

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

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THE STATE OF INCLUSIVE INSTANT PAYMENT SYSTEMS IN AFRICA

Africa Nenda CO ECA O WORLD BANK GROUP

# Introduction

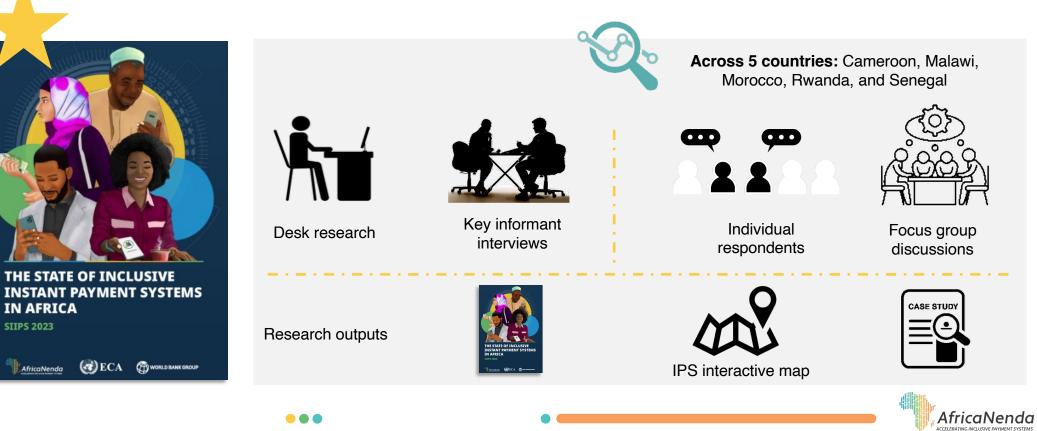




### **Research objective & methodology**



To inform stakeholders in Africa and beyond about the developments in the instant retail payment system (IPS) ecosystem in Africa



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



Instant payment systems (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.

Inclusive instant payment systems (IIPS) process retail transactions digitally in near real-time and are available for use 24 hours a day, 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 system, and participants have equal input opportunities into the system. The central bank has a role in system governance. End-users have access to a full range of use cases and channels, as well as transparent and fit-for-purpose recourse mechanisms.

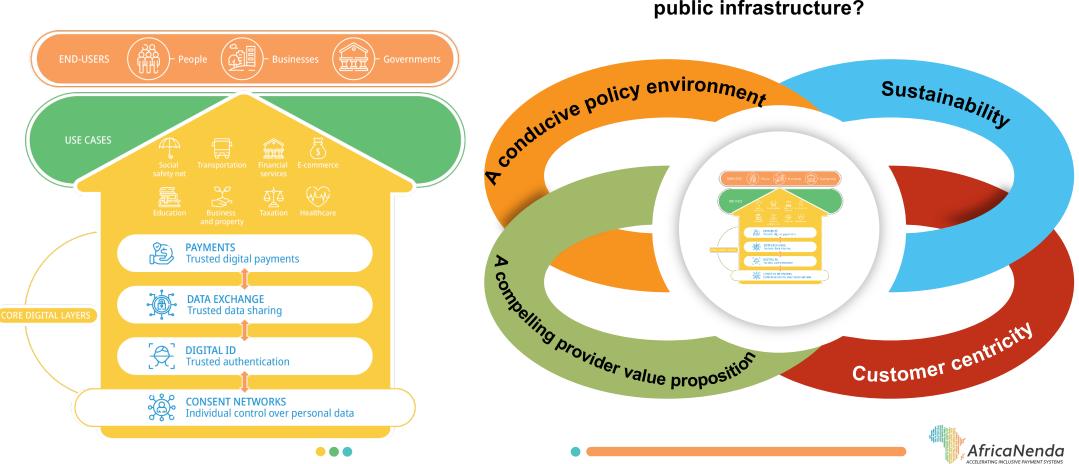


# AfricaNenda developed a spectrum to provide an inclusivity measurement criteria



**NOT RANKED** 

# If inclusive, instant payment systems can reinforce the payment layer of the digital public infrastructure (DPI) in Africa



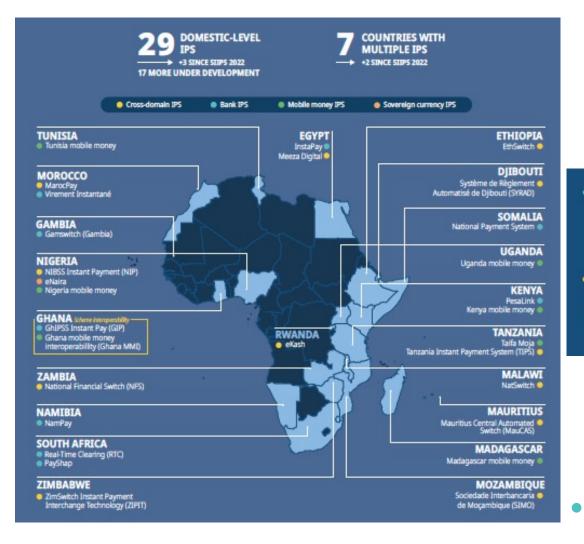
What is needed for IPS in Africa to become digital public infrastructure?

# The Landscape





# Live IPS: In 2023, there are 29 domestic IPS across 21 countries and 3 regional IPS processing over 31 bn transactions reaching USD 1.18 Tr in value



### PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM (PAPSS) PILOT

IN WEST AFRICAN MONETARY ZONE (WAMZ) The Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone.

### • GIMACPAY IN CENTRAL AFRICA MONETARY AND ECONOMIC COMMUNITY (CEMAC)

Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon. 3 REGIONAL-LEVEL IPS 3 MORE UNDER DEVELOPMENT

### TRANSACTIONS CLEARED ON AN

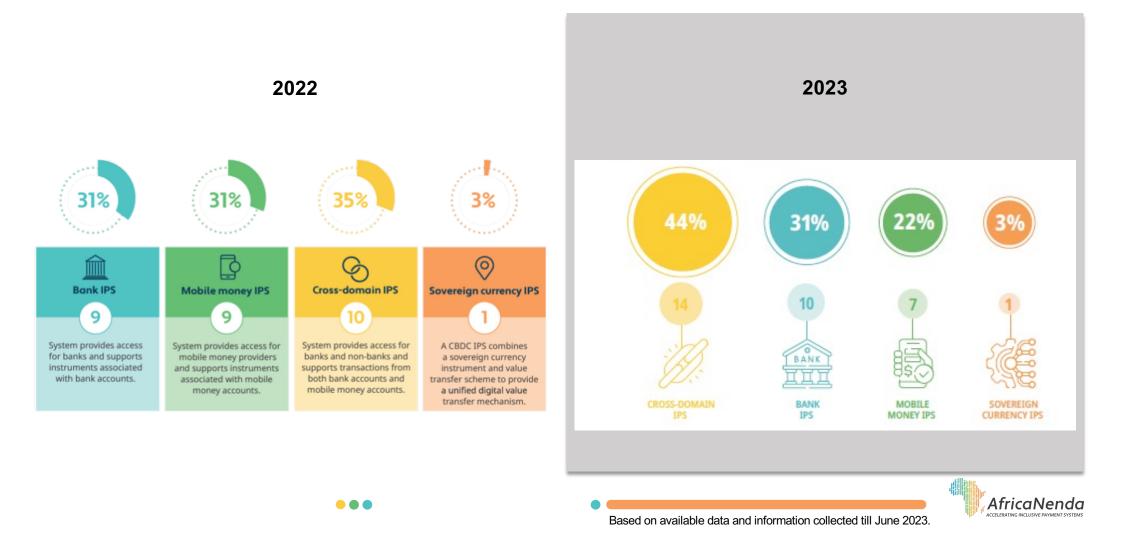
IMMEDIATE BASIS (TCIB) IN SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

Angola, Botswana, Comoros, Democratic Republic of Congo (DRC), Eswatini, Lesotho, Madagascar, Malawi, Mauritus, Mozambique, Namibia, Seychelles, South Africa, Tarania, Zambia, Zimbabwe.



Based on available data and information collected till June 2023.

### The market has focused more recently on cross-domain and bank IPS



### Mobile money IPS support the largest number of transactions while crossdomain IPS process the largest values



Based on available data and information collected till June 2023. The data in the figure above came from publicly available information on transaction flows or from the central bank or system operator. This data is available for 22 IPS. The data for 10 IPS were unavailable. As a result, the actual transactions volumes and value may be Underestimated. The data is missing from: SYRAD (Dijbouti), Meeza Digital (Egypt), Gamswitch (The Gambia), MarocPay (Morocco), Virement Instantané (Morocco), PayShap (South Africa), TIPS (Tanzania), Tunisia mobile money, PAPSS and TCIB. AfricaNenda



### Several countries processed values from 10% to over 100% of GNI indicating a growing significance of the payment systems to African economies

LAUNCH YEAR	2022 TRANSACTIO	ON VALUES RELATIVE TO GNI
2008		3%
2011-2021	NIP (Nigeria), Nigeria mobile money, eNaira	186%
2012	SIMO (Mozambique)	23%
2015	NatSwitch (Malawi) (off-us) and NatSwitch (on-us)*	2.6%
2015-2016	GIP, Ghana MMI (off-us), Ghana MMI (on-us)*	129%
2016	Madagascar mobile money	72%
2016	Uganda mobile money	124%
2016	Taifa Moja (Tanzania)	89%
2017-2018	Kenya mobile money and PesaLink	93%
2018	NFS (Zambia)	10%
2019	MauCAS (Mauritius)	1%
2021	NamPay (Namibia)	0.2%
2021	Somalia Instant Payment System	<0.1%
2022	InstaPay (Egypt)	1%
2022	eKash (Rwanda)	0.1%
2022	EthSwitch (Ethiopia)	0.3%

### 2022 domestic IPS ransaction values relative to GNI



Based on available data and information collected till June 2023.

Based on the AfricaNenda IPS Inclusivity Spectrum, most IPS in Africa deliver only a basic level of inclusivity



Inclusivity assessment based on available data and information collected till June 2023.

\*GIMACPAY (CEMAC) enables domestic IPS functionality in six countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon.

# There are plans to develop several domestic and regional IPS. If they come to fruition, the IPS landscape will become more saturated

### TUNISIA SUDAN ALGERIA MAURITANIA **GUINEA** SIERRA LEONE LIBERIA UGANDA BENIN BURUNDI SÃO TOMÉ AND PRÍNCIPE COMOROS ANGOLA MADAGASCAR MOZAMBIQUE **ESWATINI** LESOTHO

# Seventeen countries are developing a domestic IPS

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AfricaNenda

Three regional IPS are in development



Based on available data and information collected till June 2023.

# Key Barriers and Opportunities

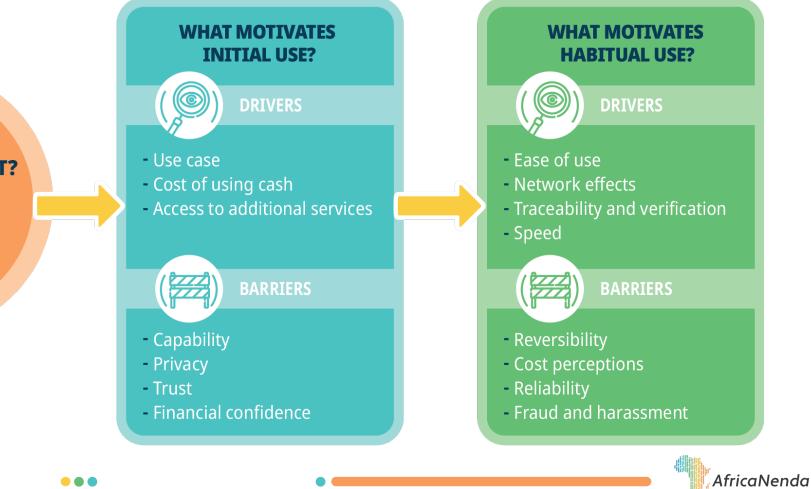




# Significant barriers persist that limit digital payment access, early, and frequent usage

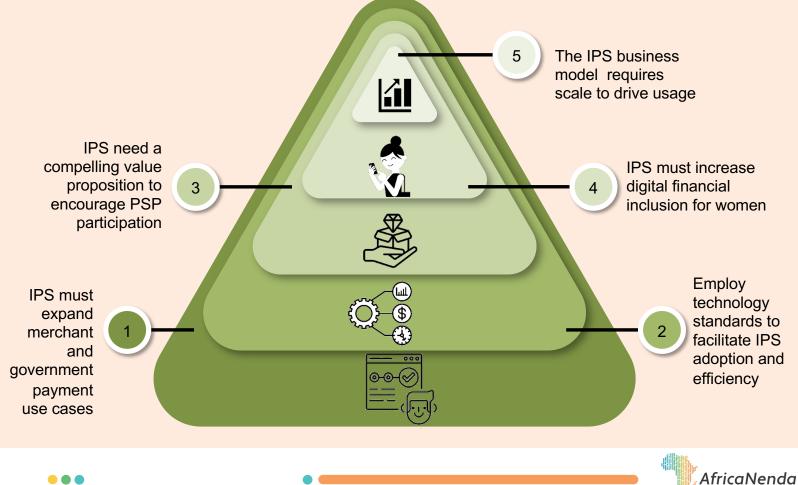
### **CAN YOU ACCESS IT?**

- Physical access
- Documentation
- Language



# Hurdles and the associated opportunities that IPS and their stakeholders could pursue to drive instant payment system inclusivity.





# Spotlight on Cross-border Retail Payments





### What are the challenges in cross border payments.

## **Usage barriers**

retail cross-border payments are expensive, inaccessible to many users, and are largely informal.

# Operational barriers

Inconsistent messaging standards, expensive liquidity management

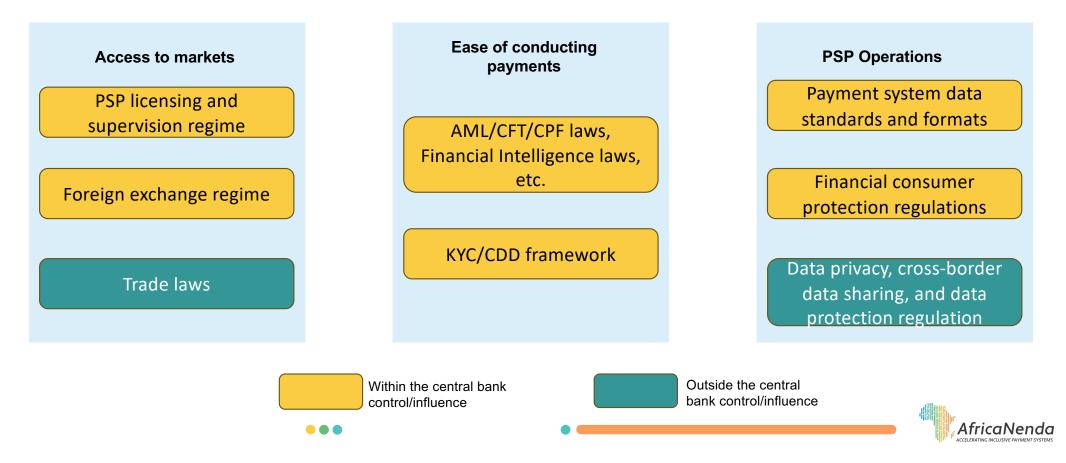
# Regulatory barriers Lack of risk-proportional crossborder licenses and level playing

border licenses and level playing field in payment system access, Misaligned customer due diligence (CDD) requirements, Stringent data localization requirements and prohibited cloud data storage, Burdensome foreign exchange control requirements, etc



# Regulatory harmonization could generate significant gains for the entire cross-border payment value chain in Africa

The key areas of regulation that would benefit from harmonization across jurisdictions to improve access to and usage of cross-border retail payments



Three overlapping and iterative phases of harmonization are typically required for payment-related laws and regulations



### BUILDING BLOCK 1: FORMULATE INCLUSIVE POLICIES

Craft regional and domestic policy with goals that equip regulators with mandates for cooperation.

Time to complete: Between one and three years



### **BUILDING BLOCK 2:** ALIGN REGULATORY FRAMEWORKS WITH POLICY

Align domestic and regional regulation, guidance, rules, practices, and implementation according to common regional principles.

Time to complete: Between two and ten years



### **BUILDING BLOCK 3:** ENTRENCH IN TRADE AGREEMENTS

Trade agreements can realize longer-term harmonization outcomes.

Time to complete: Between five and ten years

The sequencing and balance of domestic regulatory changes and regional initiatives need to be carefully considered

# Looking into the Future

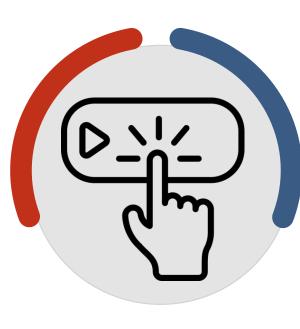




### Key actions for policymakers and regulators

Policymakers can create more incentives for the design of IIPS, beginning by enabling better access to credible comparable information

 Access to scheme rules
Inclusive, consistent, and transparent measurement frameworks for volume and value disclosure

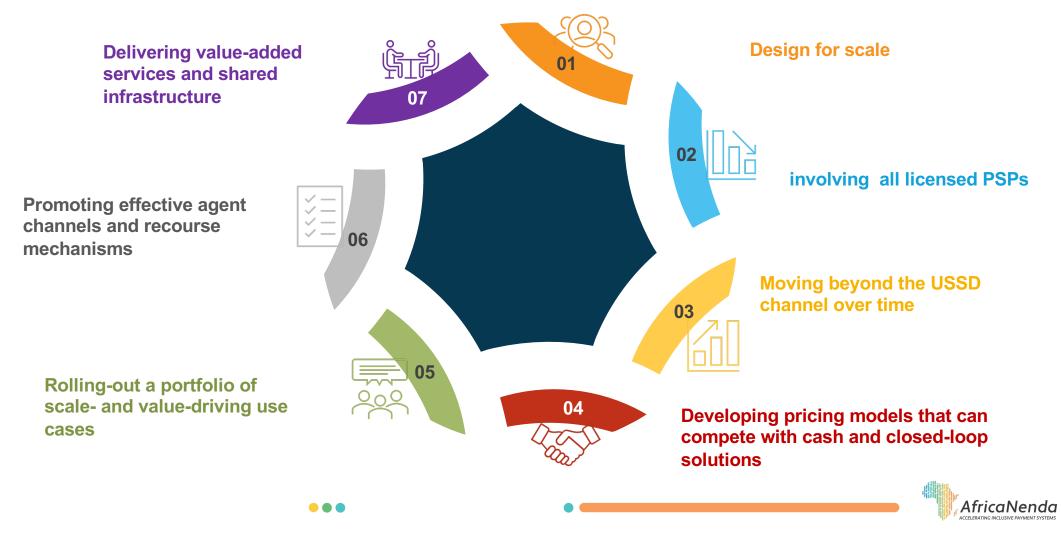


Regulators need to consider how to regulate and supervise to support the advancement of inclusive IPS

- Innovation and coordination between regulators
- Principles-based regulatory frameworks for consumer protection and data privacy, and a move towards risk-based supervision
- Harmonization of regulation for cross-border payments within regions



# **IPS** need to ensure their design and governance structures support inclusive outcomes.



# Thank You!

