MobileRemit

Africa

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PRIME
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Acknowledgements

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ACRONYMS

AML/CFT	anti-money laundering/combating the financing of terrorism
BCEAO	Banque Centrale des États de l'Afrique de l'Ouest – Central Bank of West African States
DMA Global	Developing Markets Associates Global
EAC	East African Community
EU	European Union
FFR	Financing Facility for Remittances
fintech	financial technology
GCM	Global Compact for Safe, Orderly and Regular Migration
GDP	gross domestic product
GIM-UEMOA	Groupement Interbancaire Monétique de l'UEMOA – Interbank Electronic Banking Group of the West African Economic and Monetary Union
GSMA	Global System for Mobile Communications
IAMTN	International Association of Money Transfer Networks
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IMT	international money transfer
KYC	know-your-customer
LMICs	low- and middle- income countries
MM	mobile money
MMO	mobile money operator
ODA	official development assistance
OTC	over-the-counter
PRIME Africa	Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa
RSP	remittance service providers
SADC	Southern African Development Community
SARB	South African Reserve Bank
SDGs	Sustainable Development Goals
UEMOA	Union Economique et Monétaire Ouest Africaine – West African Economic and Monetary Union
UN	United Nations
XOF	West African CFA franc

INTRODUCTION

The important role family remittances play in transforming local economies in low- and middle-income countries (LMICs) is now broadly recognized by both policy makers and the international community.[1] International organizations have used their convening power to bring together industry stakeholders, framing their efforts within the commitments to global development goals on remittances, such as the SDG target 10.c to reduce remittance costs to 3 per cent by 2030; SDG 17.3 to mobilize additional financial resources for LMICs from different sources, including remittances; and Objective 20 of the Global Compact for Safe, Orderly and Regular Migration (GCM) to "promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants".

Yet, barriers of cost, security and convenience to send money home still remain, hindering their full transformational potential. In recent years, the digitalization of remittances has been instrumental to addressing these barriers, whether this is through online channels, mobile channels or a combination of both. Recently, the restrictions faced during the COVID-19 sparked an unprecedented switch to regulated and digital channels for remittances accelerating the adoption of digital methods to send and receive money.[2]

Beyond the reduction of cost, remittance digitalization bolsters linkages with other digital financial services, building longer term financial resilience for remittance users. In addition, leveraging the linkages between remittances and financial inclusion presents an opportunity to create convergence between the financial goals of remittance families and the commercial strategies of financial service providers.

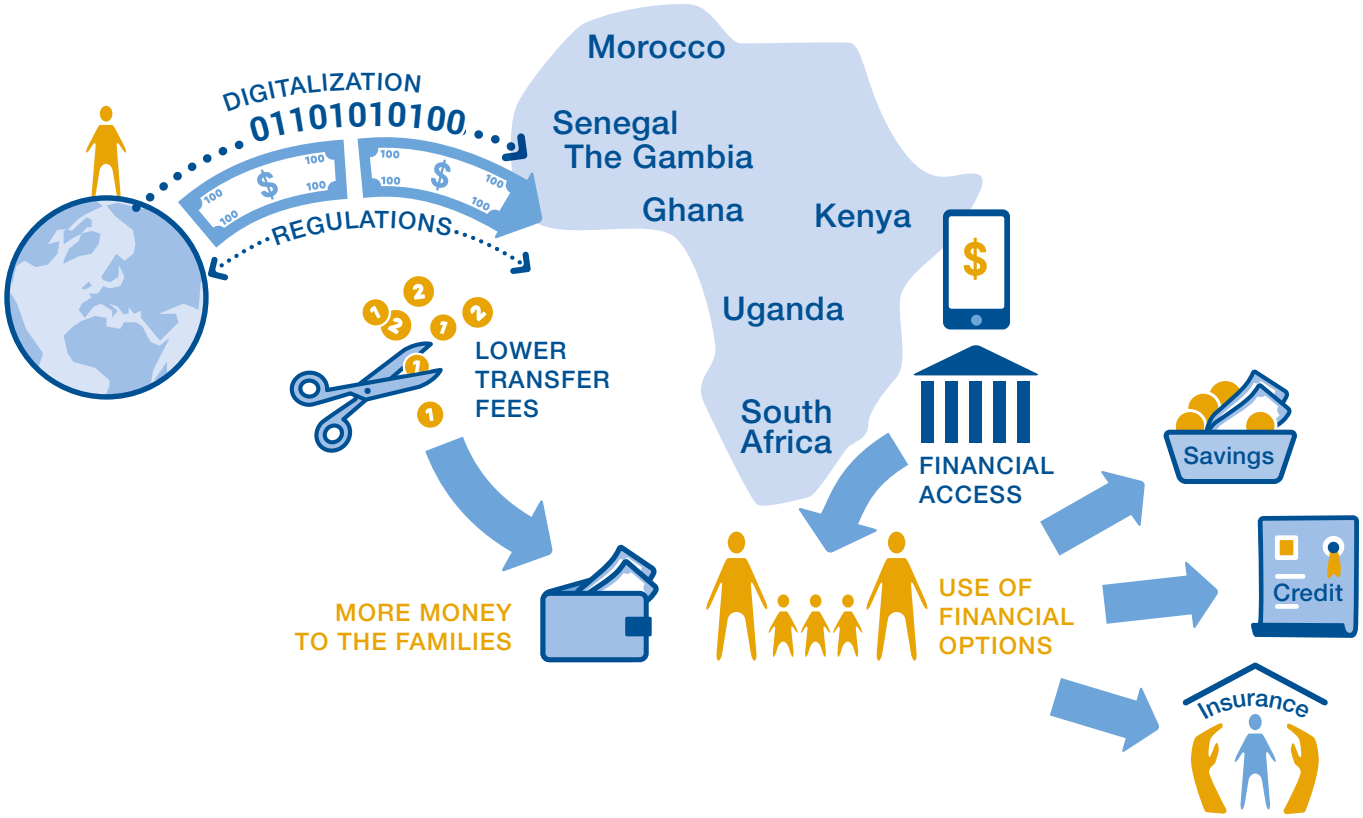
More than in other regions, mobile money has opened avenues for further financial inclusion in Eastern and Western Africa. In combination with online methods (especially at the sending side, and from outside Africa), mobile-enabled methods offer new opportunities to lower transfer costs and increase financial inclusion.

The increasing importance of mobile remittances has prompted the need to develop a specific knowledge base. In response thereto, the Financing Facility for Remittances (FFR) of the International Fund for Agricultural Development (IFAD) developed **MobileRemit Africa** as a key instrument of the **Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)** initiative, co-financed by the European Union and initially implemented in seven African countries (Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda), along with their main remittance corridors.

1/ According to the World Bank, in 2021, remittance flows to LMICs reached US$605 billion. Cross-border remittances continue to exceed official development assistance (ODA) three-fold and, excluding China, exceed foreign direct investment by 50 per cent making remittances the most important international financial flow into LMICs.

2/ Despite this, the coverage gap for mobile internet globally is estimated at 450 million people and the usage gap, those who are covered but don't access, is 3.4 billion. The principal causes are affordability, lack of digital skills and lack of product awareness. See GSMA (2021), The State of Mobile Internet Connectivity 2021.

PRIME Africa target countries



MobileRemit Africa aims to complement RemitSCOPE Africa, a web-based platform that provides users with remittance-based data and analytics.[3] It will lay the foundation for a knowledge base on mobile remittances and to gather data, generate insights and provide policy guidance on mobile flows for African countries.

The first component of the MobileRemit Africa involves the creation of a mobile-remittance-enablement index score for African countries, allowing for a nuanced understanding of the factors that may aid or impede the adoption of the mobile channel for remittances. The index is built upon 5 pillars that allow for country comparisons and best practices dissemination: E-money international money transfer, market environment, enabling environment, inclusion environment and consumer protection.

This report describes the methodology for the index, while presenting key findings at continent and regional levels, as well as country profiles for the PRIME Africa countries.

3/ Please see https://RemitSCOPE.org/africa for an overview.

KEY FINDINGS

Global remittance trends

- Total remittances transferred in 2021 to LMICs are estimated at US$605 billion.
- By 2030, an estimated US$5.4 trillion in remittances will be sent to LMICs.
- Most of these resources will be used by remittance-receiving families to reach their own individual goals: increase income, access better health and nutrition, have educational opportunities, improve housing and sanitation, entrepreneurship, and to help people out of poverty.
- During the COVID-19 pandemic, digital channels, including mobile remittances have helped to maintain regular remittance flows. This means that families have kept above the poverty line and have avoided falling back into “poverty traps”. The crisis highlighted the development impact of mobile remittances.
- International remittances sent and received via mobile channels grew by 48 per cent in 2021, reaching US$16 billion. Still, mobile remittances represent less than three per cent of all global flows.
- While the average global remittance transfer cost is 6 per cent (Q4 2021), the digital remittances index registered at 4.64 per cent.
- Mobile transfer costs are in line with the SDG target 10.c of 3 per cent by 2030.
- Reducing remittance costs by 1 per cent implies US$6 billion in additional resources in the hands of remittance families.
- Remittances terminated into mobile wallets and distributed through mobile money agents offer opportunities to improve access in rural areas beyond the brick-and-mortar cash access points.
- Although women now comprise about half of all remittance senders (100 million), they are often digitally excluded in LMICs, and particularly in rural areas.

African remittance trends

- Remittances are a crucial financial inflow for African households, with around US$94 billion received in 2021 from African migrants around the world.
- Remittances to Africa grew by 13 per cent between 2020 and 2021[4] showcasing an unexpected resilience in spite of economic turmoil.
- Although remittance transfer costs have fallen over the last years, the African remittance market remains the most expensive, with an average cost (to and within Africa) of 7.83 per cent of the send amount (Q4 2021) against the global average of 6.0 per cent (Q4 2021).
- Reduction to 3 per cent would lead to an additional US$4 billion per year being received by migrant families in Africa.
- In Africa more than in any other region, mobile money has triggered financial inclusion, especially in Eastern and Western Africa.
- At the customer level, adoption of mobile money alternatives results in reduced average fees and transaction costs due to saving time and travel to send and receive remittances; increased convenience and safety to both remittance senders and recipients; and expanded reach among vulnerable populations, including rural dwellers and women.

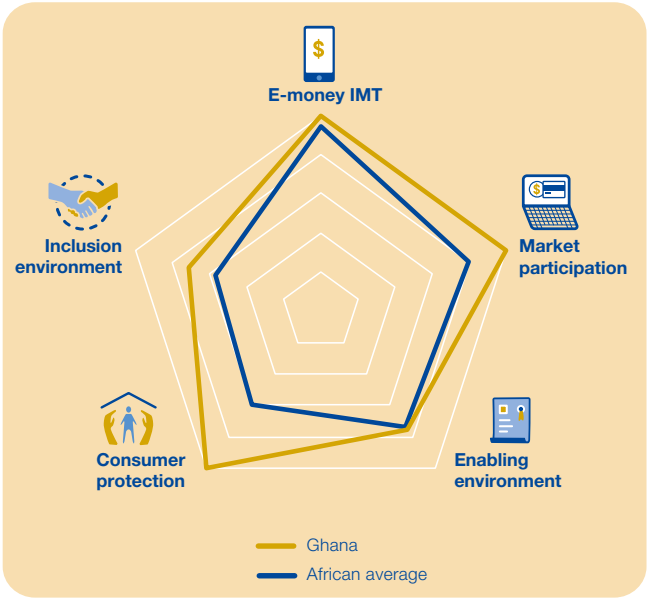
4/ African countries as per UN classification. Inward remittance flows, KNOMAD/World Bank, May 2022.

MobileRemit Africa – Key findings per country

Ghana

- Ghana is placed fourth in the continent with a MobileRemit Africa index score of 89/100, in the top decile of countries with a favourable operating environment for mobile remittances.
- Ghana scores high on the enabling environment pillar with its existing e-money framework, the permitted use of non-bank agents and the presence of domestic interoperability. Improvements could be made to engage further in favour of flexible and tiered KYC proportionate to anti-money laundering/ combating the financing of terrorism customer risk profile.
- Ghana also scores high on the inclusion pillar. However, a perfect score is offset by bigger gender and rural gaps in mobile money account ownership, compared to other financial services according to the most recent Findex data available (2017).
- Ghana has a perfect score for consumer protection, given the presence of both deposit insurance and mobile money trust accounts, as well as specific consumer protection legislation and the ability to earn interest on mobile money deposits, a combination not frequently seen in other African countries.
- The tax authority has implemented a sector-specific tax on mobile money cash-out commissions to be paid by mobile money agents as well as a controversial electronic payment tax.
- Further cost reduction could derive from streamlined supply chains opening the outbound mobile-enabled remittance market to non-bank-financial-institutions.

Figure 1.a Ghana country index score

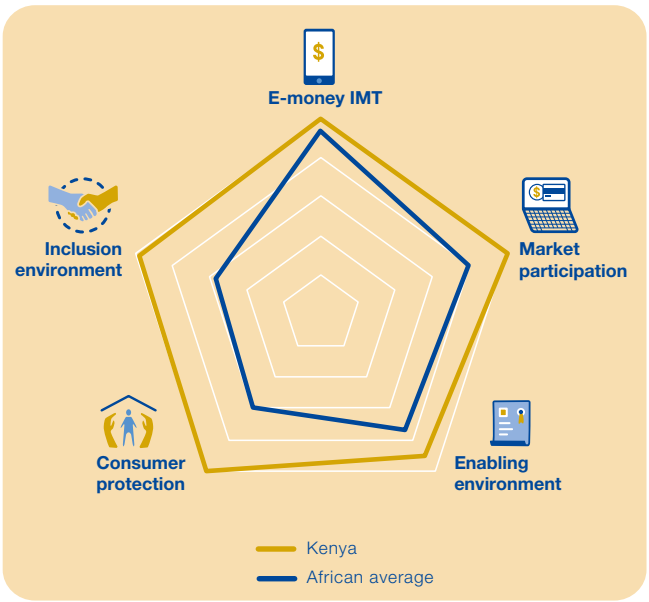


Source: MobileRemit Africa 2022.

Kenya

- Kenya attains a very high score of 97/100 in the MobileRemit Africa index. The success of mobile money combined with the ability to send and terminate international remittances into mobile wallets places it first in Africa.
- Kenya's top index score is reflected in the perfect score in the pillars accounting for regulatory permission to process e-money international remittances and market participation. Consumer protection has a perfect score as well.
- Kenya also has one of the highest scores for an enabling regulatory environment in Africa, with possible room for improvement with a fully flexible KYC regime.
- Kenya achieves near-perfect scores for its inclusive environment, with points reduced for the remaining 22 per cent of the adult population yet to own a mobile money account.

Figure 1.b Kenya country index score



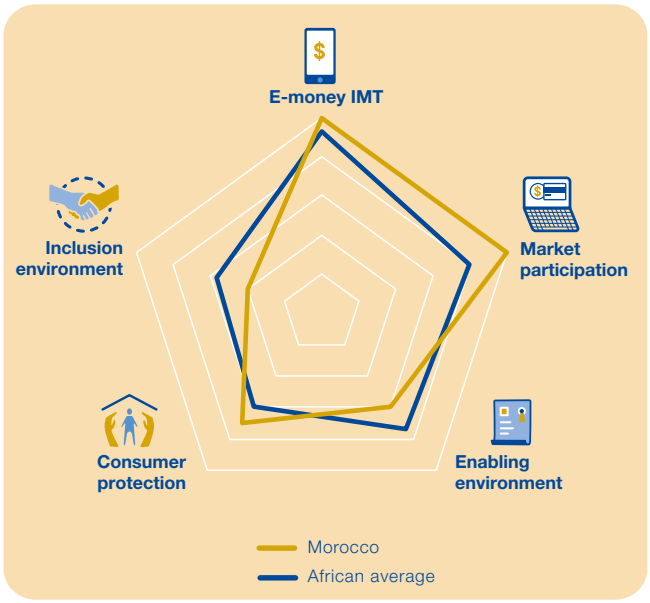
Source: MobileRemit Africa 2022.

- Although remittances are generally expensive to send to Kenya, some digital to mobile offerings are already at or below the SDG 10.c target of 3 per cent. To make the most of its unique mobile money environment, more competition in the sector and transparency in the pricing could be promoted to lower international remittance transfer costs.

Morocco

- The ability to send remittances to mobile wallets today accounts for its score of 75/100 in the MobileRemit Africa index, placing it twenty-eighth on the continent, slightly above the continental average of 74.
- Morocco's relatively high index score is largely due to its perfect scores in the pillars related to regulatory permission to process international mobile transfers and the presence of market actors doing so today (market participation).
- It scores lower on enabling environment where the presence of a dedicated mobile money regulatory framework is somewhat offset by restrictions relating to the use of non-bank agents, domestic interoperability and flexible onboarding of new customers to bolster the use of tiered accounts for lower income customers.
- It scores lower on financial inclusion environment (39), where the low penetration of mobile money holds it back.
- On consumer protection (70), maximum scores on the interest payable on mobile money balances and the presence of dedicated consumer protection regulations are offset by lack of mobile money deposit insurance.
- While in-cash remittance costs are already relatively low in Morocco, digital and mobile remittance channels to Morocco are more competitive. The average cost of a digital remittance to a mobile wallet in Morocco from a developed country was just 2.64 per cent (2020). With the comparative advantage over in-cash methods, international remittances paid into mobile wallets could have an appealing use case, contributing to further mobile money adoption.

Figure 1.c Morocco country index score



Source: MobileRemit Africa 2022.

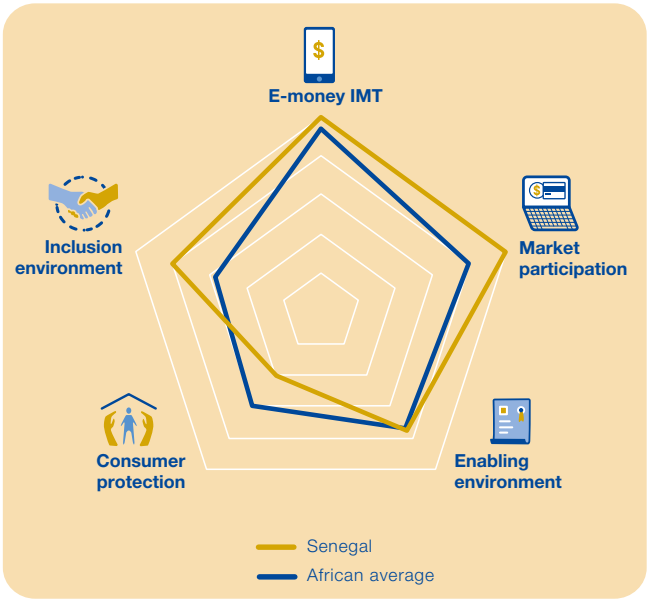
Senegal

- Senegal secures a high score of 82/100 in the MobileRemit Africa index. The relative success of mobile money combined with the ability to send and terminate international remittances into mobile wallets places Senegal fifteenth in the continent and in the top quintile of countries with a favourable environment for mobile remittances. Senegal has perfect scores achieved along international mobile transfers and market participation pillars.
- The lack of domestic interoperability for mobile payments means Senegal does not achieve a perfect score for enabling regulatory environment. with the ongoing plans of the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) to extend the functionality to mobile payments of the Groupement Interbancaire Monétique of the Union Economique et Monétaire Ouest Africaine (GIM-UEMOA),[5] this pillar's scores are expected to improve.

5/ UEMOA is the acronym for Union Economique et Monétaire Ouest Africaine (West African Economic and Monetary Union). Its single currency the CFA franc is linked to the Euro and is administered by the region's central bank, Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) based in Dakar. Plans to replace it with a new currency were announced in 2019. UEMOA member states include Niger, Mali, Côte d'Ivoire, Benin, Guinea-Bissau, Senegal, Burkina Faso and Togo.

- Senegal scores low on the consumer protection pillar. This is due to the lack of regulations safeguarding customer funds, and most particularly to the absence of deposit insurance for mobile money account holders. This is a position that extends itself to all countries within the UEMOA.
- Senegal has seen significant improvements in financial inclusion over the past 10 years due to increased mobile money penetration: the financial inclusion rate of 42 per cent increased from 15 per cent. There is still room to improve the digital financial inclusion especially through international mobile transfers.
- As a result of lower exchange rate volatility and greater currency liquidity, Senegal has comparatively low remittance costs. The average cost of sending US$200 stood at 4.1 per cent for Q1 2021, and the average cost to terminate a digital remittance into a mobile wallet was 2.67 per cent. The average mobile-money-to-mobile-money remittance to Senegal was just 1.85 per cent.
- Senegal could improve its share of mobile-enabled remittances beyond the current 5 per cent. Two areas of policy intervention that could assist with this is extending domestic payment interoperability to mobile payments and also protecting customers' mobile money via deposit insurance.

Figure 1.d Senegal country index score

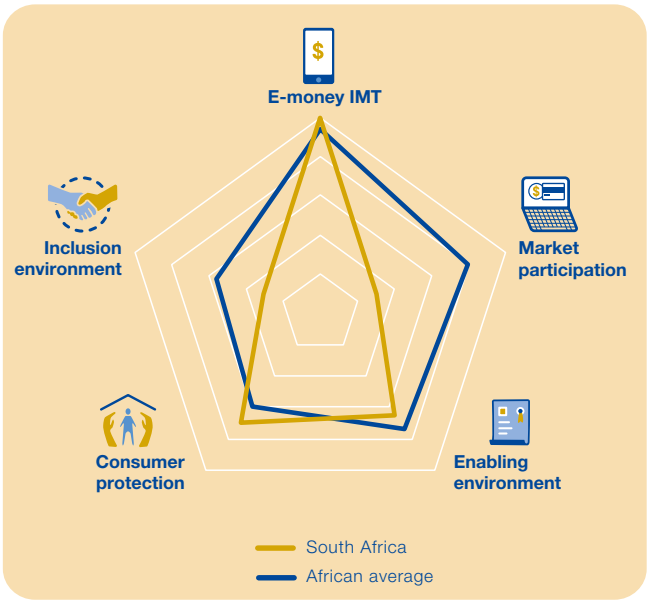


Source: MobileRemit Africa 2022.

South Africa

- Given the challenges mobile money operators face in getting the necessary licences to receive or send remittances, South Africa scores a relatively low 57/100 in the MobileRemit Africa index. This score places it eighth lowest in the continent, well below the continental average of 74.
- Although mobile money is live in the country, it is still not possible to send remittances to a mobile money wallet in South Africa, even though the regulations in principle permit non-bank financial institutions to pay out international remittances.
- Its enabling environment score of 65 is largely due to the lack of interoperability for mobile money in the country.
- The low prevalence of mobile money and mobile accounts means it also scores low on the inclusion environment pillar (31).
- The only pillar where the country does relatively well is on consumer protection where its score of 70 is slightly better than other African countries. Its score is assisted by the use of trust accounts where interest is also payable to customers and by a robust framework for consumer protection in the wider financial services industry.

Figure 1.e South Africa country index score



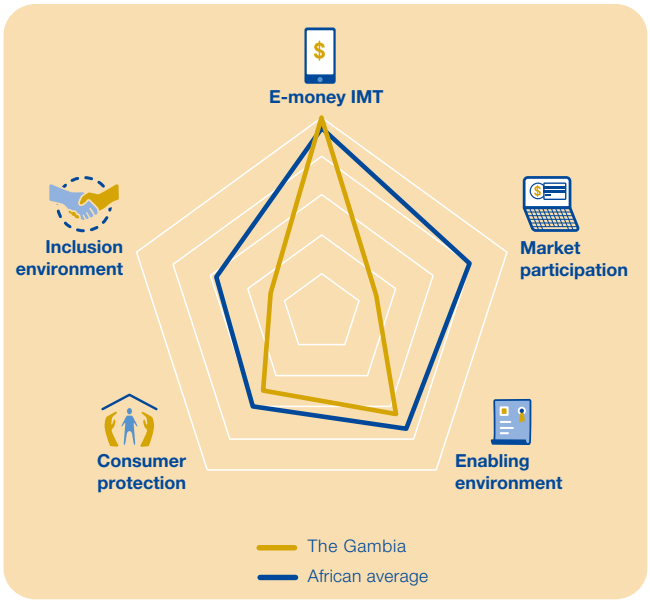
Source: MobileRemit Africa 2022.

- While the price of sending remittances to South Africa of around 8 per cent is high and in excess of the global average, the cost of sending remittances from the country is among the most expensive in the world at 14.9 per cent (Q1 2021). On the send side, while digital operators do offer remittances via digital wallets that are cheaper than other channels, their average cost is 9.75 per cent. These costs remain high due to a wide range of reasons including lack of mobile money penetration, strict exchange controls, a complex licensing system and strict AML/CFT reporting requirements.

The Gambia

- According to the Central Bank of The Gambia, remittances represented 63 per cent of the GDP in 2021 leaving The Gambia with one of the highest dependencies on remittances in the world.
- The Gambia's lack of mobile penetration coupled with the inability to terminate international remittances into mobile money wallets and very low levels of financial inclusion means that it scores 53/100, relatively low on the MobileRemit Africa index. It is the fifth lowest in Africa.

Figure 1.f The Gambia country index score



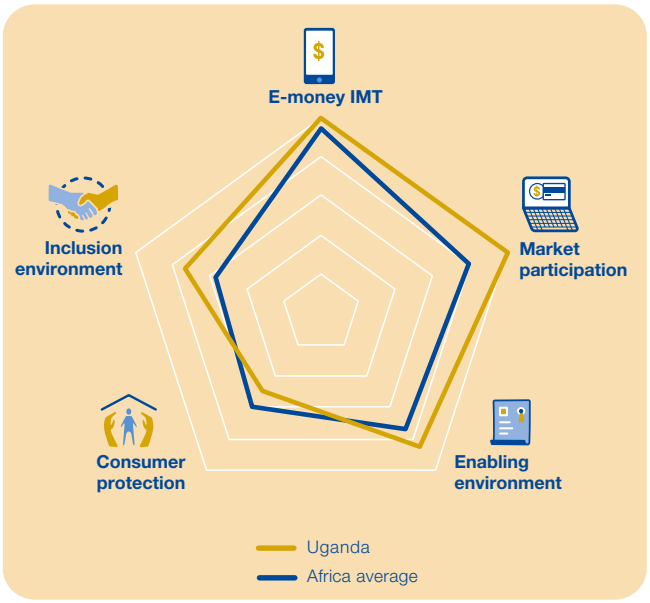
Source: MobileRemit Africa 2022.

- The Gambia scores reasonably well on the consumer protection and enabling environment pillars, implying that the foundation is there to improve the provision of international mobile transfers in the short to medium term.
- The Gambia's formal financial account and mobile money penetration lags regional averages, which means that remittance recipients lack digital alternatives to cash.
- The current average remittance transfer cost to The Gambia is close to 12 per cent. There are currently no comparable figures for digital or mobile-only channels.

Uganda

- The success of mobile money combined with the ability to send and terminate international remittances into mobile wallets gets Uganda an MobileRemit Africa index score of 84/100, placing it eleventh in the continent, and in the top quintile of countries with a favourable environment for mobile remittances.
- Uganda scores very high on the enabling environment pillar due to the presence of both payment and agent interoperability for mobile money, as well as the presence of tiered transaction accounts, with some points being taken off with the absence of a fully flexible KYC regime.
- In the 12 years to 2018, formal financial inclusion as measured by FinScope Uganda increased from 28 per cent to 58 per cent, largely driven by mobile money, leaving the inclusion pillar at an intermediate level.
- For a country with high mobile money penetration and usage, Uganda only has a medium score on the consumer protection pillar. This is due to the lack of regulations safeguarding customer funds, such as the absence of deposit insurance for mobile money account holders. Moreover, mobile money users do not earn interest on their wallet balances.
- Despite recent improvements, the average remittance transfer cost to Uganda is 10.6 per cent. This is high by both global and African standards. However, digital and mobile channels are more cost competitive. As indicated by mystery shopping in Q3 2021, the average remittance to a mobile wallet in Uganda from a developed country was 4.2 per cent.
- Mobile money taxes of 0.5 per cent on withdrawals introduced in 2018, has been regressive in nature, impacting poorer consumers more than wealthier ones who could migrate to agency banking.

Figure 1.g Uganda country index score



Source: MobileRemit Africa 2022.

MobileRemit Africa

Background

The development impact of remittances and the role of digitalization to bolster remittance families' financial resilience

The role family remittances play in transforming local economies in LMICs is now broadly recognized by both policy makers and the international community.

In 2020, in the midst of the COVID-19 pandemic, international remittances to LMICs remained stable, defying all predictions of a sharp decline,[6] increasing by almost 9 per cent in 2021, reaching US$605 billion.[7] By 2030, an estimated US$5.4 trillion in remittances will be sent to LMICs. Most of these resources will be used by remittance-receiving families to reach their own individual goals in terms of poverty reduction through increased income, leading to better health and nutrition, education, housing and sanitation, and entrepreneurship.

International organizations have used their convening power to bring together industry stakeholders, framing their efforts within the commitments to global development goals on remittances, such as: SDG 10.c to reduce remittance costs to 3 per cent by 2030; SDG 17.3 to mobilize additional financial resources for LMICs from different sources, including remittances; and Objective 20 of the Global Compact for Safe, Orderly and Regular Migration (GCM) to "promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants".

Yet, barriers to cost reduction, security and convenience to send money home persist, hindering their full transformational potential. In recent years, the digitalization of remittances has been instrumental towards addressing these barriers, whether through online channels, mobile channels or a combination of both.

The restrictions faced during the COVID-19 pandemic sparked an unprecedented switch to regulated and digital channels for remittances, and in turn accelerated the adoption of digital methods to send and receive money. Digital channels, including mobile remittances, have helped to maintain regular remittance flows, allowing families to stay above the poverty line. International mobile remittances grew 48 per cent in 2021, reaching US$16 billion.[8] Still, as of 2022, mobile remittances represent less than 3 per cent of all global flows and only 40 per cent of mobile money providers are offering international remittances.[9]

While the global average of sending international remittances stood at 6 per cent in Q4 2021, the cost of international mobile remittances has already met the SDG target 10.c of 3 per cent.

6/ International Monetary Fund (IMF), July 2021, *Defying the Odds: Remittances During the COVID-19 Pandemic*. The report documents a strong resilience in remittance flows. Despite an unprecedented global recession triggered by the pandemic, it states that "remittances have proved to be an automatic stabilizer during the pandemic." The analysis is based on the remittance data from 52 countries covering the period from January to December 2020.

7/ Inward remittance flows, KNOMAD/World Bank, May 2022.

8/ State of the Industry Report on Mobile Money 2022, GSMA.

9/ GSMA 2022, op, cited.

Beyond the reduction of cost, remittance digitalization bolsters linkages with other digital financial services, building longer term financial resilience for remittance users. In addition, leveraging the linkages between remittances and financial inclusion presents an opportunity to promote convergence between the financial goals of remittance families and the commercial strategies of financial service providers.

In terms of outreach, remittances terminated into mobile wallets and distributed through mobile money agents offer opportunities to improve access in rural areas beyond the brick-and-mortar cash access points. However, prevalent digital, rural and gender divides must be thoroughly considered and addressed by public policies and private sector innovations to avoid hindering access to vulnerable groups. In particular, although women now comprise about half of all remittance senders (100 million) they are often digitally excluded in LMICs, and particularly in rural areas.

Remittances and digitalization in Africa: an opportunity to build upon the mobile money footprint to reduce costs and increase financial inclusion

Remittances are a crucial financial inflow for African households. In 2021, African migrants around the world sent around US$94 billion in remittances to their home countries. This 13 per cent increase from 2020[10] showcases an unexpected resilience of migrants in spite of the economic turmoil.

Despite a gradual reduction of remittance transfer costs over the past years, the African remittance market remains the most expensive. Indeed, the average cost of sending money to and within Africa remains above the global average, at 7.83 per cent (Q4 2021). It is estimated that a reduction in transfer cost to 3 per cent would lead to an additional US$4 billion per year saved by migrants and would potentially benefit their families in Africa.

In combination with online methods (especially at the sending side and from outside Africa), mobile-enabled methods offer new opportunities to lower transfer costs and increase financial inclusion. In Eastern and Western Africa, most particularly, mobile money has triggered the degree of financial inclusion increasing, for instance, by 50 per cent the population owning an account in Kenya over the past decade.

The 2020-2021 crisis highlighted the development impact of remittances initiated and terminated digitally. In the case of Africa, in those countries where digital remittances were paid into mobile wallets, public and private responses were more effective to cope with the negative effects of the pandemic. However, this required mobile money players' market participation and an available conducive regulatory environment.

The MobileRemit Africa index was developed to highlight the level of preparedness of countries to support the uptake of mobile remittances and ultimately the African remittance families' resilience to financial shocks.

10/ African countries as per United Nations classification. Inward remittance flows, KNOMAD/World Bank, May 2022.

The COVID-19 pandemic as a catalyst for mobile remittances in Africa

With border closures and lockdowns limiting both formal and informal cash remittance transfers between countries, consumers switched to formal digital channels and businesses responded to the increased demand with adapted models. In turn, the international community, policy makers and the private sector took measures to promote digital channels.[11] For remittance recipients within LMICs, and particularly in Africa, the switch has mostly been to mobile, the digital channel of choice.

Industry experience

As a result of the pandemic, industry data has confirmed the tendency to switch to mobile and digital channels for remittances.

Safaricom, which provides the leading M-Pesa mobile money service in Kenya, reported a 57 per cent increase in its international remittance volumes over the same year.[12] On the sending side, large remittance service providers (RSPs) with established cash or over-the-counter businesses, such as MoneyGram and Western Union, whose cash pickup channels came under pressure during the early days of the pandemic, saw strong growth in their digital channels that often pay out into mobile wallets.[13] Newer digital-only specialists such as Wise and Remitly also reported strong growth of their services.[14] Overall, service providers with a strong digital component to their business did well through the crisis, whereas cash-based services were the most negatively impacted.[15]

Regulatory enablement

From the onset of the pandemic, regulators and policy makers took actions to promote digital channels for remittances as lockdowns forced the closure of physical locations.

Often these measures were taken in consultation and coordination with the private sector, a policy makers' approach to working with the industry praised by service providers.[16] For instance, at the request of the industry, governments in both send and receive countries moved to declare RSPs, mobile money operators (MMOs) and their partners essential services in order to keep remittances flowing. Regulators also worked with RSPs and MMOs to reduce or eliminate transfer fees while simultaneously permitting account- and transaction- balance limits and promoting more flexible, risk-based customer onboarding processes. This collaborative approach, along with predefined expiry dates for emergency measures, gave service providers clarity for business planning purposes. The net result has been a large-scale shift to mobile and digital channels for remittances.[17]

11/ For a list of actions taken by these stakeholders see G20 GPFI (2021), Resilience in the market for international remittances during the COVID-19 crisis.

12/ Safaricom (2021), FY21 Investor presentation.

13/ Western Union reported growth of 38 per cent in its digital channels through 2020, and MoneyGram reported a 77 per cent year-on-year growth for its digital product.

14/ Wise, rebranded from TransferWise, reported a 39 per cent growth in revenues through the pandemic, while Remitly's market valuation increased from US$1.5 billion to US$5 billion over the same period.

15/ IAMTN members reported that 40 per cent of new digital customers were conversions from their cash business.

16/ For further details on these measures and where they were implemented, see annex 1 of the G20 GPFI report (2021), Resilience in the market for international remittances during the COVID-19 crisis.

17/ See IAMTN (2021), 2020 Annual Report, The Shift to Digitalization in Cross-Border Remittances: A Trend Driven by the COVID-19 Crisis.

The MobileRemit Africa index

The MobileRemit Africa index aims at measuring a country's readiness to adopt mobile-enabled remittances. The index is composed of a mix of regulatory enablement, market readiness, inclusion environment and consumer protection measurements (table 1). By constructing and weighting the index pillars and variables on these measurements, a single aggregate score is generated for each country.[18] The intention of the index score is to offer a big picture view of a country's preparedness, which can be easier to interpret than tracking separate indicators. Users may also drill into the pillars and variables that comprise the score to facilitate a more nuanced analysis on specific countries. As such, it is also possible to rank countries on a set of complex and interdependent issues, which also enables a peer comparison between countries. The index is a living document, meaning that scores will be updated as new information comes to light, allowing for a country's performance to be assessed over time. The index's intended audience includes the private sector, public sector, international donors and development practitioners.

Table 1. MobileRemit index pillars

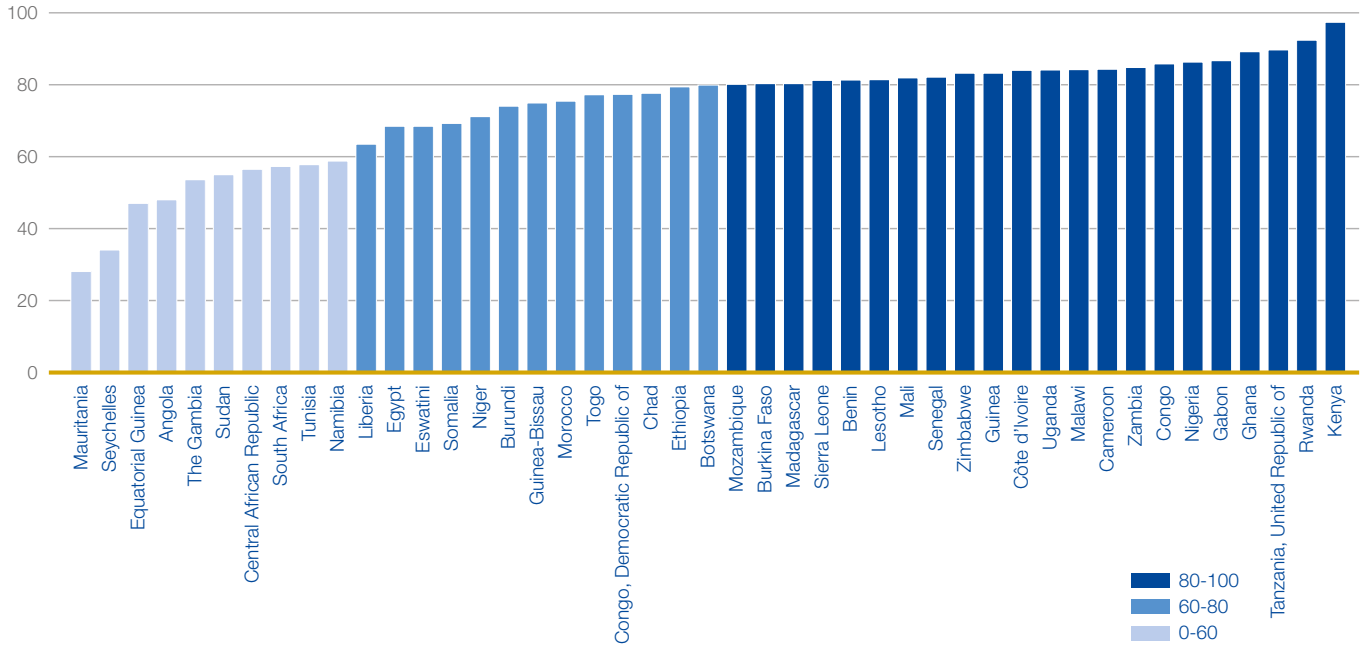
Pillar	Measure	Rationale
E-money international money transfer	Do regulations permit sending or receiving of remittances by e-money?	If remittances are permitted by e-money regulations is fundamental to their transfer via mobile channels.
Market environment	Are e-money market participants live in country?	If remittances are permitted to be received through a mobile channel, market actors will also need to be offering services in order for consumers to avail.
Enabling environment	How enabling is the local regulatory environment for e-money?	Not all e-money regulations are equally enabling. This pillar assesses how enabling a given country's domestic regulations are for the uptake of e-money services, which will in turn drive adoption of the mobile channel as a means of receiving remittances.
Inclusion environment	How inclusive is the environment for underserved groups?	If mobile money services are in place, what is the current uptake and by whom? Is it inclusive, does it reach vulnerable and underserved groups such as women, rural population and youth? This pillar will predict the likelihood of users, particularly underserved ones wanting to receive remittances into their mobile wallet based on their current uptake of mobile services.
Consumer protection	To what extent is the consumer protected with regard to electronic money?	If people are using the service, to what degree are they and their money protected? One small crisis can quickly erode trust in the system, so it is essential for the sustainability of mobile-enabled remittances that consumers are well protected.

18/ For a more detailed description of the MobileRemit Africa methodology, pillars, variables, weighting and scoring, please see the annexes.

Regional comparison and country scores

The initial findings for the mobile-enablement-remittance index score tell a relatively positive story for the preparedness of African countries to take advantage of the growing digitalization of remittances. Almost half of all countries (49 per cent) in the index achieved the highest scores of 80 or more, with 80 per cent of countries securing a medium score (60-80 per cent) or higher (figure 2).

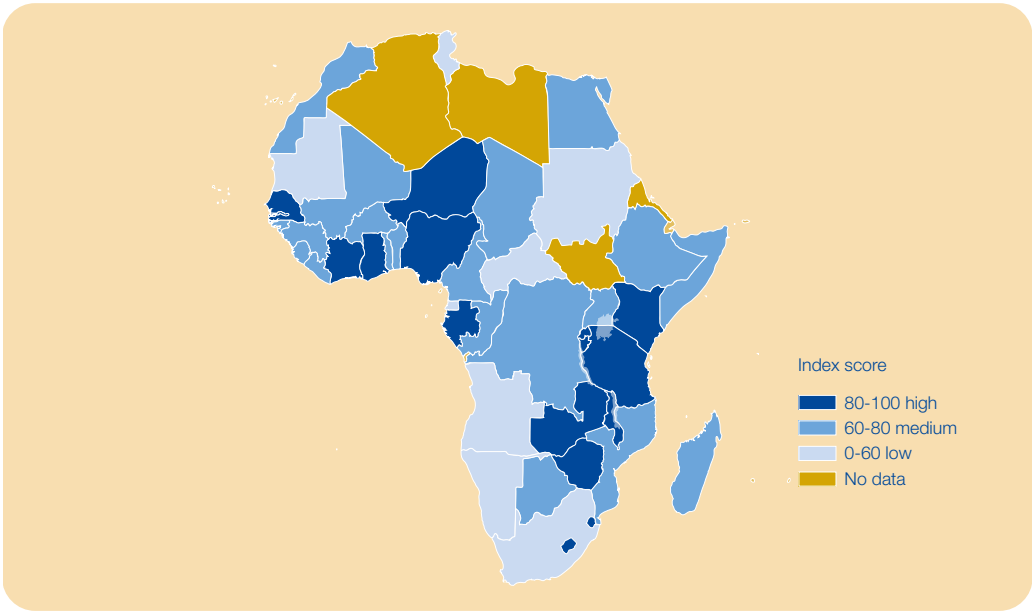
Figure 2. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Overlaying these scores onto a map of Africa, the higher index scores appear generally clustered around the mobile money strongholds of East and West Africa. Mobile money wallets are the most likely digital channels chosen by users to receive remittances in these countries.

Figure 3. Index scores overlayed on map of Africa

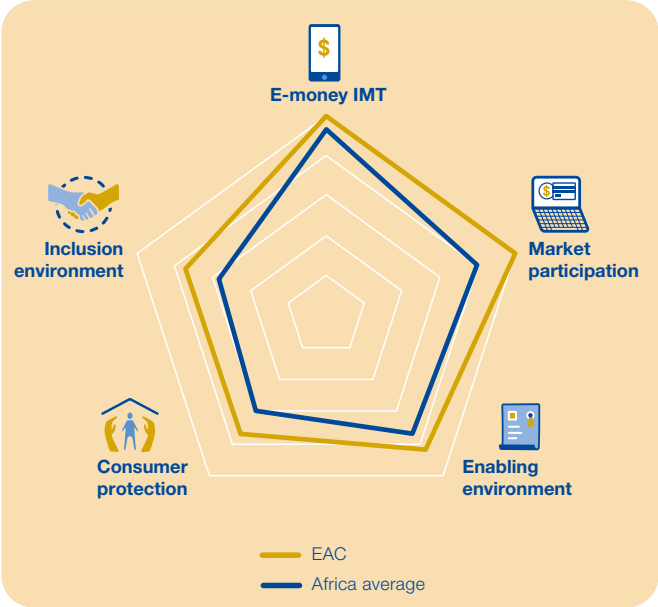


Source: MobileRemit Africa 2022.

East Africa has been the traditional home of mobile money for over a decade now and it is perhaps no surprise to see Kenya achieving the top index score (97) with nearby Rwanda (92) and the United Republic of Tanzania (90) also attaining high scores. Taking all East African Community (EAC) countries together (Burundi, Kenya, Rwanda, Uganda and the United Republic of Tanzania),[19] their average scores for all index pillars are higher than the continental average (figures 4 and 5).

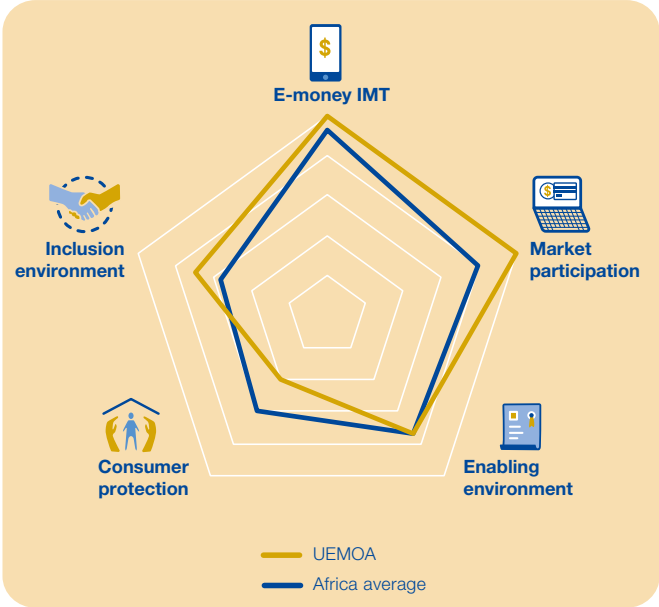
19/ The data necessary for index scoring was not available for South Sudan.

Figure 4. EAC pillar scores



Source: MobileRemit Africa 2022.

Figure 5. UEMOA pillar scores



Source: MobileRemit Africa 2022.

West Africa, and the UEMOA countries in particular, also compared favourably to the continental average, scoring higher on average for most pillars. The elevated scores for the region are not unexpected, given that it has experienced the fastest growth in mobile money accounts openings for the past years.[20]

The only pillar where both regions scored lower than average was the consumer protection pillar for UEMOA countries. To understand why, and in an example of the type of analysis that can be performed using MobileRemit Africa, an examination of the variables for the consumer protection pillar shows that the region's score for the use of mobile money trust accounts and deposit insurance is zero for both variables. Unlike the EAC, the UEMOA has a common financial regulator in the BCEAO, which explains the consistency in regulatory ratings across its member states.

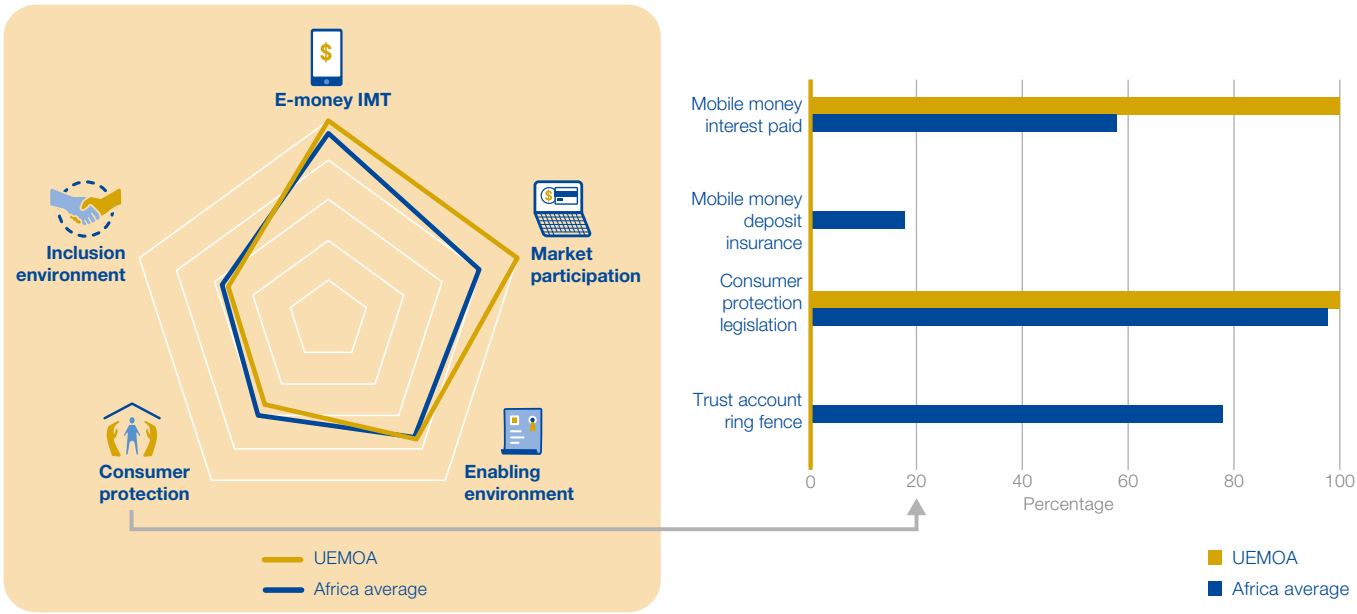
20/ GSMA (2021), State of the Industry Report on Mobile Money 2021.

Outside the UEMOA, certain anglophone West African countries stood out for their high scores too. Ghana's score (89) reflects that, for many years, it has been the most successful market for mobile money in the region. However, Nigeria's score (86) is perhaps a surprise given how non-bank mobile financial services have been slow to gain traction. While Nigeria scores relatively low on the inclusion pillar for this reason, higher scores on consumer protection and enabling environment (reflecting regulatory changes in 2018) helped elevate its final index score. This highlights the potential for mobile to succeed as a channel for international remittances in Nigeria going forward, particularly with new mobile money payment bank licences being recently awarded.[21]

For other countries in Africa with high remittance flows, namely Egypt (as one of the world's biggest recipients) and South Africa (a significant source of remittances within the Southern African Development Community [SADC] region), the results were mixed. Both countries' scores (Egypt at 68 and South Africa at 57) were below the continental average and were held back by the low prevalence of mobile money in-country, with an associated impact of market participants not using the mobile wallets to send or receive remittances. As for Ethiopia, the continent's giant for mobile financial services, it scored 79, higher than either South Africa or Egypt due to recent favourable regulatory changes. Furthermore, with the opening of its domestic market to mobile operator-offered payments and remittance services, the expectation is that Ethiopia's score will continue to improve over the medium term.

For a full list of country scores, please see annex 2.

Figure 6. UEMOA consumer protection variable scores



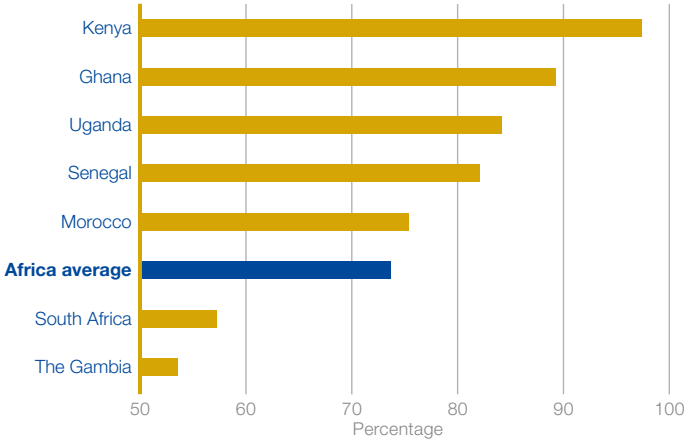
Source: MobileRemit Africa 2022.

21/ The Guardian (2021), MTN Nigeria get CBN approval for MOMO Payment Service Bank.

PRIME Africa analysis

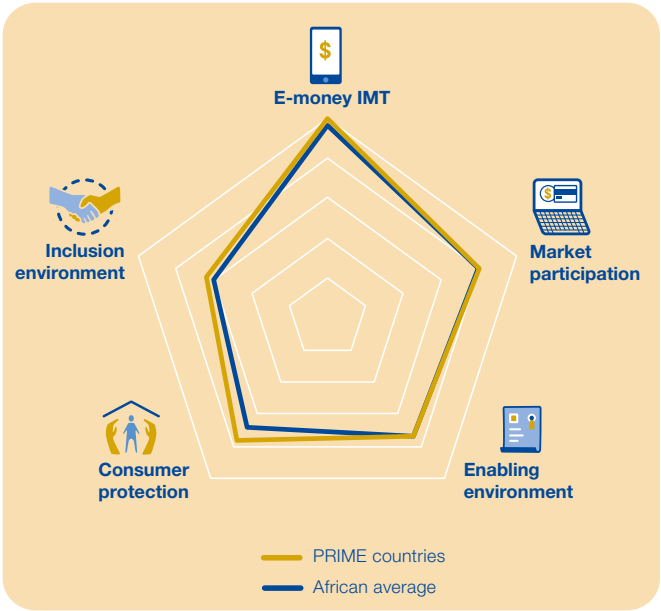
PRIME Africa is a EUR 15 million initiative implemented by IFAD's FFR and co-financed by the European Union. It seeks to reduce remittance costs and enhance financial inclusion through innovations and partnerships to develop scalable remittance products in recipient countries. The seven focus countries for the programme are Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda. The MobileRemit Africa project addresses core PRIME Africa goals by identifying data gaps and measuring the enabling policy and market environments for mobile-enabled remittances in PRIME Africa countries. The creation of a mobile-remittance-enablement index allows for a nuanced understanding of the factors that may aid or impede the adoption of the mobile channel for remittances within these countries.

Figure 7. MobileRemit Africa index scores for PRIME Africa countries



Source: MobileRemit Africa 2022.

Figure 8. PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

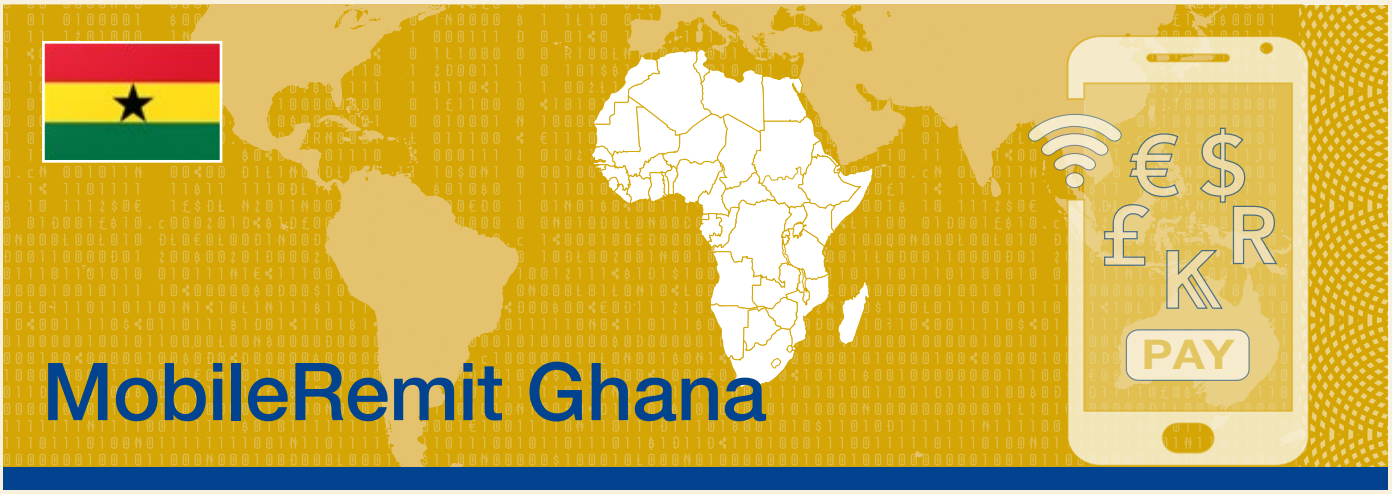
Examining the results, PRIME Africa countries scored marginally higher in both index and pillar scores than the continental average (figures 7 and 8). However, there is quite a large variation between these countries. For instance, Kenya (97) was the top-rated country in the entire index, whereas The Gambia (53) had the fifth lowest score. The Gambia's depressed score is largely due to mobile money being in its infancy today, but with recent relaunches and regulatory approvals to terminate remittances into mobile wallets, this situation is expected to improve. South Africa (56) also scored in the bottom ten countries for its restrictions on mobile wallets processing international remittances and scored below the continental average. PRIME Africa's investments in innovative and scalable remittance products for these countries are expected to yield higher index scores over the medium term. Ghana's high score is a testament to the success of mobile financial services in that country. Uganda and Senegal received similar scores with Uganda's higher penetration and use of mobile money accounting for its higher score.

For more detailed MobileRemit Africa reports on PRIME Africa countries, visit the RemitSCOPE website.

Conclusions

The establishment of MobileRemit Africa as a knowledge hub for mobile-enabled remittances is a recognition of an industry trend toward digitalization of international payment transfers and the developmental benefits this can bring to LMICs. The creation of a mobile remittance enablement index is the first step in securing that knowledge base. The data used to construct the index and the insights generated therefrom are hosted on IFAD's RemitSCOPE, the portal that brings together insights, analysis and market intelligence on the wider remittance market in Africa. In turn, users will be able to query index scores and drill down into the pillars and variables that constitute those scores, as well as being able to access mobile-specific insights and reports.

The initial findings following the setup of MobileRemit Africa have shown that at least half of the African countries are well on their way to being able to adopt the mobile channel for personal remittances. For those that are falling short, the index points to those interventions that may yield the best results. As such, the index is not intended as a one-time snapshot of Africa's preparedness to adopt mobile remittances. Rather, it is a *living document* that will be updated regularly as new information and data points become available. This way, it is hoped that policy makers, the private sector and civil society can utilize this resource to enable the continued digitalization of remittances in an inclusive manner to the benefit of migrants and their families back home.



Background

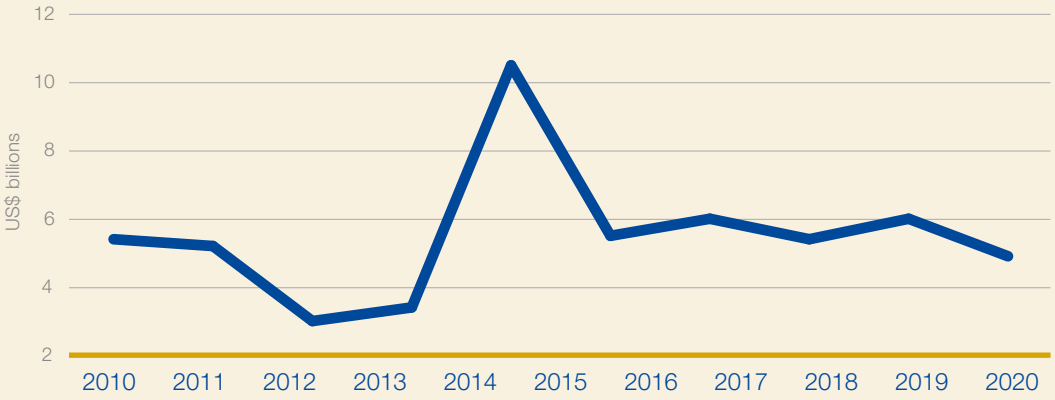
In 2021, international remittance flows to Ghana reached US$4.5 billion. It is the second largest recipient of remittances in sub-Saharan Africa in absolute terms (after Nigeria).[22] As a lower-middle income country, it has a GDP per capita that is almost twice that of Senegal and more than three times that of The Gambia. As such, Ghana's dependence on remittances is lower than both countries averaging mostly between 5-6 per cent of GDP for the past decade, although this figure is still high by global standards (figure 9). Afrobarometer estimates that 19 per cent of Ghana's adult population is dependent on remittances.[23] As a result, Ghana ranks third in the continent for RemitSCOPE's Importance of Remittances index (table 2).

Table 2. Importance of Remittances index score

		Score
1	Senegal	88
2	Egypt	83.5
3	**Ghana**	**73**
4	Lesotho	71.5
43	Botswana	13

Source: MobileRemit Africa 2021.

Figure 9. Ghana inbound remittances



Source: World Bank data.

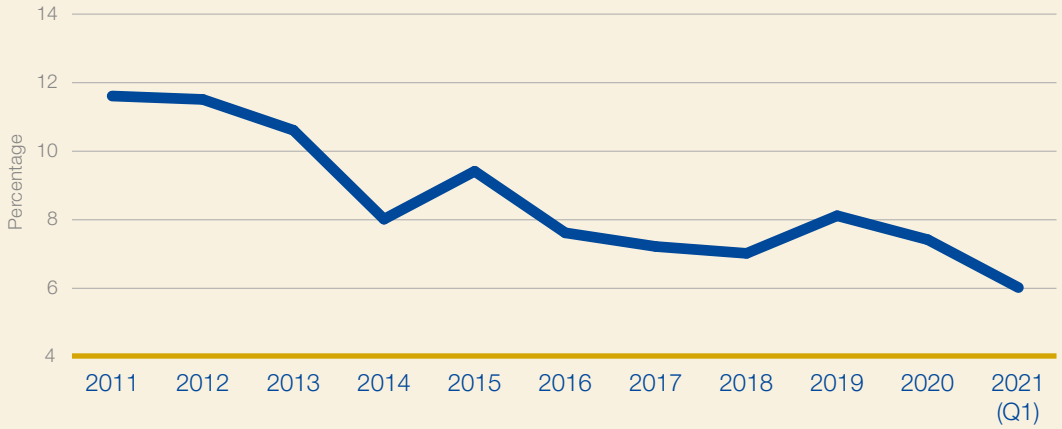
22/ RemitSCOPE Ghana. https://RemitSCOPE.org/africa/ghana.

23/ Afrobarometer (2019), Dispatch No. 288. https://afrobarometer.org/sites/default/files/publications/Dispatches/ab_r7_dispatchno288_looking_for_opportunity_africans_views_on_emigration1.pdf.

Pricing

The cost of sending remittances to Ghana for an average of US$200 in Q1 2021 stood at 6 per cent, below the global average of 6.38 per cent for the same period (figure 10).

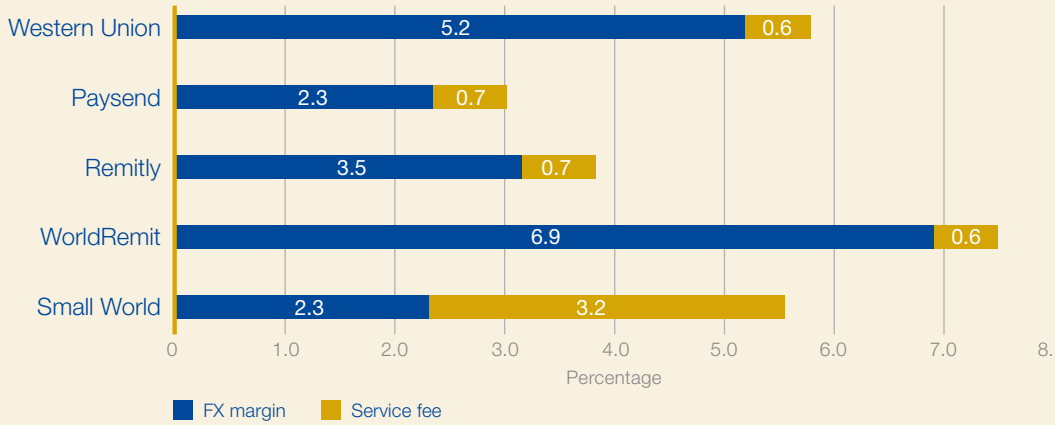
Figure 10. Ghana average remittance transfer costs



Source: World Bank Remittance Prices Worldwide.

Digital and mobile channels are generally more competitive. Mystery shopping conducted in Q3 2021 for MobileRemit Africa revealed that the average digital transfer cost to a mobile wallet from a developed country was 5.13 per cent, with the cheapest equivalent to the UN's Sustainable Development Goal (SDG) 10.c target of 3 per cent (figure 11). Intra-Africa remittances are important for Ghana, comprising 38 per cent of remittance inflows in 2018. Nigeria is the biggest host of the Ghanaian diaspora and its second largest source of remittances. But with mobile money still to establish itself in Nigeria, remittance prices on that corridor are among the highest in the world, averaging 24 per cent, meaning that, for now, informal operators dominate this corridor.

Figure 11. Costs for sending the equivalent of US$200 to Ghana through digital methods (Q4 2021)

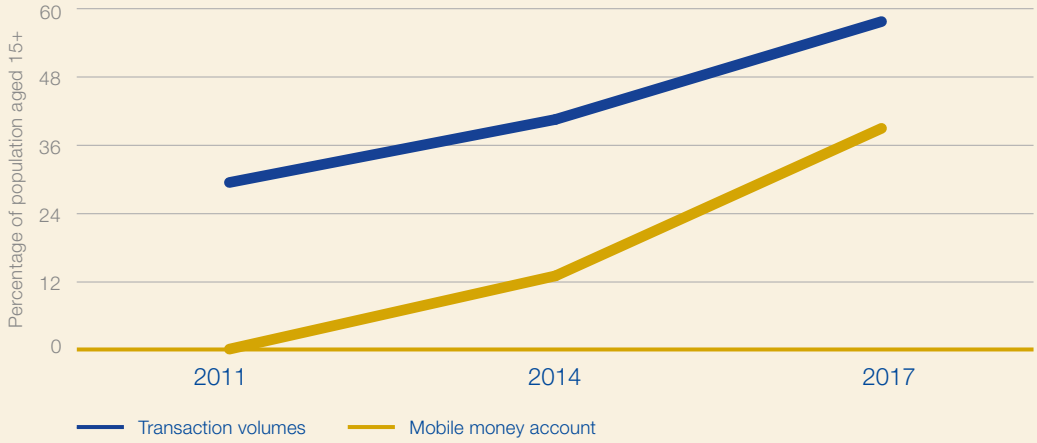


Source: MobileRemit Africa 2022.

Mobile remittance environment

Mobile money has been central to the financial inclusion gains witnessed in Ghana. As of 2017, the most recent year for which financial inclusion data is available, Ghana had a financial inclusion rate of 58 per cent, largely due to a mobile money penetration rate of 39 per cent (figure 12).

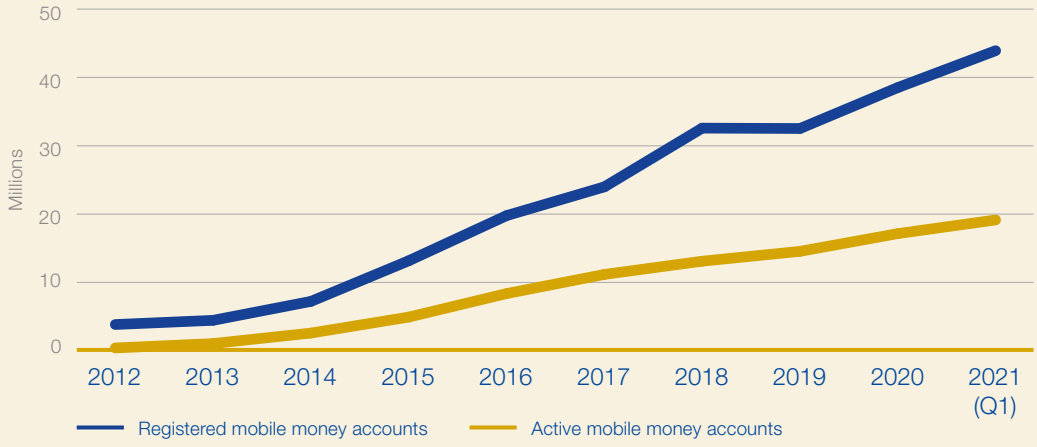
Figure 12. Ghana financial inclusion data



Source: Findex 2017.

Mobile money has experienced strong growth in Ghana since its launch in 2012. As of August 2021, there were 43.9 million registered accounts and 19.1 per cent active accounts on a 90-day basis (figure 13). This translates to an activity rate of 43.5 per cent, which is higher than the sub-Saharan average.

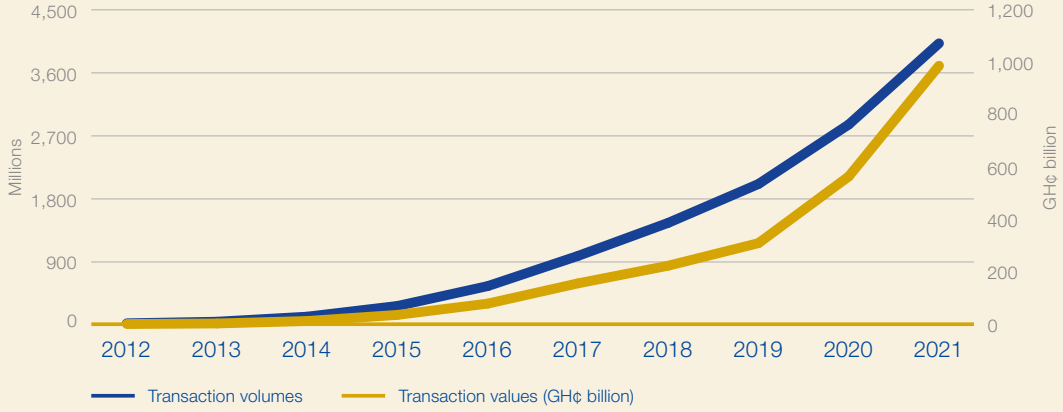
Figure 13. Ghana mobile money accounts



Source: Bank of Ghana data.

While active mobile money accounts have experienced a consistent growth rate since inception, transaction volumes and values have experienced exponential growth. This is particularly visible since the onset of the COVID-19 pandemic. To ensure the continued flow of digital payments, policy makers took emergency measures, including declaring mobile money agents as essential services, increasing transaction and wallet balance limits and introducing a more flexible, risk-based KYC regime to facilitate remote account opening.[24] This has resulted in record mobile transactions, with an estimated US$164 billion being transacted through the system in 2021 (figure 14). It is no surprise therefore that GSMA rates the prevalence of mobile money in Ghana as very high, the highest score in its five-level scale.[25] However, the success of mobile money in Ghana has not gone unnoticed. The tax authority has implemented a sector-specific tax on mobile money cash-out commissions to be paid by mobile money agents as well as a controversial electronic payment tax.[26, 27] The impact on the industry remains to be seen.

Figure 14. Ghana mobile money transactions



Source: Bank of Ghana data.

24/ GSMA (2021), The Impact of COVID-19 Regulatory Measures on Mobile Money Services. https://www.gsma.com/mobilefordevelopment/resources/the-impact-of-covid-19-regulatory-measures-on-mobile-money-services.

25/ The GSMA's Mobile Money Prevalence Index blends mobile money penetrations, usage and access to offer a blended aggregate score of mobile money prevalence in a given country.

26/ Modern Ghana (2021), We'll comply with 10% tax directive, give us two months – MoMo agents.

27/ Guardian (2021), Punches thrown in Ghana parliament over electronic payments tax. https://www.theguardian.com/world/2021/dec/21/punches-thrown-ghana-parliament-electronic-payments-tax.

Other than banks, e-money issuers and payment service providers with an enhanced licence are allowed to pay inbound remittances into mobile wallets in Ghana. Three mobile network operators dominate the mobile remittance market (table 3). Sending outbound remittances through mobile wallets is permissible although it has to be processed via a bank partner.

Table 3. List of mobile money operators in country

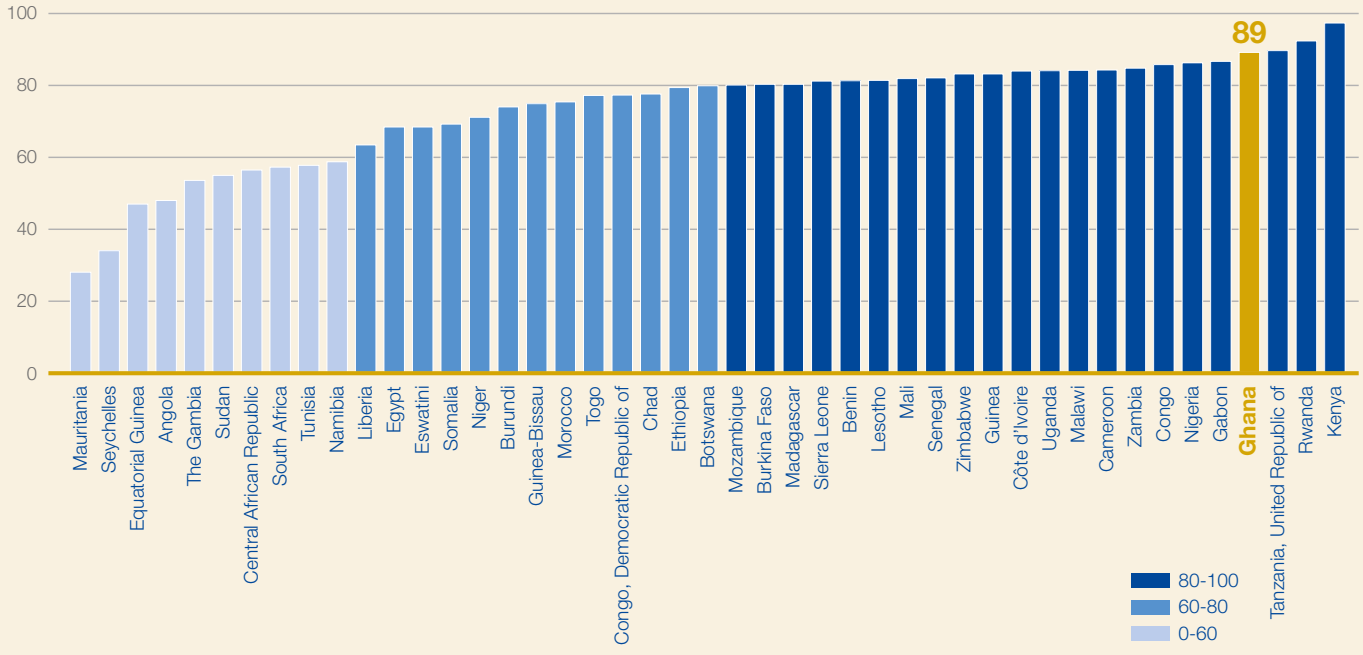
Service	Parent	Licence	Launch	International remittances
MTN MoMo	MTN	Partnership with a bank	2009	Yes
Airtel Money	Airtel Mobile Commerce (Ghana) Limited	Dedicated electronic money issuer	2011	Yes
Vodafone Cash	Vodafone Mobile Financial Services Limited	Dedicated electronic money issuer	2015	Yes

Source: Bank of Ghana 2021, GSMA 2021.

Ghana MobileRemit analysis

Ghana secures a very high score in the MobileRemit Africa index. The success of mobile money, combined with the ability to send and terminate international remittances into mobile wallets, sees Ghana with an index score of 89. Such ranking allowed its placing fourth highest in the continent and in the top decile of countries with a favourable operating environment for mobile remittances (figure 15).

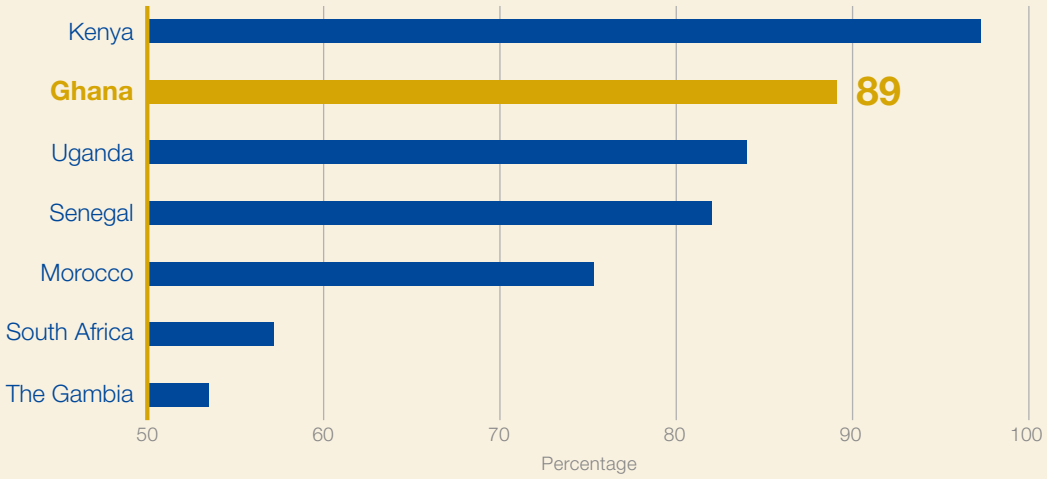
Figure 15. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Ghana is also ranked second highest among the seven PRIME Africa countries for the same reasons (figure 16).

Figure 16. MobileRemit index scores for PRIME Africa countries



Source: MobileRemit Africa 2022.

Ghana's perfect scores for mobile international remittances being both permitted by regulators and being actively offered by market participants contribute to its elevated index score (table 7).

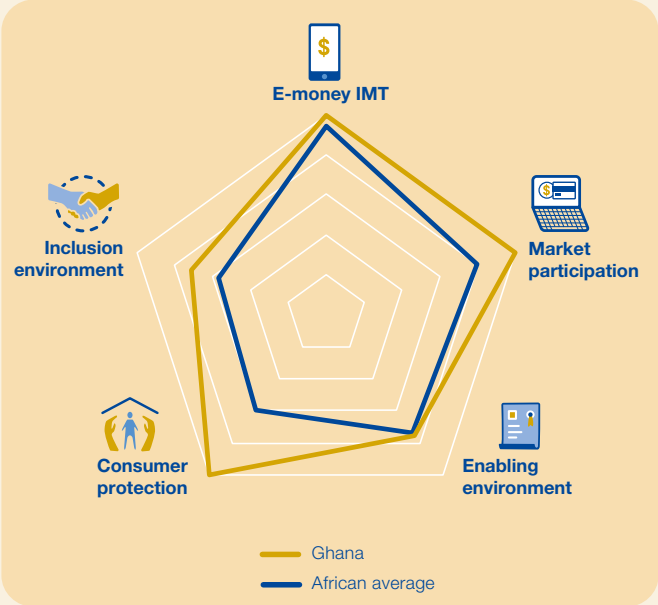
Table 4. Ghana – MobileRemit pillar scores

E-money international money transfer	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	100	75	100	71

This is further enhanced by its perfect score for consumer protection, reflecting the presence of both deposit insurance and mobile money trust accounts, as well as specific consumer protection legislation and the ability to earn interest on mobile money deposits, a combination not frequently seen in other African countries (figures 17 and 18).

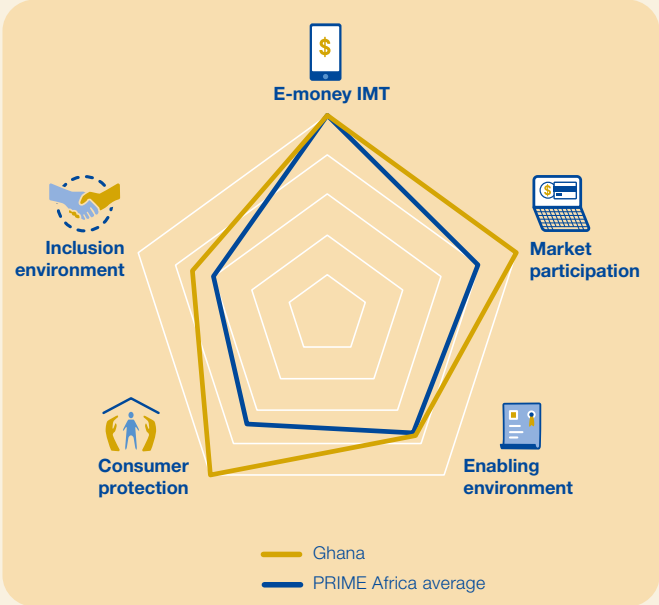
Ghana also scores high on the enabling environment pillar with the presence of a dedicated e-money framework, the permitted use of non-bank agents and the presence of domestic interoperability. Some points being taken off with the absence of a fully flexible KYC regime and the presence of tiered wallet and balance limits. However, during the COVID-19 pandemic, Ghana increased these limits to promote digital payments and subsequently made these measures permanent given their success. Ghana also scores high on the inclusion environment pillar. However, a perfect score is offset by bigger gender and rural gaps in mobile money account ownership, compared to other financial services according to the most recent Findex data available (2017).

Figure 17. Ghana vs. African pillar scores



Source: MobileRemit Africa 2022.

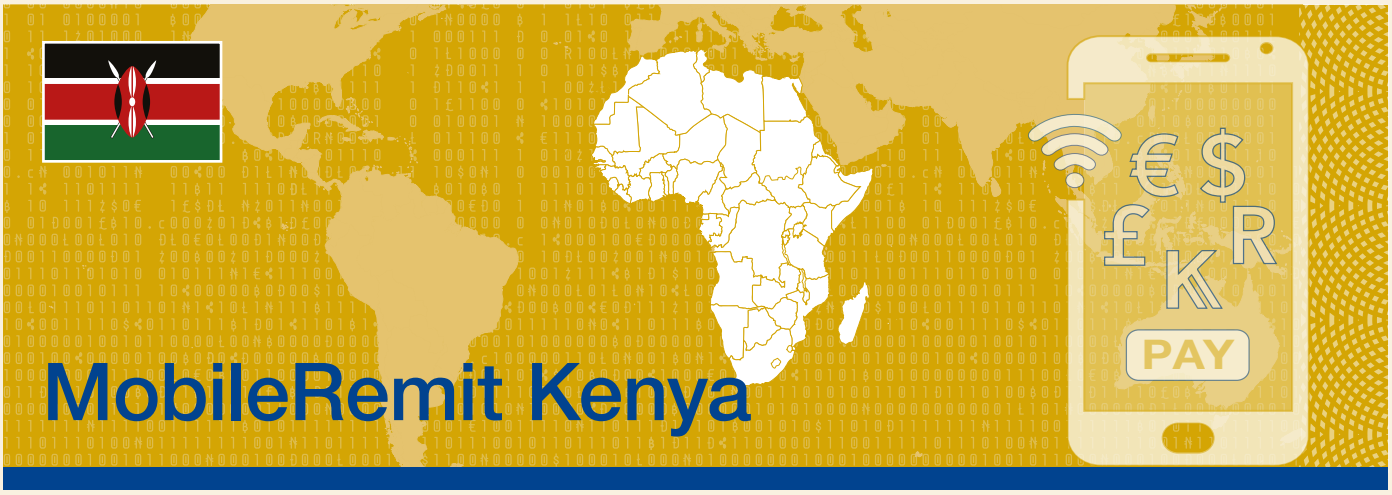
Figure 18. Ghana vs. PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

Ghana is well-positioned to take advantage of mobile-enabled international remittances. The high uptake of mobile money, coupled with a favourable licencing regime for mobile money operators and the ability to terminate international remittances into mobile money wallets, should see the prevalence of mobile remittances increasing over the coming years, although this may be undermined by recent electronic payment taxation proposals. Pricing remains relatively high, especially when compared to its francophone West African neighbouring countries, which have the benefit of a single currency pegged to the EUR. However, it is possible today to terminate a remittance into a mobile wallet in Ghana at or less than the SDG 10.c target of 3 per cent. With increased competition in the first and in particular, the middle miles for digital remittances into the country, the expectation is that this trend will continue. Authorities could expand that process by further opening remittance processing (and especially outbound remittances) to non-bank operators.



Background

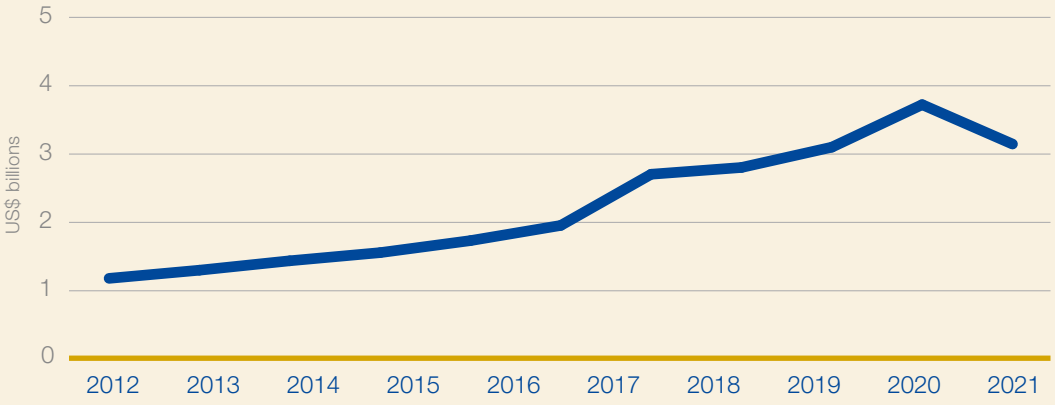
In 2021, international remittance flows to Kenya reached US$3.7 billion. It has a low-to-medium dependency on remittances relative to other countries in sub-Saharan Africa. Inflows have averaged between 2.5-3 per cent of GDP for the past decade. It scores tenth place in Africa for RemitSCOPE's importance of Remittances index (table 5).[28] Its diaspora is spread across English-speaking countries including South Africa and Uganda. The United States of America is its biggest source of inbound remittances (figure 19).[29.]

Table 5. Importance of Remittances index score

		Score
1	Senegal	88
9	Tunisia	64.5
10	**Kenya**	**62.5**
11	Cabo Verde	61.5
43	Botswana	13

Source: MobileRemit Africa 2021.

Figure 19. Kenya inbound remittances (US$ billion)



Source: Central Bank of Kenya 2022.

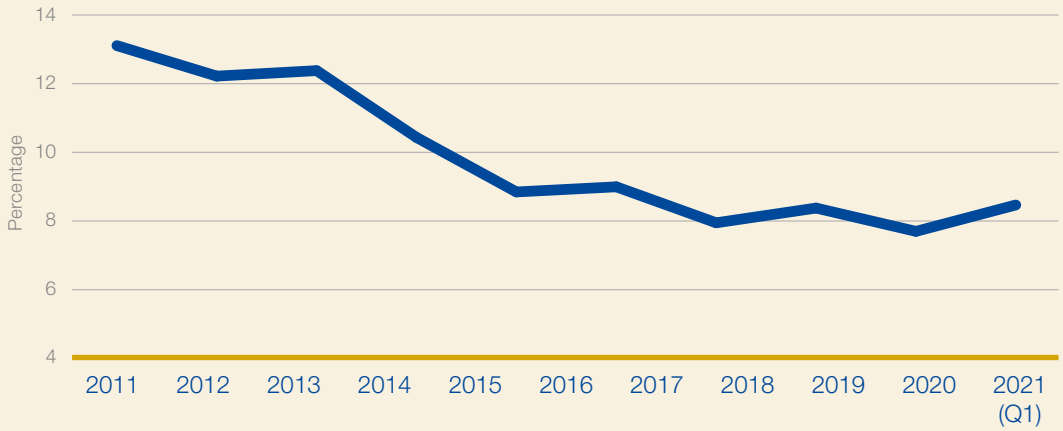
28/ See https://RemitSCOPE.org/africa/kenya Importance of Remittances index is a composite score that reflects the size of formal remittance flows to the receive country, how important these are to the country's economy and, (at household level) the proportion that receive money from overseas (including informal). Scores out of 100.

29/ Ibid.

Pricing

The cost of sending remittances to Kenya is high despite recent gains. The average cost of sending a US$200 remittance was 8.43 per cent (Q1 2021) (figure 20). This is significantly higher than the global average of 6.38 per cent for the same period.

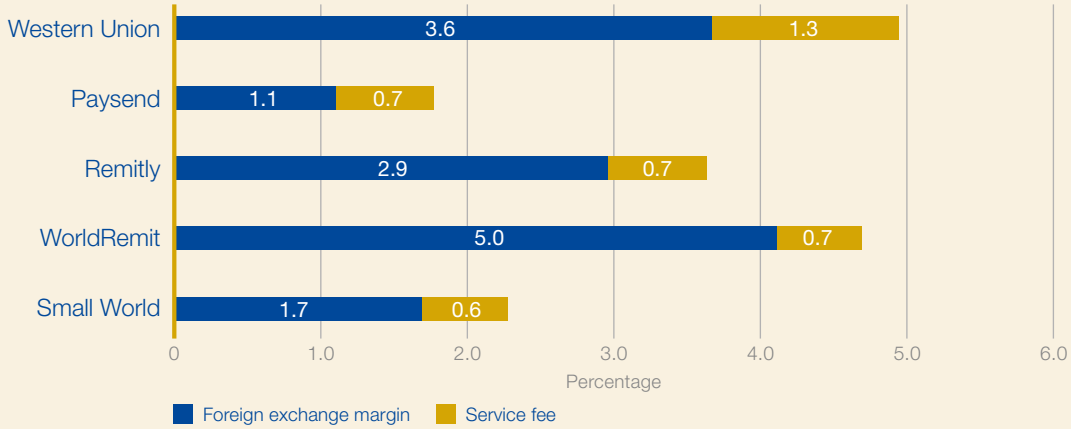
Figure 20. Kenya average remittance costs



Source: World Bank Remittance Prices Worldwide.

Digital and mobile channels however are more cost competitive. Mystery shopping in Q4 2021 revealed that the average digital remittance to a mobile wallet in Kenya from a developed country was 3.46 per cent, close to the SDG 10.c target of 3 per cent, with the cheapest transfers at 1.8 per cent (figure 21).

Figure 21. Mystery shopping mobile remittance transfer costs to Kenya Q4 2021

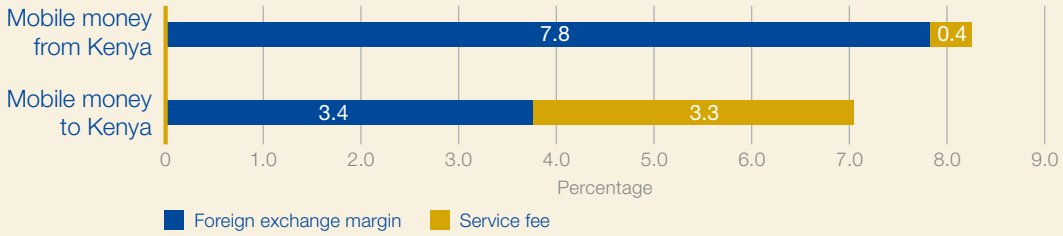


Source: MobileRemit Africa 2022.

Mobile remittance environment

In Kenya, intra-Africa mobile money transfers are more expensive than digital ones from outside the continent. Data taken in 2020 for mobile-to-mobile remittances between Kenya and other African countries show that mobile money remittances into the country averaged 7.0 per cent.[30] The average for sending out of the country for a US$200 equivalent was even higher at 8.2 per cent, very near the global average for all channels (figure 22). For mobile money remittance transfers from Kenya, the majority of the charge is embedded within the foreign exchange spread (7.8 per cent), which suggests a lack of competition in the sector. However, there have been recent price promotions within the country that cap remittance charges at 3 per cent (solely foreign exchange charge with no service see) for the Ugandan corridor.

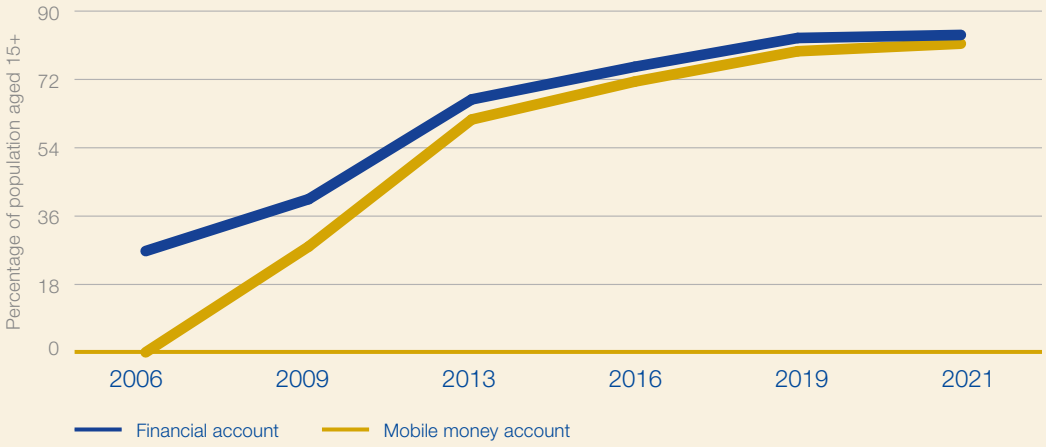
Figure 22. Kenyan mobile money remittance charges Q3 2020



Source: DMA Global.

Kenya is considered the birthplace of mobile money. M-Pesa was first launched by Safaricom in 2007 and has experienced exponential growth ever since, dominating the market and driving financial inclusion. As a result, Kenya today has the highest rates of financial inclusion in Africa, except from the Seychelles and South Africa. As of 2021, 84 per cent of adult Kenyans were considered financially included and 81 per cent had a mobile money account. In contrast, 30 per cent of Kenyans had access to a traditional brick-and-mortar bank account and just 2 per cent to a microfinance institution.[31] Figure 23 illustrates how mobile money has been responsible for the growth of financial inclusion in Kenya since it was launched.

Figure 23. Financial inclusion in Kenya



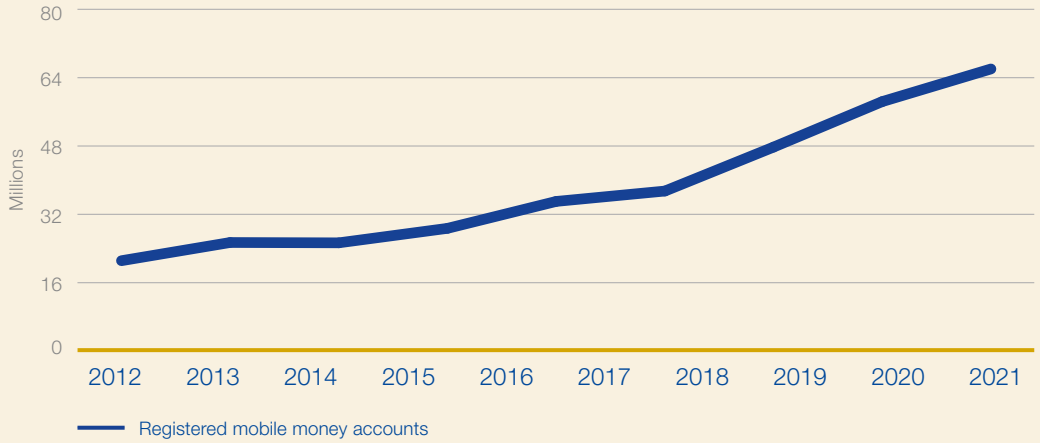
Source: Central Bank of Kenya.

30/ DMA Global survey conducted Q3 2020.

31/ Central Bank of Kenya (2021), 2021 FinAccess Household Survey.

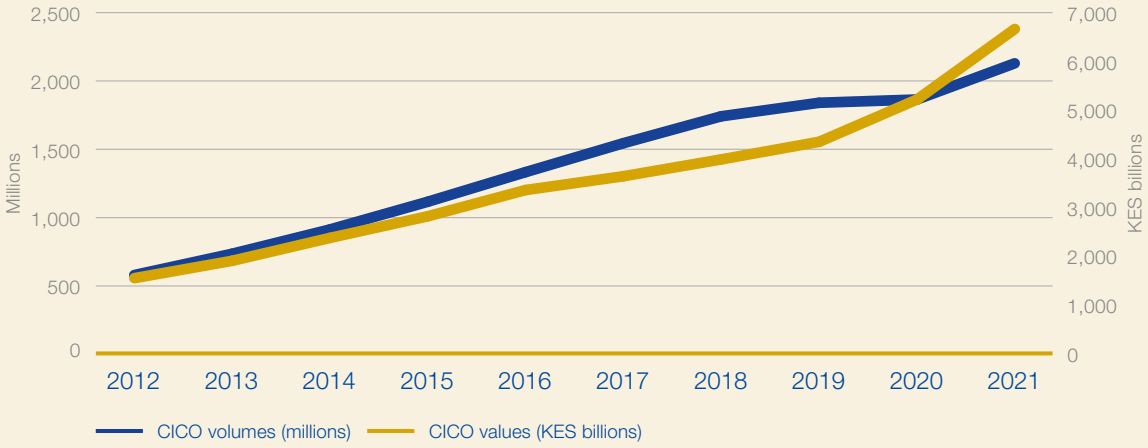
Kenya has experienced exponential growth rates for mobile money. Since it was first launched, mobile money has registered over 68 million accounts in the country (figure 24). While full transaction volumes and values are not available for the mobile money industry, cash-in cash-out (CICO) volumes were in excess of US$60 billion in 2021 (figure 25).[32] For M-Pesa (which releases aggregated transaction data), total transaction values for its financial year ending in March 2021 were over US$200 billion.[33] By comparison, the figure for the whole of the Ugandan mobile money industry, including payment transactions, was US$20 billion.[34] Not surprisingly, the GSMA rates the prevalence of mobile money in Kenya as very high, the highest score on its five-level scale.[35]

Figure 24. Financial inclusion through mobile money in Kenya



Source: Central Bank of Kenya.

Figure 25. Kenya mobile money transactions



Source: Central Bank of Kenya.

32/ https://www.centralbank.go.ke/national-payments-system/mobile-payments. Cash-in Cash-out (CICO) are the terms given to mobile money users loading and withdrawing e-money onto the system, often via agents (but this is also possible via bank account including international remittances). CICO transaction volumes do not take into account other payment types that happen within the system such as person-to-person, bill payment, etc., which can be a multiple of CICO volumes.

33/ Safaricom Investor Presentation (2021). https://www.safaricom.co.ke/images/Downloads/FY21_InvestorPresentation_13_May_2021.pdf.

34/ Bank of Uganda data. https://www.bou.or.ug/bou/bouwebsite/PaymentSystems/dataandstat.html.

35/ The GSMA's Mobile Money Prevalence Index blends mobile money penetrations, usage and access to offer a blended aggregate score of mobile money prevalence in a given country.

With the onset of the COVID-19 pandemic, regulators in Kenya took emergency measures alongside the industry to keep mobile money and digital payments flowing. These included eliminating charges for mobile money transactions under KES 1,000 (roughly US$10) and increasing transaction and balance limits.[36] This had the intended effect of increasing transaction volumes but changes in consumer behaviour were noticed, such as transaction splitting whereby users split larger transactions into smaller denominations to take advantage of fee waivers. As such, although service providers such as M-Pesa reported a sharp increase in transaction volumes, overall revenue fell as more transactions fell within lower bands. The emergency provisions expired at the end of 2020.

Mobile money is regulated as e-money under the National Payment Systems Regulations of 2014. These regulations permit both banks and non-banks to provide mobile money services. There are five service providers that qualify as mobile money operators (listed in table 6), two of which are mobile network operators (Safaricom and Airtel). Both process international remittances, as does Equitel.[37] The success of mobile money means that an estimated 60 per cent of international remittances are terminated into mobile money wallets in Kenya.[38] M-Pesa also has regulatory approval to process international remittances, meaning it doesn't require the licence of a partner bank to send remittances out of the country.

Table 6. List of mobile money operators in country

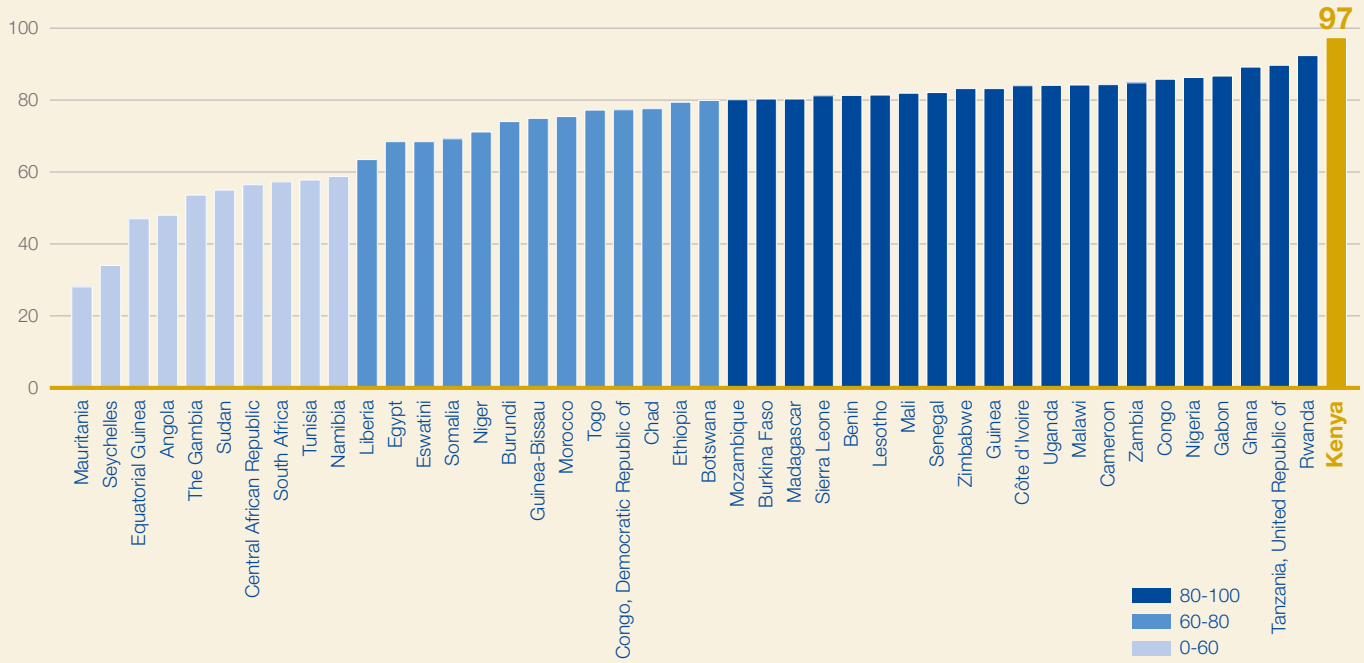
Service	Parent	Licence	Launch	International remittances
M-Pesa	Safaricom	Mobile payment service provider	2007	Yes
Airtel Money	Airtel	Mobile payment service provider	2009	Yes
Equitel	Equity Bank	Mobile payment service provider	2014	Yes
T-Kash	Telkom Kenya	Mobile payment service provider	2018	No
Tangaza Pesa	Tangaza Mobile	Person-to-person licence	2011	No

36/ CBK emergency measures during the COVID-19 pandemic available from the Central Bank of Kenya.
37/ GSMA Mobile Money metrics. https://www.gsma.com/mobilemoneymetrics/#global.
38/ RemitSCOPE Africa. https://RemitSCOPE.org/africa/kenya.

Kenya MobileRemit analysis

Given the success of M-Pesa, Kenya attains a very high score in the MobileRemit Africa index. The success of mobile money combined with the ability to send and terminate international remittances into mobile wallets sees Kenya securing an index score of 97, placing it first in Africa (figure 26).

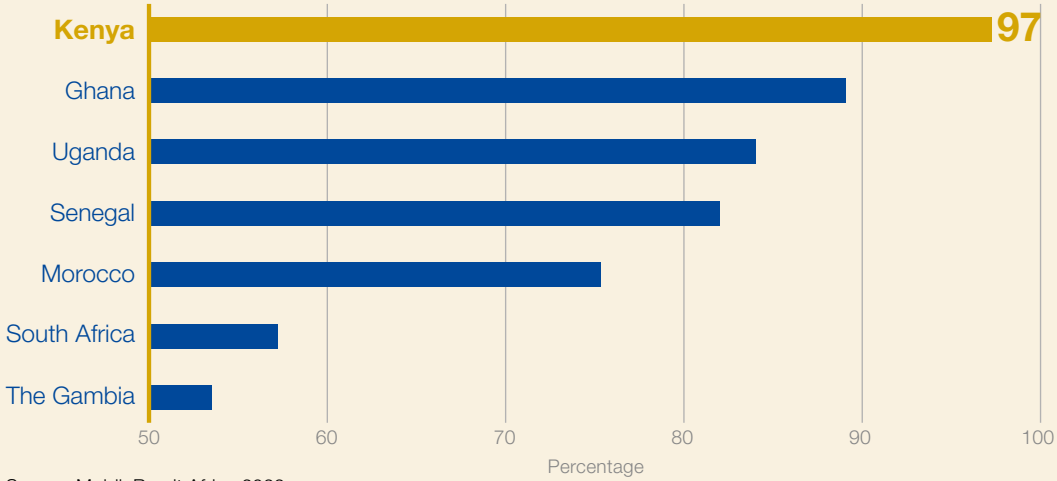
Figure 26. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Kenya's MobileRemit index score is also ranked the highest of the seven PRIME Africa countries (figure 27).

Figure 27. PRIME Africa MobileRemit index scores



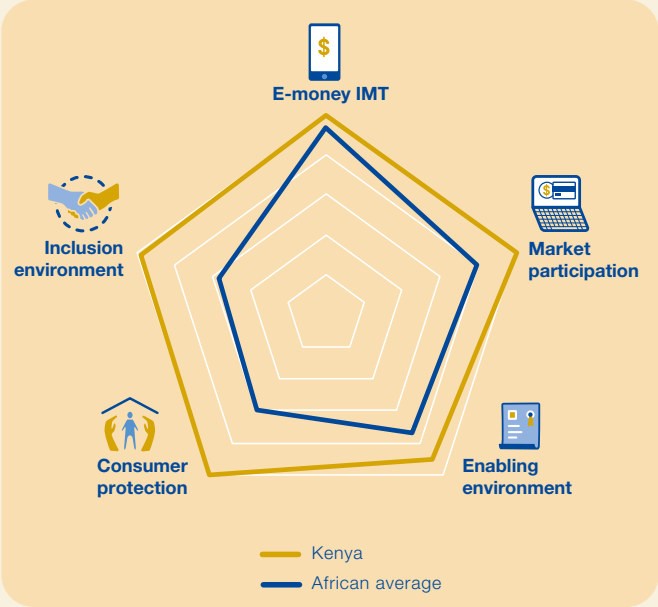
Source: MobileRemit Africa 2022.

Kenya's top index score is comprised of perfect scores in the pillars accounting for regulatory permission to process e-money international remittances, market participants actively doing so today and also on protecting the consumer (table 7). Kenya achieves near-perfect scores for its inclusive environment, with some points being taken off for the remaining 22 per cent of the adult population yet to own a mobile money account (a perfect score here may be impossible to attain for coverage reasons). Kenya also has one of the highest scores for an enabling regulatory environment in Africa, with the lack of a fully flexible KYC regime holding it back from a perfect score (figure 28).

Table 7. Kenya – MobileRemit pillar scores

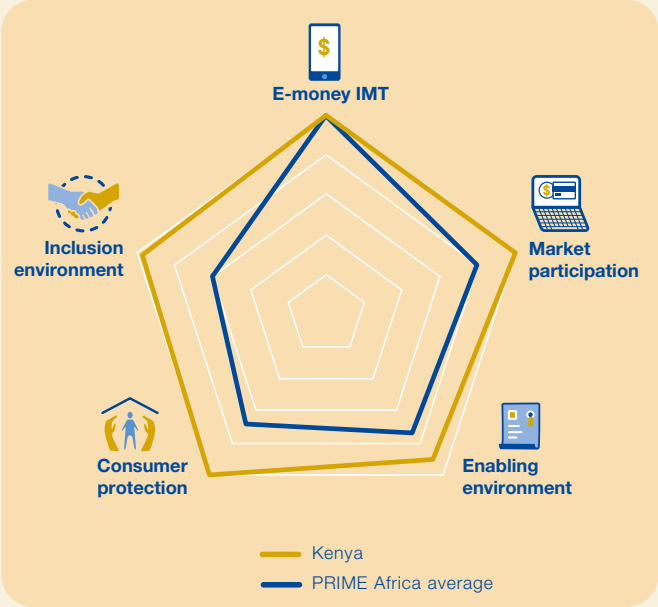
E-money international money transfer	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	100	90	100	97

Figure 28. Kenya vs African pillar scores



Source: MobileRemit Africa 2022.

Figure 29. Kenya vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

As the birthplace of mobile money, Kenya is very well positioned to take advantage of mobile-enabled international remittances. The very high uptake of mobile money, coupled with a favourable licencing regime for mobile money operators, and the ability to terminate and send international remittances into and from mobile money wallets will see the prevalence of mobile remittances increasing over the coming years from their already high levels. Although remittances are generally expensive to send to Kenya, some digital to mobile offerings are already at or below the SDG 10.c target of 3 per cent of an average US$200 remittance. The exception is mobile money to mobile remittances, both into and out of the country, where the authorities could do more to promote competition in the sector.

MobileRemit Morocco

Background

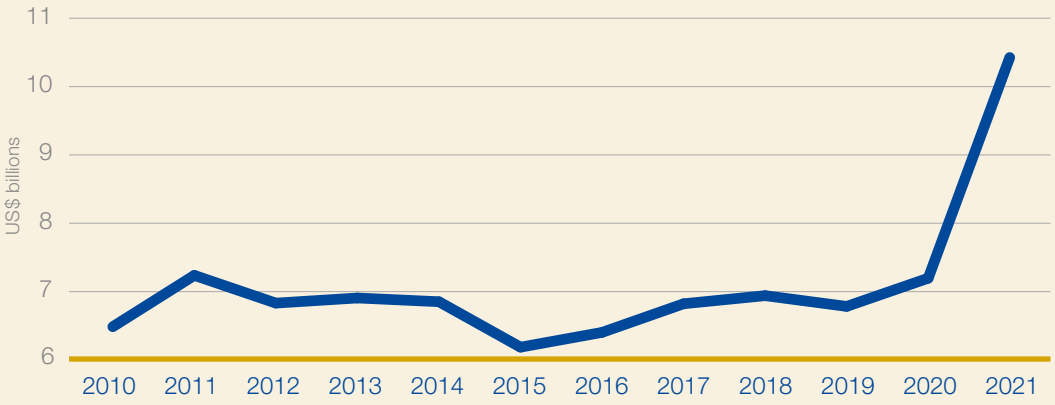
In 2021, international remittance flows to Morocco reached US$10.4 billion. The country has a relatively high dependency on remittances. Inflows have averaged around 7 per cent of GDP for the past decade and hit 7.9 per cent in 2021, marked by an unprecedented inflow of remittances surpassing US$10 billion. Morocco is the seventh African country for RemitSCOPE's Importance of Remittances index (figure 30).[39] France is the largest host of the Moroccan diaspora (33 per cent) and principal source of its remittances (35 per cent). Italy and Spain are the next biggest sources (both 9 per cent).

Table 8. Importance of Remittances index score

		Score
1	Senegal	88
6	Zimbabwe	71.5
7	**Morocco**	**70**
8	The Gambia	69
41	Botswana	13

Source: MobileRemit Africa 2021.

Figure 30. Morocco inbound remittances



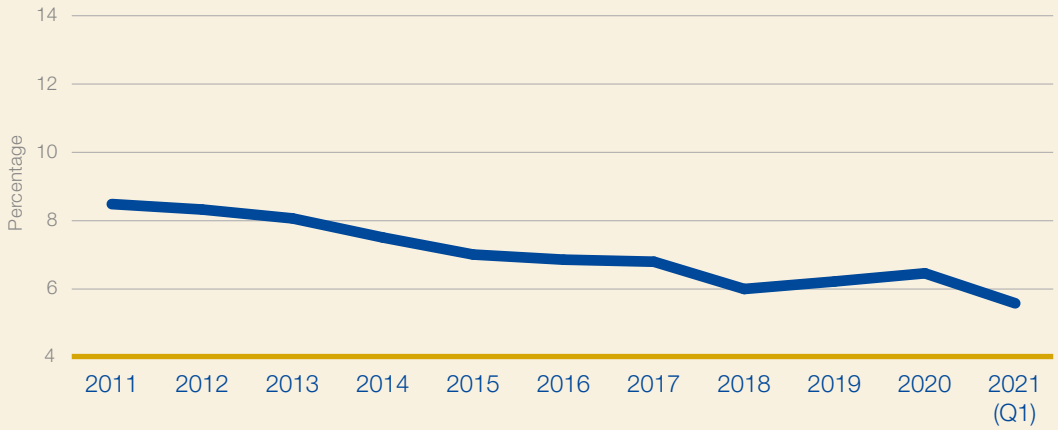
Source: World Bank data.

39/ RemitSCOPE Africa https://RemitSCOPE.org/africa/morocco.

Pricing

The average price of sending remittances to Morocco has been decreasing over the past decade. As of Q1 2021, it stood at 5.56 per cent, a reduction of 34 per cent over the past decade despite rising slightly during the COVID-19 pandemic (figure 31). This cost is lower than the global average of 6 per cent (Q4 2021).

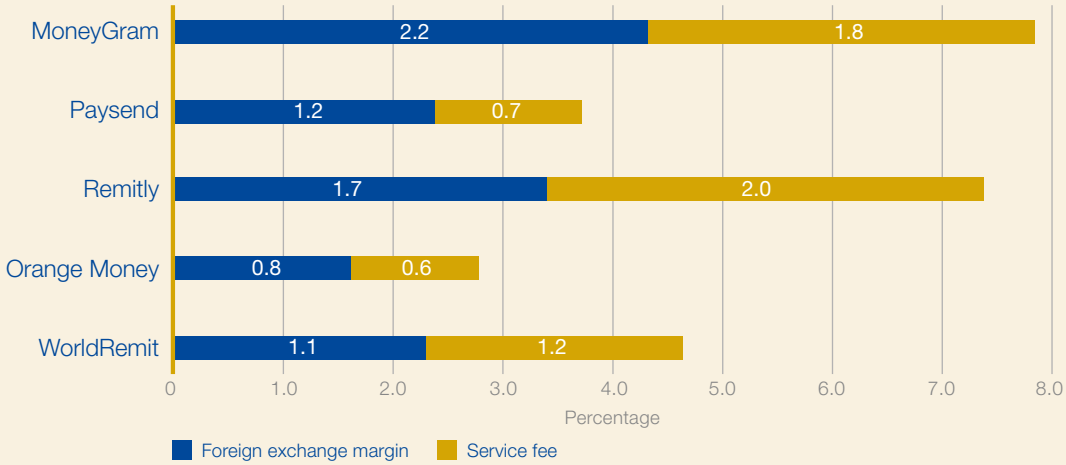
Figure 31. Morocco average remittance costs



Source: World Bank Remittance Prices Worldwide.

As with other PRIME Africa countries, digital and mobile channels are more cost competitive. Mystery shopping in Q4 2021 revealed that the average digital send to a mobile wallet in Morocco from a developed country was just 2.64 per cent, below the SDG 10.c target of 3 per cent (figure 32).

Figure 32. Mystery shopping mobile remittance charges to Morocco Q4 2021

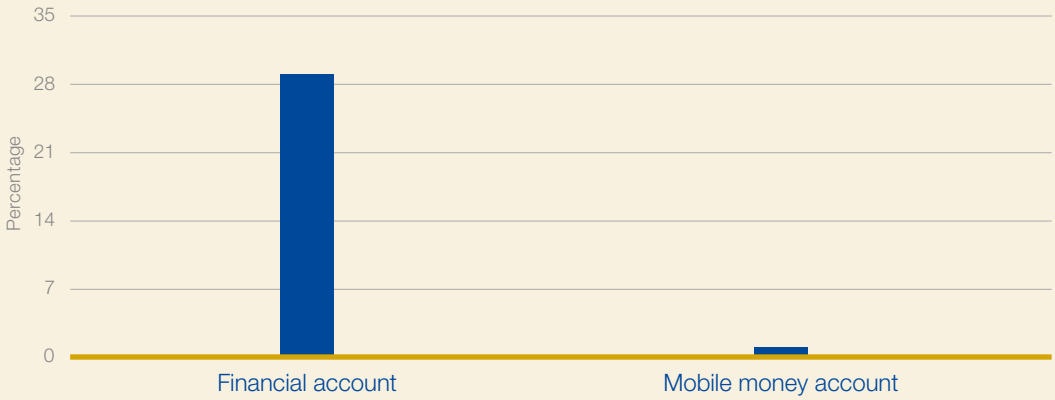


Source: MobileRemit Africa 2022.

Mobile remittance environment

Despite the low cost of sending remittances to mobile wallets in Morocco, use of mobile money remains low. As of the most recent Findex survey, mobile money penetration in Morocco was just 1 per cent (figure 33).[40] The GSMA rates the prevalence of mobile money in Morocco as very low, the lowest score on its five-level scale.[41] Morocco's financial inclusion rate of 29 per cent is also low by regional standards (thirty-second of 54 countries in Africa) with a large gender gap (41 per cent men, against 17 per cent women). As part of its development strategy, the Government of Morocco is hoping to address both the low account ownership and large gender gap through digitalization, a process that has accelerated during the COVID-19 pandemic.[42]

Figure 33. Morocco Findex financial inclusion data



Source: Findex 2018.

Despite the low prevalence of mobile money in the country, there are a number of mobile wallets live in the market (table 9). Most of the more ambitious wallets have been recently launched and are expected to increase the prevalence of mobile money and e-money in Morocco. These include local telco operators Orange and Maroc Telecom, both of which launched their wallets in 2020 during the pandemic. All mobile wallet providers listed in table 9 are able to process incoming remittances as of Q3 2021.

Table 9. List of mobile money operators in country

Service	Parent	Launch	International remittances
Orange Money	Orange	2020	Yes
Inwi Money	Inwi	2019	Yes
Barid Bank Mobile	Al Barid Bank	2013	Yes

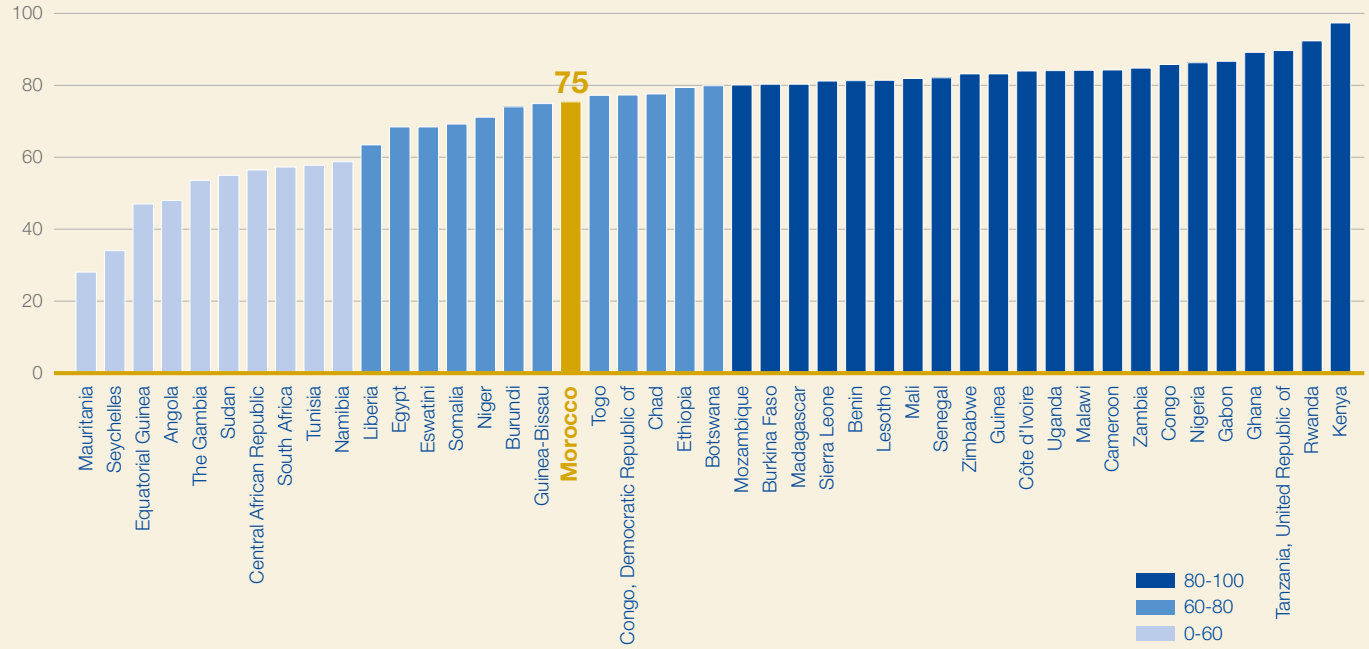
Source: GSMA Deployment Tracker.

40/ Findex (2018). https://globalfindex.worldbank.org.
41/ https://www.gsma.com/mobilefordevelopment/resources/the-mobile-money-prevalence-index-mmpi.
42/ RemitSCOPE Africa. https://RemitSCOPE.org/africa/morocco.

Morocco MobileRemit analysis

Despite the low prevalence of mobile money in Morocco, the country scores relatively well on the MobileRemit Africa index. The ability to send remittances to mobile wallets today accounts for its index score of 75, placing it twenty-eighth on the continent, slightly above the continental average of 74 and slightly lower than the PRIME Africa average of 77 (figure 34).

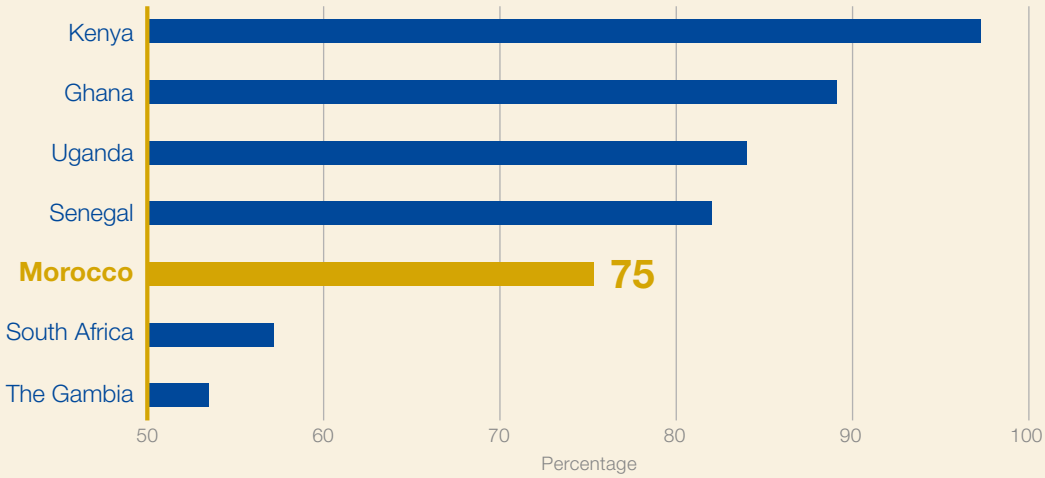
Figure 34. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Morocco's MobileRemit Africa index score places it fifth of the seven PRIME Africa countries, above South Africa and The Gambia (figure 35).

Figure 35. PRIME Africa MobileRemit index scores



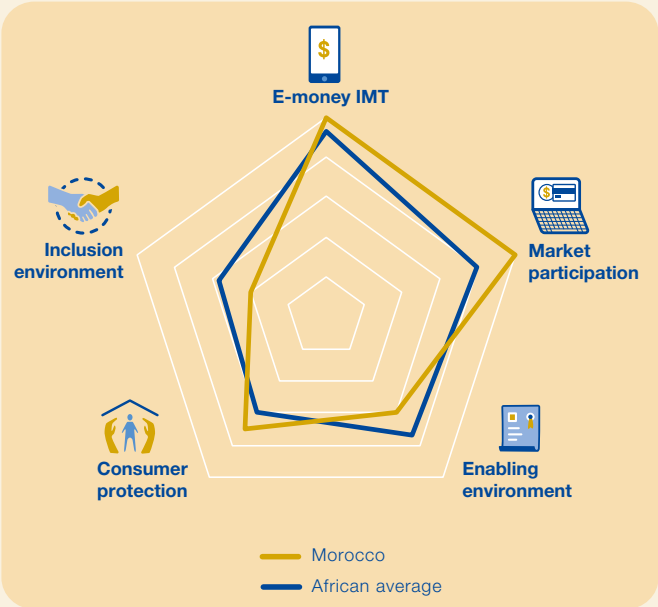
Source: MobileRemit Africa 2022.

Morocco's relatively high index score is largely due to its perfect scores in the pillars related to regulatory permission to process mobile remittances (e-money international money transfer) and the presence of market actors doing so today (market participation). It scores lower on enabling environment (60), where the presence of a dedicated mobile money regulatory framework is somewhat offset by restrictions relating to the use of non-bank agents, flexible onboarding of new customers and the use of trusted accounts for lower income customers. It scores lower still on inclusion environment (39), where the low penetration of mobile money holds it back. On consumer protection (70), maximum scores on the use to trust accounts for mobile money, interest payable on mobile money balances and the presence of dedicated consumer protection regulations are offset by lack of mobile money deposit insurance (table 10).

Table 10. Morocco – MobileRemit pillar scores

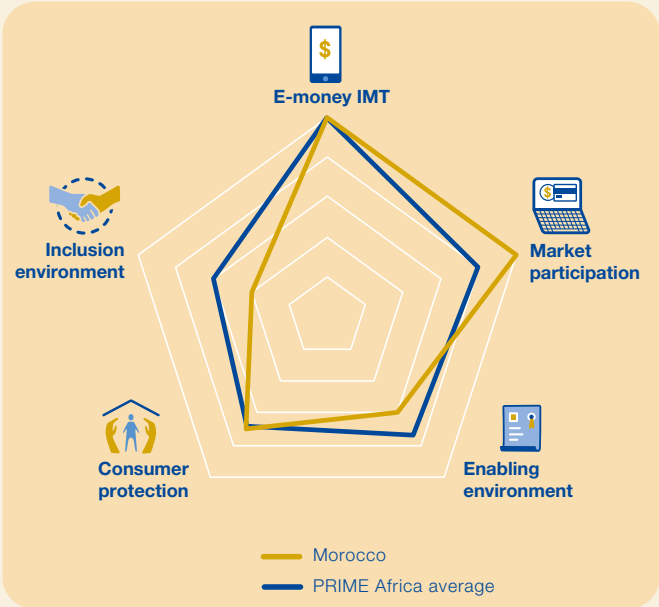
E-money international money transfer	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	100	60	70	39

Figure 36. Morocco vs African pillar scores



Source: MobileRemit Africa 2022.

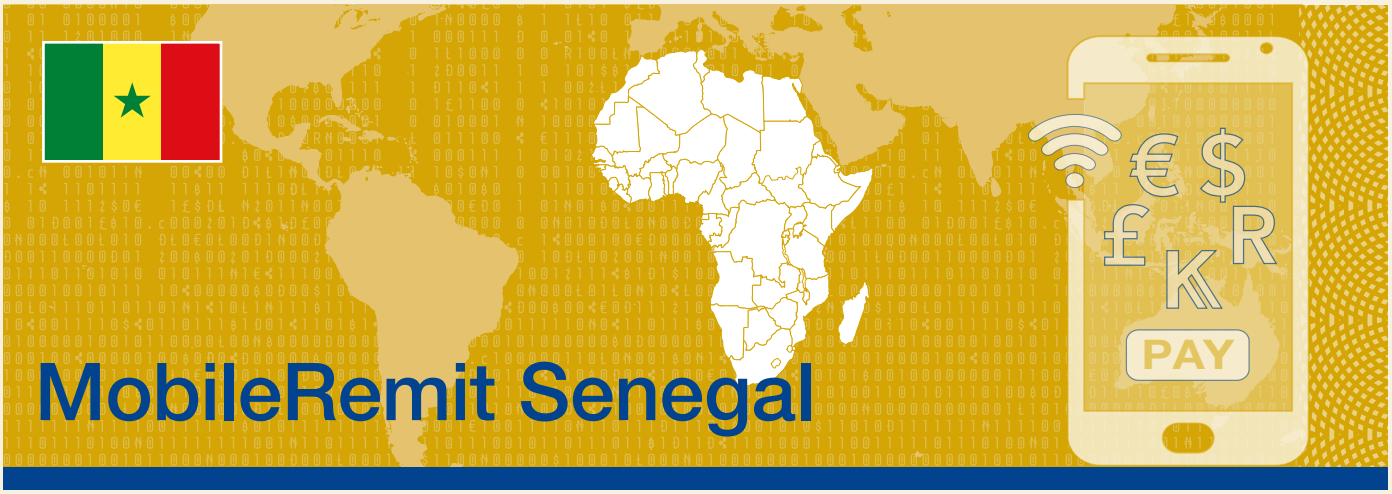
Figure 37. Morocco vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

Morocco is well placed to take advantage of mobile-enabled international remittances. A low level of formal bank account penetration, a high level of mobile phone penetration and an enabling regulatory environment should see the prevalence of mobile remittances increase over the coming years. This will have positive spillover effects such as increasing financial inclusion and closing both the gender and rural usage gaps for financial services. The recent launch of mobile wallets by the country's principal mobile network operators, as well as increasing consumer preference for mobile and digital payments in the wake of the pandemic should serve as a springboard for the country's nascent mobile money industry, creating linkages and opportunities for mobile-enabled remittances and mobile financial services going forward.



MobileRemit Senegal

Background

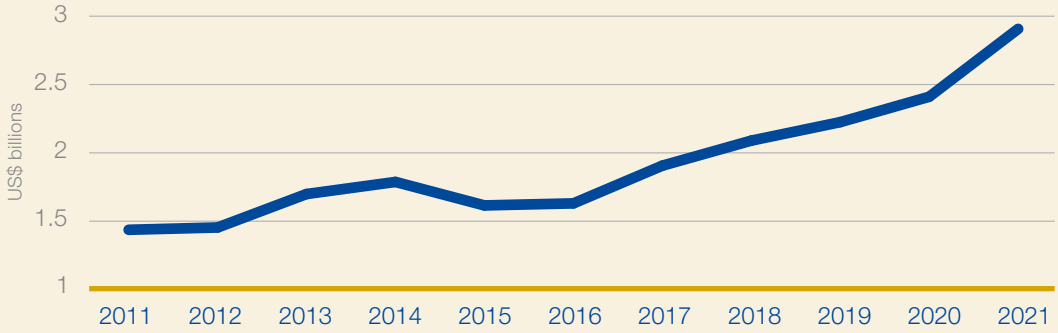
In 2021, international remittance flows to Senegal reached US$2.9 billion. At an average of roughly 10 per cent of GDP for the past decade, the country's economy has a historical dependence on remittances as an external source of financing (figure 38). This dependency is reflected in the fact that it scores highest on the Importance of Remittances (table 11).[43] As part of UEMOA, Senegal shares the West African CFA franc (XOF) with its neighbours in the region (except The Gambia).[44] The CFA is tied to the EUR, meaning there is less volatility on exchange rates for sending migrants, especially those who reside in Europe, than there are for many African corridors.

Table 11. Importance of Remittances index score

		Score
1	**Senegal**	**88**
2	Egypt	83.5
20	Burkina Faso	37
42	Namibia	14.5
43	Botswana	13

Source: MobileRemit Africa 2021.

Figure 38. Senegal inbound remittances



Source: World Bank data.

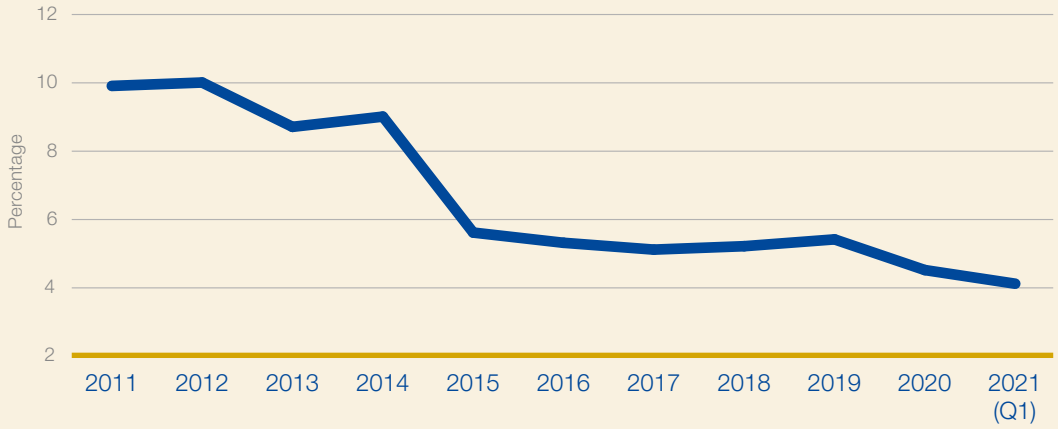
43/ See https://RemitSCOPE.org/africa/senegal.

44/ UEMOA single currency (CFA franc) is administered by the region's central bank, BCEAO as it is more commonly known, based in Dakar. There are plans to replace it with a new currency under measures announced in 2019.

Pricing

As a result of lower exchange rate volatility and greater currency liquidity, Senegal has comparatively low remittance costs. The average cost of sending US$200 has been steadily falling over the past 10 years and stood at 4.1 per cent for Q1 2021 (figure 39). This is significantly lower than the global average of 6 per cent for Q4 2021 and stands in stark contrast to neighbouring The Gambia's average cost of almost 12 per cent.

Figure 39. Senegal average remittance costs



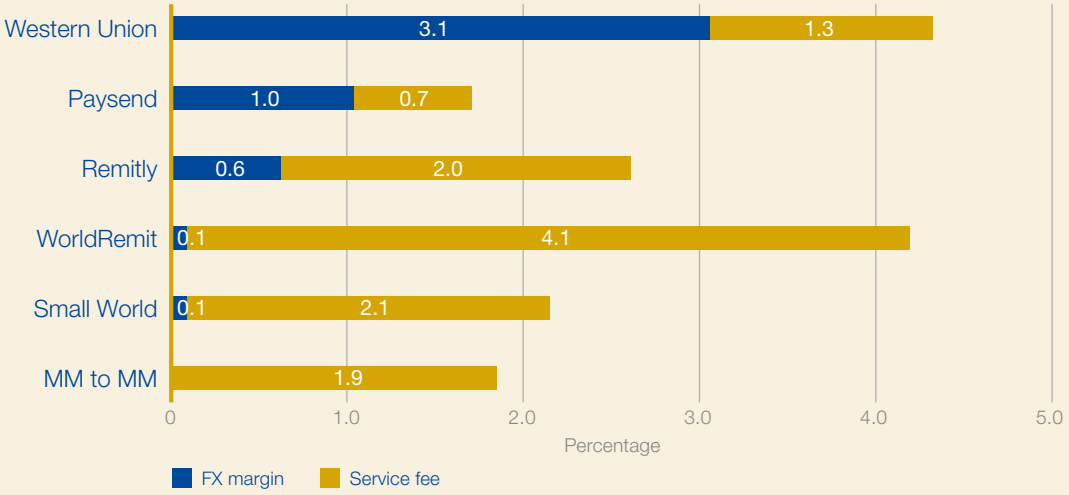
Source: World Bank Remittance Prices Worldwide.

Digital and mobile channels contribute to even lower costs. In Q3 2021, mystery shopping conducted as part of this research revealed the average cost to terminate a digital send of US$200 equivalent from a developed country into a mobile wallet was 2.67 per cent, of which the foreign exchange margin averaged 0.46 per cent (figure 40). This means that terminating a remittance into a mobile wallet in Senegal on average meets the SDG 10.c target of 3 per cent.

For sending within Africa, the UEMOA region has some of the lowest costs globally for remittances, especially for those terminating into mobile wallets. This is partly helped by its single currency, which eliminates foreign exchange fees but also reflects the lower costs inherent to the use of mobile technology. The average cost of sending a US$200 mobile money to mobile money remittance (mobile money to mobile money – see figure 40) to Senegal was just 1.85 per cent, again significantly below the SDG 10.c target of 3 per cent.[45]

45/ DMA Global survey conducted Q3 2020.

Figure 40. Mystery shopping mobile remittance charges to Senegal Q4 2021



Source: MobileRemit Africa 2022.

Mobile remittance environment

Senegal has seen significant improvements in financial inclusion over the past 10 years due to increased mobile money penetration. At the time of the most recent Findex survey in 2017, the headline financial inclusion rate of 42 per cent had increased from 15 per cent, largely driven by increasing mobile money penetration.[46] The GSMA rates the prevalence of mobile money in Senegal as high, the second highest score in its five-level scale.[47] Mobile money has performed comparatively well in Senegal during the COVID-19 crisis. The regional central bank BCEAO issued emergency measures that helped mobile money to continue flowing during lockdown. This included introducing fee waivers for certain payment types, distributing social cash transfers via mobile money and permitting and temporarily lowering KYC requirements to allow the bulk sign-in of new customers.[48]

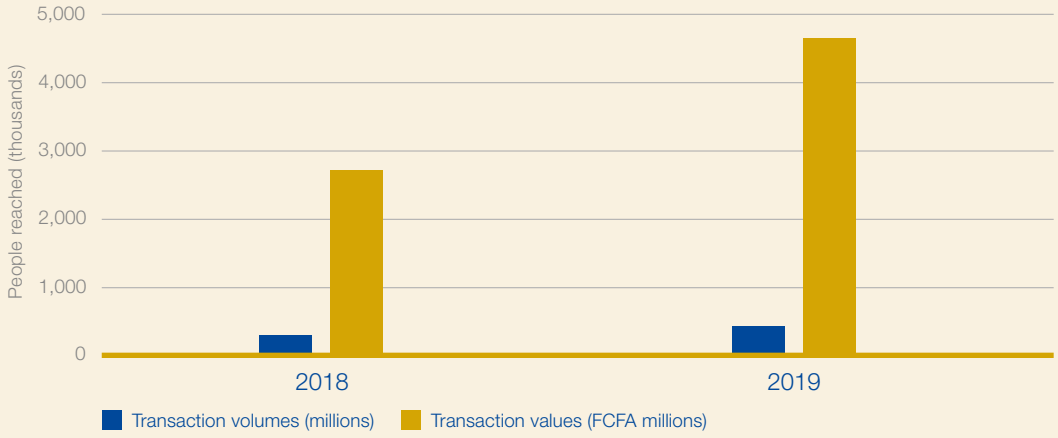
There are two separate licencing regimes under which e-money wallets can be offered. The first is a specific mobile money licence issued solely to mobile operators, while the second is an e-money licence issued in partnership with local banks. In total, there are seven different providers of e-money wallets in Senegal, four of which currently process international remittances. However, despite the presence of these operators, and mobile money's increasing popularity, RemitSCOPE estimates that currently no more than 5 per cent of the country's US$2.2 billion remittances are terminated into mobile wallets, leaving plenty of room for growth in the future.

46/ See https://globalfindex.worldbank.org.

47/ GSMA's Mobile Money Prevalence Index blends mobile money penetration, usage and access to offer a blended aggregate score of mobile money prevalence in a given country.

48/ Orange Money Senegal reported the signing of 350,000 new customers using these measures.

Figure 41. Senegal financial inclusion and mobile money penetration



Source: RemitSCOPE.

Table 12. List of mobile money operators in Senegal

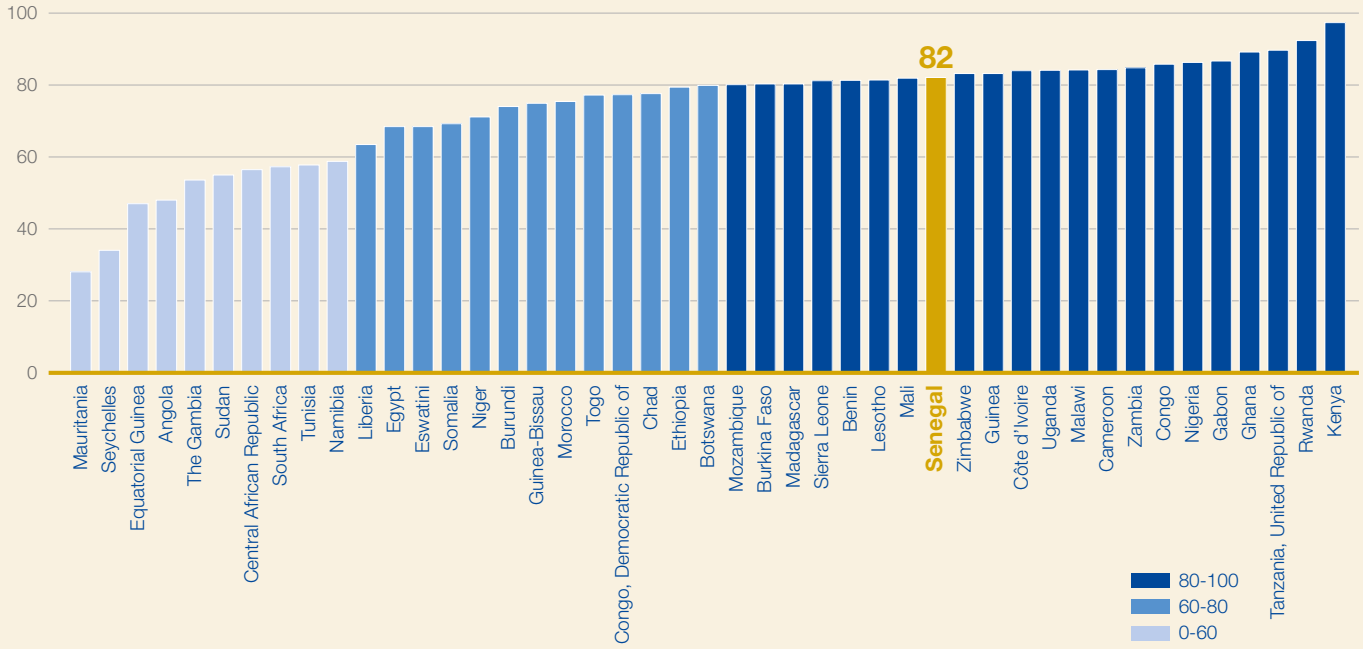
Service	Parent	Licence	Launch	International remittances
Orange Money	Orange	Mobile Money	2010	Yes
Free Money	Free (formally Tigo)	Mobile Money	2014	Yes
Wizall Money	Wizall and Ecobank	E-money	2017	Yes
YUP	Tagpay and Société Générale	E-money	2017	Yes
E-money	Expresso and BSIC SN	E-money	2018	No
Wave Mobile Money	Zuulu Pay and UB	E-money	2017	No
Ka$h Ka$h	Ka$h Ka$h and Banque de Dakar	E-money	2018	No

Source: BCEAO Nov 2020.

Senegal MobileRemit analysis

Senegal secures a high score in the MobileRemit Africa index. The relative success of mobile money, combined with the ability to send and terminate international remittances into mobile wallets sees Senegal secure an index score of 82, placing it fifteenth in the continent overall and in the top quintile of countries with a favourable environment for mobile remittances (figure 42).

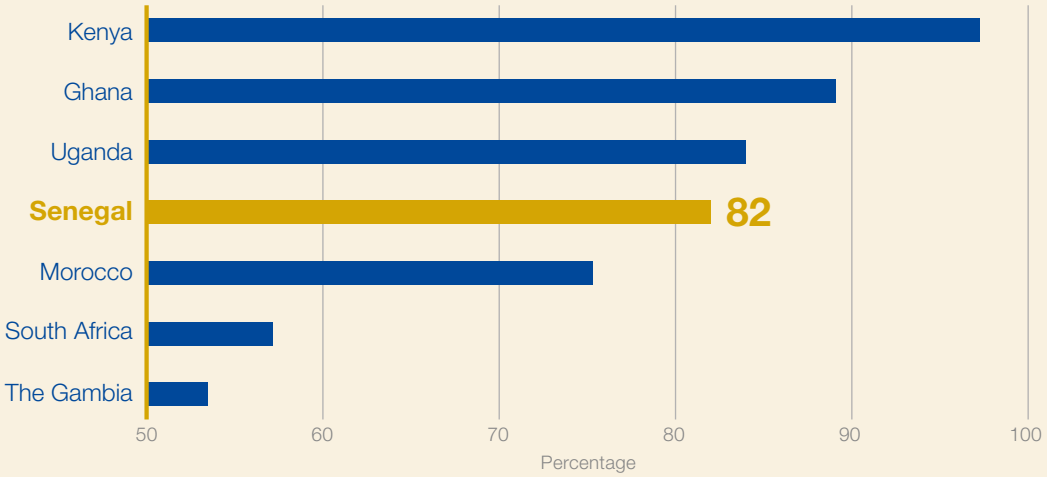
Figure 42. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Senegal is also ranked in the middle of the seven PRIME Africa countries (figure 43).

Figure 43. PRIME Africa MobileRemit index scores



Source: MobileRemit Africa 2022.

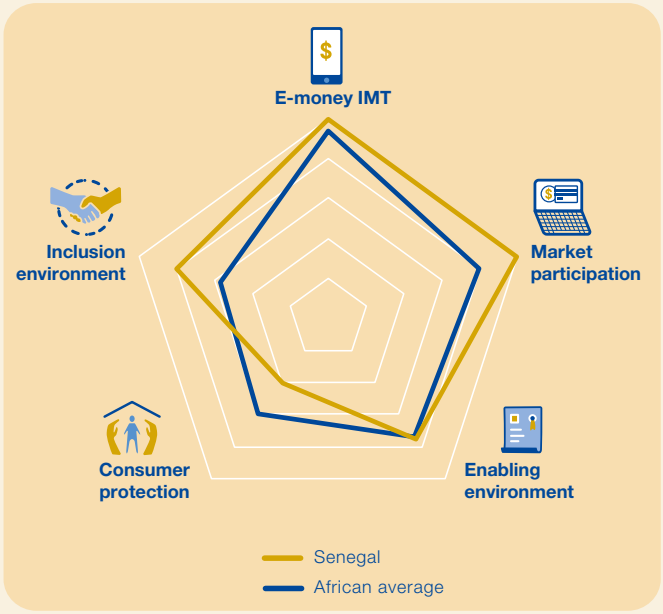
Senegal's favourable score can be attributed to its high pillar scores on enabling market environment for mobile money remittances and also its high mobile money penetration and usage (table 13). The lack of domestic interoperability for mobile payments means Senegal does not achieve a perfect score for enabling regulatory environment. However, with BCEAO's ongoing plans to extend GIM-UEMOA functionality to mobile payments, this pillar's scores are expected to improve. Despite having good mobile money penetration and usage, Senegal scores low on the consumer protection pillar. This is due to the lack of regulations safeguarding customer funds, via the use of dedicated trust accounts for instance, as well as the absence of deposit insurance for mobile money account holders. This is a position that extends itself to all countries within UEMOA. If change is to happen it will need to be agreed at a regional level.

Table 13. Senegal – MobileRemit pillar scores

E-money IMT	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	100	75	40	80

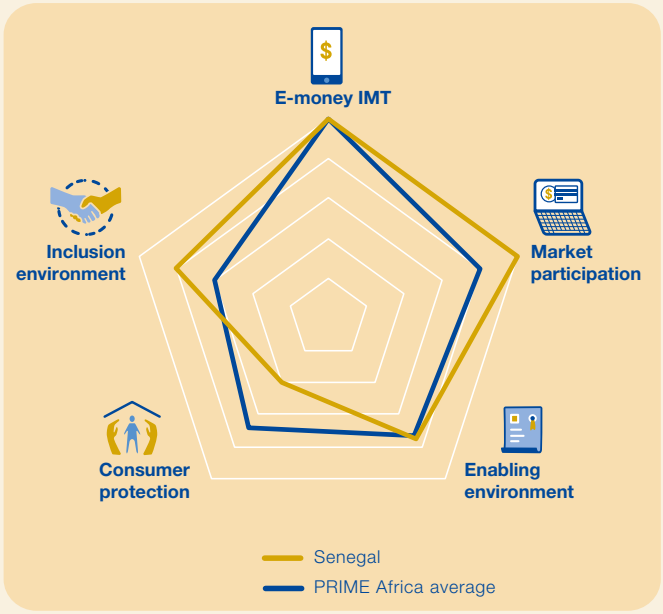
The low scores for consumer protection for Senegal are reflected when compared to both the continental and PRIME Africa averages (figures 44 and 45). For both, Senegal scores higher in all pillars except consumer protection, where there is still room for improvement.

Figure 44. Senegal vs African pillar scores



Source: MobileRemit Africa 2022.

Figure 45. Senegal vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

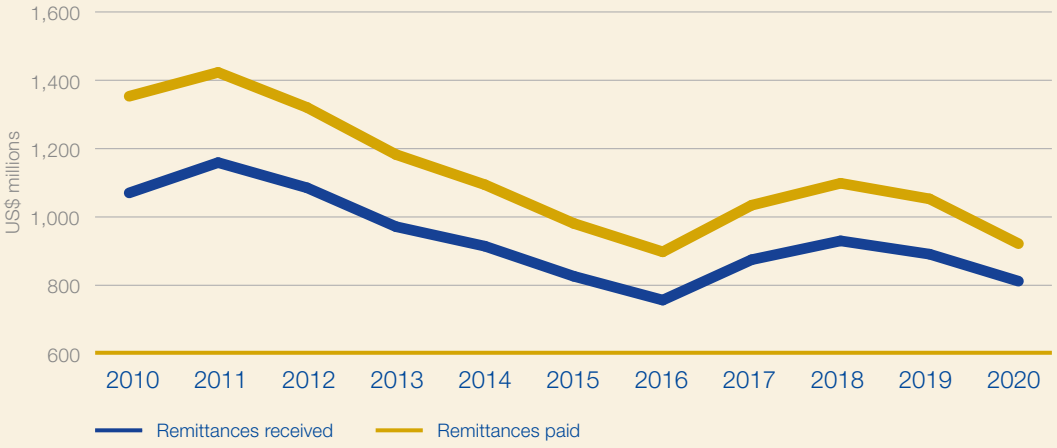
Senegal is well-positioned to take advantage of mobile-enabled international remittances. With a progressive regulator, good mobile money prevalence and very competitive mobile remittance pricing, Senegal should improve its share of mobile-enabled remittances beyond the 5 per cent currently witnessed. Two areas of policy intervention that could assist with that is extending domestic payment interoperability to mobile payments and also protecting customers' mobile money via deposit insurance and the use of ring-fenced trust accounts.

MobileRemit South Africa

Background

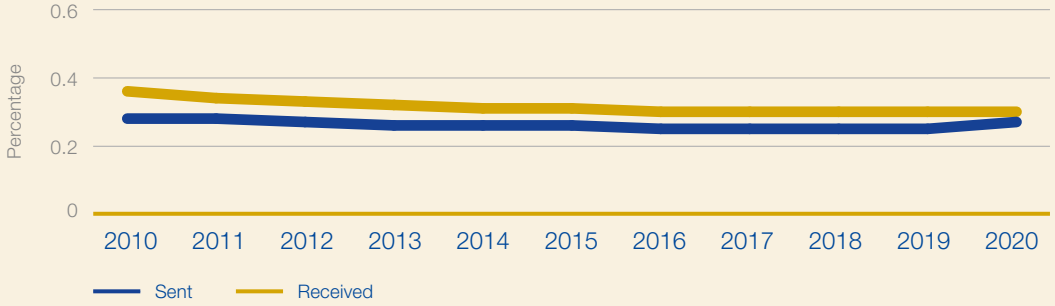
In 2021, international remittance flows to South Africa reached US$927 million. The country is unique in Africa (figure 46) in that most remittances sent from there are destined for the neighbouring Southern African Development Community (SADC) region, since most immigrants in South Africa originate from there. Remittance flows to and from South Africa represent a very low percentage of the country's GDP (figure 47). However, outbound remittances from South Africa represent a significant share for most SADC receiving countries.[49]

Figure 46. Remittance flows to and from South Africa



Source: World Bank data.

Figure 47. South Africa remittance dependency



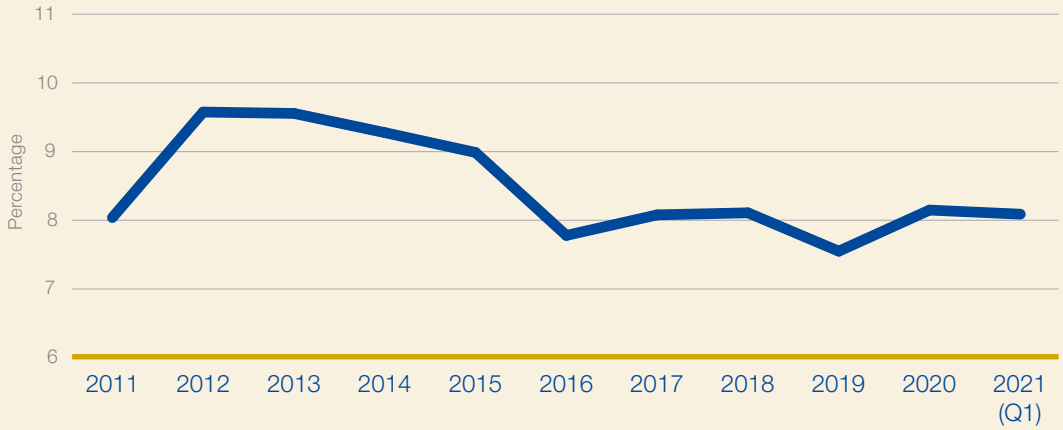
Source: World Bank data.

49/ RemitSCOPE Africa. https://RemitSCOPE.org/africa/south_africa.

Pricing

When analysing remittance prices for South Africa, it is important to consider both send and receive prices. While the price of sending remittances to South Africa of around 8 per cent is high (figure 48), and in excess of the global average, the cost of sending remittances from the country are among the most expensive in the world. As of Q1 2021, the average price for sending a US$200 remittance from South Africa was 14.9 per cent (figure 48). Both send and receive remittance costs for the country are far in excess of the SDG 10.c target of 3 per cent.

Figure 48. South Africa average receive remittance costs

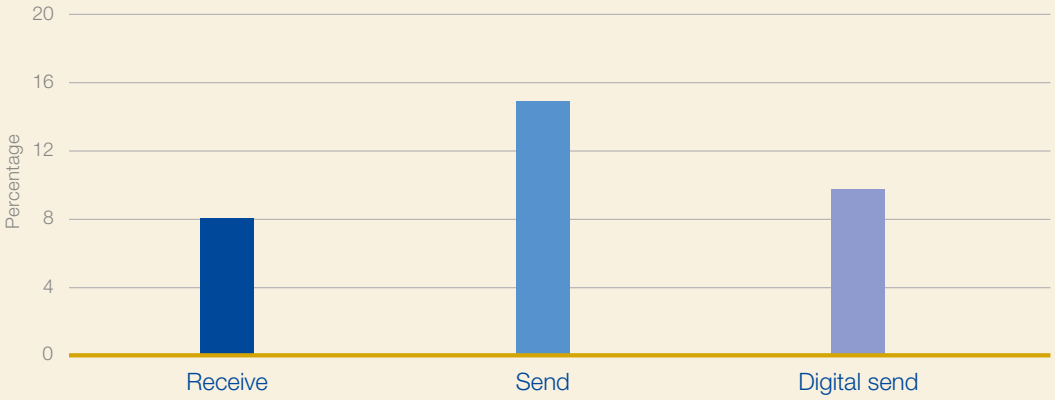


Source: World Bank Remittance Prices Worldwide.

Part of the reason for the high cost is the banking system's monopoly over receiving remittances. Although mobile money is live in the country, it is currently not possible to send remittances to a mobile money wallet in South Africa, even though the regulations in principle permit non-bank financial institutions to pay out international remittances. As such, the cost savings that are witnessed for this channel in other PRIME Africa countries have not been replicated here. On the send side, while digital operators offer remittances via digital wallets that are cheaper than other channels, the average cost at 9.75 per cent remains well in excess of the average global cost of 6 per cent in Q4 2021 (figure 49).[50] This is largely due to strict exchange controls as implemented by the South African Reserve Bank (SARB), a complex licensing system and strict AML/CFT reporting requirements (per transaction). Mobile money operators specifically speak of the difficulty of acquiring licences for international remittances and none currently offer the service, although some are in the process of applying.[51] The combined impact of these measures means there is a parallel foreign exchange market that facilitates informal remittance flows. For now, the UN's SDG 10.c average of 3 per cent remains out of reach for formal remittances.

50/ World Bank (2021), Remittance Prices Worldwide. https://remittanceprices.worldbank.org/en.
51/ RemitSCOPE Africa, South Africa deep dive. https://RemitSCOPE.org/africa/pdfs/deepdive_south_africa.pdf.

Figure 49. South Africa remittance prices (Q1 2021)



Source: World Bank Remittance Prices Worldwide.

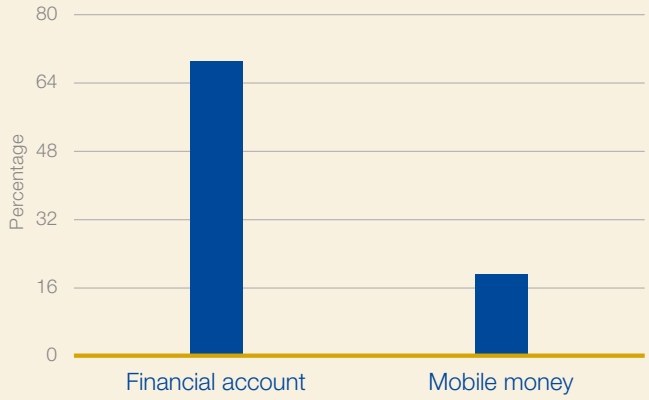
Mobile remittance environment

Mobile money has had many false starts in South Africa. Although two of the most successful providers of mobile money on the continent (MTN and Vodacom) are headquartered in the country, usage remains low. The GSMA measures the prevalence of mobile money as very low in South Africa; the lowest score in its five-tier rating.

There are two factors that can account for the low up-take of mobile money services in the country. First, South Africa operates a bank-led regulatory model for mobile money, whereby mobile money operators require a bank sponsor. These often uneasy partnerships increase costs of providing mobile money services, removing one attractive feature of its business model. Second, South Africa already has very high rates of financial inclusion, removing a core need of those who use the mobile money services elsewhere. In 2018, the World Bank's Findex survey reported that close to 70 per cent of South Africans had an account at a formal financial institution, with just 19 per cent of those having registered for a mobile money account (figure 50).[52] A year later, FinScope reported a formal financial inclusion rate of 80 per cent, with a financial exclusion rate of just 7 per cent (figure 51).[53] In other countries in sub-Saharan Africa it has been the unbanked who have been formally excluded from the banking system that have driven the adoption of mobile money. These factors were among the reasons that Vodacom pulled its successful M-Pesa service from South Africa in 2016.[54] Instead, it is focusing on a fintech app (digitally connected to existing payment services) in partnership with Ant Financial Services.[55]

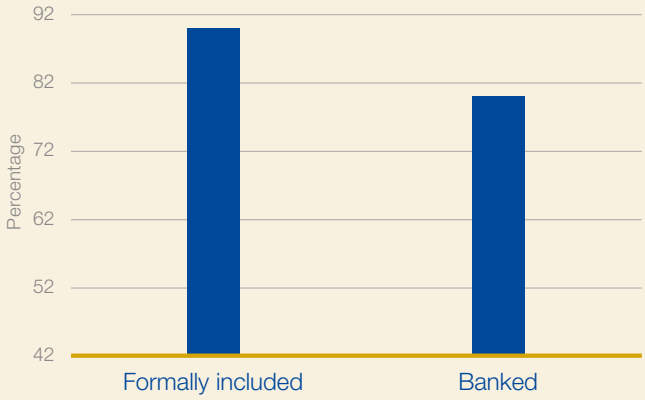
52/ Findex 2017.
53/ Finmark Trust (2021), Digitisation of Financial Products for Cross-Border Traders.
54/ BBC (2016), Why M-Pesa failed in South Africa. https://www.bbc.co.uk/news/world-africa-36260348.
55/ Techpoint Africa (2020), After its failed stint with M-Pesa, Vodacom is planning to launch another fintech service in SA.

Figure 50. South Africa financial inclusion – Findex data



Source: Findex 2017.

Figure 51. South Africa financial inclusion – FinScope data



Source: Findex 2017.

Despite the low prevalence of mobile money in the country, there are a number of mobile wallets live in the market offering e-money services (table 14). MTN relaunched its mobile money service (which has recently rebranded as a fintech offering) in 2020. Leading retailer Shoprite offers a mobile money wallet as do leading local banks Nedbank and Standard Bank. Currently, none of these mobile money operators are permitted to pay out on international remittances.

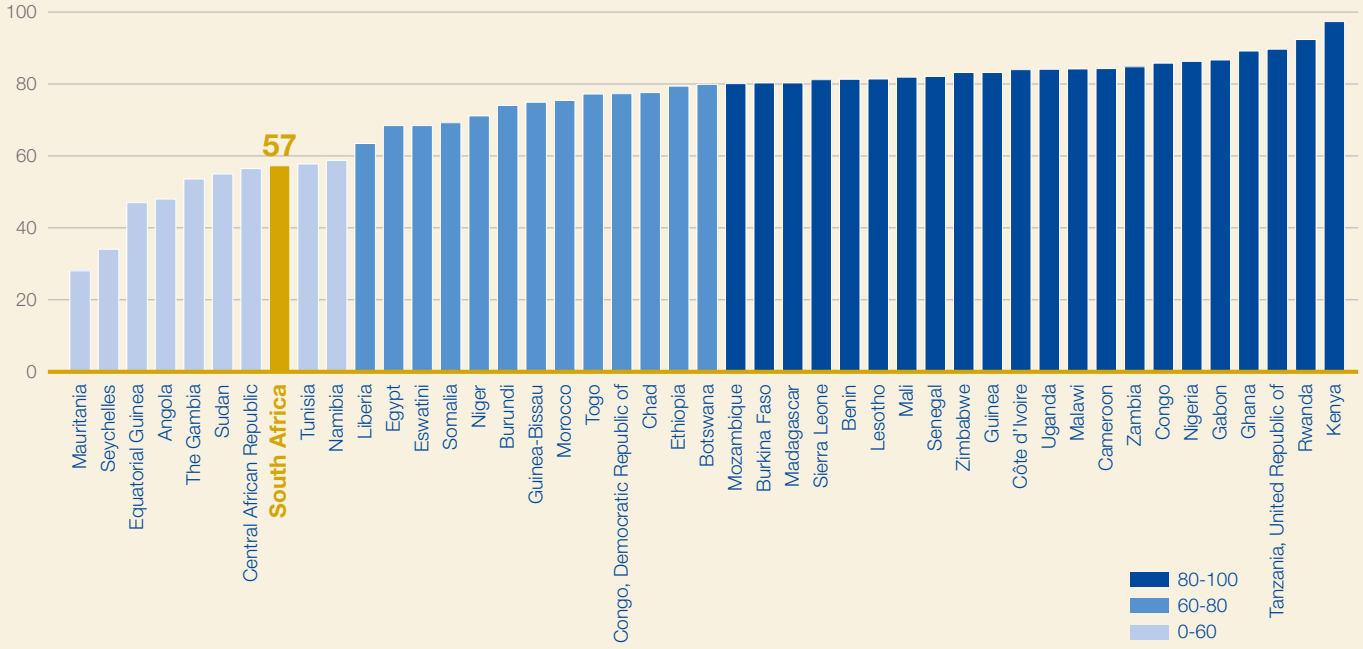
Table 14. List of mobile money operators in country

Service	Parent	Licence	Launch	International remittances
MTN MoMo	MTN	Ubank	2020	No
Instant Money	Standard Bank	Standard Bank	2009	No
Money Market	Shoprite	Standard Bank	2018	No
MobiMoney	Nedbank	Nedbank	2018	No

South Africa MobileRemit analysis

Given the challenges mobile money operators face in receiving the necessary licences to receive or send remittances, it is no surprise that South Africa scores a relatively low 57 in the MobileRemit Africa index (figure 52). That places it eighth lowest in the continent, well below the continental average of 74 and the PRIME Africa average of 77.

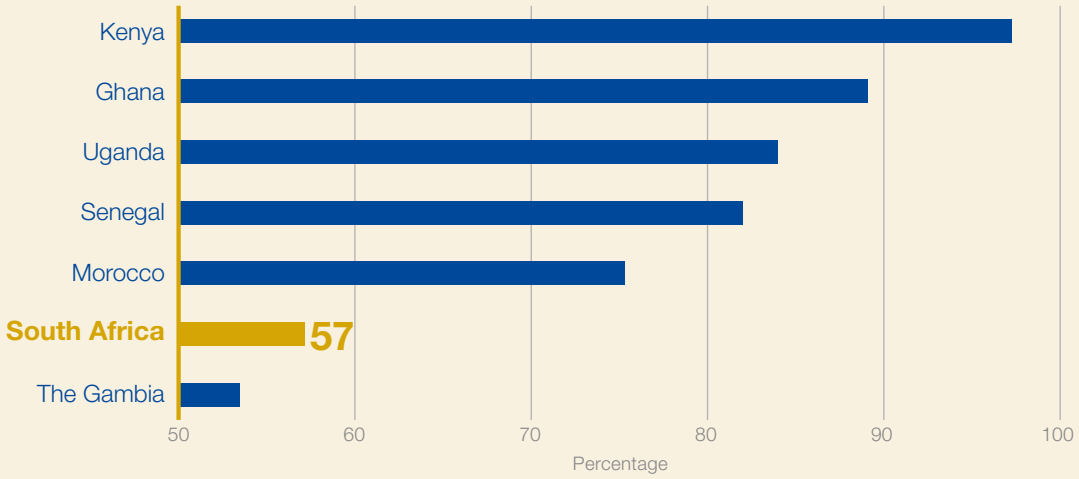
Figure 52. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

South Africa's score is the second lowest of the seven PRIME Africa countries, placing it just above The Gambia's, which is poised to improve its own score in the coming years and possibly overtake South Africa (figure 53).

Figure 53. MobileRemit index scores for PRIME Africa countries



Source: MobileRemit Africa 2022.

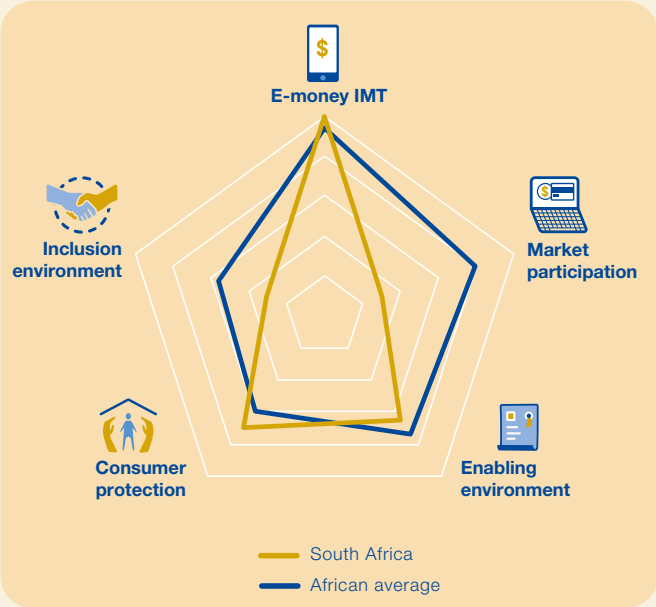
South Africa's low index score is reflected in the contradiction in its pillar scores (table 15) whereby mobile money enabled international remittances are in theory permitted by the regulations (therefore awarded full marks under e-money IMT pillar). However, as of today, no mobile money issuer has been awarded such a licence (the 30 scored for market participation relates only to the presence of domestic mobile money transfers). The low prevalence of mobile money means it also scores low on the inclusion environment pillar (31). Its enabling environment score of 65 is lower than both the African and

PRIME Africa averages and is largely held back by the lack of interoperability for mobile money in the country (figures 54 and 55). The only pillar where the country does relatively well is on consumer protection where its score of 70 is slightly better than the African and PRIME Africa averages. Its score here is assisted by the use of trust accounts where interest is also payable to customers and a robust framework for consumer protection in the wider financial services industry.

Table 15. South Africa – MobileRemit pillar scores

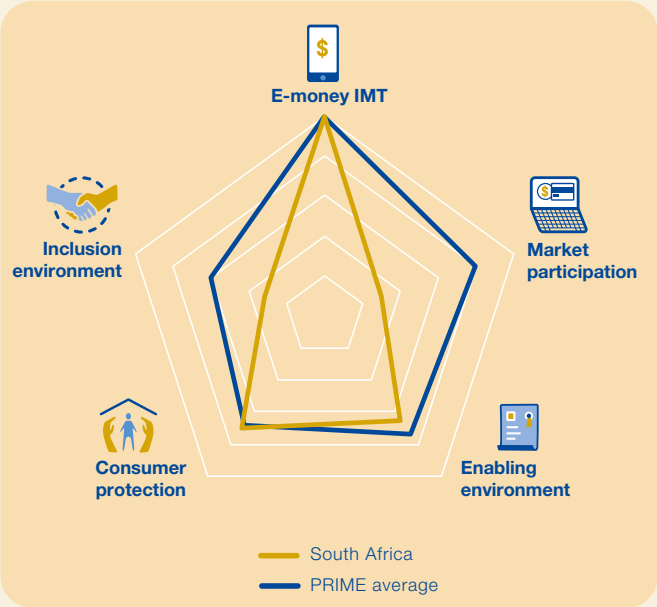
E-money IMT	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	30	65	70	31

Figure 54. South Africa vs African pillar scores



Source: MobileRemit Africa 2022.

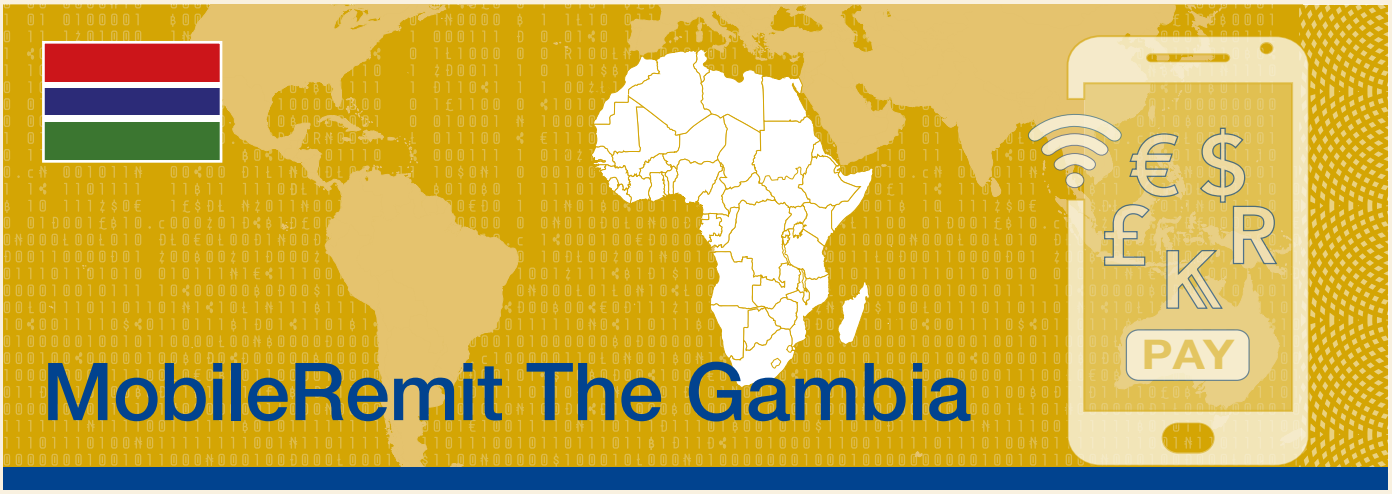
Figure 55. South Africa vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

South Africa has some of the highest costs for receiving and sending international remittances in the world. Regulatory inflexibility means that the progress seen with mobile and digital cost reduction for remittances in other countries is yet to be repeated here. South Africa is an upper-middle income country with a high rate of financial inclusion. As such, the innate demand for the service that we see from the unbanked elsewhere in the continent is not present. Demand for the mobile money service is further hampered by the additional costs placed on it by the requirement for mobile money operators to have a bank partner. While we are seeing the growth of fintech-offered digital wallets in the country, these offerings have difficulties in acquiring remittance licences (no mobile money operators yet has succeeded in gaining one) and where they do strict exchange controls and AML/CFT reporting requirements push up the costs of offering these services. If South Africa is to gain from the progress seen in digital and mobile offered remittances elsewhere on the continent, these bottlenecks will need to be addressed.



MobileRemit The Gambia

Background

In 2021, international remittance flows to The Gambia reached US$774 million. It is a small fragile state with a very high dependency on personal remittances. Formal remittance flows have steadily grown over the past 10 years with a recent sharp growth observed during the last four years, from US$278 billion in 2018 to US$773 billion in 2021 (figure 56). Remittances represented 63 per cent of the GDP in 2021 leaving The Gambia with one of the highest dependencies on remittances in the world.[56] The Gambia stands at the eighth position on the continent for the Importance of Remittances[57] given its comparatively lower amount of inbound remittances in absolute terms (table 16). The country's geographic location means that it is entirely surrounded by Senegal and, by extension, the regional economic bloc UEMOA, with its single currency being the CFA franc. As such, the local currency, the Gambian dalasi (GMD) suffers from illiquidity issues which pushes up the price of remittances. The Gambia's diaspora community is geographically diverse and small in size, which is another contributor for remittance high price to the country, close to 12 per cent.

The Gambia's formal financial account and mobile money penetration lags regional averages, which means that remittance recipients lack digital alternatives to cash. However, local mobile money operations have recently relaunched, and, with the recent launch of QMoney international mobile remittances and other approvals in principle pending for the receipt of remittances, this situation is expected to improve over the next few years.

Table 16. Importance of Remittances index score

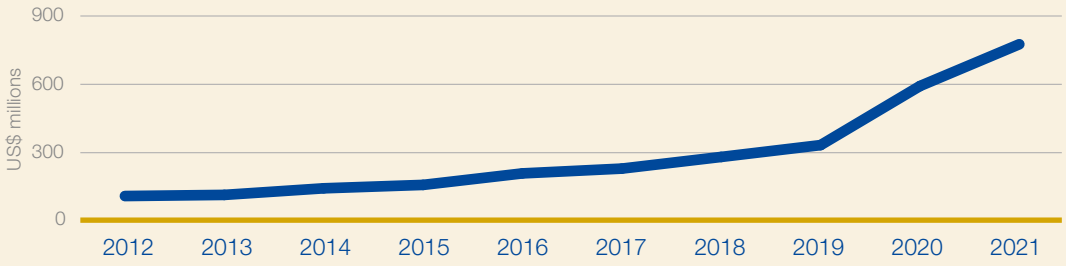
		Score
1	Senegal	84
7	Morocco	70
8	**The Gambia**	**69**
9	Tunisia	64.5
43	Botswana	13

Source: MobileRemit Africa 2021.

56/ Those recent trends can be attributed to two main factors: (i) change in remittances data measurement with the recent switch to the IMF standards for Balance of Payment Measurement 6, (ii) from 2020, previously unrecorded informal flows have been re-routed through formal channels during and after the COVID-19 pandemic.

57/ The Importance of Remittances Index is a composite score that reflects the magnitude of formal remittance flows into the receive country, how important these formal contributions are to the receive country's economy and, at the household level, the proportion that receives money from family and friends overseas (informal and formal).

Figure 56. The Gambia inbound remittances (US$ million)

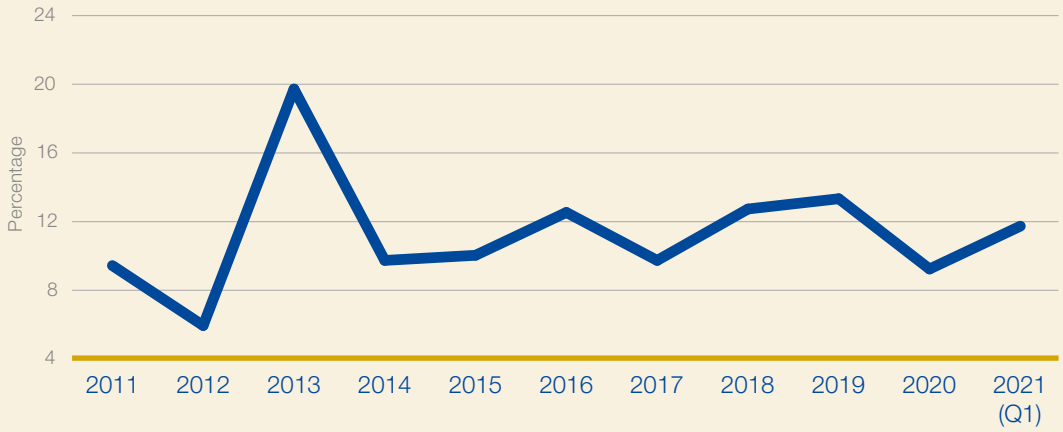


Source: Central Bank of The Gambia, World Bank data.

Pricing

The Gambia's illiquid currency, a diminished send-side competition and current lack of digital pay-out options leave the country with some of the highest remittance prices in the world. The current average for a US$200 remittance via formal channels is close to 12 per cent (figure 57), almost double the global average of 6.38 per cent.[58] With that in mind, there are currently no comparable figures for digital or mobile-only channels.

Figure 57. The Gambia average remittance costs



Source: World Bank Remittance Prices Worldwide.

Mobile remittance environment

At 19 per cent, The Gambia has some of the lowest financial inclusion rates in Africa.[59] There are two live mobile money deployments in The Gambia today, AfriMoney and QMoney. Both started operations in 2016 and traction has been relatively slow. As of 2019, just 2 per cent of adults were registered mobile money users with lack of awareness and lack of money being the principal reasons for non-usage.[60] As a result, mobile money liquidity points are relatively sparse, with agent distribution less dense than that of microfinance institutions or bank branches. In order to address this, AfriMoney was relaunched in September 2020 with a new technology provider and a renewed commitment to expand its mobile money operations and agent distribution.[61] Although

58/ World Bank's Remittance Prices Worldwide database Q1 2021. https://remittanceprices.worldbank.org/en.

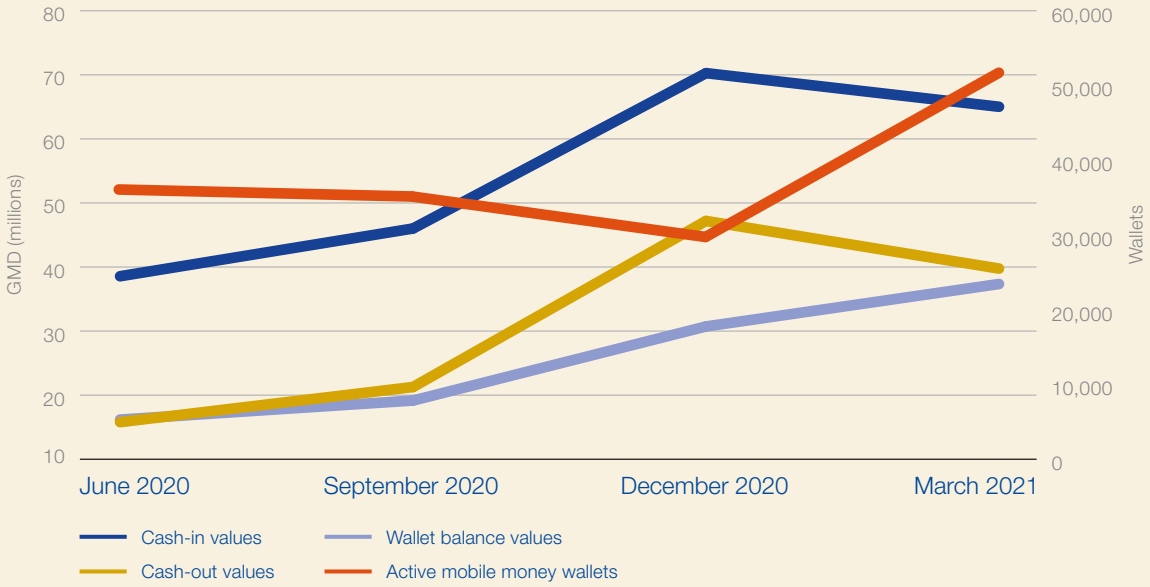
59/ FinMark Trust (2019), FinScope Gambia 2019 survey. https://finmark.org.za/system/documents/files/000/000/147/original/FinScope-Gambia_Pocket-guide-28-11-2019_Final.pdf?1594135120.

60/ Ibid.

61/ Finextra (2020), Africell puts mobile money at the heart of expansion plans.

as of today the GSMA rates the prevalence of mobile money in The Gambia as very low, activity levels appear to be picking up following recent relaunches (figure 58).[62]

Figure 58. The Gambia mobile money data



Source: MobileRemit Africa 2022.

Until recently, neither operator was permitted to terminate remittances into mobile money wallets. However, this has recently changed with the Central Bank of The Gambia (CBG) issuing approvals in principle for mobile remittances to both the main operators, albeit only on a per contract basis. With services planned go live imminently, the expectation is that remittance prices into The Gambia with fall as a result.

Table 17. List of mobile money operators in country

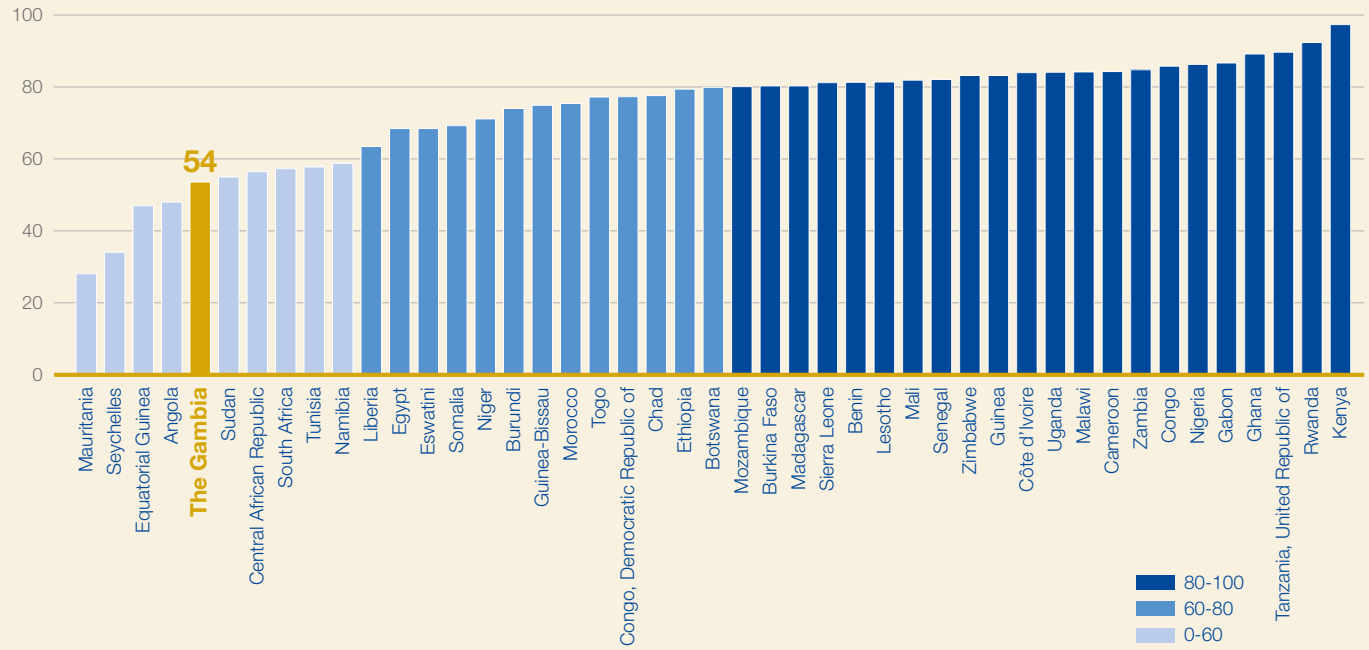
Service	Parent	Launch	International remittances
AfriMoney	Africell	2016	Yes (recent approval)
QMoney	QMoney	2016	Yes (recent approval)

The Gambia MobileRemit analysis

The Gambia's lack of mobile penetration and inability to terminate international remittances into mobile money wallets means that it scores relatively lowly on the MobileRemit index: its score of 54 is the fifth lowest in Africa (figure 59). The Gambia is also the lowest scoring for all PRIME Africa countries (figure 60).

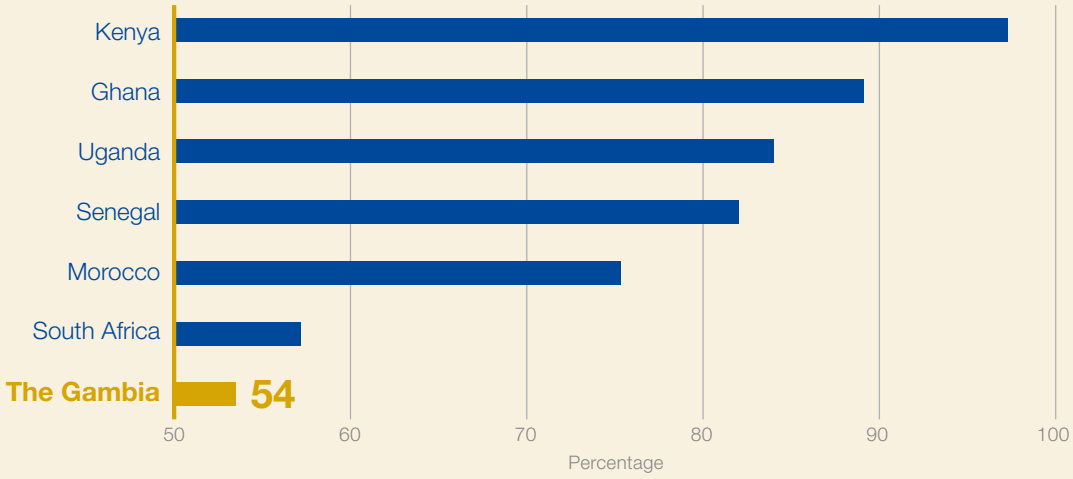
62/ The GSMA's Mobile Money Prevalence Index blends mobile money penetration, usage and access to offer a blended aggregate score of mobile money prevalence in a given country.

Figure 59. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Figure 60. MobileRemit index scores for PRIME Africa countries



Source: MobileRemit Africa 2022.

This low score is reconfirmed when examining the index scores at the pillar level (table 21). The Gambia measures lower than the continental average for all pillars except e-money international money transfer where it scores just above average (this pillar measures whether receiving remittances by e-money is permitted by legislation). Its lowest scoring pillar is market participation (30), which measures whether market participants are currently offering either mobile money and/or mobile remittances services. The Gambia's score of 54 is far lower than the African average (80).

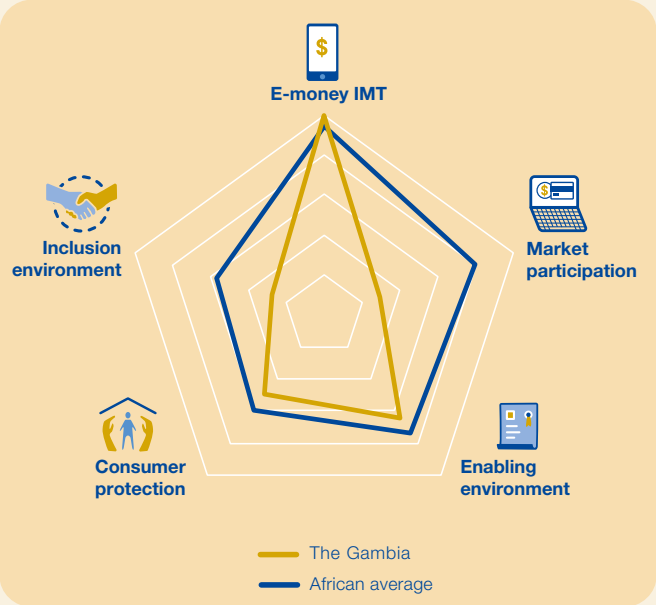
Table 18. The Gambia – MobileRemit pillar scores

E-money IMT	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	30	65	50	27

Significantly, The Gambia also scores far lower in market participation compared to other countries in West Africa, meaning that Gambian migrants are placed at a disadvantage compared to their neighbours when sending mobile remittances home (figure 61). Again, this is reflective of the fact that while mobile money is live in The Gambia today, only one of the market participants has just recently launched international remittances.

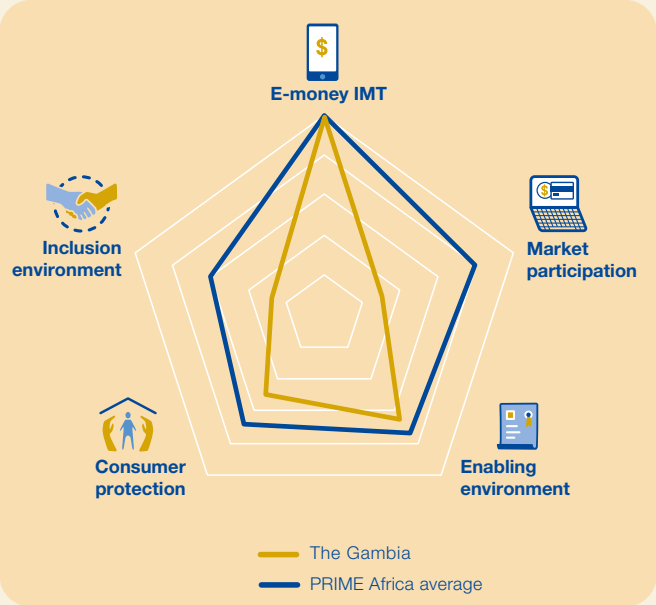
However, on a regional basis, The Gambia scores reasonably well on the consumer protection and enabling environment pillars, implying that the foundation is there for an index score improvement in the short to medium term once mobile remittances are launched in the country.

Figure 61. The Gambia vs African pillar scores



Source: MobileRemit Africa 2022.

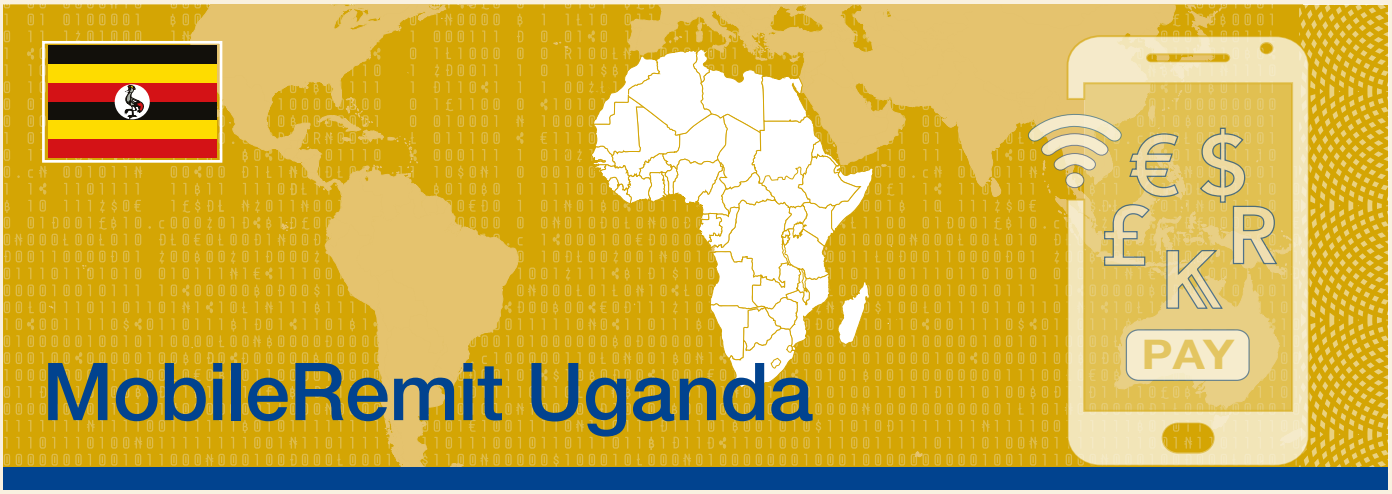
Figure 62. The Gambia vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

The Gambia has some of the highest remittance prices in Africa. Its small population, its relative lack of integration into the regional economy and its illiquid currency have contributed to high costs. The absence of digital and mobile remittance options has further hampered choice for the consumer. This has resulted in The Gambia showing one of the lowest scores in the MobileRemit Africa index. However, with mobile money services recently relaunching and with approval being issued for the termination of remittances into mobile wallets, this situation is expected to improve in the near future. Regulatory flexibility in permitting remittances to be sent by mobile from the country would further assist this process.



MobileRemit Uganda

Background

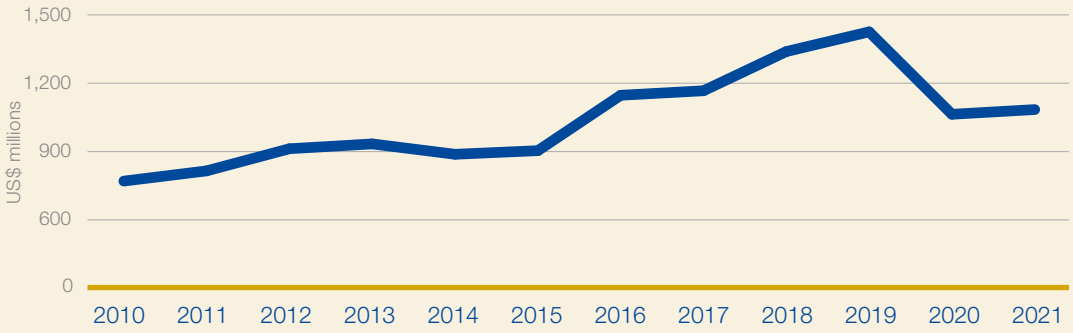
In 2021, international remittance flows to Uganda reached US$1.08 billion. The country is well-versed in matters of migration, both inbound and outbound. It is host to one of the largest refugee populations in the world and the largest in Africa. Uganda has its own dispersed diaspora, with neighbouring Kenya hosting the most (42 per cent). Despite this, Uganda has a medium to low dependency on inbound remittances relative to other countries in sub-Saharan Africa and ranks sixteenth in the continent for RemitSCOPE's Importance of Remittances index (table 19). Inflows have averaged around 3 per cent of GDP for the past decade.[63] In 2021, inbound remittances amounted to US$1.082 billion, representing a year-on-year growth of in spite of the COVID-19 pandemic (Bank of Uganda, 2021) (figure 63).

Table 19. Importance of Remittances index score

		Score
1	Senegal	88
15	Mali	54
16	**Uganda**	**50.5**
17	Ethiopia	50.5
43	Botswana	13

Source: MobileRemit Africa 2021.

Figure 63. Uganda inbound remittances



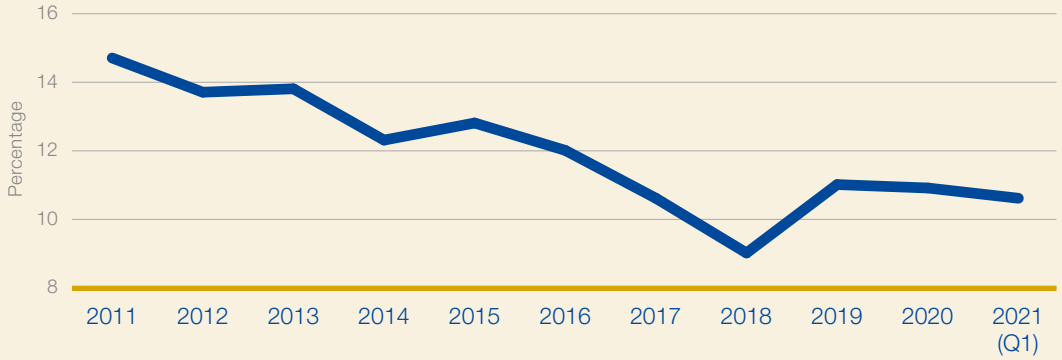
Source: World Bank data.

63/ RemitSCOPE Uganda. https://RemitSCOPE.org/africa/uganda. The Importance of Remittances index is a composite score that reflects the size of formal remittance flows to the receive country, how important these are to the country's economy and – at the household level – the proportion that receive money from overseas, including informal. Scores out of 100.

Pricing

Despite recent improvements, the cost of sending remittances to Uganda is high by both global and African standards. The average cost of sending a US$200 remittance for Q1 2021 was 10.6 per cent (figure 64). This is significantly higher than the global average of 6 per cent for Q4 2021.

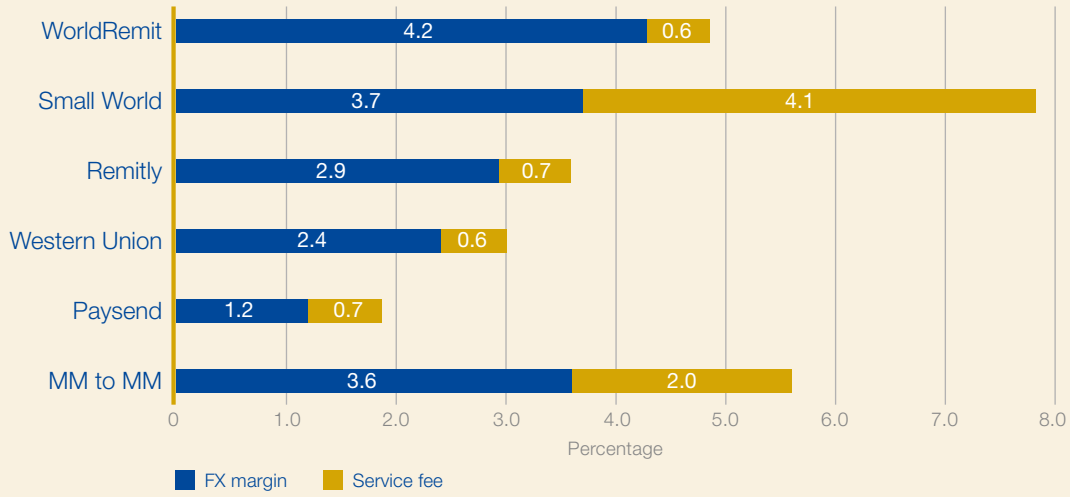
Figure 64. Uganda average remittance costs



Source: World Bank Remittance Prices Worldwide.

Digital and mobile channels are more cost competitive. Mystery shopping in Q3 2021 revealed that the average digital send to a mobile wallet in Uganda from a developed country was 4.2 per cent,[64] with the cheapest coming under the SDG 10.c target of 3 per cent (figure 65). From data taken in 2020, mobile-to-mobile remittances between Uganda and other African countries averaged higher, at 5.6 per cent.[65] However, on the Kenya corridor in particular, there is greater competition with some services with zero rating fees and charging a 3 per cent spread on fees in 2021.[66] In most cases, the majority of the total fee is bundled up into the foreign exchange charge, which is often not transparent to the user. The average foreign exchange spread across all mobile channels was 3 per cent.

Figure 65. Cost for sending the equivalent of US$200 through digital methods Q3 2021



Source: MobileRemit Africa 2022.

64/ Data were collected on 28 September 2021 through a mystery shopping exercise, from Small World and WorldRemit for EU corridors, and from Western Union, Paysend and Remitly for the United Kingdom corridor.

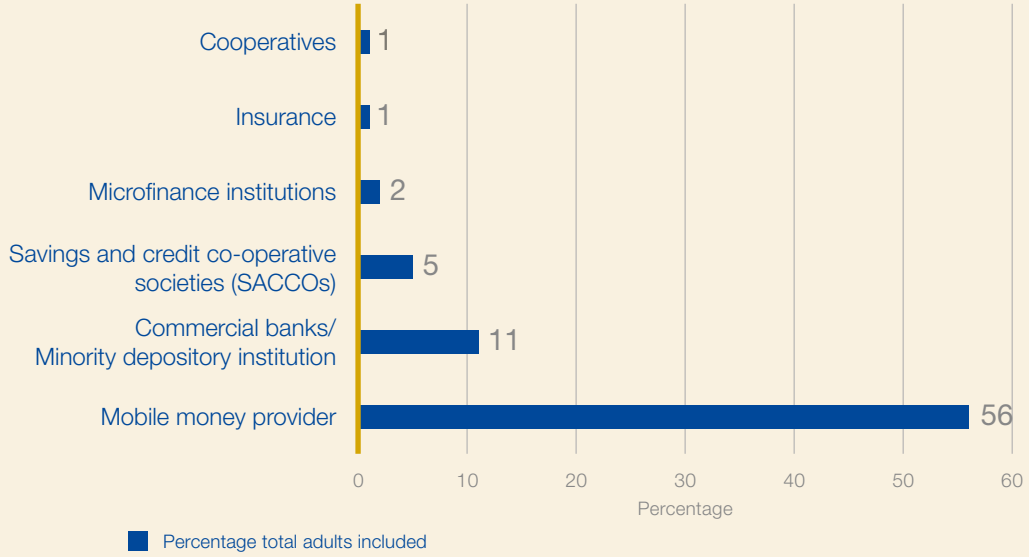
65/ DMA Global mystery shopping conducted Q4 2020.

66/ In April 2021, Safaricom ran a promotion limiting remittance charges to 3 per cent on the Kenya-Uganda corridor.

Mobile remittance environment

Mobile money has been central to the financial inclusion gains witnessed in Uganda over the past decade, during which the increased penetration of mobile money has correlated with an increase in access to financial services. In the 12 years to 2018, formal financial inclusion as measured by FinScope Uganda increased from 28 per cent to 58 per cent, largely driven by mobile money. FinScope estimates mobile money penetration in Uganda to be 56 per cent versus just 11 per cent for commercial banks, and just 7 per cent for savings and credit cooperatives and microfinance institutions combined (figure 66).[67]

Figure 66. Uptake of financial services in Uganda



Source: FinScope 2018.

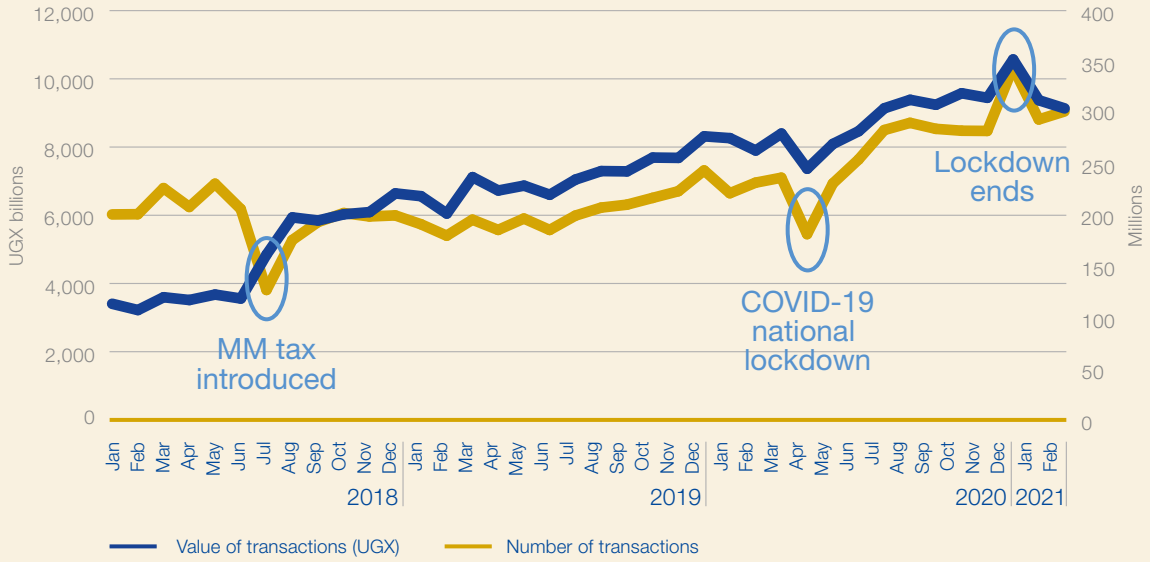
Uganda is one of the most successful countries in terms of the use of mobile money. In the decade since its launch, mobile money has amassed 30 million registered accounts processing over US$26 billion on a yearly basis by 2020, roughly US$72 million per day (figure 67).[68] The GSMA rates the prevalence of mobile money in Uganda as very high, the highest score in its five-level scale.[69] This success has not gone unnoticed by the country's tax authorities, which in 2018 implemented a 1 per cent tax on all mobile money transactions. Following public outcry, it was later revised to 0.5 per cent on withdrawals. Predictably, the value of mobile money transacting through the system decreased dramatically as users switched to agency banking or back to cash. Mobile money transaction values took almost 20 months to recover to their former levels when the COVID-19 pandemic struck. With national lockdowns, mobile money transaction values fell dramatically again but began to recover as mobile money agents were deemed essential services. From this point onward, mobile money benefitted from a switch from cash to digital as a consumer preference for remote transactions emerged. Mobile money ended 2020 on a high note as the national lockdown ended and the industry recorded record transaction volumes and values (figure 67).

67/ FSD Uganda (2018). FinScope Uganda Topline Findings Report.

68/ Bank of Uganda data.

69/ The GSMA's Mobile Money Prevalence Index blends mobile money penetrations, usage and access to offer a blended aggregate score of mobile money prevalence in a given country.

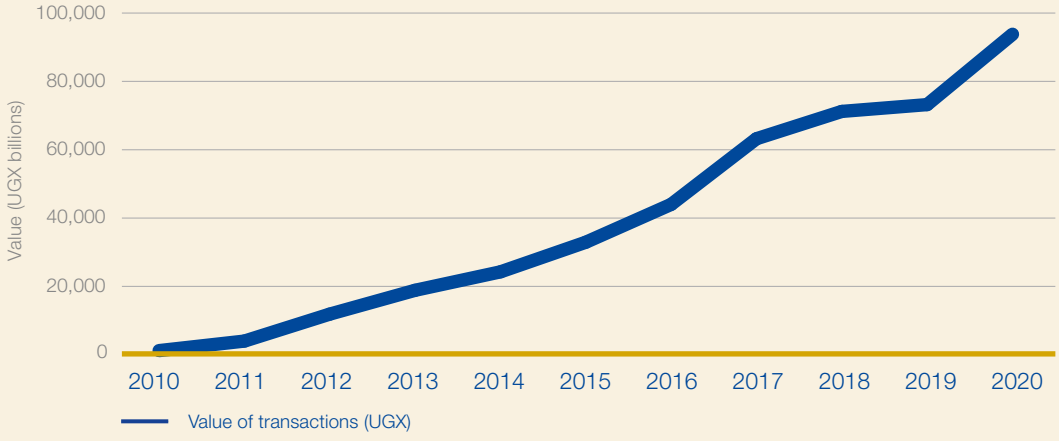
Figure 67. Uganda mobile money data



Source: Bank of Uganda.

Research has shown mobile money taxes to be regressive in nature, impacting poorer consumers more than wealthier ones who could migrate to agency banking, which did not attract the same level of taxation.[70] Yet, when taking a 10-year aggregate view, the industry appears to have recovered to its former growth levels before the mobile money tax was introduced (figure 68).

Figure 68. Uganda mobile money transaction values



Source: Bank of Uganda data.

70/ Clifford (2020), The Causes and Consequences of Mobile Money Taxation, GSMA. https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/06/GSMA_The-causes-and-consequences-of-mobile-money-taxation.pdf.

Uganda passed a new National Payment Systems Act in 2020 that allows mobile money operators to be directly licenced by the central bank. Prior to that, under earlier mobile money guidelines issued in 2013, e-money licences were awarded in partnership with local banks (known as a bank-led models). So far, only two new payment issuer licences have been awarded to MTN and Airtel, both of which offer mobile remittances and dominate the market for mobile money in Uganda (table 20).[71] Under the terms of the licence, the mobile money activities of the operators must be separated from their parent company and incorporated into a separate payments company. Although the need for a partner bank could offer business model flexibility for the mobile money operators, this is somehow offset by having to treat its parent mobile operators at arm's length, resulting in duplication of some processes and activities. Apart from the two main operators, there are five other e-money providers operating under the old regime of bank partnerships.

Table 20. List of mobile money operators in country

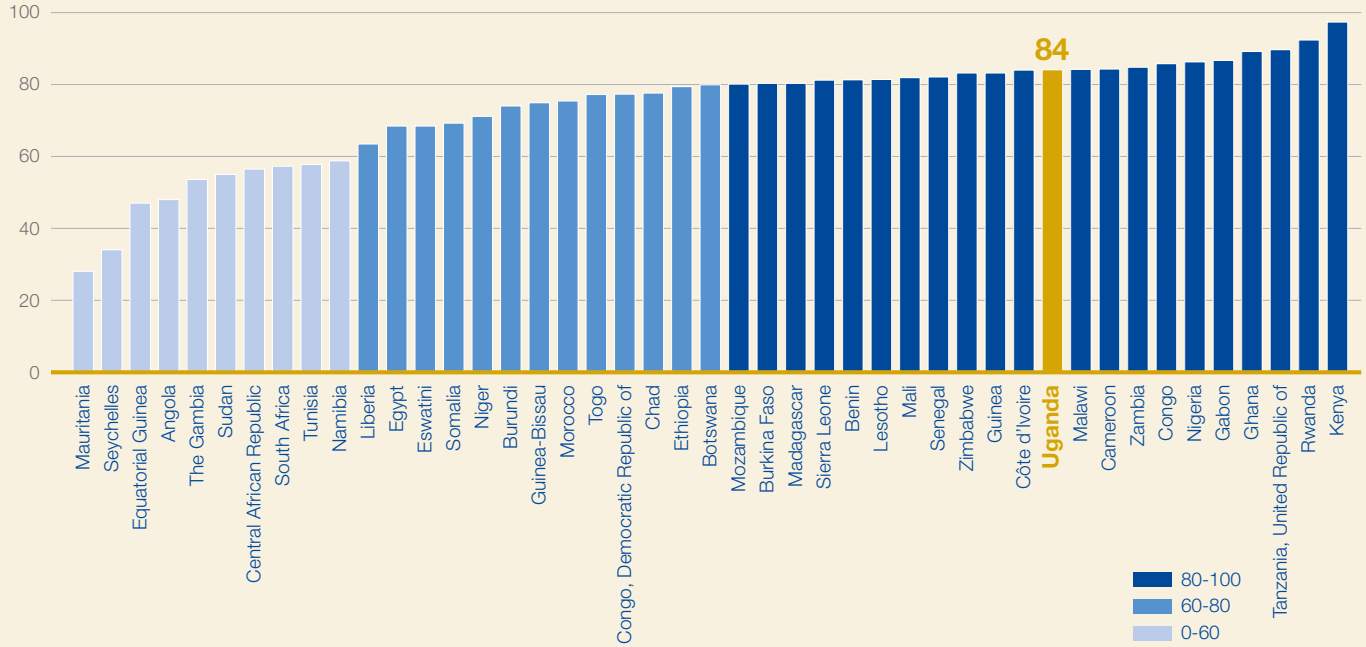
Service	Parent	Licence	Launch	International remittances
MTN MoMo	MTN Mobile Money Uganda Limited	Payment issuer (mobile money direct)	2009	Yes
Airtel Money	Airtel Mobile Commerce Uganda Limited	Payment issuer (mobile money direct)	2009	Yes
M-Sente	Uganda Telecom	Mobile money – Bank partnership	2010	No
MCash	MobiCash	Mobile money – Bank partnership	2012	No
Micropay	Micropay	Mobile money – Bank partnership	2014	No
EzeeMoney	EzeeMoney	Mobile money – Bank partnership	2012	No

71/ https://www.bou.or.ug/bou/bouwebsite/RelatedPages/Publications/article-v2/PUBLIC-NOTICE-Issuance-of-Licences-under-the-National-Payment-Systems-Act-2020.

Uganda MobileRemit analysis

Uganda secures a high score in the MobileRemit Africa index. The success of mobile money combined with the ability to send and terminate international remittances into mobile wallets sees Uganda secure an index score of 84, placing it eleventh in the continent overall and in the top quintile of countries with a favourable environment for mobile remittances (figure 69).

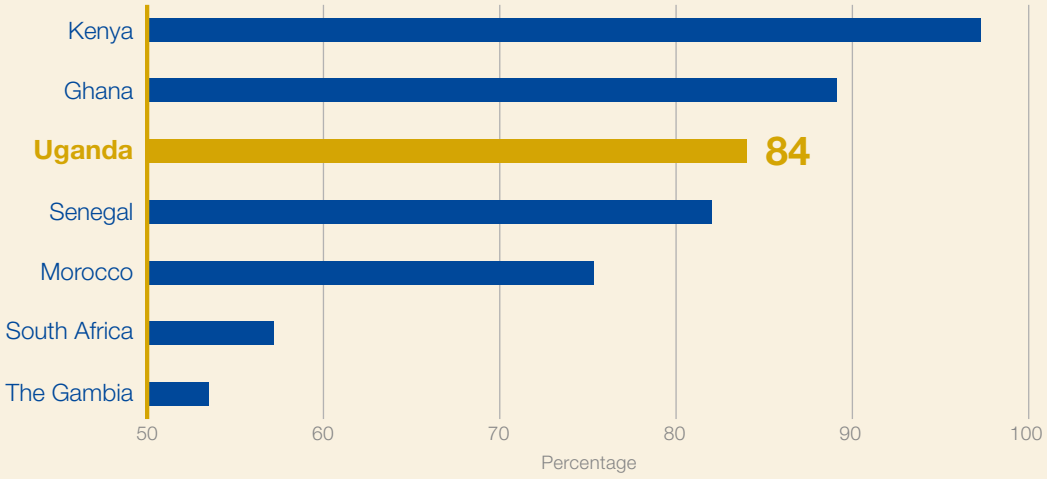
Figure 69. MobileRemit Africa scores



Source: MobileRemit Africa 2022.

Uganda is also ranked third highest of the seven PRIME Africa countries (figure 70).

Figure 70. MobileRemit index scores for PRIME Africa countries



Source: MobileRemit Africa 2022.

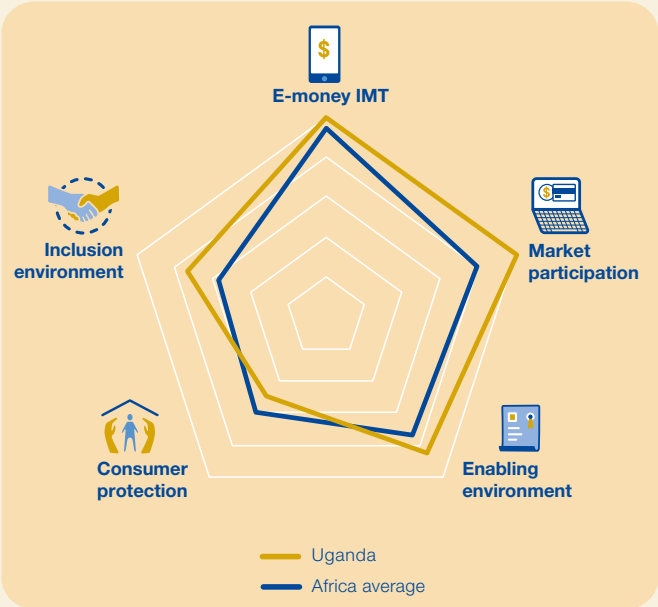
Uganda's high index score is reflected in its high pillar scores with an enabling market environment for mobile money remittances with high mobile money penetration and usage. It achieves a perfect score for mobile international remittances, being both permitted by regulators and being actively offered by market participants (table 21). Uganda also scores very high on enabling environment due to the presence of both payment and agent interoperability for mobile money, as well as the presence of tiered transaction accounts, with some points being taken off with the absence of a fully flexible KYC regime. For a country with high mobile money penetration and usage, Uganda only has a medium score on the consumer protection pillar. This is due to the lack of regulations safeguarding customer funds, such as the absence of deposit insurance for mobile money account holders. Moreover, mobile money users do not earn interest on their wallet balances. Uganda has a high score for inclusion environment driven by the high prevalence of mobile money in the country but somewhat offset by a bigger gender gap in mobile money account ownership compared to other financial services.

Table 21. Uganda – MobileRemit pillar scores

E-money IMT	Market participation	Enabling environment	Consumer protection	Inclusion environment
100	100	85	50	73.2

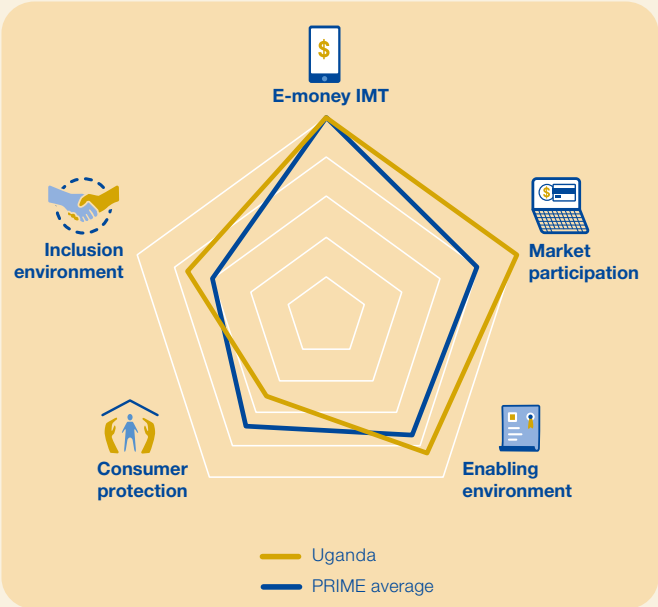
These scores are also reflected in a comparison to other African countries. Uganda scores higher in all MobileRemit pillars than both the African average and also all together average except for consumer protection for reasons just referred to (figures 71 and 72).

Figure 71. Uganda vs African pillar scores



Source: MobileRemit Africa 2022.

Figure 72. Uganda vs PRIME Africa pillar scores



Source: MobileRemit Africa 2022.

Conclusions

Uganda is well positioned to take advantage of mobile-enabled international remittances. The high uptake of mobile money, coupled with a new licensing regime for mobile money operators and the current ability to terminate international remittances into mobile money wallets should see the prevalence of mobile remittances increasing. Competition on the Kenyan corridor (the main host country for the Ugandan diaspora), being prompted by mobile money operators, will increase this trend. Including deposit insurance provisions for mobile money and having gender targets for mobile money regulators could further enable this.

ANNEX 1: MOBILEREMIT AFRICA METHODOLOGY

In order to construct the index, five different pillars made of one or more variables have been identified and constitute the index score. These pillars incapsulate the core components of how enabling the conditions are in a given country for the adoption of mobile wallets for receiving remittances, and include the pillars listed in table 1.

The pillars are then weighted to provide a score. Each pillar (e.g. e-money international money transfer) consists of multiple variables, each of which has been weighted in turn to provide that pillar's score. The full methodology of pillar, variable weights and rationale can be found in table 22.

Table 22. Mobile-enablement index pillar and variable constituents

Pillar	Variable	Variable definition
E-money international money transfer	E-money international money transfer	Whether remittances are permitted by e-money regulations is fundamental to their being offered as a means of receipt via the mobile channel. Without this it is not possible. This is the sole variable in this column.
Market participation	Mobile money services live	Whether mobile money services are operating live in country is crucial to whether people can use them to receive remittances.
	RSPs sending to mobile wallets	If mobile money services are live in-country, are any RSPs sending to mobile wallets?
Enabling environment	Mobile money Frameworks	Mobile money is more likely to thrive if there are specific mobile money frameworks in place.
	Flexible KYC	Flexible KYC regimes make it easier for the underserved to sign up to e-money services.
	Tiered transaction limits	Tiered transaction limits that are lower than a typical remittance send for more basic accounts may limit users' ability to use the service for that purpose.
	Non-bank agent network	Permitting non-bank agent networks will allow mobile operators to leverage their greatest asset – the depth and reach of their distribution (i.e. agent) network, in turn making it more likely there will be liquidity points in areas generally not served by banks or agent banking (such as rural areas).
	Interoperability	Domestic interoperability increases the chances of remittances received being used digitally for payments or access to other financial services.
Inclusion environment	Mobile money penetration	The wider the uptake of mobile money in a country the greater the ability of users to take advantage of the mobile channel for receiving remittances.
	Gender gap: bank vs. mobile money	If the gender gap for mobile money services is less than that for formal financial services, the greater the propensity for women to use mobile money as a channel for receiving remittances.
	Rural penetration: bank vs. mobile money	If the rural penetration for mobile money services is greater than that for formal financial services, the greater the propensity for rural populations to use mobile money as a channel for receiving remittances.
	Mobile SIM penetration	The higher the SIM penetration in a country among the general population, the greater potential for uptake of mobile money services.
	National ID	A wider national ID coverage implies that a greater proportion of the population will be able to benefit from accounts with higher transaction and balance limits.

Pillar	Variable	Variable definition
Consumer protection	Consumer protection legislation	Consumer protection rules that relate to mobile money will protect the individual in the event of fraud.
	Mobile money deposit insurance	A wider deposit insurance protection scheme will protect all users should there be problems with the operator.
	Trust account ring fencing	Ring fencing the operator's mobile money float at a prudentially regulated institution further protects users of the service from issues affecting the credit worthiness of the mobile money provider.
	Interest on mobile money accounts	Interest may be earned on trust account for onward distribution to account holders, thus offering users some income and protection from inflation.

ANNEX 2: DATA SOURCES AND METHODOLOGY

Period of reference

The research period of the report ranges from Q2 2021 to Q1 2022. The report and index used a combination of existing global databases and country-specific data collected by IFAD from various official sources and experts. Data points used were the most updated available at the time of the report drafting.

Ghana

Pricing

Two datasets have been used to shed light on the international remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost, irrespective of the payment method to send the equivalent of US$200. Corridors included in the database are Canada, Germany, Netherlands, the United Kingdom, the United States of America.
- IFAD Mobile Remit research for digital remittances provided by a sample of five representative MTOs initiated online from the United Kingdom and EU countries and terminated into mobile money accounts in Ghana as of Q3 2021.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

Kenya

Inbound remittances

Remittances inbound data are from the Central Bank of Kenya, https://www.centralbank.go.ke/diaspora-remittances/

Pricing

Two datasets have been used to shed light on the international remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost trend, irrespective of the payment method to send the equivalent of US$200. Corridors included in the database are Canada, Rwanda, South Africa, the United Republic of Tanzania, the United Kingdom, the United States of America.
- IFAD Mobile Remit research for digital remittances provided by a sample of five representative MTOs initiated online from the United Kingdom and EU countries and terminated into mobile money accounts in Kenya as of Q4 2021.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

Morocco

Inbound remittances

- Remittance inbound data are from the Office des changes du Maroc, 2022, https://www.oc.gov.ma/sites/default/files/publication/S%C3%A9ries%20stat/Evol_MRE_7.XLSX
- Exchange rates between the local currency unit (MAD) and the US$ are those calculated by the World Bank, World Development Indicators, last updated on 25 May 2022.

Pricing

Two datasets have been used to shed light on the international remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost trend, irrespective of the payment method to send the equivalent of US$200. Corridors included in the database are Belgium, France, Germany, Israel, Netherlands, Spain.
- IFAD Mobile Remit research for digital remittances provided by a sample of five representative MTOs initiated online from the United Kingdom and EU countries and terminated into mobile money accounts in Morocco as of Q4 2021.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

Senegal

Inbound remittances

Remittances inbound data are from the Ministère des Finances et du Budget Senegal, Direction Générale du Credit, 2022. Exchange rates between the local currency unit (XOF) and the US$ are those calculated by the World Bank, World Development Indicators, last updated 25 May 2022.

Pricing

Two datasets have been used to shed light on the international remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost trend, irrespective of the payment method to send the equivalent of US$200. Corridors included in the database are France and Italy.
- IFAD Mobile Remit research for digital remittances provided by a sample of five representative MTOs initiated online from the United Kingdom and EU countries and terminated into mobile money accounts in Senegal as of Q4 2021.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

South Africa

Pricing

- World Bank: Remittance Prices Worldwide (RPW), Q1 2021, for the global average cost trend, irrespective of the payment method to send the equivalent of US$200. Receiving countries from South Africa included in the RPW database are Angola, Botswana, China, India, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Swaziland, the United Republic of Tanzania, Zambia, Zimbabwe. Sending countries to South Africa included in the RPW database are the United Kingdom and the United States of America.

Pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

The Gambia

Inbound remittances

Remittances inbound data are from the Central of Gambia from 2016 to 2021 and the World Bank from 2012 to 2015.

Pricing

Three datasets have been used to shed light on the remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost, irrespective of the payment method to send the equivalent of US$200 gathered along the United Kingdom to The Gambia corridor.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology.

Uganda

Inbound remittances

Bank of Uganda, Balance of Payments Statement; Annual, Calendar Year, 2021. BPM6. 5 April 2022 www.bou.or.ug/bou/rates_statistics/statistics.html.

Pricing

Three datasets have been used to shed light on the remittances pricing structure from different perspectives:

- World Bank: Remittance Prices Worldwide, Q1 2021, for the global average cost to send the equivalent of US$200. Corridors included in the database are the United Kingdom, Kenya, the United Republic of Tanzania.
- DMA research dated as of Q4 2020 (PRIME Africa Uganda diagnostic), including two additional corridors and providing an analysis by payment methods (digital versus in-cash at the agent). Corridors covered include: the United Kingdom, Kenya, Rwanda, Sweden, the United Republic of Tanzania. Pricing data was collected through mystery shopping of 63 different services.

- IFAD MobileRemit research for digital remittances provided by a sample of five representative MTOs initiated online from the United Kingdom and EU countries and terminated into mobile money accounts in Uganda as of Q3 2021.

All pricing data collection relies on the mystery shopping exercise in coherence with the World Bank methodology in that respect.

SOURCES

Data for the index scoring are primarily sourced from existing global databases and supplemented by proprietary data. This includes:

- Mobile Money Regulatory Index, GSMA
- Global Findex database, World Bank
- ID4D database, World Bank
- Mobile Money Deployment Tracker, GSMA
- Mobile cellular subscriptions data, ITU

ABOUT THE IMPLEMENTING AGENCY

IFAD
Investing in rural people

International Fund for Agricultural Development (IFAD)

IFAD is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.

Financing Facility for Remittances

Financing Facility for Remittances (FFR)

IFAD's US$65 million multi-donor Financing Facility for Remittances aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

For more information, visit: www.ifad.org | www.ifad.org/ffr | www.RemitSCOPE.org

ABOUT THE INITIATIVE

PRIME AFRICA

Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)

PRIME Africa is a EUR 15 million initiative co-financed by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

For more information, visit: www.ifad.org/prime-africa

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