THE STATE OF INCLUSIVE INSTANT PAYMENT SYSTEMS IN AFRICA

SIIPS 2023 • KEY TAKEAWAYS
The full SIIPS report is available at www.africanenda.org/siips2023

About SIIPS 2023

The second annual State of Inclusive Instant Payment Systems in Africa 2023 (SIIPS 2023) by AfricaNenda reviews the landscape of instant payment systems (IPS) in Africa and how well they meet the standards of inclusivity, especially for low-income consumers. The research, conducted by Cenfri, includes expert and stakeholder interviews, detailed case studies, and primary consumer research from five countries.

SIIPS 2023 was made possible through the partnership between AfricaNenda, the World Bank, and the United Nations Economic Commission for Africa (UNECA), with the generous support of the Bill & Melinda Gates Foundation and AfricaNenda’s fiscal sponsor, Rockefeller Philanthropy Advisors (RPA).

This report defines as “live” those IPS that were processing transactions by June 2023.
What are Inclusive Instant Payment Systems (IIPS)

Understanding the 2023 landscape of instant payment systems in Africa
End-user adoption of digital payments in Africa
Spotlight on policy and regulatory harmonization for cross border payments
Opportunities and trends to drive scale in IIPS
The next steps toward IIPS

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. 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.

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THERE ARE FOUR TYPES OF IPS:

BANK IPS
support bank access and bank-account-associated instruments.

MOBILE MONEY IPS
operate on mobile money accounts provided by mobile money providers.

CROSS-DOMAIN IPS
provide for account-to-account interoperability across banks and non-banks, and support transactions on both bank and mobile money accounts.

SOVEREIGN CURRENCY IPS (or central bank digital currency IPS)
combines a sovereign currency instrument and a value transfer system between commercial instrument systems, institutional stakeholders, and individuals within an economy.
Why IIPS matter

Demand for instant digital payments is growing.

→ In 2021, 50% of adults in Sub-Saharan Africa made or received a digital payment—up from just 34% in 2017.*
→ Since 2018, the average annual volume of transactions in Africa has increased at a rate of 47%, and the average value of transactions processed by IPS in Africa increased by 39%.
→ Continuing to serve this growing demand for all adults across the continent—including women, low-income adults, and MSMEs—will require access to affordable and accessible IIPS.

Note: 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 (Djibouti), Meeza Digital (Egypt), Gamswitch (The Gambia), MarocPay (Morocco), Virement Instantané (Morocco), PayShap (South Africa), TIPS (Tanzania), Tunisie mobile money, PAPSS and TCIB.

IPS are a necessary component of the digital public infrastructure in Africa.

→ Expanding access to and use of digital payments to the broader population will require IIPS.
→ IPS provide a foundational payments layer of Africa’s digital public infrastructure (DPI), which facilitates the delivery of essential government services and societal functions that underpin the digital economy.
→ IIPS can support digital trade in Africa, as part of the African Continental Free Trade Area (AfCFTA) mandate.

IPS transaction volumes and values (n=22)

**VOLUME** (billions of transactions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7</td>
</tr>
<tr>
<td>2019</td>
<td>9</td>
</tr>
<tr>
<td>2020</td>
<td>14</td>
</tr>
<tr>
<td>2021</td>
<td>23</td>
</tr>
<tr>
<td>2022</td>
<td>31.5</td>
</tr>
</tbody>
</table>

**VALUES** (USD billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$337</td>
</tr>
<tr>
<td>2019</td>
<td>$421</td>
</tr>
<tr>
<td>2020</td>
<td>$480</td>
</tr>
<tr>
<td>2021</td>
<td>$861</td>
</tr>
<tr>
<td>2022</td>
<td>$1,186</td>
</tr>
</tbody>
</table>

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Payments are a pillar of DPI

The concept of DPI has gained significant global attention as one key to enabling inclusivity in the digital economy.

As Africa continues its transition to digitally driven services, including in retail payments, there is a growing need for inclusive instant payment systems that provide the foundations for a payments layer in the digital public infrastructure. DPIs facilitate essential government services and societal functions that are foundational in a digital economy (World Bank 2023a). Inclusive IPS in Africa can support the advancement of DPI, enabling digital payments access to all, and building domestic and regional resilience.
The 2023 landscape of IPS

Africa’s 32 IPS are a mix of 29 domestic systems and three regional systems.

Cross-domain systems dominate the IPS landscape. Third parties usually enable interoperability between the IPS and its participants.

Interoperability is an essential element of inclusivity, as it creates a level playing field between incumbents and new market players. Interoperability arrangement can be bilateral, multilateral, or involve a third party. Multilateral arrangements do not require a third-party, but complexity increases as more participants join. Third-party arrangements outsource clearing to a third party and are more sustainable in markets with no dominant player.

Source: Adapted from CGAP 2019b
IPS are now processing more than 100% of GNI in three countries, and 10% or more of GNI in nine countries.

Central banks, commercial banks, and MNOs are direct IPS participants. Fintechs tend to be indirect participants.

### Key Takeaways

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<table>
<thead>
<tr>
<th>LAUNCH YEAR</th>
<th>2022 TRANSACTION VALUES RELATIVE TO GNI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>RTC (South Africa) 19%</td>
</tr>
<tr>
<td>2011</td>
<td>ZIPIT (Zimbabwe) 3%</td>
</tr>
<tr>
<td>2011-2021</td>
<td>NIP (Nigeria), Nigeria mobile money, eNaira 129%</td>
</tr>
<tr>
<td>2012</td>
<td>SIMO (Mozambique) 23%</td>
</tr>
<tr>
<td>2015</td>
<td>NatSwitch (Malaw; off-us) and NatSwitch (on-us)* 2.6%</td>
</tr>
<tr>
<td>2015-2016</td>
<td>GIP, Ghana MMI (off-us), Ghana MMI (on-us)* 129%</td>
</tr>
<tr>
<td>2016</td>
<td>Madagascar mobile money 72%</td>
</tr>
<tr>
<td>2016</td>
<td>Uganda mobile money 124%</td>
</tr>
<tr>
<td>2016</td>
<td>Taifa Moja (Tanzania) 89%</td>
</tr>
<tr>
<td>2017-2018</td>
<td>Kenya mobile money and Pesalink 93%</td>
</tr>
<tr>
<td>2018</td>
<td>NFS (Zambia) 10%</td>
</tr>
<tr>
<td>2019</td>
<td>MauCAS (Mauritius) 1%</td>
</tr>
<tr>
<td>2021</td>
<td>NamPay (Namibia) 0.2%</td>
</tr>
<tr>
<td>2021</td>
<td>Somalia Instant Payment System &lt;0.1%</td>
</tr>
<tr>
<td>2022</td>
<td>InstaPay (Egypt) 1%</td>
</tr>
<tr>
<td>2022</td>
<td>eKash (Rwanda) 0.1%</td>
</tr>
<tr>
<td>2022</td>
<td>EthSwitch (Ethiopia) 0.3%</td>
</tr>
</tbody>
</table>

*NatSwitch (Malaw) and Ghana MMI are the only IPS for which information on on-us transaction data is available.

- **The top six systems by value are all either mobile money systems or services mostly conducted via a mobile phone (in the case of Nigeria).**

- **More disaggregated data reporting is needed to understand the sustainability of third-party-operated systems—only Ghana and Malawi report disaggregated data to show the breakdown between on-us and off-us transactions.**

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**IPS GOVERNANCE & OVERSIGHT**

- **Cash economy**
  - **End-users:** Recipients (consumers/businesses) of IPS services provided by participants
  - **Indirect participants:** Payment value chain partners of direct participants
  - **Direct participants:** Licensed payment service providers (PSPs) governed by the same scheme rules

**Core IPS infrastructure:**
- Clearing and settlement infrastructure

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**REGULATION AND LEGAL FRAMEWORK**

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- **Core IPS infrastructure:** Clearing and settlement infrastructure
Person-to-person (P2P) and person-to-business (P2B) payments dominate. Business-to-business (B2B) and government-to-person (G2P) enablement is lagging—though they are needed to motivate uptake and drive scale.

\[ \text{Inclusivity Implication:} \\
\text{All IPS support P2P payments, though P2B use cases are on the rise, with 75% of domestic systems supporting both.} \]

<table>
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</thead>
<tbody>
<tr>
<td>30</td>
<td>22</td>
<td>12</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>6</td>
<td>4</td>
</tr>
</tbody>
</table>

\[ \text{Ghana, Madagascar, Morocco, Nigeria, and Uganda currently support G2P payments.} \]

17 additional domestic IPS and three regional ones are in development.

**Domestic IPS in development**
- TUNISIA
- ALGERIA
- MAURITANIA
- GUINEA
- SIERRA LEONE
- LIBERIA
- BENIN
- SÃO TOMÉ AND PRÍNCIPE
- ANGOLA
- MADAGASCAR
- MOZAMBIQUE
- ESWATINI

**Regional IPS in development**
- EAC: Burundi, DRC, Kenya, Rwanda, South Sudan, Tanzania, Uganda.
- WAEMU: Benin, Burkina Faso, Côte d’Ivoire, Guinea, Mali, Niger, Senegal, Togo.

7 COUNTRIES WITHOUT IPS: Botswana, Cabo Verde, DRC, Eritrea, Libya, Seychelles, South Sudan.

9 IPS in 8 countries support B2B payments.

**Countries Supporting B2B Payments**
- Morocco: Via MTN Instant
- Egypt: Meeza Digital
- Ghana: Ghana’s Instant Payment System (GIPSS), Ghana’s mobile money interoperability
- Nigeria: NIBSS Instant Payment System (NIPS), Only NIPS in Nigeria supports all payment use cases
- Zambia: National Financial Switch (NFS)
- Namibia: NamPay
- South Africa: Real-Time Clearing (RTC)
Africa's IPS are in the early stages of becoming inclusive.

**IPS Inclusivity Spectrum 2023**

- **Basic Level** (15): IPS that meet the minimum criteria for channel and use case functionality.
- **Progressed Level** (5): IPS that have additional features such as participation by all PSPs, standards and monitoring, and cost considerations.
- **Not Ranked** (12): IPS that do not meet basic inclusivity criteria.

**Comparison to IPS Inclusivity Spectrum 2022**

- **Six IPS moved from not ranked to basic**: InstaPay and Meeza Digital (Egypt), Madagascar mobile money, NamPay (Namibia), TIPS and Taifa Moja (Tanzania).
- **Two IPS moved to not ranked in 2023**: Kenya mobile money and eKash (Rwanda).
- The number of Progressed IPS remain unchanged.

### Key Takeaways

- Africa's IPS are in the early stages of becoming inclusive.
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- Two IPS moved to not ranked in 2023: Kenya mobile money and eKash (Rwanda).
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### Channels

- 70% of domestic IPS in Africa support USSD channels—mostly mobile money and cross-domain.
- App channels are the second most prevalent, but require smartphone functionality and internet connectivity, which continue to be a barrier in Africa.
- QR code acceptance is on the rise.
- Cross-domain and bank IPS support the largest number of channels. Mobile money IPS tend to support agent, USSD, and app channels.

### Instruments

- E-money instruments prevail. All mobile money and cross-domain IPS support them.
- Cross-domain systems also support a range of commercial money instruments, such as credit and debit EFT.
- Bank IPS focus mainly on credit EFT with debit EFT as a secondary instrument.

### USSD channels and e-money instruments are the most prevalent.

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Coverage and scale are key issues for IPS in 2023.

Geographic overlap could fragment the scale that regional IPS are hoping to achieve:

- Six countries overlap between COMESA and EAC.
- Nine countries overlap between COMESA and SADC (TCIB).

Channel and function gaps limit the types of payments today’s IPS can serve

P2P and P2B payments are essential for driving consumer adoption given their relevance and convenience; but B2B and G2P payment capabilities are essential for IPS to reach inclusive scale, given their volumes, values, and frequent, repeat nature.

Some geographies are served by private sector payment solutions with brand recognition and traction. These PSPs lack incentives to participate in IPS

Countries want robust private sector engagement, but dominant providers with their own payment architecture may resist joining a public PSP without clear incentives, opportunities for input, and transparent scheme rules and data.

Is the future of IPS one of shared infrastructure?

Does each country need its own rails, or is there opportunity to build shared infrastructure to serve a region or set of associated countries such as a monetary union?
End-user adoption

End-user payment adoption and usage are growing.

Different user groups vary in their digital payment use. MSMEs make more digital transactions than individuals.

<table>
<thead>
<tr>
<th>ALL RESPONDENTS</th>
<th>INDIVIDUAL RESPONDENTS</th>
<th>MSME RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>MSME vs. Individuals</td>
<td>Age</td>
</tr>
<tr>
<td>Cameroon</td>
<td>No significant variance</td>
<td>Younger use more</td>
</tr>
<tr>
<td>Malawi</td>
<td>MSMEs use more</td>
<td>Older use more</td>
</tr>
<tr>
<td>Morocco</td>
<td>Individuals use more</td>
<td>Younger use more</td>
</tr>
<tr>
<td>Rwanda</td>
<td>No significant variance</td>
<td>Older use more</td>
</tr>
<tr>
<td>Senegal</td>
<td>No significant variance</td>
<td>Women use more</td>
</tr>
</tbody>
</table>

Legend for color gradient: Gap in percentage points (pp) between two user groups in terms of proportion of digital payment users that use digital payments at least once a week.

Note: The findings regarding age have been consolidated for MSME and individual respondents.

**MSMEs are more digitalized than individuals.**

On average, 41% of MSMEs use digital payments daily, compared with 17% of individual respondents.

**MSMEs make almost 28 transactions per week, with the highest average transaction number for larger, older, and male-owned businesses.**

**Individuals across the sample make on average 10 transactions per week, with limited variation based on gender, age, or income.**

**Cameroun and Morocco have the most pronounced differences in digital payment use across user groups, particularly for gender and age.**

**Younger people are more likely than older counterparts to use digital payments in Cameroon and Morocco and less likely in Malawi and Rwanda.**

* Africandenda sponsored consumer research for this report in Cameroon, Malawi, Morocco, Rwande, and Senegal with a non-representative quantitative sample size of 100 respondents per country and qualitative sample of 20 respondents per country.

**End-user adoption**

Nearly 70% of digital payment users on average across the sample countries make or receive a digital payment at least once a week.

Many end-users still use agents to transact: In Senegal, 74% of respondents use both self-service digital channels and agents at least once a week.

There is a strong prevalence for using apps in Morocco and Senegal, whereas USSD dominates in Malawi and Rwanda.

PROPORTION OF DIGITAL PAYMENT USERS

Cross-country average: Cameroon: 32% (Daily, 9%); Malawi: 40% (Daily, 40%); Morocco: 28% (Daily, 28%); Rwanda: 23% (Daily, 14%); Senegal: 23% (Daily, 14%).

PROPORTION OF DIGITAL PAYMENT USERS

Most prominent channel: USSD: Cameroon: 32% (Daily, 9%); Malawi: 40% (Daily, 40%); Morocco: 28% (Daily, 28%); Rwanda: 23% (Daily, 14%); Senegal: 23% (Daily, 14%).

APP: Cameroon: 25% (Daily, 8%); Malawi: 47% (Daily, 54%); Morocco: 36% (Daily, 86%); Rwanda: 28% (Daily, 14%); Senegal: 38% (Daily, 51%).

AGENT: Cameroon: 36% (Daily, 8%); Malawi: 41% (Daily, 86%); Morocco: 23% (Daily, 14%); Rwanda: 28% (Daily, 14%); Senegal: 38% (Daily, 51%).

Daily | Weekly | Monthly

End-user payment adoption and usage are growing.

There is a strong prevalence for using apps in Morocco and Senegal, whereas USSD dominates in Malawi and Rwanda.
Individual end users have embraced some uses for digital payments more than others. Buying airtime is particularly popular.

### Ranking of weekly use cases by prevalence among individual respondents

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Cameroon</th>
<th>Malawi</th>
<th>Morocco</th>
<th>Rwanda</th>
<th>Senegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airtime</td>
<td>[55%]</td>
<td>[54%]</td>
<td>[51%]</td>
<td>[80%]</td>
<td>[60%]</td>
</tr>
<tr>
<td>Send money</td>
<td>[59%]</td>
<td>[51%]</td>
<td>[40%]</td>
<td>[51%]</td>
<td>[51%]</td>
</tr>
<tr>
<td>Pay for household goods</td>
<td>[53%]</td>
<td>[38%]</td>
<td>[38%]</td>
<td>[74%]</td>
<td>[75%]</td>
</tr>
<tr>
<td>Utility payments</td>
<td>[38%]</td>
<td>[61%]</td>
<td>[11%]</td>
<td>[53%]</td>
<td>[65%]</td>
</tr>
<tr>
<td>Receive money</td>
<td>[59%]</td>
<td>[51%]</td>
<td>[67%]</td>
<td>[70%]</td>
<td>[85%]</td>
</tr>
<tr>
<td>Save money*</td>
<td>[44%]</td>
<td>[66%]</td>
<td>[44%]</td>
<td>[77%]</td>
<td>[67%]</td>
</tr>
</tbody>
</table>

Use cases for which less than 40 percent of respondents conducted a digital transaction over the past week.

Use cases for which between 40 and 70 percent of respondents conducted a digital transaction over the past week.

Use cases for which more than 70 percent of respondents conducted a digital transaction over the past week.

*Sample size <5 respondents

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For MSMEs, B2P payments to staff are the most digitalized use case. B2B use cases remain cash-based.

### Ranking of payment use cases based on the proportion of MSME respondents that had the payment need at least once a week (% of transactions that are done digitally)

<table>
<thead>
<tr>
<th>Use Case</th>
<th>Cameroon</th>
<th>Malawi</th>
<th>Morocco</th>
<th>Rwanda</th>
<th>Senegal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive customer payments</td>
<td>[50%]</td>
<td>[52%]</td>
<td>[83%]</td>
<td>[79%]</td>
<td>[80%]</td>
</tr>
<tr>
<td>Supplier payments</td>
<td>[39%]</td>
<td>[36%]</td>
<td>[36%]</td>
<td>[83%]</td>
<td>[41%]</td>
</tr>
<tr>
<td>Airtime payment for staff</td>
<td>[100%]</td>
<td>[80%]</td>
<td>[75%]</td>
<td>[88%]</td>
<td>[50%]</td>
</tr>
<tr>
<td>Staff salaries</td>
<td>[60%]</td>
<td>[74%]</td>
<td>[77%]</td>
<td>[92%]</td>
<td>[75%]</td>
</tr>
<tr>
<td>Transport payment for staff</td>
<td>[100%]</td>
<td>[75%]</td>
<td>[65%]</td>
<td>[82%]</td>
<td>[65%]</td>
</tr>
<tr>
<td>Utility payments</td>
<td>[36%]</td>
<td>[35%]</td>
<td>[29%]</td>
<td>[47%]</td>
<td>[29%]</td>
</tr>
</tbody>
</table>

Use cases for which less than 40 percent of respondents conducted a digital transaction over the past week.

Use cases for which between 40 and 70 percent of respondents conducted a digital transaction over the past week.

Use cases for which more than 70 percent of respondents conducted a digital transaction over the past week.

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Only in Rwanda and Senegal have more than 70% of respondents conducted certain payment uses cases digitally in the past week, as opposed to using cash.

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The use of digital payments for P2B payments such as household goods, utilities, and transport lags other payment use cases, such as airtime, and receiving and sending money.
End-user interviews reveal the role of infrastructure, convenience, cost, and trust for driving adoption and use.

**People DON’T**
... adopt digital payments due to lack of trust based on negative experiences, a preference for in-person interactions, or because they lack confidence in their ability to navigate digital payments safely. Micro-businesses and people with infrequent income often don’t see enough value from adopting digital payments.

**People DO**
... adopt digital payments when they meet a specific need better than cash or are safer than cash. Businesses make the shift when their customers demand it. Time and costs also matter.

**CAN YOU ACCESS DIGITAL PAYMENTS?**
Phone and internet access are crucial enablers of digital payments, but access remains limited in Malawi, Rwanda, and Senegal.

**Agents play a vital role in helping people onboard and showing them how to transact.**
Agents can enable access: They introduce people to digital payments and raise awareness.

**WHY DID OR DIDN’T YOU ADOPT THEM?**
People DON’T
... adopt digital payments due to lack of trust based on negative experiences, a preference for in-person interactions, or because they lack confidence in their ability to navigate digital payments safely. Micro-businesses and people with infrequent income often don’t see enough value from adopting digital payments.

**WHY DO YOU USE THEM?**
Reliable networks, simple and seamless user experiences, a wide range of use cases, and low transaction costs motivate usage.

**SUSTAINED FRIEQUENT USE**
As users become more comfortable with digital payments, they transition from less frequent transactions, such as receiving salaries or sending remittances, to more frequent transactions, including household purchases. Eventually, digital payments become an integral part of daily life.

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**I USE [THIS APP] BECAUSE I DON’T HAVE TO WORRY ANYMORE ABOUT RECEIVING FAKE CASH [BILLS].”**
— Male, 30-44, Senegal

**I WAS INITIATED TO DIGITAL PAYMENTS BY MY CLIENTS. THEY GAVE ME THE DESIRE TO GET INVOLVED IN IT.”**
— Male, Micro-enterprise, Cameroon

**MY BUSINESS IS TOO SMALL TO USE THESE KINDS OF [DIGITAL] METHOD[S].”**
— Male, MSME, Non-User, Malawi

**AT FIRST, I WAS AFRAID THAT I WOULD MAKE A MISTAKE WHEN USING IT... THAT’S WHAT MADE ME STAY AWAY.”**
— Female, Morocco
To build trust, IPS must ensure smooth service and empower end-users.

**Trust** is a non-negotiable pre-requisite for broader and deeper digital payment adoption in Africa.

Some contributors of trust, such as reliable phone or internet infrastructure, are outside the control of IPS. IPS participants can, however, build trust through system design elements.

- **Provide real recourse:** Enable effective recourse mechanisms and consumer protection tailored to the local market.
- **Empower end-users:** Educate and empower end-users to confidently and safely use digital payments.
- **Reduce user error:** Implement instant verification of recipient details and transaction confirmations to help reduce errors.
- **Build systemic trust:** Ensure the integrity of payment service providers, implement clear agent conduct rules, and strict personal data regulation.

1. What are Inclusive Instant Payment Systems (IIPS)
2. Understanding the 2023 landscape of instant payment systems in Africa
3. End-user adoption of digital payments in Africa
4. SPOTLIGHT ON POLICY AND REGULATORY HARMONIZATION FOR CROSS-BORDER PAYMENTS
5. Opportunities and trends to drive scale in IIPS
6. The next steps toward IIPS
Policy harmonization can validate the authority of domestic regulators while providing guiding principles at the regional level.

Key opportunities for policy harmonization:

- PSP licensing requirements and supervision regimes.
- Financial consumer protection provisions on complaint and dispute resolution processes, as well as disclosure and transparency.
- Foreign exchange access and reporting regimes.
- Data privacy, cross-border data sharing, and data protection principles including compatibility of payment data standards and formats.

Key roles:

- **CENTRAL BANKS** are the key actors in driving harmonization, but they need cooperation structures and agreements to enable their role.
- **TAX AND MONETARY POLICY AUTHORITIES** have a core role to address exchange control barriers.
- **REGIONAL ECONOMIC COMMUNITIES**—monetary unions, monetary zones, and their associated executive bodies, have a mandate to foster cooperation and collaboration among members.

Why harmonize?

- Issue risk-proportionate payment licenses to motivate innovators
- Reduce the high regulatory burdens and significant penalties for non-compliance
- Address inconsistencies between KYC and CDD requirements in different countries
- Address data localization requirements
- Simplify tax and balance of payments reporting across jurisdictions
- Reduce risks and costs to PSPs
- Reduce challenges to market entry for innovators seeking to generate inclusive cross-border payments
- Simplify the operating environment
- Enable competition

Cross-border payment dynamics show the important role of regulatory harmonization in making digital payments more inclusive.

Incumbent PSPs do not see a business case to serve MSMEs and migrants with cross-border payments. High costs coupled with complex documentation and regulatory requirements drive end-users to use informal channels for both remittances and trade payments.

Harmonized policy and regulatory frameworks could help address barriers to cross-border P2P remittances, MRME trade payments (B2B), and cross-border merchant payments (P2B).

Inclusive cross-border retail payment systems would be essential digital public infrastructure that can support the implementation of digital trade as part of the African Continental Free Trade Area (AfCFTA) mandate.

**Why harmonize?**

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- Enable competition
Effective harmonization requires regional actors to formulate policies, align them with regulatory frameworks, and entrench them into trade agreements.

These building blocks are iterative and often overlap:

**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

Could a continental Payment Service Directive for Africa similar to the PSD in the European Union help achieve AfCFTA aspirations?

**OPPORTUNITIES AND TRENDS TO DRIVE SCALE IN IIPS**

1. **What are Inclusive Instant Payment Systems (IIPS)**
2. **Understanding the 2023 landscape of instant payment systems in Africa**
3. **End-user adoption of digital payments in Africa**
4. **Spotlight on policy and regulatory harmonization for cross-border payments**
5. **Time to complete: Between one and three years**
6. **The next steps toward IIPS**
7. **Time to complete: Between two and ten years**
8. **Time to complete: Between five and ten years**
Each IPS must establish a viable business for its coverage area with a value proposition that complements existing systems.

**Viability of IPS business models**
- As the number of IPS grows and overlaps occur between domestic and regional systems, as well as with private sector services, each IPS must identify a business model that will allow it to:
  - **Attract participants and achieve network effects**
  - **Enable a range of use cases to drive scale**
  - **Share infrastructure**
  - **Disaggregate on-us transaction data**

**Value proposition to participants**
- Buy-in by payment service providers remains limited, due to a lack of transparency about data and scheme rules as well as regulatory barriers. Ways to address these challenges include:
  - **Consultative, participant-led design processes**
  - **Transparent scheme and data rules**
  - **Regulatory support and endorsement**
  - **Risk-controlled environments to allow new entrants to live-test products**

**Higher inclusion for women**
- The gender gap in payments use is persistent, and supply-side, gender-disaggregated data is not available to help tailor design. Ways to resolve this challenge include:
  - Work with direct and indirect participants and regulators to support gender-specific needs in payment system design; support access and usage incentives for women
  - Analyze gender-disaggregated data to identify product and service design opportunities for women
  - Establish effective recourse mechanisms to counter fraud and increase trust
  - Integrate G2P use cases

**End-user, market-, and system-level trends are influencing the evolution of the IPS landscape and its ability to scale.**

**End-user trends**
- **End users are increasingly susceptible to and aware of fraud and cybercrime.**
- **End users are persistently price sensitive.**

**Market-level trends**
- **Agents will cement their position as enablers in the digital payments value chain.**
- **Digital ID rollouts will increasingly allow for additional proxy ID options.**
- **Fintechs will continue to launch innovative products and increase their networks and market share.**
- **Virtual assets for cross-border retail payments may divert scale from IPS.**
- **Regulators are revising payments and e-money laws to foster innovation.**

**System-level trends**
- **Banks will remain crucial participants of IPS.**
- **Open Finance is emerging.**
- **Fintechs will continue to provide front- and back-end services in partnership with established PSPs rather than becoming direct IPS participants.**
- **General and synthetic CBDCs (sCBDC) are emerging as decentralized instant settlement and interoperability mechanisms, but demand for technical assistance exceeds supply.**

**Merchant and government payment use cases**
- **Limited use cases constrain digital value circulation and lead to lagging user adoption. G2P contracts are selectively awarded if at all digitalized. To address this challenge, IPS can:**
  - **Develop scheme rules to encourage cheaper and reliable merchant payments**
  - **Advocate for government to digitalize G2P payments**

**Technology standards**
- ISO 8385 is outdated but ISO 20022 remains expensive. Moreover, there is a lack of standardized QR codes and APIs. Data sharing restrictions limit innovation. To overcome these challenges:
  - **Adopt API integration layers to enable integration with ISO 20022**
  - **Adopt standardized QR codes**
  - **Develop country strategies on Open Banking and Open Finance to propel technology standards**
Africa has increased the availability and use of instant payments. Yet more still needs to be done to ensure that IPS are inclusive and fulfill their promise as digital public infrastructure.

An effective payment layer in the digital public infrastructure requires:

**Sustainability**
- Increased transparency and open access to scheme rules, as well as the involvement of all licensed PSPs in IPS designs.
- Reporting based on common measurement standards of volumes and value of transactions.
- Designed to scale and address market needs while limiting end-user costs.

**Customer centricity**
- Pricing models that can compete with cash and existing closed-loop solutions.
- Inclusive services for end-users, including effective agent channels and recourse mechanisms.

**A compelling provider value proposition**
- Continued roll-out of a portfolio of scale- and value-driving use cases to increase network touchpoints and keep digital value in circulation.
- Value-added services, including proxy IDs, centralized fraud and cybersecurity facilities, as well as centralized eKYC and CDD facilities.
- Development of open APIs and data sharing to promote open banking and foster a competitive landscape.

**A conducive policy environment**
- Continued improvement of the supporting ecosystem with risk-based and harmonized licensing of PSPs; network upgrades; sustained roll-out of agent networks; increased penetration of smartphones; broadened coverage areas for mobile data; and more affordable data access.
- Emphasis on regional harmonization of policy and regulation for cross-border payments and transfers so that IPS can catalyze digital trade and remittances.
AfricaNenda invites stakeholders and partners to pave the way towards IIPS as digital public infrastructure in Africa.

**The road to inclusivity requires:**

**THE IMPORTANCE OF DISAGGREGATED DATA SHARING**

The more IPS collect and share disaggregated data on on-us and off-us transactions, case-specific flows, and gender-disaggregated data, the greater the learnings will be to the benefit of all.

**AFRICANENDA—A TRUSTED PARTNER TO STAKEHOLDERS ON THE CONTINENT**

This report contributes to the formation of a common measurement framework for IPS. AfricaNenda is committed to achieving the common goal of making digital instant payments more inclusive and useful for all, and to help build capacity for impactful IIPS that add to the digital public infrastructure in Africa.

AfricaNenda acknowledges the role and contributions of other development partners in pursuing this mission.

**IMPROVING BUY-IN BY IPS PARTICIPANTS,** leading to higher take-up by end-users. Buy-in can come through incentives and peer learning. Public-private partnerships to create an integrated approach to DPI-driven development.

**MORE PROACTIVE COORDINATION**

between domestic regulators and regional bodies for the harmonization of regulations for cross border payments.

**TRANSPARENT, STANDARDIZED, AND VISIBLE GOVERNANCE STRUCTURES** in IPS utilization levels, scheme rules, consumer recourse mechanisms, pricing, technology standards, QR codes, APIs, proxy identities/aliases, and the branding of the system and its products.