

RAI Programme in The Gambia: progress and emerging insights

Regulatory assessment and the emerging case for proportionate CDD for cross-border remittances

14 April 2023

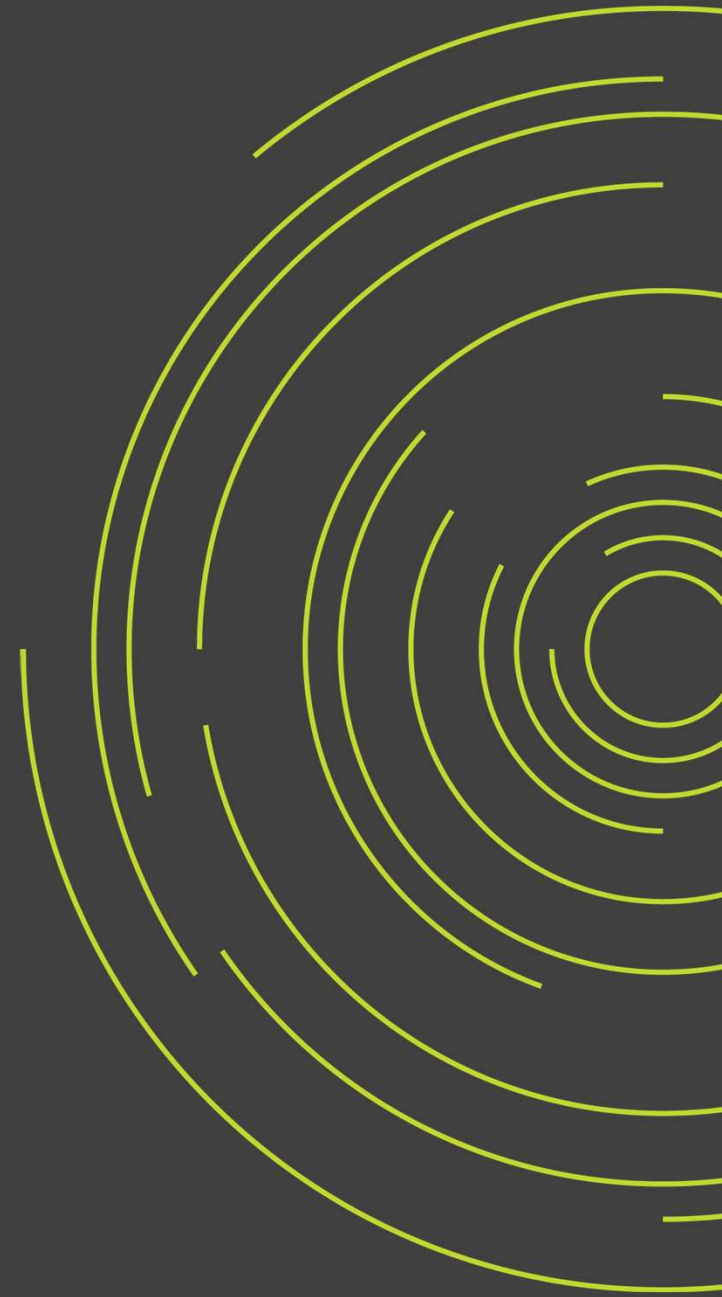


Financing Facility for Remittances

Content

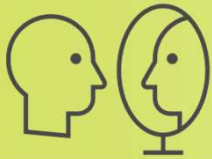
1. Introducing Cenfri and IFAD's work in supporting regulators on Risk-Based Supervision
2. Overview of RAI projects in The Gambia
3. Key themes for The Gambia based on IFAD and Cenfri facilitated regulatory assessment
4. Emerging Insights: The case for proportionate CDD for cross-border remittances
 - Key pillars for piloting simplified due diligence in The Gambian remittance market
5. How the RAI programme insights can be leveraged to achieve AML/CFT/CPF objectives and support MER outcomes
6. The role of the Financial Sector, FIU and CBG in both piloting and scaling up of proportionate CDD

Overview of the IFAD FFR RAI and projects in The Gambia



About Cenfri

Cenfri is a **leading economic impact agency** based in **Cape Town and Kigali**



Purpose:

Empowering people to solve problems that matter – to create ideas and solutions that have lasting impact.



Vision:

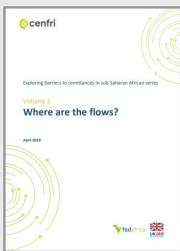
People living their financial lives optimally to enhance welfare and grow the economy.



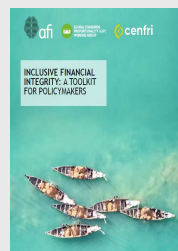
Mission:

Unlocking development outcomes through insights and technical support.

With strong expertise in the **remittance** and **integrity** space



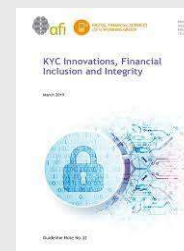
[Where are the flows?
Exploring barriers to remittances](#)



[Inclusive financial integrity toolkit](#)



[Biometrics and financial inclusion](#)



[KYC Innovations in selected AFI member Countries](#)



Capacitating regulators, policy makers and financial service providers on financial integrity issues

Journey to the RAI programme

2019

Launch of the **Platform for Remittances, Investment and Migrants' Entrepreneurship in Africa (PRIME)** by IFAD's Financing Facility for Remittances (FFR) and the European Commission

- **Aim;** to reduce inequality and enhance financial inclusion in Africa through **the reduction of remittance costs** and the maximization of their impact.
- Focus on **seven select African counties** (Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda).

2020

Under PRIME, IFAD conducts remittance market diagnostic studies in seven African countries

Studies revealed that **know your customer (KYC) and customer due diligence (CDD)** requirements are key impediments to remittance access by low-income, rural households and women.

2021

IFAD's Financing Facility for Remittances and Cenfri launch the two-year Remittance Access and Innovation (RAI) programme

Aim: to provide support to RSPs to address KYC and CDD impediments and enhance remittance access by low-income, rural households and women (a key objective PRIME Africa).

What success looks like under the RAI programme

Remittance service providers

For RSPs



1. Enhance the value proposition of inbound remittance products for target populations
2. Strengthen RSP communication and connection with target groups/customer
3. Reduce cost of compliance to lower costs borne by remittance receivers/sender
4. Improve KYC, CDD and risk assessment frameworks to be better aligned with FATF RBA frameworks and local regulations

What success looks like under the RAI programme

Local regulators and development partners



Benefits for regulators

1. RSP KYC/CDD frameworks enhanced to better achieve inclusive financial integrity and sustainable development outcomes
2. Strengthen implementation of a risk-based approach
3. To support and deepen financial market development and inclusion



Benefits for development partners

1. Enhance livelihoods in line with SDG goals
2. New project opportunities resulting from KYC and identity innovations
3. Support in creating engagement opportunities between regulators and industry players

RAI programme process

Cenfri's two pronged approach:



1. Legislative and regulatory assessment component



2. Technical assistance component

The four elements of our TA work:

1

Identify RSPs that offer remittance products that cover low-income, rural households and have identified KYC/CDD processes as key challenges for beneficiary access.

2

Work with the RSP to identify levers for change.

3

Collaborate with RSP to identify and design the best fit-for-purpose solutions.

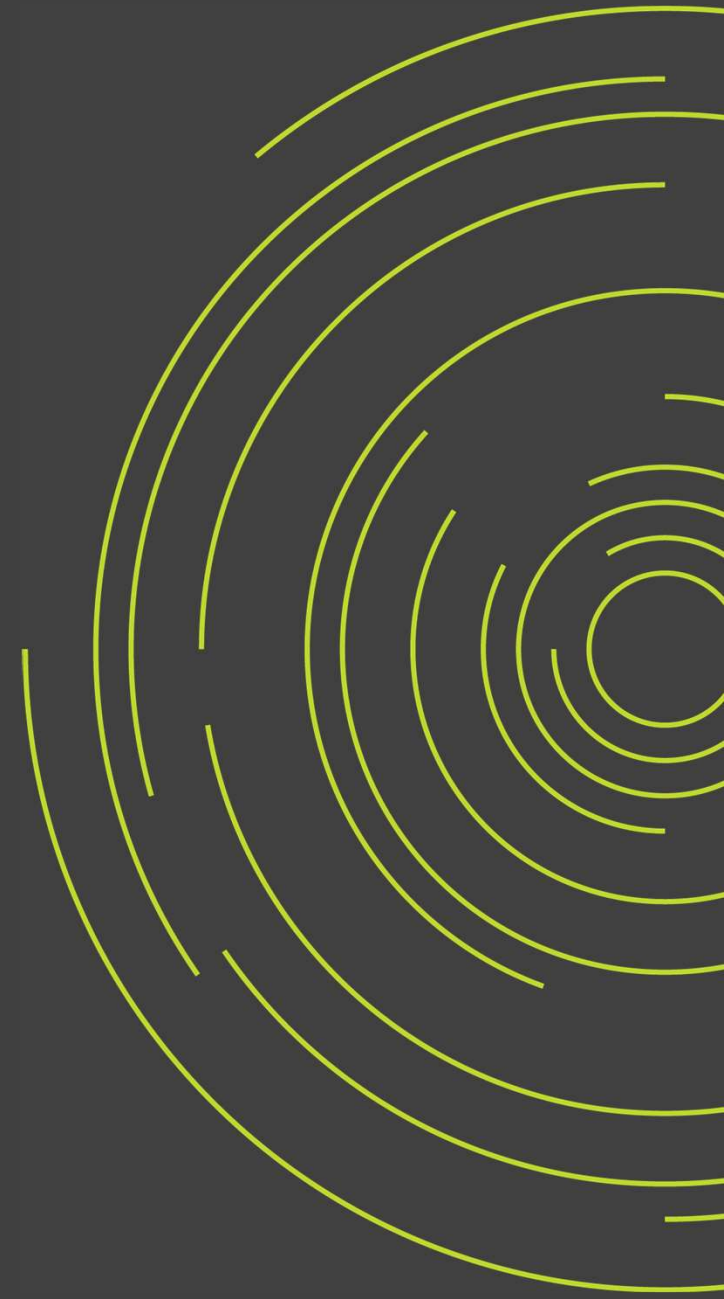
4

Implement and troubleshoot interventions.

- **Consultation and periodic updates with the regulator and/or supervisor**

- **Specific TA support for regulator, supervisor and/or**
 - **polycymaker**

Overview of RAI projects in The Gambia



RAI programme journey to date and key milestones

Institutions in The Gambia:



Financial Services
linked to a Bank



Commercial Bank

Technical assistance Cenfri provided to RSPs to date:

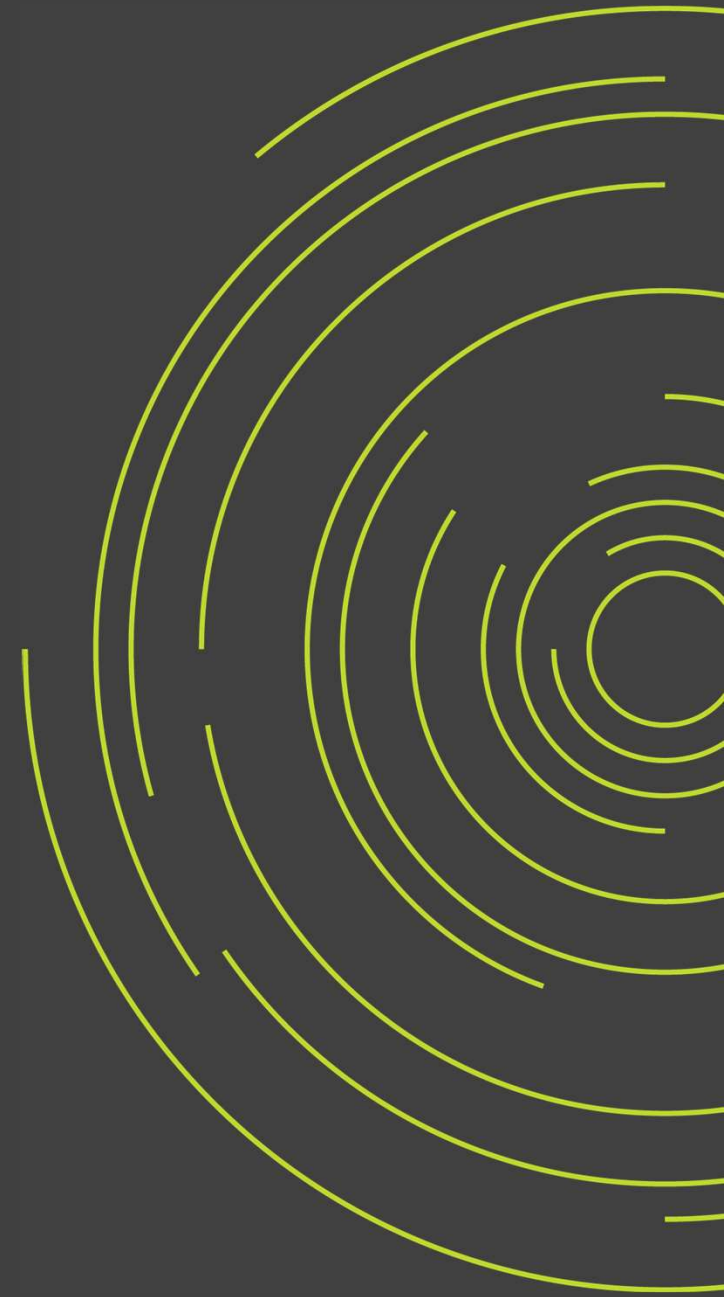
- Interrogating risk management frameworks
- Providing clarity on regulations
- Enhanced data collection templates
- Facilitating engagements with the regulator on simplified due diligence account pilot
- Design bespoke interventions
- Advice on existing initiatives
- Regulatory compliance training



Outcomes of this technical assistance to date:

- Co-created innovations to enhance beneficiary access to remittances
- Simplified due diligence account pilot: this **initiative was cancelled** due to requirement from letters of assurance due to **fear of penalization**
- Development of bespoke risk assessment models and risk analytics
- Granular collection of datapoints on their clients

**Key themes for The
Gambia based on
Cenfri facilitated
regulatory
assessment**



The Gambian regulatory and remittance landscape

The Gambia is a significant remittance receiving market, with regulation encouraging innovation



Remittances

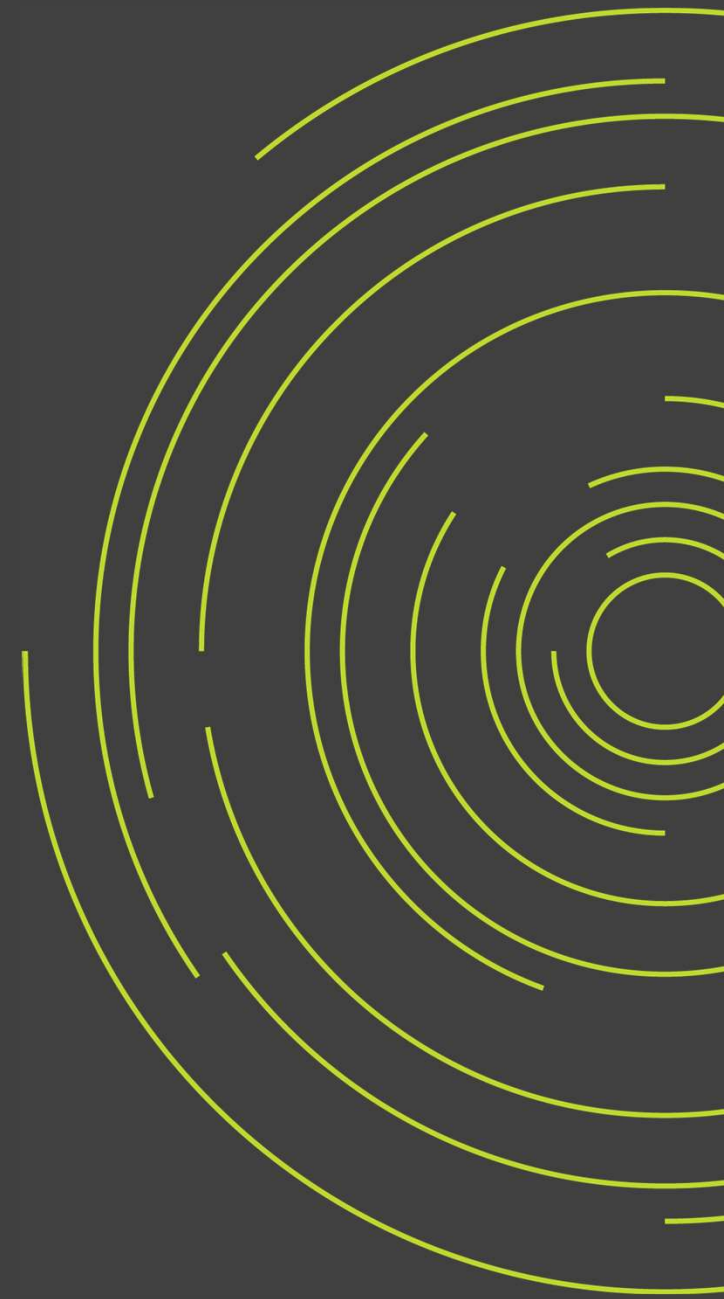
- The Gambia receives formal remittances equating to **16.4% of GDP(2020)** with **46% of households (2019)** being reliant on remittances.
- As of 2019, 19% of adults were **included in the formal financial sector including mobile money**
- **Average cost of sending** remittances to The Gambia :**12%**
- **high remittance costs** and **CDD documentation** requirements and document expiration act as **barriers** to the use of formal remittances



Regulation conducive but RSPs inhibited to innovate

- Existing regulation allows RSPs to innovate on:
 - remote onboarding
 - leveraging biometrics-based identifiers for simplified KYC and CDD
 - use of identity proxies
- Despite the potential for and innovative environment, **barriers to remittances persist.**
- RSPs are **unclear on ML risk** often resort to **over-compliance out of fear of penalization**
- RSPs demonstrated that **a lack of clear and relevant guidance directly inhibits innovation** in the non-bank remittance space.

Emerging Insights



Emerging Insights

Discussion Point

The case for proportionate CDD for cross-border remittances

- Key pillars for piloting simplified due diligence in The Gambian remittance market
 - The risk inherent in blanket CDD approaches
 - The importance in de-conflating compliance risk from ML, TF and PF risks
 - The role of data analytics in supporting proportional responses

Emerging Insights

Discussion Point

How the RAI programme insights can be leveraged to achieve AML/CFT/CPF objectives and support MER outcomes

- Robust risk data collection and analytics is key to understanding appropriate responses:
- RAI programme examples:
 - RSPs with exceptionally low risks but with high levels of over compliance are driving excessive compliance costs and are excluding consumers.
 - RSP with near perfect standard regulatory compliance but with excessive levels of un-mitigated risk

Emerging Insights

Discussion Point

The role of the Financial Sector, FIU and CBG in both piloting and scaling up of proportionate CDD

- Promoting data-driven risk analytical approaches by RSPs vs perceived risk assumptions
- The importance of clear and targeted guidance for RSPs in piloting proportionate CDD accounts
- Targeting the complacency and inherent risk in uniform and excessive CDD approaches across all risk levels particularly for low inherent risk accounts and products

Thank you

Barry Cooper

barryc@cenfri.org

About Cenfri

Cenfri is a global independent economic impact agency and non-profit enterprise that bridges the gap between insights and impact in the financial sector. It collaborates with its partners to foster economic growth and sustainable development in emerging and developing markets in Africa and beyond. Cenfri's people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About IFAD's Financing Facility for Remittances

Since 2006, IFAD's multi-donor Financing Facility for Remittances (FFR) aims to maximise the impact of remittances on development, and to promote migrants' engagement in their countries of origin. Through the financing of almost 70 projects in over 40 countries, the FFR is successfully increasing the impact of remittances on development by promoting innovative investments and transfer modalities; supporting financially inclusive mechanisms; enhancing competition; empowering migrants and their families through financial education and inclusion; and encouraging migrant investment and entrepreneurship. The FFR is cofinanced by IFAD, the European Union, the Grand-Duchy of Luxembourg, the Ministry of Foreign Affairs of Spain and the Swedish International Development Cooperation Agency (Sida).



Financing Facility for Remittances

