



AFRICA PROSPERITY DIALOGUES (APD 2024)
**SCALING UP MOBILE INTEROPERABILITY TO DEEPEN FINANCIAL
INCLUSION AND INTRA-AFRICAN TRADE**

CONTEXT NOTES
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**Your Excellencies,
Distinguished Panellists and Guests,
All Protocols Observed,
Ladies and Gentlemen,**

1. It is with great pleasure that I proceed to provide a context for this panel discussion on a topic that is at the heart of technological progress - “Scaling up mobile interoperability to deepen financial inclusion and intra-Africa Trade”. In a world where innovation has no limits, the ability of different systems and technologies seamlessly communicating with each other is imperative and Africa should not sit out this movement. The chosen topic has come at an opportune time when several African countries have deployed mobile money platforms and are making a strong push for interoperability to deepen financial inclusion. From standards and protocols to the practical implications for businesses and consumers, I am confident that with the calibre of discussants gathered here today, the outcome of deliberations will provide and powerfully shape the trajectory of mobile interoperability, influence policymaking, and inspire the development of solutions that transcend boundaries - not only for financial inclusion, but also to promote intra-Africa trade and therefore growth and poverty reduction.
2. Ladies and Gentlemen, the evolution of payment systems across emerging countries in the face of recent technological advances has rapidly changed financial transactions. Across Africa, financial digitization, driven largely by mobile technology, has been a game changer, especially with the introduction of mobile money, which has revolutionized the way Africans manage their finances, particularly among the unbanked. Several African countries have deployed mobile



money platforms as a tool to enhance financial access, and, according to the IMF, Sub-Saharan Africa has become a global leader in mobile money transfer services.

3. Emerging originally as a simple on-net cash-in/cash-out service for customers, the growth and widespread use of mobile money on the continent has led to its integration in broader payment infrastructures, such as national switches to enhance interoperability. Mobile money has proven especially pivotal in fostering financial inclusion and given the myriad advantages, it is advisable that a significant push be made to enhance mobile interoperability across African countries. This could empower the underserved populations with essential financial tools to help unlock opportunities for savings, loans, and secure transactions, as well as promote economic stability and growth.
4. According to a McKinsey & Co. Report on *The Future of Payments in Africa* (2022), “Africa’s e-payments industry, across domestic and cross-border payments, generated approximately US\$24 billion in revenues in 2020, of which about US\$15 billion was domestic electronic payments. Despite this, on average, only 5 to 7 percent of all payment transactions in Africa were made via electronic or digital channels, compared with 50 percent or more in Turkey, for instance. This implies that e-payments have the potential of being a major growth pole for Africa, especially as the convenience and scalability of payment methods improve and the supportive infrastructure develops”. Indeed, mobile money interoperability remains a critical payment market infrastructure, which can boost cross-border payments on the continent.



5. Your Excellencies, Africa's long standing strategic objective has been regional integration and over the years various initiatives have been pursued by existing regional blocs to offer interoperable payment systems to facilitate trade. However, market fragmentation persists with a range of non-tariff barriers that increase the cost of transaction and limit cross border trade.

6. Again, Africa's cross border payment infrastructure has also not been as developed as the national payment infrastructures. Indeed, most African countries have fairly developed domestic payment infrastructure such as Real Time Gross Settlement Systems, National Switches, Cheque Codeline transaction Systems, vibrant payment system with emerging and nascent financial technology firms as well as vibrant mobile money sector. Interestingly these national payment systems are not fully linked to other national payment infrastructure to facilitate cross border payments and support regional trade.

7. Indeed, intra-African trade for the period 2015-2019 averaged 15% for Africa, 58% for Asia and 68% for Europe. Several factors, including lack of payment infrastructure, has been identified as hampering growth of African trade. Therefore, to increase intra-African trade from 15 percent in 2019 to 50 percent by 2045, the African Union established the Africa Continental Free Trade Area (AfCFTA) in 2018. Broadly, AfCFTA seeks to create a single continental market for goods and services and provide combined annual output of almost US\$2.5 trillion across member states of the African Union. This arrangement is also expected to expand intra-African trade through a harmonised coordinated trade liberalisation and



facilitation regimes across the existing Regional Economic Communities and the continent.

8. In recognition of promoting efficient intra-Africa trade through minimizing the frictions in cross border payments, Afreximbank (Africa's key trade finance institution) – in collaboration with other African central banks and the AfCFTA secretariat – established the Pan-African Payment and Settlement System (PAPSS) to enable efficient and secure financial transactions across African borders and to contribute to financial integration across the region. Incredibly, the PAPSS initiative supports interoperable transactions including retail payments through partnerships between indirect participants such as electronic money issuers and direct participants like commercial banks as well as cross-border payments of capital markets infrastructure. This holds a great potential for scalability of mobile money interoperability across the continent and provides a platform that enables innovation in cross-border trade.
9. The challenge, however, is that only a few of African countries have achieved full interoperability, which limits the ability to fully maximize the opportunity presented by the PAPSS platform in scaling mobile money interoperability. This brings up pertinent legacy challenges that need to be addressed in this direction, prominent among which are inadequate payment infrastructure and inconsistent compliance, status of the regulatory frameworks, policy coordination, user education and security and fraud concerns.
10. PAPSS ended the year 2023 with 12 Central Banks – with six in the WAMZ region, three in the East Africa region (Central Bank of Djibouti, Central Bank of Kenya and



the National Bank of Rwanda) and three in the Southern Africa region (Reserve Bank of Zimbabwe, the Bank of Zambia and the Reserve Bank of Malawi). The Central Bank of Egypt, the Central Bank of the Comoros, the Central Bank of Tunisia, and the Bank of South Sudan are on the verge of signing on to the platform. In terms of switches, Pesalink, Zimswitch and uniswitch have so far signed up while a total of 95 commercial banks, of which 37 are fully integrated and ready to transact. The transaction volumes and values have been increasing, albeit, at a very slow pace.

11. Scaling up mobile interoperability across African nations would call for review of legacy payment infrastructures, better policy coordination among member countries, and effective public-private and joint international collaborations that leverage new technologies such as cloud-based infrastructure, distributed ledger technology (DLT) and regulatory sandbox initiatives.

12. The way forward is for African countries to leverage on the large technological savvy and youthful population to shape the future of payments to drive financial inclusion, intra-trade activities, and promote economic growth overall. These developments would present an opportunity to transform the continent's payment landscape in a way that would remove barriers for cheaper and more convenient cross-border transfers as well as reduced settlement times. While this is almost a consensus belief, the challenge has been to decide on the best approach to achieve such a feat.



13. I would also like to point out that a few initiatives towards fostering mobile money interoperability at the inter-Africa level have been attempted in the past. However, the lack of a collaborative approach and the divergence in the developmental levels of national payment systems across Africa – notably the lack of harmonization of regulatory frameworks in the payment systems including the PSP licensing requirements, KYC/CDD frameworks, financial and consumer protection provisions, financial dispute resolution processes, foreign exchange access and reporting regimes and data protection and cross border sharing – have led to untimely failures. Overcoming these roadblocks requires concerted efforts from all stakeholders to create an ecosystem conducive to interoperability to address the specific challenges in the region.

14. Your Excellencies, interoperability has been a major policy priority for Bank of Ghana. Over the years the Bank has pursued various initiatives to make payment across platforms faster, cheaper, and more efficient. Our gh-link platform interconnects all the banks and financial institutions and enables accredited financial institutions to issue cards that are accepted nationwide across ATM and POS networks. Additionally, in 2012, we launched the gh-link EMV Card, card payment scheme which provides Ghanaians with a secured “home grown” card, that reduces the cost of securing and using an ATM card. Beyond bank and card interoperability, the Bank in 2018 through collaboration with key stakeholders launched the mobile money interoperability system which links disparate mobile money platforms and bank accounts as well as the e-zwich payment infrastructure. This singular policy intervention has enabled individuals and enterprises to move



funds across networks. At present, mobile money volume of transactions through the interoperability platform has increased over ten-folds since inception.

15. In conclusion, Ladies and Gentlemen, the advent of mobile money and mobile money interoperability has significantly transformed access to financial services in Africa, with a huge leap in the continent's financial inclusion index. It is about time Africa consider promoting mobile money interoperability to realize its full benefits of deepening financial inclusion and intra-Africa trade, which is critical for the success of the Africa Free Continental Trade Area (AfCTA). Initiatives such as PAPSS are a step in the right direction. The continent needs continuous deliberations such as this Dialogue Series to ascertain the best ways of supporting such initiatives that enable financial inclusion and intra-Africa trade flows.

I wish you fruitful discussions. Thank you.