



**AfricaNenda**  
ACCELERATING INCLUSIVE PAYMENT SYSTEMS

# State of Instant and Inclusive Payment Systems (SIIPS) in Africa

Report 2022

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# Research objective & methodology

**FIRST EDITION**



To inform stakeholders in Africa and beyond about the developments in the African instant retail payment system (IPS) ecosystem anticipating cross-border retail payments and the implementation of the AfCFTA.



Desk research



About 25 key informant interviews



Across 7 countries

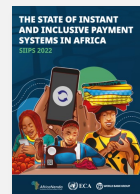


Over 1,400 respondents



50 focus group discussions

Research outputs



IPS interactive map



# What is an instant payment system and when does it become inclusive?

The need to transact and make payments is a core financial need for individuals and MSMEs and serves as a key gateway to other financial services. Cash is often preferred but is not best suited for all payment needs.

Digital payments can help individuals and MSMEs live their financial lives optimally, and in that way, support financial inclusion and broader economic policy goals

To incentivize a sustained shift to the adoption of frequent digital transactions, payments need to be widely available, affordable, easy-to-use, quick and reliable.



Consumer research in seven countries show that 66% of respondents, on average, use digital payments weekly



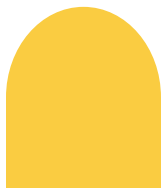
## IPS - INSTANT PAYMENT SYSTEM

IPS are retail payment systems that are multilateral and open loop and that enable digital push payments in near real time for use 24 hours a day, 365 days a year, or as close to that as possible.

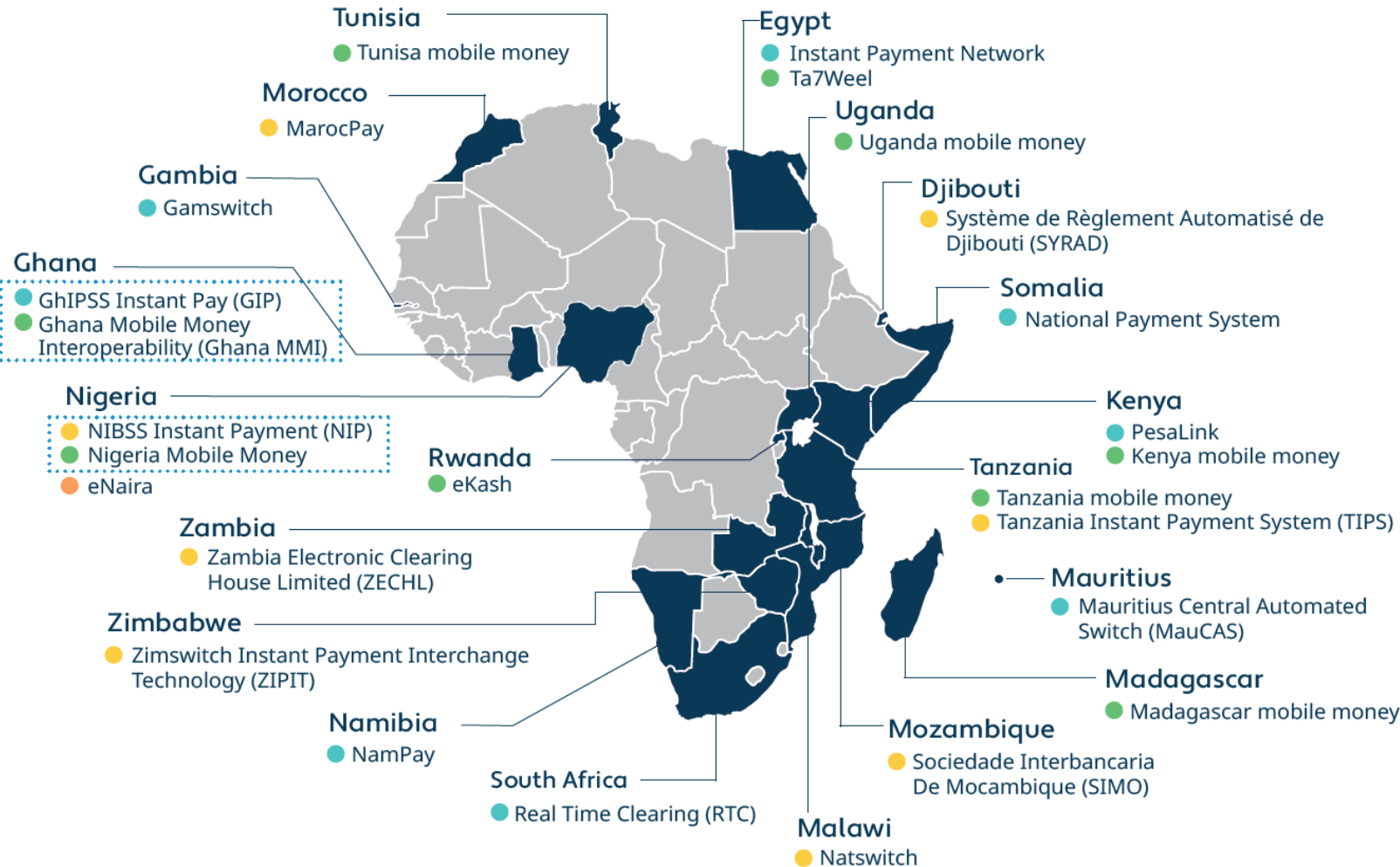


## IIPS - INSTANT AND INCLUSIVE PAYMENT SYSTEM

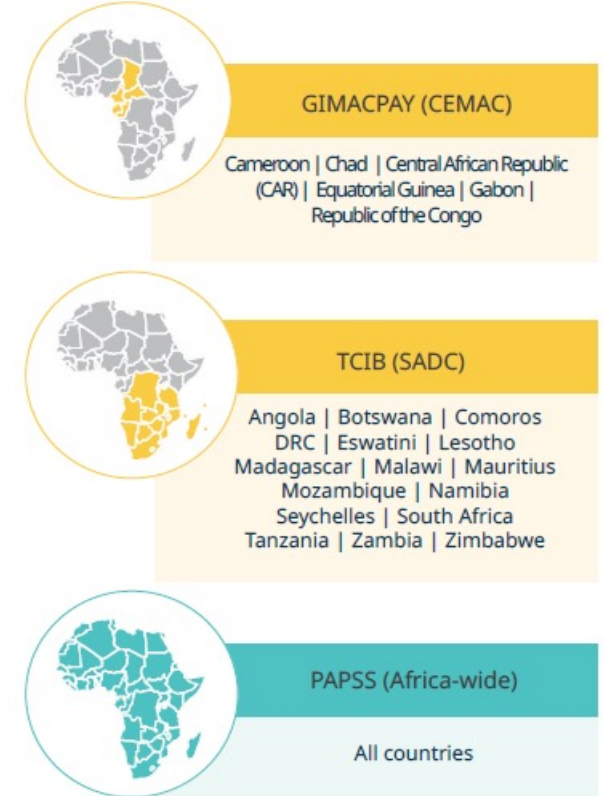
IIPS process retail transactions digitally in near real-time and are available for use 24/7, 365 days a year, or as close to that as possible. They enable low-value, low-cost push transactions that are irrevocable and based on open-loop and multilateral interoperability arrangements. Licensed payment providers have fair access to the scheme, and participants have equal input opportunities into the scheme. The central bank has a role in scheme governance. End-users have access to a full range of use cases and channels, as well as transparent and fit-for-purpose recourse mechanisms.



# 29 IPS live on the continent, processing nearly \$1Tr USD annually with 16Bn transactions



## Three regional IPS:



● Sovereign currency IPS   ● Mobile money IPS   ● Cross-domain IPS   ● Bank IPS

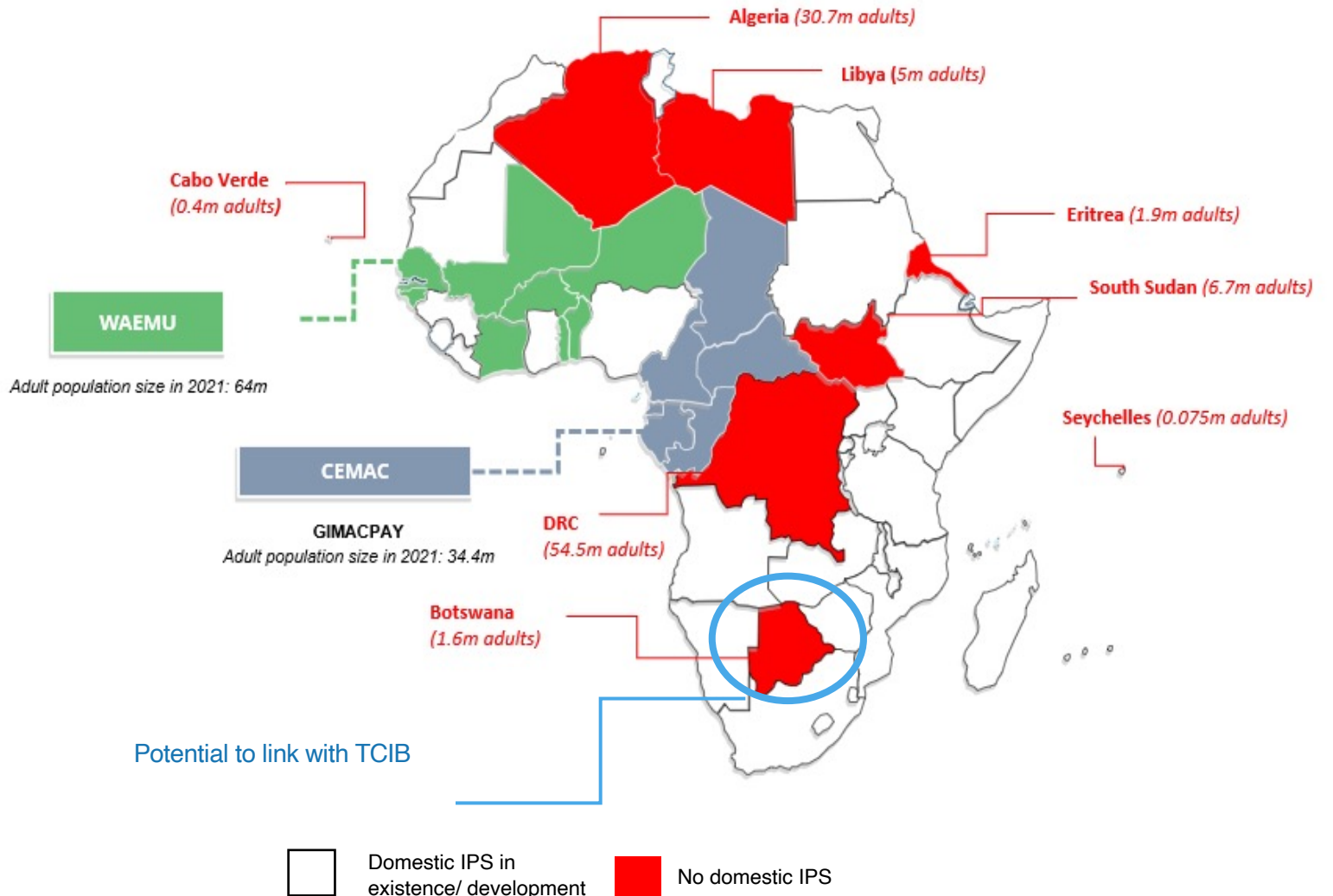
## Snapshot of IPS landscape in the future: MC or domestic IPS with domestic functionalities

The **eight countries** with **NO IPS** facilitating domestic functionalities include: **Algeria, Botswana, Cabo Verde, Eritrea, Libya, Seychelles, DRC, and South Sudan**

**2 countries** lack both domestic and regional IPS functionalities: **Cabo Verde and South Sudan**

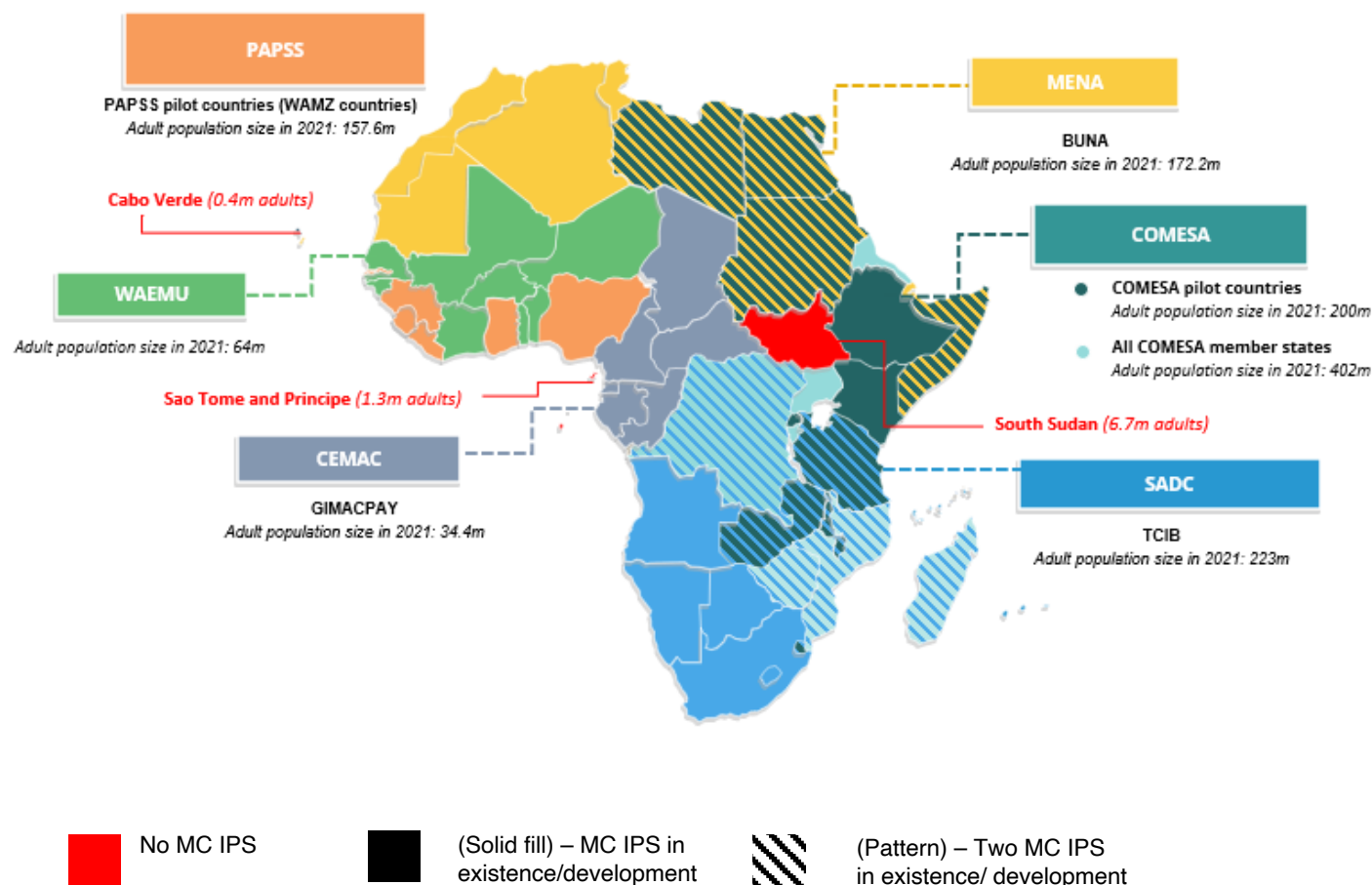
For economic and monetary union regions, hub model can deliver IIPS benefits & offer both domestic and regional functionalities ( **WAEMU - 64 m & CEMAC 34.4 m adults**)

## Eight countries do not have IPS that facilitate domestic instant payments in existence or development



# Snapshot of MC IPS landscape in the future: MC IPS with cross-border functionalities

Sao Tome and Principe, Cabo Verde, and South Sudan will not have access to MC IPS with cross-border instant payment functionalities.

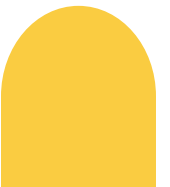
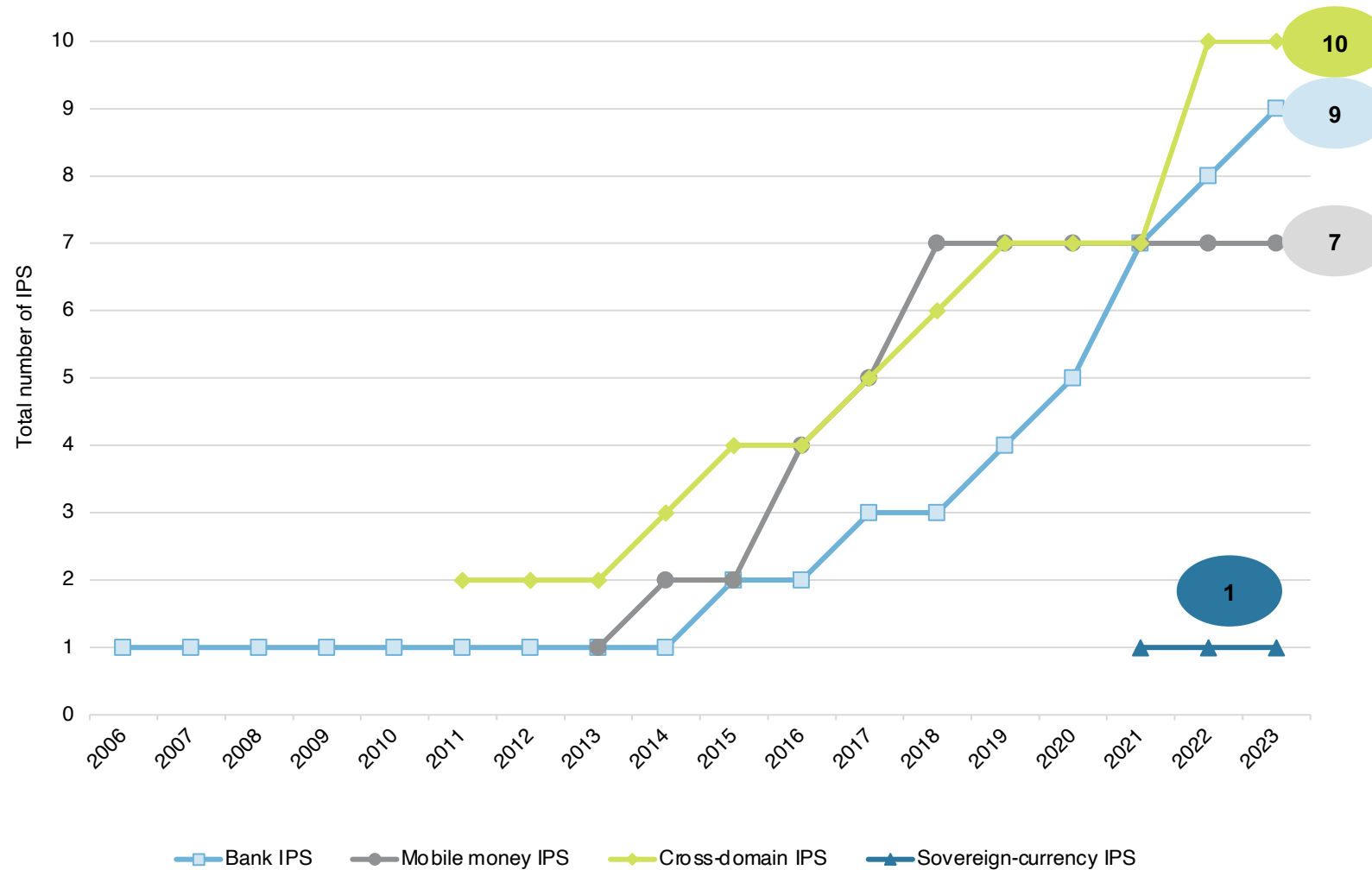


Significant overlap between COMESA and TCIB, and COMESA and Buna cross-border functionalities leading to potential scale fragmentation.

Overlapping MC IPS	Countries of overlap	Combined adult population size for countries of overlap in 2021 (in millions)
COMESA and TCIB	Eswatini, Zambia, Zimbabwe, Malawi, DRC, Comoros, Madagascar, Tanzania*, Mauritius, Seychelles	140
COMESA and Buna	Tunisia, Egypt, Somalia, Sudan, Comoros, Djibouti, Libya	110
COMESA, Buna, and TCIB	Comoros	0.6

\*Tanzania is not a COMESA member state, but it will be part of the COMESA MC IPS.

# Growth in cross-domain IPS due to better-developed payment schemes



# IPS inclusivity is limited due to channel and functionality gaps

## 13 Not ranked

- Instant Payment Network (Egypt)
- PAPSS (Africa-wide)
- NamPay (Namibia)
- Somalia National Payment System
- TIPS (Tanzania)
- Ta7Weel (Egypt)
- Madagascar mobile money
- Nigeria mobile money
- PesaLink (Kenya)
- SYRAD (Djibouti)
- Tanzania mobile money
- Tunisia mobile money
- TCIB (SADC)

## 11 Basic level

- eNaira (Nigeria)
- eKash (Rwanda)
- Gamswitch (The Gambia)
- Kenya mobile money
- NIP (Nigeria)
- MarocPay (Marocco)
- MauCAS (Mauritius)
- RTC (South Africa)
- Uganda mobile money
- SIMO (Mozambique)
- ZIPIT (Zimbabwe)

## 5 Progressed level

- Ghana MMI
- GIP (Ghana)\*
- GIMACPAY (CEMAC)
- Natswitch (Malawi)
- ZECHL (Zambia)

## 0 Mature level

No IPS have reached the aspirational mature level, although there are ongoing developments toward mature inclusivity.

### Most promising IPS

All those in the progressed level are advancing toward maturity. In addition, TCIB is also promising to reach maturity given its inclusive governance design, even though it could not be ranked because P2B transactions are not yet possible.

● Sovereign currency IPS
 ● Mobile money IPS
 ● Cross-domain IPS
 ● Bank IPS

\* The two Ghana systems jointly achieve progressed level



# Consumer research uncovered digitalization opportunities that would encourage sustained usage

## Untapped opportunities for payments digitalization

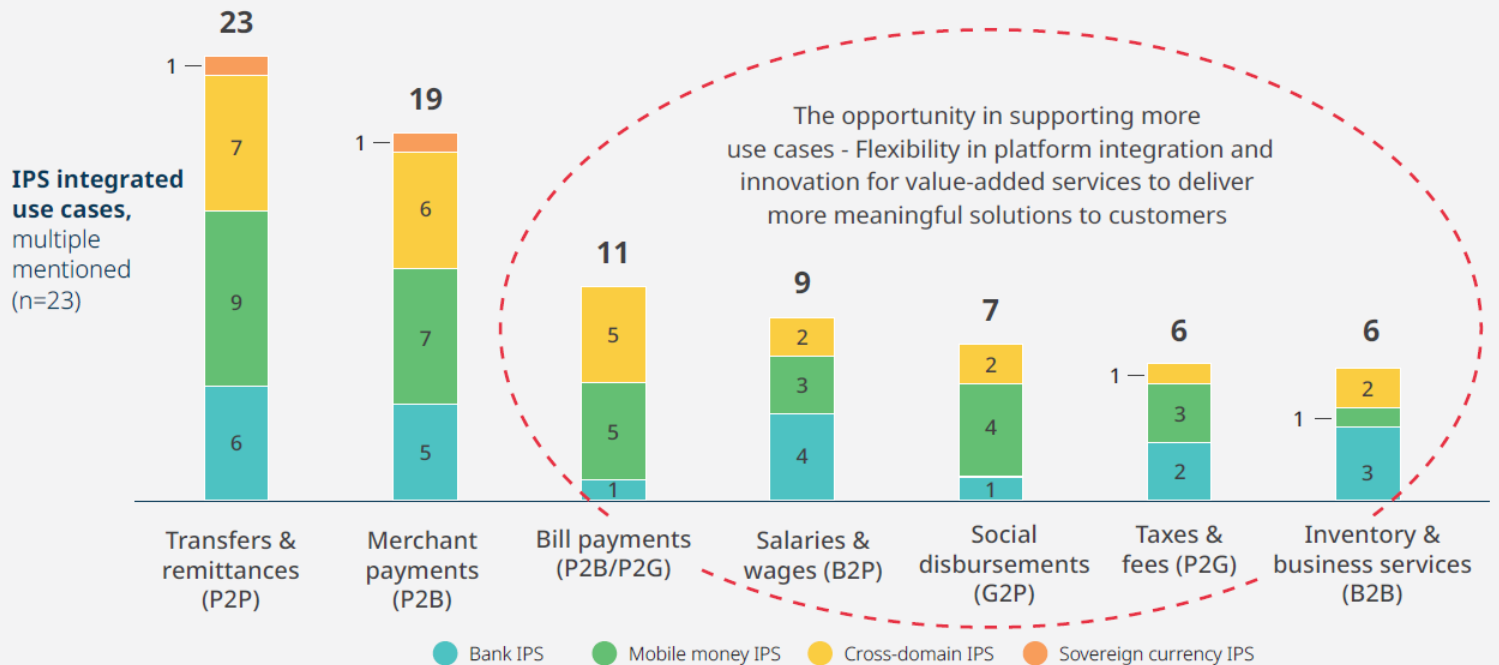
### Individual level

- Payments for household shopping
- Daily transport payments
- Receiving income

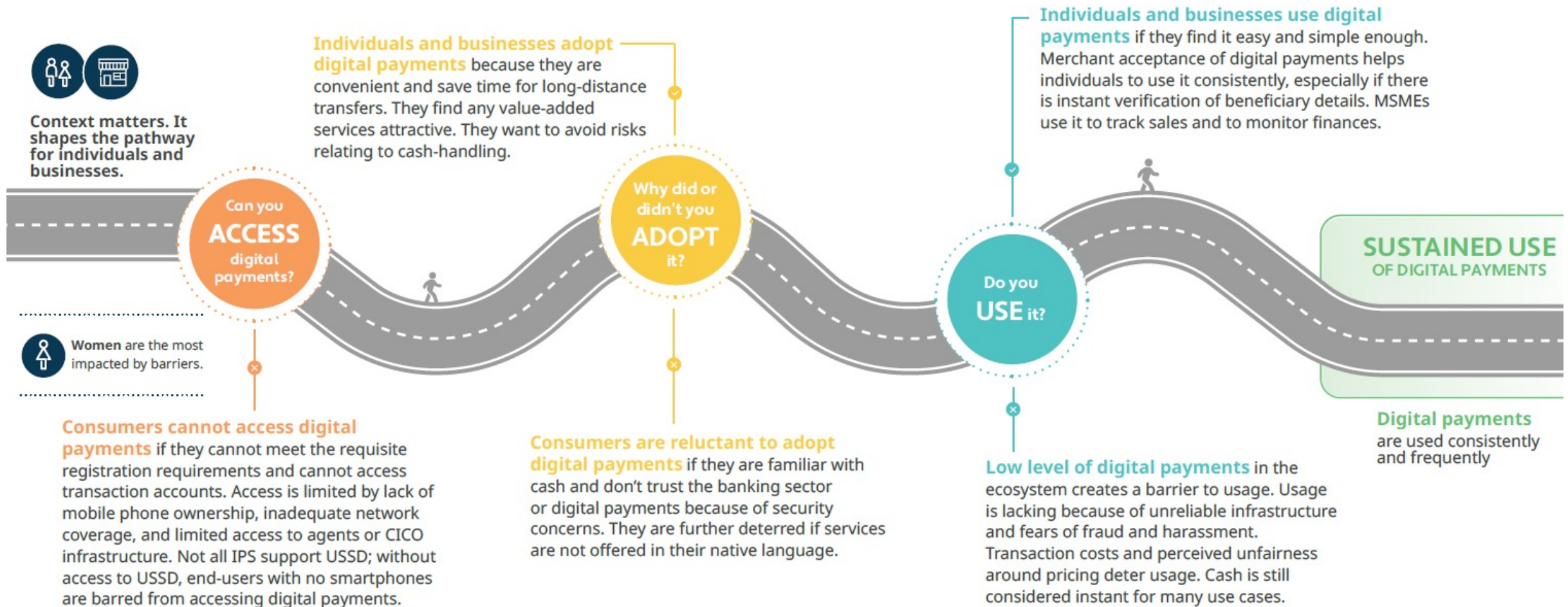
### MSME level

- Payments to suppliers
- Receiving customer payments
- Send staff money for transport

Use cases - Apart from P2P and P2B, no other use cases are yet widely supported by IPS









# A lack of comprehensive use cases creates roadblocks along individuals usage journey



# Ecosystem is rapidly changing, increasing in complexity and deploying new tools at user and system levels






## SCHEME LEVEL

-  Utilization of open-source software
-  Adoption of the ISO 20022 messaging standard
-  Emergence of original credit transfer (OCT) to allow end-users to push money to a recipient's card and vice versa
-  Enabling merchant acceptance through integration of P2B use cases and lower merchant fees
-  Transition towards open API and cloud computing
-  Involvement of IPS participants in scheme design



## MARKET LEVEL

-  Increasing 3G, 4G, 5G rollout
-  Market entry by techfins, such as social media platforms
-  Utilization of data through data mining
-  Emphasis on payment technologies driving convenience, such as QR codes and RTP services
-  Increased risk of fraud reported by IPS participants and end-users



## END-USER LEVEL

-  Increasing smartphone adoption
-  Rising consumer security concerns underpinning the importance of consumer protection



# Together, we can deepen the impact of IPS systems and drive full financial inclusion across Africa



CHALLENGE

Value Proposition	Cost Drivers	Regulatory Hurdles	Cyber threats
<ul style="list-style-type: none"> <li>Some <b>providers unwilling to integrate with IPS</b> due to legacy arrangements and/or entrenched competitive advantages.</li> </ul> <p>-&gt; Curtailing use case and channel options for consumers, constraining IPS uptake and usage.</p>	<ul style="list-style-type: none"> <li><b>Duplication of infrastructure and staggered use case roll-out</b> fragment and limit scale and create business case cost drivers.</li> </ul> <p>-&gt; Consumers face high transaction fees, limiting pervasiveness of IPS</p>	<ul style="list-style-type: none"> <li><b>Regulatory hurdles</b> affect competition, innovation and consumer confidence.</li> </ul> <p>-&gt; Unequal playing field disincentivizes new entrants, opaque regulation leads to consumer mistrust and difficulties using IPS.</p>	<ul style="list-style-type: none"> <li><b>Risk and fraud</b> is causes system and user-level financial losses due to instantaneous nature of IPS.</li> </ul> <p>-&gt; Erode consumer trust and hamper uptake.</p>

OPPORTUNITY

<ul style="list-style-type: none"> <li>Articulate <b>long- and short-term vision</b> for the ecosystem</li> <li>Develop <b>low-cost solutions</b> for feature phone users</li> </ul>	<ul style="list-style-type: none"> <li><b>Integration across existing payment infrastructures</b></li> <li>Prioritized and credible <b>use-case integration plan</b></li> <li>Find the <b>optimal messaging standards</b></li> </ul>	<ul style="list-style-type: none"> <li>Provide <b>equal opportunity for all participants</b> into the scheme</li> <li>Consistency and coordination on a <b>risk-based CDD approach</b></li> <li>Transparent and accessible <b>recourse mechanisms</b></li> </ul>	<ul style="list-style-type: none"> <li>Adopt <b>consumer protection measures</b> and address <b>cybercrimes</b></li> <li>User tools for <b>visibility of transaction status</b></li> </ul>
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**Thank you!**

**Q&A**