cheaper, more accessible, faster and more transparent, African migrants will adapt to the new digital remittance offerings.

To conclude, there is still a great deal of work to be done to attain the goals set by the G20 in the Building Blocks project, namely to reduce the cost of remittances, to ensure accessibility for everyone, to promote transparency and to increase the speed of payments, while at the same time maintaining profitability for remittance services providers. Public and private sectors should cooperate to achieve these goals, in order to make remittances flow seamlessly within Africa, in the interests of migrants and their families.
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