



# THE STATE OF INCLUSIVE INSTANT PAYMENT SYSTEMS IN AFRICA

SIIPS 2023 • **CASE STUDY**

**CEMAC: GIMACPAY**



## CEMAC: GIMACPAY

### Origin story



#### Challenge

The Central African Economic and Monetary Community (CEMAC) includes Cameroon, the Central African Republic, Chad, the Republic of Congo, Equatorial Guinea, and Gabon. The region has a large proportion of financially excluded adults. Only 23% of the adult population in CEMAC had a financial account in 2017 (World Bank 2018). As a monetary union, CEMAC has a single currency,

Central African Franc (XAF), and a single regional central bank, Banque des États de l'Afrique Centrale (BEAC). Given that the majority of retail transactions, both domestically and cross-border, were conducted in cash, the regional central bank faced difficulties controlling capital flows and monitoring money laundering and terrorist financing within the region. Likewise, the reliance on cash constrained merchant retail trade activity between countries within the region.



**Value addition**

Prior to 2020, the CEMAC region lacked a reliable and stable payment interoperability platform to facilitate the real-time transfer of funds between commercial banks and mobile money operators (MMOs). EFTs were available through two old structures, the Electronic Banking Office of Central Africa (OMAC), based in Cameroon and the Electronic Banking Office of Central Africa (SMAC), based in Gabon. These two structures managed the Interbank Electronic Payment System.

In 2020, the Groupement Interbancaire Monétique l’Afrique Centrale (GIMAC) was established to consolidate the activity of the two systems. GIMAC launched the GIMACPAY IPS with the objective of providing end-users in the CEMAC region with a low-cost, efficient digital payment option for both domestic and cross-border payments. GIMAC hoped this service would provide end-users with a replacement for cash and ultimately aggregate retail payments. GIMACPAY reinforces the BEAC’s mission to create a cashless society and facilitate capital flows in the region (Agence Ecofin 2020).

microfinance institutions (MFIs), and to promote the development of low-cost digital payments in Central Africa (SONEMA 2015). Prior to the establishment of GIMAC, BEAC made the decision to modernize the interbank electronic banking system, which led to regulatory reform. Activities formerly assigned to the Central African Electronic Banking Authority and the Central African Electronic Banking Company reorganized into one single entity, GIMAC. GIMACPAY complements the existing systems, the RTGS, Système de Gros Montants Automatisé (SYGMA), and the ACH, Système de Télécompensation en Afrique Centrale (SYSTAC).

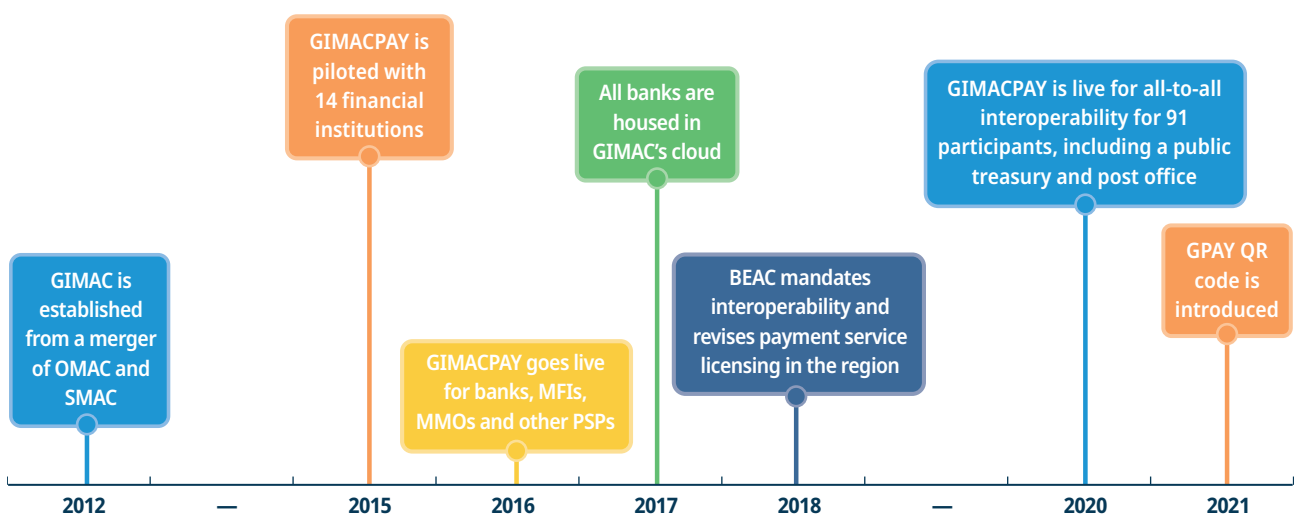
GIMAC developed GIMACPAY as a regional interoperability platform. It was piloted for 10 months from January 2016 to October 2016 with 14 financial institutions, during which it processed more than 100,000 electronic transactions worth 1.7 billion XAF (\$2.8 million). BEAC had mandated interoperability of all PSPs and in 2018, issued a directive that GIMAC would be the entity to operationalize the interoperability vision. GIMACPAY, the system, was officially launched in July 2020. Twenty-nine participants had undergone the onboarding process by the official launch date. The remaining PSPs in the region onboarded in subsequent years. GIMACPAY introduced the QR code channel, called GPAY QR Code, as a way to boost digital payments in 2021 in response to the region’s COVID-19 measures (GIMAC 2021).



**Timeline**

The objective of forming GIMAC was to facilitate regional card payment integration, to interconnect all banks, MMOs, and

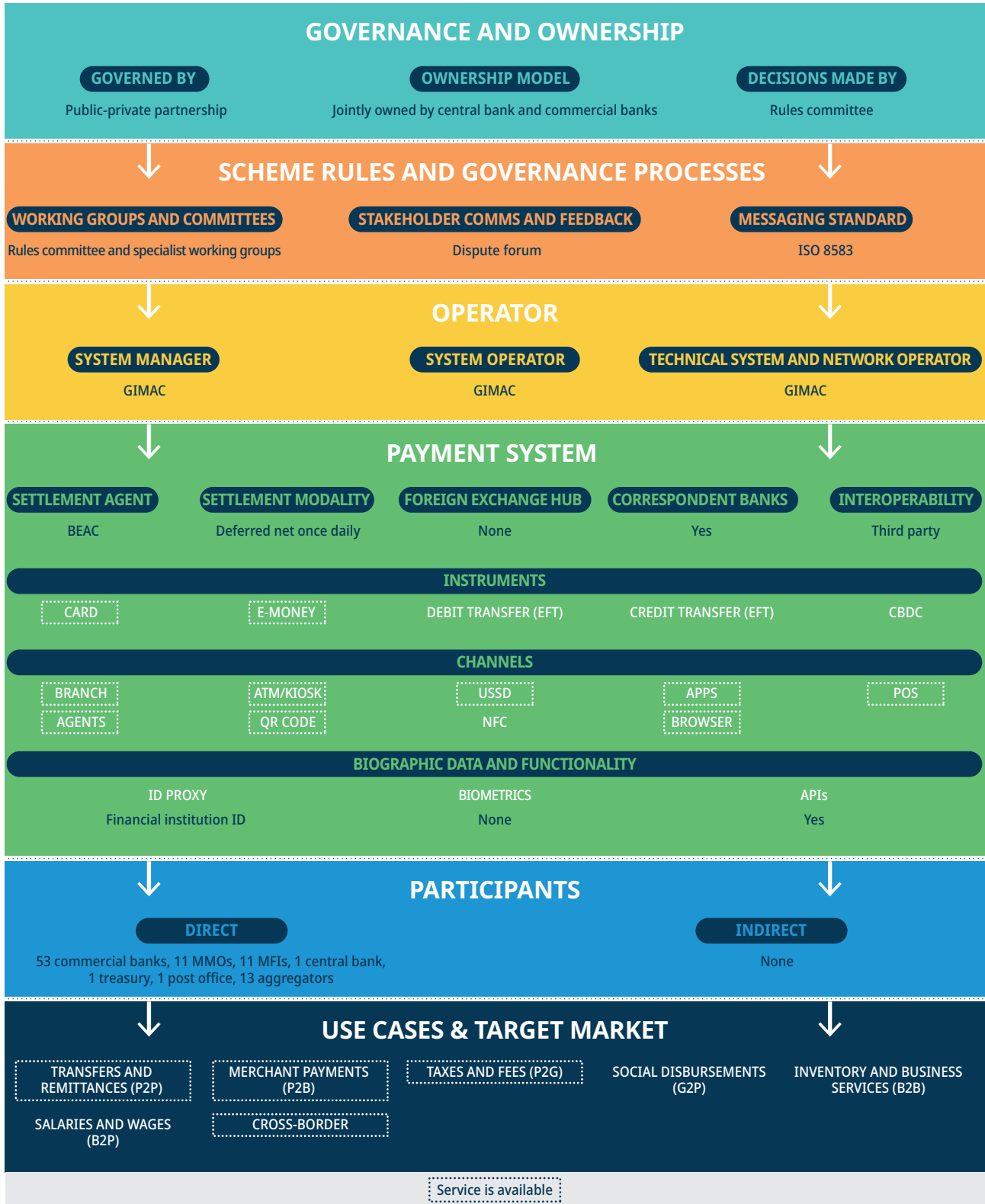
**FIGURE H.12 | GIMACPAY timeline**



# Governance and operations

## >> Payment system overview

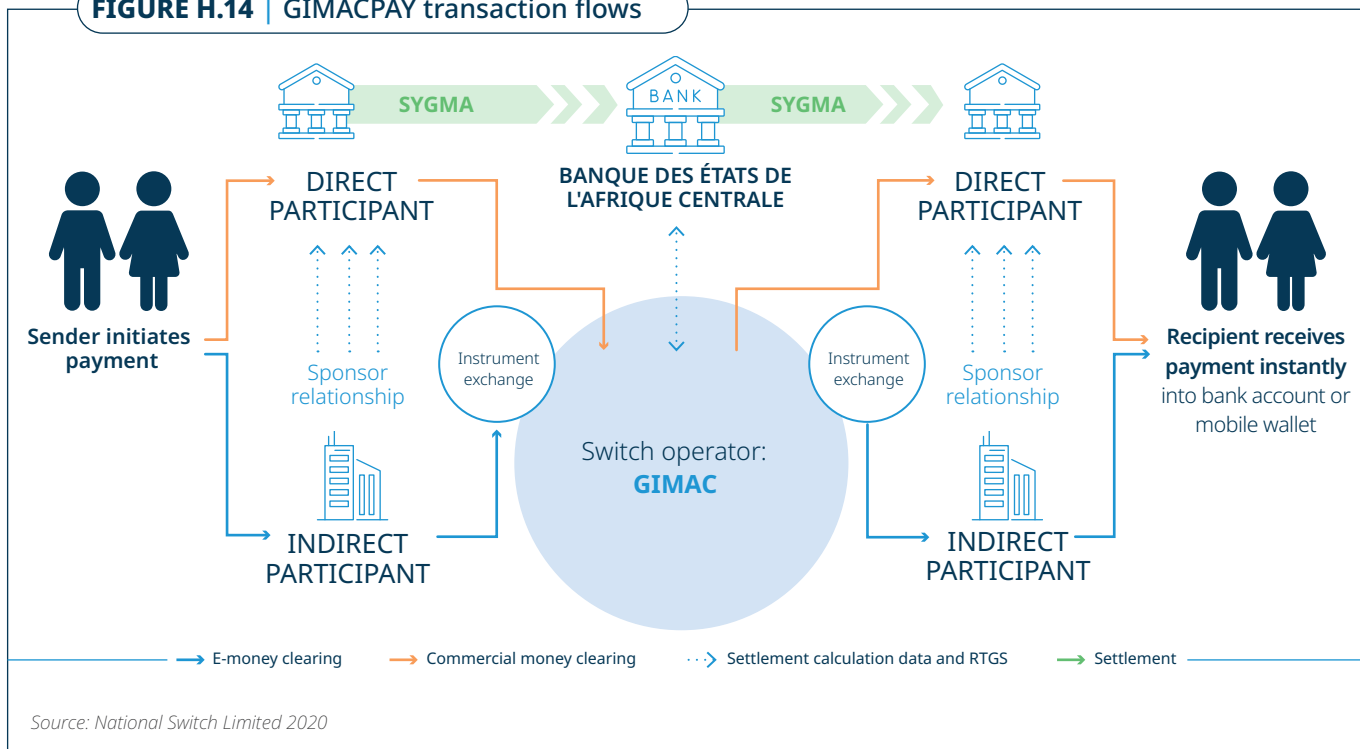
**FIGURE H.13** | GIMACPAY model overview



GIMACPAY is an integrated electronic retail payment system that facilitates intra-CEMAC payment transfers, both domestically and cross-border within the monetary union. Interoperable payment services are provided to PSPs in the six CEMAC member countries. The PSPs include commercial banks, MMOs, MFIs, service aggregators, postal administrations, and national treasuries. To date, GIMACPAY has 91 participants, including 53 commercial banks, 11 MFIs, 11 MMOs, 13 aggregators, one central bank, one public treasury, and one post office. Commercial

banks provide settlement services. Non-bank participants are required to have a sponsor bank to settle transactions (indirect participants in the system). Transactions clear in real time using the CEMAC region's common currency (XAF) and settlement is conducted via the SYGMA, the regional RTGS platform (Agence Ecofin 2020), housed within BEAC. Settlement occurs once per day at 2pm on a net basis. Given the single currency regime in place, GIMACPAY treats domestic and cross-border transactions within the monetary union equally.

**FIGURE H.14 | GIMACPAY transaction flows**



### Governance structure

GIMACPAY was established by commercial banks and the BEAC as a private company dedicated to digital payments. It follows a joint ownership model and public-private partnership governance model, where BEAC owns a 99.2% share and the remaining 0.8% is divided between the commercial bank members in proportion to their size. BEAC contributed the majority of the start-up funding, as commercial banks were reluctant to invest in another regional interbank project at the time, SYSTAC. BEAC plans to transfer the majority shareholding to GIMACPAY's members in the future, though no timeline has been set. In addition to owning the system, BEAC is also the overseer and settlement

agent. GIMAC performs the role of system governance and technical operator.

Direct participants include commercial banks, MMOs, MFIs and payment system aggregators, post offices, BEAC, and the treasuries.<sup>5</sup> The treasury of Cameroon is the only one connected to date. In 2020, at the CEMAC ministerial committee, it was recommended that treasuries be linked to GIMACPAY in order to benefit from secure solutions for expenditure and collections (GIMAC 2021). Participants in GIMACPAY sign membership agreements with GIMAC and BEAC. GIMAC hosts meetings between its members and participants to collect comments and proposals on the adjustments to scheme rules and creation of new guidelines (GIMAC 2021).



### Functionality

The system currently supports a range of channels, including apps, ATM, browser, POS, QR code, and USSD channels.

Currently, mobile is the most used channel in the system (Stakeholder interview 2023). As of July 2022, all proprietary bank cards were withdrawn from circulation, and replaced by GIMAC cards (Kamsu kom 2022).



### Technical standards and use cases

GIMACPAY includes a broad range of use cases—namely, P2P, P2B, cross-border, and bill payments. Additionally, the IPS enables e-government services, including insurance payments and tax payments. There are plans in the pipeline to roll out further use cases like G2P, which is available but not used to date. Further use cases will be informed by a market study aimed at assessing the needs of the population (Stakeholder interview 2023). For messaging standards, GIMACPAY currently uses ISO 8583, but the ISO 20022 protocol will also be available soon.

As of 2017, all commercial banks in the sub-region were housed in GIMAC's cloud. Cloud hosting was always part of the specifications of the system. For GIMAC, it was important to provide a hosting option for banks and MMOs to facilitate quick integration with the system. Those PSPs that did not yet have the infrastructure could be hosted on the GIMAC platform.



### Business model

BEAC put up 99.2% of the initial start-up capital to fund the establishment of GIMAC, and the remaining shareholding is divided between the commercial bank members in proportion to their size. To cover operational costs, PSPs charge end-users a minimum of XAF 500 (\$0.83) and a maximum of XAF 1,000 (\$1.66) per transaction. This amount is based on what the individual would theoretically pay for transport to a bank or ATM (Stakeholder interview 2023). For mobile money transactions, end-users can be charged a maximum of XAF 2,850 (\$4.73) for transactions valued between XAF 500 (\$0.83) and XAF 5,000,000 (\$8,290). GIMAC ensures that all system participants in each member country follow the fee band. GIMACPAY operates on a cost-recovery (not-for-loss) basis.



### Scheme rules

GIMACPAY's governance manual defines levels of availability, participant assistance, response time, incident resolution, and an escalation plan, as well as penalties in the event of a service failure (GIMAC 2021). The scheme rules are not publicly available.



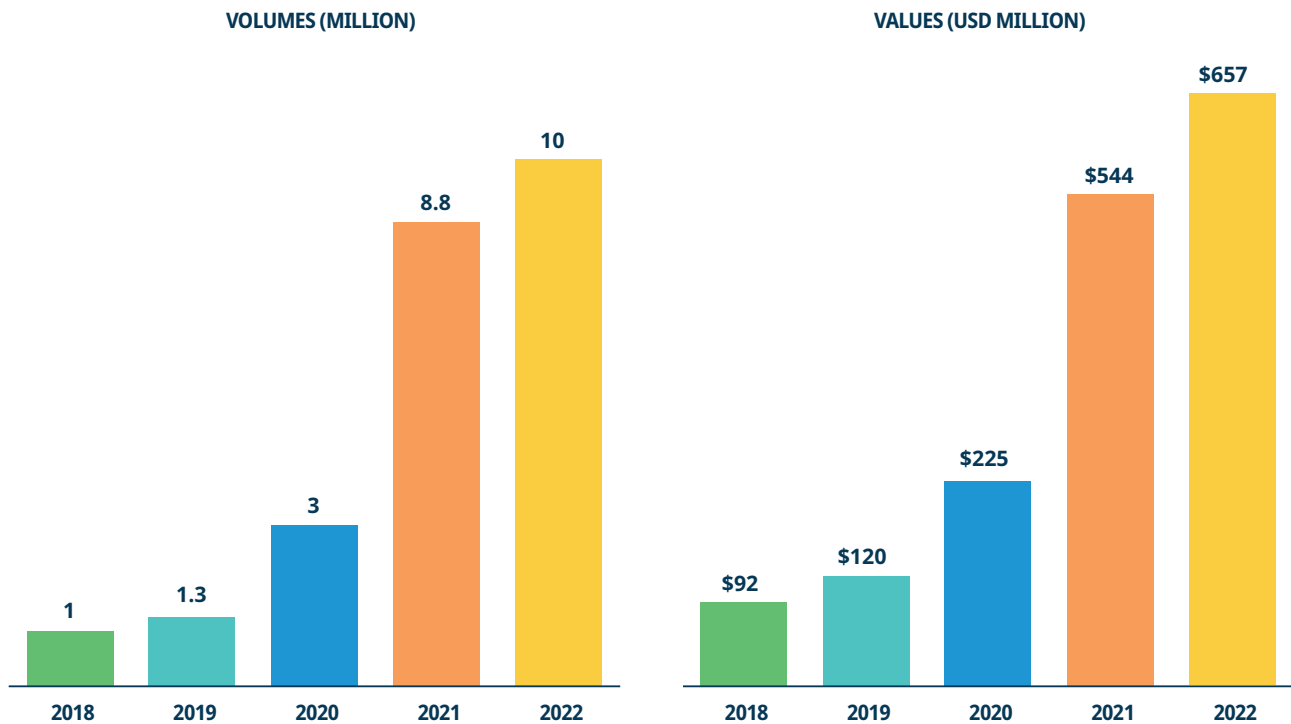


### Volumes and values processed by the payment system

Since 2018, GIMACPAY has seen increased uptake by end-users. Between 2018 and 2022, volumes saw a 117% CAGR while values

posted a 93% CAGR. Average annual transaction value declined from \$75 (XAF 45,168) to \$64 (XAF 39,444) in 2022. This shows that end-users are increasingly using the system for lower-value transactions.

**FIGURE H.15 | GIMACPAY transaction volumes and values**



Source: Stakeholder interviews 2023



### Regulation

BEAC fulfills the statutory sovereign function of regulating market structures for payments, including processing technical approvals, requests or authorizations, and payment solutions. Banking regulations set by BEAC apply to the six member states (BEAC 2021). There are four regional institutions that assist BEAC—namely, the regional banking sector regulator (COBAC), the securities regulator, the Central African Financial Market Supervisory Commission (COSUMAF), the task force against money laundering (GABAC), and the Development Bank of Central African States. BEAC's Strategic Plan 2017-2023 included the modernization of the CEMAC's payment system within the framework of policies aimed at increasing the proportion of the adult population with accounts (BEAC 2022). The principal laws on anti-money laundering in the

CEMAC zone are Regulation No. 01/CEMAC/UMAC/CM of 2016 and the CEMAC Currency Exchange Regulation n°02/18/CEMAC/UMAC/CM (BEAC 2016; BEAC 2019). The latter imposed more stringent criteria on the transfer, payment, and settlement of routine business transactions (Norton Rose Fulbright 2019).

In the CEMAC there is a regional central bank, a regional banking sector regulator, as well as country-specific regulations. Although COBAC sets financial services regulations for the region, other regulations, such as data protection and consumer protection regulation, are drafted and implemented at the domestic level by different regulators. This may result in uncertainty, overlap, or conflict between national regulations within the region (Stakeholder interview 2023; Cooper 2018; World Bank 2018).

## Inclusivity learnings

Measured by the IPS Inclusivity Spectrum outlined in Chapter 2, GIMACPAY is ranked at the progressed level. In addition to the basic IPS criteria, it enables all-to-all interoperability, and enables access and scheme input by all licensed PSPs. The regional central bank had a

strong positive influence on the creation and roll-out of the scheme and holds a pivotal role in the governance of the IPS. The IPS can advance toward mature inclusivity by supporting the full range of use cases and enabling effective consumer recourse mechanisms.

### The following learnings emerged in the design and rollout of GIMACPAY:

- **Conducive regulatory frameworks are key for an inclusive IIPS ecosystem.** The BEAC mandated interoperability and requires all PSPs to connect to an interoperable switching platform to maximize accessibility for users. Moreover, foundational policies, such as BEAC's mission to create a cashless society, play a vital role in shaping the regulatory landscape. Such policies define the regulations PSPs must comply with, and which promote financial inclusion, consumer protection, and innovation. Overall, robust regulatory frameworks are crucial for creating an instant payment ecosystem that is secure, reliable, and accessible to all.
- **The proliferation of multiple overlay services and channel offerings enhance access and adoption of digital payments.** The availability of a broad spectrum of channels owes much to the widespread participant ecosystem. The emergence of GPay QR code overlay service has further streamlined merchant transaction, eliminating the upfront incentives in POS hardware for merchants to accept payments. Moreover, the increase in transactions along with the new additions to the system indicate that end-users are increasingly using the system for lower value transactions.
- **The regional central bank played a critical role in establishing the IPS.** BEAC holds a majority share in the IIPS and largely funded its development. This was necessary given competing payments projects at the time that made PSPs reluctant to contribute. The central bank ownership creates a steady foundation for the IIPS participants across the region and contributes to its status as a public utility for end-users.
- **Providing domestic and regional instant payment functionalities enhances system scalability.** Although termed a regional IIPS, GIMACPAY also provides domestic IIPS functionality to end-users in CEMAC member states. This fills an important functionality gap in the Central Africa region and allows for a consolidation of scale, ultimately leading to the lowest possible per unit transaction costs.



**AfricaNenda**

13<sup>th</sup> Floor, Delta Corner Tower 2  
Chiromo Road, Westlands  
PO Box 13796-00800  
Nairobi, Kenya

 [www.africanenda.org](http://www.africanenda.org)

 [info@africanenda.org](mailto:info@africanenda.org)

 [@africanenda](https://www.linkedin.com/company/africanenda)

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