ASSOCIATION DES BANQUES CENTRALES AFRICAINES

ASSOCIATION OF AFRICAN CENTRAL BANKS

CONTINENTAL SEMINAR ON THE THEME

"Enhancing Payment Systems to Promote Financial Inclusion in Africa and Intra-African Trade: Challenges and Opportunities"

<u>Organized by</u>: Banco de Moçambique

(Maputo, Mozambique, June 3 – 5, 2024)

REPORT

1. INTRODUCTION

In line with the decision taken during the Assembly of Governors held in Livingstone, Zambia, on August 4, 2023, the 2024 Continental Seminar of the Association of African Central Banks (AACB) was hosted by the Banco de Moçambique. The Seminar was held in Maputo, Mozambique, from June 3 – 5, 2024 on the theme *"Strengthening Payment Systems to Promote Financial Inclusion in Africa and Intra-African Trade: Challenges and Opportunities".* Sixty-six delegates of member Central Banks and representatives of regional and international institutions attended the Seminar. The list of participants is attached in the appendix of this report.

2. OPENING CEREMONY

The opening ceremony was chaired by Dr. Rogério Lucas Zandamela, Honourable Governor of Banco de Moçambique.

In his introductory remarks, Dr. Djoulassi Kokou Oloufade, AACB Executive Secretary, on behalf of the AACB Chairperson, Dr. Denny Kalyalya, Honourable Governor of the Bank of Zambia, expressed his sincere appreciation to Banco de Moçambique for agreeing to host the 2024 Continental Seminar and making excellent arrangements in organizing and executing this crucial event. He expressed his heartfelt appreciation to His Excellency Mr. Filipe Nyusi, President of the Republic of Mozambique, as well as the government and citizens of Mozambique for facilitating the participants stay in Maputo. He also thanked the Experts for accepting generously to share their knowledge on the topics discussed during the Seminar. Furthermore, he commended the participants for their massive participation, demonstrating their commitment to contributing to Africa's monetary and financial integration process.

Moreover, the Executive Secretary indicated that the AACB works towards its goals by promoting the exchange of ideas and experiences related to monetary, financial, banking, and economic issues in Africa. The Continental Seminar, which takes place annually, is a significant event in achieving these objectives. It is taking place where Intra-African trade currently remains low, accounting for only 14.4% of total African exports. According to the United Nations Conference on Trade and Development (UNCTAD), Africa's currently untapped export potential stands at USD 21.9 billion, representing 43% of intra-African exports. In addition, intra-African trade increased from USD 98 billion in 2013 to USD 102 billion in 2022, an increase of 5.1% over the period. Despite this performance, the share of intra-African trade in world trade has continued to decline.

Therefore, the Executive Secretary indicated that the principal objectives of the 2024 Continental Seminar are to show how strengthening payment systems could contribute to improving financial inclusion, establish payment systems typology, and identify those that could boost intra-African trade and strengthen financial inclusion in Africa. The Seminar also aims to take stock of intra-African trade and focus on how strengthening payment systems could help boost it and highlight the opportunities offered by the use of payment systems. Furthermore, it should contribute to a better understanding of challenges that need to be addressed so that the payment systems strengthening can contribute to effectively promoting financial inclusion and intra-African trade.

To conclude his remarks, the Executive Secretary highlighted that this event constitutes an excellent opportunity to share experiences on topical issues related to how strengthening Payment Systems can help promote financial inclusion and intra-African trade, have fruitful discussions that generate pertinent and profound ideas, and formulate practical recommendations.

Starting her speech, Mrs. Mirriam Kamuhuza, Director of Payment Systems Department at the Bank of Zambia, Chair of the AACB Task Force on Payment Systems Integration extended a warm welcome to all participants in the 2024 AACB Continental Seminar. She thanked Banco de Moçambique for the excellent logistical arrangements and organization of the Seminar.

She emphasized the importance of payments, financial inclusion and improving the livelihoods of African communities in an increasingly dynamic environment for mobile payments. She also discussed the initiatives taken by governments, financial sector regulators, and private sector players to promote inclusivity within their respective jurisdictions across the Continent.

Mrs. Kamuhuza highlighted the progress made in recent years. Several African countries have implemented ambitious national financial inclusion strategies to varying degrees, especially with the advent of mobile payments that are more inclusive than traditional banking systems. Indeed, over the last five years in Zambia, the volume of mobile payments has increased by 306%, while the amounts processed have risen by 814%. International remittances via money transfer operators have also increased. Over the last ten years, remittance volumes have increased by 479%, while values have risen by 525%. This situation legitimizes cross-border payment initiatives for both high-value and retail payments, such as those set up within the framework of regional and continental blocks. However, limited interoperability between different payment systems, differences in regulatory frameworks, inadequate cybersecurity and fraud prevention measures, insufficient internet connectivity, the predominance of the informal sector, etc., hamper the fluidity of cross-border transactions.

For the Chairperson of the AACB Task Force, this timely event would address these challenges and explore the vast possibilities for improving payment systems platforms and leveraging innovation and the potential of cutting-edge technologies such as blockchain and artificial intelligence to accelerate financial inclusion and build a robust digital payments infrastructure.

Closing her speech, Mrs. Kamuhuza looked forward to participative discussions, full of experience sharing, and to forging new partnerships that would boost financial inclusion and intra-African trade. She also called for synergy between governments, the private sector, Central Banks, commercial banks, FinTech companies, and policymakers to shape a future where financial services are accessible, affordable, and secure across African borders. She remained confident that this event would foster insightful discussions and pave the way for concrete actions to improve cross-border payments in Africa.

In his opening speech, Dr. Rogério Lucas Zandamela, Honourable Governor of Banco de Moçambique, welcomed all participants and wished them a pleasant stay in Maputo, the capital of the Republic of Mozambique. He also expressed his gratitude to AACB for accepting the Banco de Moçambique's offer to host such an important event in Mozambique. He announced that the Seminar would be attended by 66 participants from 23 African Central Banks and international partner institutions.

He pointed out that this year's theme, "Enhancing payment systems to promote financial inclusion in Africa and intra-African trade: Challenges and opportunities", is particularly relevant and timely, given the forces of de-globalization in the world economy, particularly in trade, which is an opportunity for the African continent to take stock of intra-African trade issues.

According to the Honourable Governor of Banco de Moçambique, in order to stimulate intra-African trade and continue to improve financial inclusion in Africa, an efficient and secure payment system is needed because, despite significant progress in recent years, the African Continent is still far from achieving desirable levels of financial inclusion, and progress in intra-African trade has been particularly slow. Indeed, over the last ten years, intra-African trade has grown by only 4%, representing only 14% of total African exports, while the untapped potential of intra-African exports amounts to 43% (around 22 billion USD) in 2022.

Therefore, it is crucial to work on regional payment systems to meet the challenges of intra-African trade and financial inclusion. On this particular aspect, Dr. Zandamela highlighted the progress made on three regional payment and settlement platforms: the Southern African Development Community Real Time Gross Settlement System (SADC-RTGS), East African Community Payment and Settlement System, and the Common Market for Eastern and Southern Africa (COMESA) Regional Payment and Settlement System.

However, beyond the creation of several payment platforms, Africa needs integration and interoperability between the different systems for common objectives. To this end, it is imperative to continue harmonizing regulatory and oversight frameworks, monitoring and mitigating the various risks, including cybersecurity, money laundering, and the financing of terrorism.

The Honourable Governor of Banco de Moçambique hoped that the Pan-African Payment and Settlement System (PAPSS) launched in Accra in 2022, as part of the African Continental Free Trade Area (AfCFTA) agreement, will stimulate both intra-African trade and financial inclusion. The PAPSS will enable payments to be made in local currencies between African countries, thus reducing dependence on foreign currency liquidity and transaction costs, leading to an increase in the volume of goods and services exchanged between African economies.

In conclusion, Dr. Zandamela called for fruitful discussions and deliberations, hoping that this Seminar would be an excellent opportunity to exchange ideas and experiences to support policy decisions at the next AACB Annual Meetings. Thus, he declared open the 2024 AACB Continental Seminar.

3. STRUCTURE OF THE SEMINAR

The Seminar was structured into two plenary sessions and break-out sessions. In the first plenary session, resource persons presented three sub-themes, while the second session focused on experience sharing by Central Bank representatives. The break-out sessions focused on three other sub-themes, with feedback on conclusions and recommendations.

3.1. Plenary Session 1: Presentation of the sub-themes

This session was chaired by Mrs. Tilotma Jhurry, Assistant Director - Payment Systems and Digital Innovation, Bank of Mauritius. Mr. Jean Clary Otoumou, General Manager of Operations at the BEAC, Chairperson of the AACB Mobile Integration Strategy Working Group, Mr. Arlindo Lombe, Director of Bank Services and Payment Systems Department, Banco de Moçambique, and Mr. Clarence Blay, Acting Head of Payment Systems Department, Bank of Ghana, presented the following sub-themes, respectively:

- Enhancing Payment Systems Platforms to Promote Interoperability for Intra-African Trade: Opportunities and Challenges for Central Banks;
- Leveraging Innovations, Technological Solutions, and Digital Payment Infrastructure to advance Financial Inclusion in Africa;
- Role of Developing Cross-Border Payment Systems in Strengthening Financial Inclusion.

a) Enhancing Payment Systems Platforms to Promote Interoperability for Intra-African Trade: Opportunities and Challenges for Central Banks

The first presentation, made by Mr. Otoumou, explored the current landscape of digital financial services in Africa, its limitations in facilitating financial inclusion and intra-regional trade, and the potential of interoperable platforms to address these challenges.

According to the United Nations Conference on Trade and Development (UNCTAD), the Presenter noted that Africa's inter-regional trade flows are low compared to other continents. Indeed, the Continent's intra-regional exports stood at 15% in 2019, compared to 68% in Europe, 60% in Asia, and 30% in North America. By 2022, intra-African trade stood at just 14.4% of total African exports. This situation is due mainly to the development of informal cross-border trade, costly and time-consuming correspondent banking arrangements, and the low level of activity in the digital trade market and cross-border e-commerce. These problems are compounded by payment problems, characterized by fragmented payment systems and the absence of a single currency, higher fees, high currency dependency and costs, and payment delays due to possible failures along the value chain.

In addition, Central Banks are given a secondary role throughout the process of building a pan-African payment and settlement system. This situation results in little or no interoperability between platforms and risks compromising the objectives of Agenda 2063, which aims to increase intra-African trade to 50% by 2045 as part of the Continental Free Trade Area (AfCFTA) initiative.

In this context, the Presenter highlighted the opportunities for African Central Banks to improve payment systems platforms to promote interoperability. Thus, integrating payment systems in Africa will make it possible to:

- Offer a unified payment solution for consumers and merchants in Africa;
- Bring greater homogeneity and agility to the African payments ecosystem, ensuring "universal payment" at lower cost throughout Africa;
- Promote harmonization of the African payments market and reinforce Africa's autonomy in a globalized payments environment;
- Increase the volume of intra-regional financial exchanges and support the growth of digital financial services on the Continent;
- Increase the spread and accessibility of cross-border payments, thereby strengthening financial inclusion and the development of a digital economy in Africa;

- Offer African Central Banks the opportunity to deploy cutting-edge technologies linking African banks, payment service providers, and other financial market intermediaries;
- Develop instant and secure payments between African countries;
- Reduce the complexity and costs of cross-border payments in Africa;
- Improve operational efficiency and open up vast economic opportunities for all stakeholders;
- Accelerate the pace of economic growth;
- Improve the functioning of integrated regional financial markets; and
- soundly regulate macroeconomic policies.

The Presenter emphasized that the integration of payment systems in Africa entails a number of challenges for Central Banks. These challenges can be found at various levels, including the architecture or integration mechanism, governance of the integrated system, identification and consumer protection / AML/LCB/FTP compliance, operational rules, technical rules, and security and cybersecurity.

1. Integration architecture or mechanism concerns:

    - The integration perimeter, which circumscribes the payment systems to be interconnected and clarifies the membership and participation mode. This perimeter could be based on the principle of an integrated system in which the Central Banks are the principal members, guarantors, counter-guarantors, and lenders of last resort to the participants in their jurisdiction. The clearing and settlement architecture defines the clearing scheme for inter-African exchanges based on the existence of one or more switches designed to interconnect existing platforms for multilateral clearing. Central Banks will act as Settlement Banks for cross-border payment systems, for the transactions of Participants under their jurisdiction, and one Central Bank will act as Settlement Banks of cross-border payment systems for the transactions of Participants under their jurisdiction and a Central Bank as Settlement Bank for the entire system. Managers of cross-border payment systems would be as Central Counterparties and managers of cross-border payment systems would be as RTGS members of Central Banks.
    - Payment currencies remain a challenge to be clarified for final payments, settlements between RTGS, participants, and settlements between Central Banks. In this regard, final payments will be in local currencies, settlements between RTGS participants in local or foreign currencies, and settlements between Central Banks in RTGS Central Bank currencies. However, each system will have to choose the currency in which exchanges will be translated. Thus, the currency of each system will be freely defined by the system operator and participants.
    - The billing of cross-border payments must be defined according to a commercial strategy for the billing of intra-African transactions, based on cost transparency for all system operators and the principle of free competition, without excluding state subsidy strategies, respecting the rules and principles of competition under the surveillance of AACB college of supervisors. The regulator must ensure that

the prices charged are market prices. However, the question of pricing raises the problem of the economic model for managing the switch.

- Monetic acceptance networks, which will enable acceptors to manage all payment instruments and means in circulation in compliance with international standards, notably ISO 20022, which will be mandatory for all by 2025.
- The guarantee of mutual recognition between the various interconnected systems, as well as non-discrimination and equal treatment, with harmonized identification frames of reference and a mandatory rule for the recognition of regional schemes. In addition, common Know Your Customer (KYC) rules should be drawn up to promote interoperability between all integrated systems.

2. Governance of the integrated system:

- The creation of a governance organization under the aegis of the AACB (College of Supervisors) responsible for implementing the rules, standards, and operating procedures of the integrated cross-border payment system.
- Regulation at two levels, one regional by the Central Bank of the territory in which the platform is located, and the other continental by AACB via the College of Supervisors.
- Rules of governance and dispute management to be implemented by the regulator and the platform manager at the national or sub-regional level.

3. Identification, Consumer protection, AML/FTP compliance, and user identification will be harmonized by AACB, at least KYC and eKYC rules and principles at the continental level, taking inspiration from the European Union's RGD2 and finding a consensus on data protection rules and Financial Action Task Force (FATF) recommendations.

4. Operational rules should depend on the nature of cross-border transactions processed and instruments, the payment services provided by the inter-African payment system, and the guarantee of payment irrevocability. Also, real-time or deferred payment with liquidity default risk management and the number of netting and settlement sessions should cover all the Continent's time zones. Settlement time frame on Operating hours would be allowed.

5. Technical rules on account formats, with the harmonization of the IBAN/RIB format for all payment instruments, technical aliases for inter-African mobile money operations, and standard formatting of financial messages.

6. Security and cybersecurity, with the security norms and standards for inter-African exchanges and networks for transporting financial information and transaction data, to capitalize on the Swift network for transporting financial information and cross-border transaction data, with guaranteed continuity of system operation 24 hours a day, 365 days a year.

In conclusion, the Presenter indicated that promoting the interoperability of the Continent's payment system platforms will contribute to facilitating cross-border transactions and trade, promoting financial innovation, regional financial inclusion, strengthening consumer confidence, increasing accessibility to financial services, reducing poverty, encouraging savings, investment, and entrepreneurship, and reinforcing regional integration. To achieve this, however, Central Banks face enormous challenges, particularly at the technical, regulatory, infrastructural, and governance levels. More specifically, the challenges include defining the architecture or mechanism for integration, governance of the integrated system, consumer identification and protection, operational rules, technical rules, security, and cybersecurity.

In response to the concerns raised by participants, the Presenter indicated that the plurality of currencies constitutes a significant constraint in the institution of an integrated payment system in Africa. Although the advent of a single currency would be ideal for the integration of payment systems, the plurality of currencies must not act as a brake on the establishment of integrated payment systems across the continent. In addition, the challenges faced by countries in meeting their macroeconomic convergence targets constitute a constraint on the advent of a single currency.

Regarding the constraints associated with the advent of a single payment platform, there is a need to interconnect existing platforms and ensure regional system interoperability for a single payment platform to overcome them. This option would involve other players in the ecosystem, particularly administrations, to harmonize legal frameworks and rules of the game as closely as possible with the different realities of African societies and the private sector, with a view to encouraging investment in payment infrastructures and competition that would help reduce costs through the diversity of offerings. However, as part of such an approach, Central Banks should play a key role in strengthening and harmonizing banking supervision with regard to system interoperability and the mechanisms that will need to be put into play and avoid a position of being administered by the promoters of private payment platforms.

Transfer costs are excessive due to the obligation to use foreign currencies and the impact of exchange rates on intra-African payments. This problem could implicitly be resolved with the advent of the single currency. The current alternative is adjustment by transaction volume through economies of scale and sovereignty in the information economy.

b) Leveraging Innovations, Technological Solutions, and Digital Payment Infrastructure to advance Financial Inclusion in Africa

The second sub-theme was presented by Mr. Arlindo Lombe, Director of Bank Services and Payment Systems Department of Banco de Moçambique. The presentation shared countries' experiences that have used innovation, technological solutions, and digital payment infrastructure to strengthen access to financial services for the most disadvantaged population segments. It would provide an opportunity to take financial inclusion stock in Africa and identify technological and innovative solutions that could contribute to strengthening financial inclusion in Africa.

In the introduction, the Presenter reiterated the importance of innovation, technology, and digital payment infrastructures in promoting financial inclusion. To this end, he indicated that efficiency and speed must serve as a gateway for financial inclusion and economic empowerment of the most vulnerable populations, given its rapid penetration. In many countries, particularly developing ones, the expansion of the digital payment system has given citizens better access to mobile money, creating financial links for the banked and unbanked. Digital financial inclusion enables the creation of competitive advantages by stimulating growth, profitability, and sustainability in access to and use of financial services.

He also pointed out that innovation focuses on transforming payment habits with physical money, enabling the creation of solutions and business models that are better adapted to end-users’ needs, faster and at a lower cost than traditional financial operators. Hence, there is a need to create the conditions for a robust digital payment infrastructure if the benefits are to be successful and the objectives of financial inclusion are to be achieved effectively and efficiently. In the process of financial inclusion, technology is an unavoidable variable, given its rapid penetration.

In addition, the Presenter recalled that financial inclusion is directly in line with the United Nations' Sustainable Development Goals (SDGs). In 2015, financial inclusion was designated as one of the drivers to achieve 8 out of 17 SDGs by 2030. It would be a key factor aimed at fostering growth and reducing inequality and poverty. Financial inclusion, and particularly digital inclusion, will enable people to access all these opportunities at relatively low cost, instantly. In this case, banks will have a crucial role to play in helping ensure increased levels of access to and use of formal financial services for the benefit of the economy and society as a whole, in line with the National Financial Inclusion Strategies (NFIS).

In Mozambique, a legal regime for bank accounts introducing the basic/simplified account to enable vulnerable families to have bank accounts on more flexible terms has been introduced. It regulates the basic/simplified account, establishes the mandatory adoption of biometric identification by credit institutions, and sets the conditions for the opening of bank accounts by non-recognized entities, including savings and credit groups. Also was approved the regulation that establishes rules for the operation of non-banking agents, detailing responsibilities and requirements for entities acting as intermediaries in banking financial services. It define also defines the conditions for the registration of virtual asset service providers with Banco de Moçambique (BM).

Interoperability between electronic money institutions and banks has been implemented as part of the drive to strengthen the financial infrastructure. Due to interoperability, transactions are faster, and more flexible and more inclusive.

The legal regime for movable collateral established the central register of movable collateral, contributing not only to the extension of assets acceptable to financial institutions as collateral but also to the improvement of the business environment.

In addition, the presenter highlighted the establishment of a consumer protection system with the integration of financial education into the school curriculum, the penalization of financial institutions that disregard their customers' rights, the establishment of a code of conduct for credit institutions and finance companies, and the definition of guidelines for risk management and cyber resilience.

In Mozambique, the necessary conditions for financial inclusion are inter-institutional coordination, the legal environment, basic and technological infrastructure, favorable macroeconomic conditions, and the commitment of the financial sector. The main challenges include infrastructure coverage, the population's low level of financial literacy, and the implementation of a new national strategy for financial inclusion, which will be in force over the period 2024-2030. Despite the country's achievements in terms of inclusion, it is necessary to focus on the main constraints to effectively achieve the country's financial inclusion objectives.

Although the National Payment System faces typical challenges in terms of growth, it operates efficiently and meets the needs of economic agents. It has made a solid contribution to maintaining financial stability, confidence in the currency, the efficiency of economic activity, and the smooth implementation of monetary policy. The major challenge it faces is the limited extension of the network of access points to financial services and transaction costs.

As far as cross-border payments are concerned, workers' remittances play an essential role. As demand for cross-border payment services grows, so does the need to make them more efficient and secure. With the development of new technologies and the Fintech environment, the scope of cross-border payment mechanisms is evolving, and Banco de Moçambique has authorized initiatives by money transfer service companies, making the process faster and less costly. The process has been conducted in a controlled manner, and now only capital is allowed to enter the country. Transfers are carried out in real-time, using mobile application platforms, USSD, call centers, and accredited agents.

However, many challenges remain to be overcome, including expanding the geographical coverage of remittance services, strengthening technological innovation, adapting regulation and supervision in a context of innovation and digitization, increasing the capacity to capture amounts transacted in the informal sector for the financial system, and reducing transaction times and costs.

Furthermore, Digital Financial Services (DFS) have undergone rapid transformation in recent years in response to changes in the economic environment. Despite the significant increase in the use of electronic means of payment, further reforms are still needed in terms of infrastructure development and interconnection. He pointed out that the acceleration of SFNs has demonstrated the potential of technological solutions to promote financial inclusion. In order to adapt regulations to the challenges posed by technological developments and the modernization of payment systems, Law 2/2008, which establishes the National Payment System, is currently being revised.

Following the presentation, discussions focused on the issue regarding the absence of identity documents or collateral assets. The solutions proposed by Banco de Moçambique involve identifying people without identity documents by witnesses of representative social status, with a view to regularizing their situation at a later date and pledging personal assets as collateral. This solution also includes an administration center for personal data and the assessment of goods offered as collateral. However, these solutions require a boundary on the amount of credit to be granted.

In addition, the question of account opening by non-mature persons was raised, with the solution requiring parental authorization.

c) Role of Developing Cross-Border Payment Systems in Strengthening Financial Inclusion

The sub-theme was presented by Mr. Clarence Blay, Acting Head of the Payment Systems Department of the Bank of Ghana. The presentation focused on highlighting the role of cross-border payment systems development in promoting financial inclusion. In addition, the exchanges were centered on the Continent’s existing experiences of success and the key drivers of their success.

According to the United Nations Conference on Trade and Development (UNCTAD), world trade will be worth 31 trillion Euros in 2023, with Sub-Saharan Africa accounting for less than 3%. Intra-African exports in 2022 are estimated at 18% of world exports, compared with 62% for intra-European exports.

In addition, the International Organization for Migration (IOM) has estimated that in 2020 there will be 281 million migrants worldwide, of whom 14%, 41%, and 24% will come from Africa, Asia and Europe respectively. Remittances from these migrants to Africa will amount to USD 100.1 billion, or 3.4% of GDP in 2022 (World Bank).

Furthermore, the Presenter indicated that the Global payment ecosystem includes a variety of payment methods, such as credit and debit cards, digital wallets, bank transfers, and mobile payments. It plays a crucial role in facilitating the flow of funds between individuals, businesses, and governments across borders.

To participate effectively in the global economy, individuals and Micro, Small, and Medium Enterprises (MSMEs) need to be financially included. The 2021 Global Findex report indicated a general increase in financial inclusion in many regions. Indeed, globally, 76% of adults have access to an account with a financial institution or mobile money provider, and the gender gap has narrowed from 8% to 4%. However, 1.4 billion people worldwide are still unbanked. In Sub-Saharan Africa, over 50% of the population has access to a bank or mobile account, and the gap between men and women has risen from 5% to 12%.

Cross-border transfers in Africa face a number of challenges, including insufficient regulatory provisions at country level, high costs associated with transfer fees, limited access to formal banking services, lack of interoperability between different payment systems, and concerns about security and fraud. Limited digital infrastructures, fluctuating exchange rates, and high levels of financial illiteracy added to these problems.

According to the 2021 Findex report, 105 million adults in sub-Saharan Africa are unbanked. The development of cross-border payment systems can help combat this financial exclusion by targeting the following:

- Hybrid remittance and financial inclusion products available;
- User-friendly technology;
- Simplified and proportionate KYC system;
- Financial education and fraud prevention;
- Regulatory support - consumer redress;
- Instant liquidity and convenience;
- Affordable transfer services.

The Presenter emphasized that cross-border payments in Africa have always been difficult due to the fragmented nature of the Continent's financial systems and the need for interoperability between payment systems in different countries. However, with the rise of FinTech solutions and digital payment platforms, there is a growing opportunity to improve cross-border payments and facilitate greater connectivity within the Continent.

Thus, regional initiatives such as the Pan-African Payment and Settlement System (PAPSS), GIM UEMOA, GIMAC, the East African Payment System (EAPS), and the SADC Cross-Border Payment System are striving to create a more integrated payment infrastructure in specific regions of Africa. These systems aim to facilitate transparent cross-border transactions and promote economic cooperation between member countries.

Giving the example of PAPSS, the Presenter indicated that the project, initiated by Afreximbank, was officially launched on January 13, 2022. It was created to make real-time payments across Africa to promote intra-African trade and integrate RTGS from African countries to facilitate seamless payments across the Continent.

As a result, the platform offers the following advantages:

- Inclusive access through integration with national payment systems;
- Transfer security and reliability;
- Reduced currency convertibility problems by using the local currencies of user countries;
- ISO 20022 messaging standards;
- Multilateral net settlement.

Finally, the Presenter formulated some thoughts to address the challenges of cross-border payments and financial inclusion in Africa. In this regard, policymakers and financial institutions should focus on:

- Develop Pan-African digital payment solutions;
- Proportionate requirements for cross-border payments;
- Bolster Financial literacy for underserved populations;
- Eliminate /Reduce/Uniform Tax systems;
- Promote interoperability amongst payment systems;
- Harmonize regulations and standards;
- Open Data and data protection;
- Develop an Afro-centric sanction list;
- Enable mobile money cross-border payments;
- Develop Migration-friendly policies.

Following the presentation, some issues were raised, including the adoption of PAPSS as a global solution for payment integration in Africa. However, for greater efficiency, it would be crucial to make room for competition by pushing PAPSS towards more collaboration with other payment systems already available. Indeed, it was noted that PAPSS needs collaboration all the players in the ecosystem to better meet expectations.

When discussing the harmonization of cross-border payment conventions and the interoperability of cell phone payment platforms on an African scale, the issue regarding the need for a solution to align exchange rates with different currencies was highlighted.

3.2 Plenary session 2: Experiences of AACB Central Banks

Five AACB Central Banks shared their experiences with respect to the main theme of the Seminar.

3.2.1 South African Reserve Bank (SARB)

The South African Reserve Bank (SARB) is responsible for the oversight and supervision of the SA's National Payment System (NPS), provision of settlement services as well as the formulation of the NPS policy and regulations. Further, in collaboration and via cooperative arrangements with the Southern African Development Community (SADC), the SARB provides and takes the lead in overseeing the regional settlement system, retail payment systems, and related regional payment matters to support financial inclusion.

In 2018, the SARB embarked on a project to review the NPS Act. Key amendments will broaden access to payment services by enabling non-banks to fully participate in the NPS by providing payment services, clearing and settling transactions without partnering with banks. Consequently, the regulation, oversight, and supervision in the NPS will be activity-based rather than participant-based.

The SARB utilizes various instruments (NPS legislation, Principles for Financial Market Infrastructures (PFMIs), and Financial Action Task Force (FATF) recommendations) to perform the oversight and supervision functions, and is making efforts to enhance and extend its oversight and supervision functions to the non-systemic PS participants within the NPS.

Regionally, the SARB has been appointed as the Lead Overseer since the SADC-RTGS system is hosted and operated in the SARB.

The SARB operates South Africa’s domestic real-time gross settlement (RTGS) system, the South African Multiple Option Settlement (SAMOS), and the regional SADC-RTGS, which is owned by the SADC Central Banks and operated by the SARB.

These systems are undergoing a renewal process catering to customer needs and technological changes in the payments industry (e.g., extension of operating hours, fraud minimization and time reduction in clearing and settlement processing of transactions, participation of non-banks, and improved multi-currency and cross-border transactional capabilities).

For retail payments, the SADC instant payment offering known as the Transactions Cleared on an Immediate Basis (TCIB) payment scheme has been developed catering for participation by banks and non-banks, provided they meet the set access and participation criteria.

In conclusion, the SARB will reflect on its commitment to support the regional integration and interoperability of payment systems agenda in an effort to enable seamless trading within SADC and intra-Africa.

3.2.2 Bank Al-Maghrib

Morocco, with a population of 37.3 million in 2023, is a country with a diversified economy dominated by services (50% of GDP) and very open to the outside world. Its banking sector has seen significant developments in digital payments in recent years, with the introduction of several initiatives to promote digital financial inclusion in the country.

With a bank penetration rate of 53%, the fast-growing banking sector made up of 88 establishments including 24 banks, 29 finance companies, 11 micro-credit associations and 16 payment institutions, has a total balance sheet of 127% of GDP.

Morocco's payment system consists mainly of a large-value interbank payment system, the Morocco Gross Settlement System (SRBM), which settles transactions on a gross basis in real time, and three interoperable retail payment systems: Electronic Payments Switch, Switch Mobile, and the Morocco Interbank System of Tele-compensation (SIMT).

The Casablanca Stock Exchange handles the clearing of listed securities for settlement on D+3, while Maroclear handles the custody of securities and manages the settlement-delivery system. This system enables transactions to be settled in real-time for repo and OTC operations and administers all events linked to a security’s life.

In recent years, electronic payments have been on the rise. Indeed, digital payments increased from 13% in 2016 to 20% in 2022. Over the same period, the share of cheques in cashless payments fell from 41% to 7%, and credit transfers increased by 45%, taking contactless payments to 56% of overall volume. This situation boosted e-commerce, which tripled in number.

The National Strategy for Financial Inclusion and the Digital Transformation of Public Administration have made digital a lever for financial and economic inclusion, as demonstrated by the sustained drive to digitize certain government payments and financial services.

However, a number of challenges stand in the way of this move towards digital inclusion, notably the weight of informal activities (30% of GDP and the hoarding of 60% and 80% of cash in circulation), local retailers' lack of awareness of the benefits of electronic payments, high transaction costs and commissions, and exposure to cyber threats from banking institutions and the market.

In this regard, the government of Morocco has launched several projects and initiatives to promote digital financial inclusion among the most vulnerable populations. These programs include instant transfers, introducing a trusted third-party service, dematerializing government money transfers, digitization of cross-border transfers BUNA branch of the Arab Monetary Fund (AMF) and the Pan-African Payment and Settlement System (PAPSS).

3.2.3 BCEAO

BCEAO has launched many initiatives to promote greater financial inclusion within the West African Economic and Monetary Union (WAEMU). These measures include the development of Financial Market Infrastructures (FMIs) through, mainly the modernization of payment systems, support for States in digitizing public payments, adopting a Regional Financial Inclusion Strategy, and promoting the activities of financial technology companies (FinTech). These efforts have significantly increased the number of e-money issuers and improved financial inclusion indicators between 2017 and 2023. The core banking rate rose from 16.4% to 25.6%, the extended banking rate from 35.30% to 47.7%, and the overall rate of use of financial services reached 72.3% compared to 53.60 in 2017.

Despite this progress, a number of challenges remain. In Africa and the WAEMU in particular, financial inclusion is hampered by people's persistent preference for fiat money, weak identification systems, consumers' lack of financial education, high costs, and the need for interoperability of Digital Financial Services (DFS). Intra-African trade remains limited, due in particular to the high costs and long processing times of cross-border payments, as well as the disparity of FMIs regulations and the need for interconnection of payment systems on a regional and continental level.

To meet these challenges, BCEAO is committed to implementing projects aimed at strengthening financial inclusion and regional and continental integration. These include the deployment of an interoperable instant payment system, bringing the Union's financial market infrastructures into line with international standards, and adopting a regional financial education program in the WAEMU.

In addition, BCEAO is involved in international initiatives such as the ECOWAS Payment and Settlement System (EPSS), the African Inter-Regional Payments Integration (AACB), and the

African Union Pan-African Payment and Settlement System (PAPSS), aimed at facilitating intra-African trade and strengthening economic integration on the Continent.

3.2.4 Banque Centrale du Congo

The Democratic Republic of Congo (DRC) has a surface area of 2,345,000 km2, a population approaching 105 million inhabitants by the end of 2023, 47.1% of whom live in urban areas, an Internet penetration rate of 22.9% and a diaspora of 1.2%.

In terms of the financial services landscape, the DRC has 16 commercial banks, 4 Electronic Money Institutions (EMIs), 104 microfinance institutions, 27 payment aggregators, 38 financial messengers (MTOs), 722,801 EMI agents, 658 bank agents and counters and 9706 bank agents.

In addition, the legal framework for fund transfers comprises the following texts:

- Law n°22/069 on the activity and control of credit institutions, which recognizes the transmission of funds as a payment service;
- Law n°18/019 on payment and securities settlement systems, which lays down rules for the protection of consumers of payment services (pre-contractual information and price transparency), the right to complain about unauthorized or incorrectly executed transactions, electronic evidence and the role of the Supervisory Authority;
- Law n°22/068 on the fight against money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction;
- Law n°23/010 on the digital code, which lays down the basic principles of personal data protection and cybersecurity.

In addition, these texts are supplemented by regulatory provisions issued by the Central Bank of Congo, notably Instruction n°006 of 2023, which governs financial messaging activities, and Instruction n°24 of 2011, relating to the issuance of electronic money and Electronic Money Establishments.

Regarding the modernization of national payment infrastructures, since 2008, the Central Bank has initiated a vast reform to modernize the national payment system, which led to the implementation in September 2017 of the ATS system comprising an RTGS and an ACH, coupled with the Central Securities Depository.

In addition, BCC has set up a national electronic money switch to process and clear card and e-money transactions, which is the main interoperable retail payment infrastructure in the DRC.

The development of these infrastructures has enabled interconnection with the regional systems of SADC and COMESA, which are likely to strengthen both intra-African fund transfers and trade between countries.

In the financial messaging business, incoming remittances amounted to USD 1,331 million by the end of 2023, representing 2% of GDP, while worldwide remittances from the DRC are estimated at USD 207 million. In addition, the average cost of a USD 200 remittance from the DRC is around 8.4% of the amount.

International money transfers are only offered by banks and financial messengers. Electronic money institutions are not yet authorized to carry out these operations abroad.

In terms of financial inclusion, EMIs have made a significant contribution to improving access to financial services. Indeed, the financial inclusion rate has risen from 3.5% in 2010 to 9.1% in 2013 (the year EMIs began operations) before reaching 48.0% in 2023.

Despite this improvement, several constraints are at the root of financial exclusion in the DRC:

- The remoteness of institutions and the cost of financial services;
- Infrastructural constraints coupled with an underdeveloped payment ecosystem;
- The low level of financial education and popularization of mobile money;
- Inadequate consumer protection and market conduct provisions;
- Difficulties in identifying account holders.

Faced with this situation, the DRC government adopted the National Strategy for Financial Inclusion 2023-2028 in July 2023. This Strategy constitutes a roadmap articulated around six strategic objectives to boost financial inclusion.

3.2.5 National Bank of Rwanda

Rwanda has made significant progress in its payment system infrastructure in recent years, building a modern and efficient electronic payment system that is widely used throughout the country.

The payment system sector in Rwanda continues to experience robust growth, driven by significant advancements in digitalization. The landscape of payment access points is evolving rapidly towards more digital solutions such as mobile POS, with mobile money subscribers reaching a substantial 6.8 million. This growth is reflected in the remarkable increase in retail digital payments, which surged from 25.6% of GDP in 2017 to nearly 200% by December 2023. Mobile payments, particularly through internet banking and mobile banking, have seen considerable growth, with transaction values increasing by 130% and 161%, respectively. The sector has also witnessed the introduction of new fintech companies, especially in the remittances business, and the Rwanda Integrated Payments Processing System (RIPPS) / Real-Time Gross Settlement (RTGS) now operates continuously 24/7.

Launched in 2022, the Rwanda National Digital Payments System, known as eKash, began with two mobile money providers as its initial participants. Over the past year, eKash has expanded to include other financial institutions such as banks and microfinance institutions. Currently, there are about 500,000 active subscribers to the eKash system. Furthermore, eKash uses ISO 20022 as its native message format, which positions it well for future integration with regional and international payment systems like the Pan-African Payment and Settlement System (PAPSS) and the East African Payment System (EAPSS). Initially focusing on peer-to-peer (P2P) transactions, eKash plans to implement peer-to-business (P2B) and other use cases in subsequent phases. Due to its current scope, eKash is not yet ranked in terms of inclusivity on the IPS Inclusivity Spectrum.

The Central Bank has completed a research paper on the introduction of a Central Bank Digital Currency (CBDC) and is now seeking public comments on the paper. The plan is to issue the CBDC within the next two years. Key advantages of the CBDC include the potential to facilitate faster, cheaper, and more inclusive cross-border remittances. As per the feasibility study, Sub-Saharan Africa continues to be the most expensive developing region for sending remittances. For instance, transferring $200 from Tanzania to neighboring Uganda incurs a fee of 29.7% for the Ugandan recipient. Additionally, remittances from Tanzania to Rwanda rank among the top three most costly corridors. The Central Bank's efforts aim to enhance the efficiency and accessibility of financial services, fostering greater financial inclusion and integration in the digital economy.

The National Bank of Rwanda (BNR) has completed a feasibility study on Open Finance in Rwanda, which includes an implementation roadmap. The study suggests that Open Finance has the potential to enhance competition in the financial sector, leading to more affordable financial services and promoting greater financial inclusion.

4. GROUP SESSIONS

Delegates deliberated on three topics in the break-out sessions.

Group I: "Challenges in Regulating Payment Systems and the Risks Associated with Fraud and Other Forms of Organized Crime in Africa"

I. Background

Payment networks are the backbone of any economy. They make it easier for money to move between individuals, large and small and micro businesses, and government agencies. A key feature of an effective payment system is lower transaction costs, which promotes an increase in productivity, encourages investment and boosts output, all of which support economic growth. A strong payment system promotes entrepreneurship, boosts trade, and entices foreign investment, while enabling sellers to reach buyers both domestically and across borders.

Payment systems are essential for executing monetary policy and maintaining financial stability. Trust, security, and reliability are fundamental pillars of a robust payment system. When a payment system is poorly managed, it can introduce risks that erode confidence in the system and potentially lead to financial instability.

Among the key risks is fraud which poses a major threat to payment systems in Africa, with the rapid digital transformation of the continent. The predominance of mobile phones which are used to conduct commerce has seen a sharp increase in the potential for fraud attacks on both consumers and suppliers who depend on mobile money rails. Large payment systems are also not exempt from fraud threats from malicious actors.

Finally, if we are to achieve high level financial inclusion, we require reliable payment methods since Africa still has millions of unbanked or underbanked citizens, thus improving access to payment services is essential.

II. Key Issues:

1. Risks in Payment Systems: Some of the important risks that need to be addressed include cyber-attacks, fraud, money laundering, and legal risks.

a. Cyber-attacks cause disruption of financial services, theft of sensitive data, and significant financial and reputational damage. Cybercrime targets a wide range of entities including cloud service providers, third party providers, vendors, suppliers, state corporations etc. including those that enable payment services.

b. Fraud; poses a major threat to payment systems in Africa due to

   i. rapid digital transformation

   ii. technological advancement

   iii. global interconnectivity

   iv. inadequate security protocols

   v. predominant use of mobile phones as majority of the attacks target mobile financial services

   vi. low level of digital and financial literacy

c. Money laundering: organized crime groups involved in criminal activities such as drug & human trafficking, arms smuggling, terrorist financing, corruption, tax evasion use payment systems to launder proceeds from illicit activities.

d. Legal risks: introduction of new regulations, compliance, privacy concerns, conflict of laws, and other uncertainties

2. Regulatory issues characterized by:

   a. Slow evolution - business and innovation evolve faster than regulation.

   b. Reactive/playing catch-up to business & innovation.

   c. Regulatory objectives sometimes limit market entry and/ reduce innovation speed.

3. Other emerging issues:

   a. Risk-based Approach to AML/CFT Requirements

   b. Emergence of Open Finance

   c. Crypto/virtual assets

   d. Artificial Intelligence – ethical frameworks and responsible deployment

   e. Regulatory Arbitrage

III. Challenges:

1. Geopolitical fragmentation
2. Classification and taxonomy of fraud
3. Regulation of AI and Crypto
4. Capacity building

5. Effectiveness of Regulatory Frameworks

IV. Recommended Mechanism

1. **Regulatory Frameworks**

   a) **Strengthen regulatory landscape** – There is need for the region and jurisdictions to regularly review and update regulatory frameworks to address emerging risks and technological advancements in the financial sector. The exercise should also involve the implementation of robust reporting mechanisms to ensure timely detection and reporting of suspicious activities related to money laundering and fraud. In addition, the regulations should cover guidelines on the implementation of secure payment methods that protect sensitive data.

   b) **Enhance regulatory enforcement** – includes inter-agency collaboration.

   c) **Collaborate among regional bodies** – Enhance collaboration with regional regulatory bodies to harmonize regulations and promote cross-border cooperation in combating financial crimes in including DFS fraud.

2. **Data sharing and analytics** – Develop mechanisms for data sharing across various authorities in the region while protecting the data subjects. The measures will ensure that different fraud typologies can be shared with service providers and authorities to prevent the escalation of threats. This measure can also form part of the financial incident reporting framework, once established.

3. **Digitization of national IDs** - Explore the digitization of national IDs to enhance KYC arrangements, and reduce fraud in financial transactions.

4. **Leverage and regulate crypto/virtual assets and AI** – Development, design and deployment of AI in the financial sector. Develop clear regulations for crypto assets and the deployment of AI in the financial sector to ensure consumer protection and data security.

5. **Promote consumer safety and education** – Develop harmonized educational campaigns to raise awareness among consumers about financial risks and best practices for safeguarding their financial resources.

6. **Cybersecurity**

   a) **Consider cyber insurance** as part of the regulatory collaboration – Consider collaboration with insurance companies and authorities to offer insurance products tailored for safeguarding against cyber risks. Financial and payment services providers should be mandated to consider cyber insurance as part of their risk management strategy to protect against cyber threats and data breaches.

   b) **Incorporate cyber resilience, compliance, and data protection** within organizational culture - Put in place harmonized cybersecurity guidelines in the region and respective jurisdictions. The adoption of cybersecurity and data protection practices within a jurisdiction and organizations, would help to embed a culture to mitigate cyber threats and enhance resilience across the region.

   c) **Develop recourse mechanisms for fraudulent arrangements** – There is need to consider the development of appropriate guidelines and mechanisms for handling consumer complaints and recourse so that there is uniformity as the region prepares for integration. The measures will ensure that all fraudulent issues are quickly and fairly handled in each jurisdiction. The measures should clearly state the timeframes and liability allocation in the event of failure to adhere to the rules.

d) **Implementation of financial incident response centres** for Africa and specific ones within the respective - Implement financial incident response centres to facilitate coordinated responses to financial crimes and cybersecurity incidents.

Group II: "Regional Cross Border Payment Infrastructure Needs to Foster Intra Africa Trade"

A. Background

Despite the African Continental Free Trade Area (AfCFTA) agreement, which aims to create a single market for goods and services across states, intra-African trade remains relatively low. One significant barrier to increasing this trade is the lack of efficient and accessible cross-border payment infrastructure.

The current payment systems in Africa are fragmented and often reliant on international networks, which can be costly, slow, and cumbersome. This fragmentation hinders trade efficiency and increases the cost of doing business across borders. To address these issues, there is a growing need for an integrated cross-border payment infrastructure that can facilitate seamless transactions and support the AfCFTA's goals.

The African continent has made strides toward deeper economic integration, but intra-Africa trade remains comparatively low compared to other regions of the globe.

A significant contributing factor is the lack of an interconnected payment infrastructure that facilitates seamless cross-border transactions.

While all the five regions have initiated or established payment systems, these systems remain fragmented and not interconnected, hindering their full utilization. Several challenges impede progress and addressing them requires establishing an integrated, efficient payment infrastructure that will promote intra-Africa trade and economic growth.

B. Key Issues

1. High Transaction Costs

The cost of cross-border transactions remains prohibitively high and time consuming due to lack of interconnectivity across regions. These factors discourage businesses and individuals from engaging in intra-Africa trade.

2. Low Usage of Regional Payment Systems

Despite efforts, there is low usage of existing regional payment systems across Africa. This hampers cross-border trade and investment.

3. Lack of Currency Convertibility

Countries often do not readily accept each other's currencies. This complicates transactions and adds friction to cross-border trade.

4. **AML/CFT Regulations**

Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) regulations are not consistently comprehensive or streamlined across countries. Harmonizing these regulations is essential for efficient cross-border payments.

5. **Internet Access and Connectivity**

Low internet access and connectivity pose challenges to establishing a robust regional payment system. Reliable infrastructure is crucial for seamless transactions.

6. **Regulatory Framework Harmonization**

Different regulatory frameworks across countries create complexities. Harmonizing regulations would facilitate smoother cross-border payments.

C. Characteristics of an integrated payment systems infrastructure

An integrated payment infrastructure should meet the following criteria to enhance cross-border trade and economic cooperation.

1. **Linking National and Regional Payment Systems**

An integrated system should seamlessly connect all national (including Central Banks) and regional payment systems within the continent. This will enable efficient cross-border transactions. National payment systems should be upgraded to meet minimum technical requirements specified in the recommendations.

2. **Multi-Currency Compliance**

Given the absence of a single currency across Africa, the system must handle multiple currencies. Supporting diverse currencies facilitates intra Africa trade. The system must help the Central Bank in settlement, cross-border payment, risk management, and reduce the cost of FX management.

3. **Scalability and Global Compatibility**

The system should be scalable to accommodate growing transaction volumes. Compatibility with established global systems (e.g., in the United States, Europe, and China) ensures seamless cross-border interactions. The system should be flexible enough to allow different settlement models.

4. **Instant Payment Capability**

The system must have instant payment and possibly a simultaneous settlement capability. Instant payments minimize the impact of exchange rate volatility and reduce exchange costs. Real-time transactions enhance efficiency and reliability.

5. **Adaptability to Capital Control Regimes and Preservation of Financial Integrity**

Different countries have varying capital control regulations. The system should be flexible enough to accommodate these differences. Ensure adequate consistency of implementation across countries for AML/CFT and KYC regulation.

6. **Compatibility with Common Messaging Standards**

Using widely accepted messaging standards ensures interoperability. Common standards streamline communication and data exchange.

D. Recommendations

i. AACB should adopt, promote, and accelerate an agenda and to interconnect integrate all payment systems in Africa to enhance and improve cross-border payments, in line with the objectives of the African Union and requirements, including pre-requisites set by the AACB Task Force.

ii. The establishment of an interconnected payment system should proceed while the single currency project is being pursued. These parallel efforts can reinforce each other and enhance regional economic integration.

iii. Harmonize the payment systems regulations and consumer protection laws across regions. Where full harmonization may be challenging, minimum standards and requirements should be established to ensure efficiency, reliability, and security of the system. The regulations should foster innovation, ensure consumer protection and provide level playing field for all players.

iv. Establish a platform for harmonizing regulatory requirements in our quest to reduce regulatory burden.

v. Develop cross-border payment infrastructure and enhance connectivity with the objective of having integrated continental payment systems. We need to leverage existing payment systems to address interconnectivity challenges.

E. Conclusion

Developing a robust regional cross-border payment infrastructure is crucial for fostering inter-African trade. By addressing fragmentation, regulatory challenges, technological barriers, financial inclusion, and currency exchange issues, Africa can create a more integrated and efficient trading environment. Such developments would not only support the goal of intra-African trade but also drive economic growth and development across the continent.

Group III: "Promoting financial inclusion: The role of Public Private Partnerships in enhancing the payment systems".

1. Introduction

Financial inclusion is access to and usage of quality financial products and services that are adapted to the needs of the unserved and underserved people at an affordable cost. Financial inclusion is a public policy objective and to achieve it the public sector should work effectively with the private sector.

The public sector includes various regulatory players including Central Banks, Financial Intelligence Units (FIU), policy makers such as the ministry of finance, and others. The private sector includes financial service providers such as banks, non-banks, PSPs, Fintechs, etc.

Public–Private Partnerships (PPPs) are institutional arrangements for cooperation between public and private parties in the planning and delivery of financial services in which they share or reallocate risks, costs, benefits, resources, and responsibilities.

2. Problem statement

The financial services providers do not always see a business case to provide financial services to the vulnerable. Hence, there is need for collaboration between public and private players in the economy.

3. Challenges

1. Fragmentation of government initiatives. Authorities operate in silos, making licensing processes tedious and difficult for newcomers.
2. Lack of necessary infrastructure to support issuance of financial services such as electricity, access to internet and cellular network, mobile phones…
3. Low level of financial literacy, digital literacy, and consumer protection, especially in rural areas.
4. Stringent regulatory requirements such as capital requirement especially with Fintechs.
5. Lack of permanent stakeholders' dialogue.
6. Lack of incentives to facilitate financial inclusion objectives.
7. There is a lack of access to financing.
8. Lack of public sector guidance to support the private sector to bring products that are sustainable and address financial inclusion gaps.
9. Challenges relating to the private sector navigating the regulatory landscape.

4. Recommendations and Conclusions

- Adapt the existing regulatory framework to ensure fair competition, legal certainty fostering innovation, while ensuring that payment systems remain safe and efficient. Initiatives such as the regulatory sandbox can be instrumental.
- The public and private sectors need to embrace their role and coordinate efforts in enhancing financial education.
- The public sector should strengthen consumer protection, especially in the rural areas.
- Establish a regular platform for different stakeholders to discuss pertinent issues and challenges.
- Involve the private sector in the establishment and implementation of the national financial inclusion strategy and other strategies to ensure there is a shared vision.
- The public sector should take responsibility of delivery of infrastructure for public good that the private sector would not have an incentive to invest in.
- The public sector, in its catalyst role, can provide policy incentives to encourage the private sector to serve the unserved or remote areas.
- Public-private collaboration is essential to build and maintain digital infrastructure including electricity, internet connectivity, good roads, etc.

- Implement metrics for tracking progress relating to financial inclusion.
- The public sector should engage the private sector to develop payment systems products to support next generation financial inclusion initiatives.

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