Dear Readers,

Welcome to the second edition of the DFI Insider; there are several exciting advancements that have taken place that we would like to share with you. The last few months have been full of activities aiming to reach critical milestones; in the following pages you will gain deeper insights into the Integrated Digital Regional Common Payment Scheme, under development.

In alignment, due to COVID-19's impact on the economy, we’re also seeing an upsurge in mobile transactions in many markets, and in other cases it is making the gaps in digital readiness quite apparent. In this regard, we look forward to strengthened collaborations and ingenuity, towards a critical mass of digital financial inclusion in the region.

Sandra Uwera, CEO, CBC

BUSINESS CASE - FIELD MISSIONS

The past few months have revolved around field missions to the nine countries constituting the scope for the Integrated Digital Regional Common Payment Scheme's study; these countries include Egypt, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Tanzania, Uganda, and Zambia.

The objectives of the field missions were as follows:

- Understanding finance and ICT Policies as well as regulatory framework to support the harmonization of digital payments;
- Gathering information on existing digital Payment Infrastructure and Pricing structure for digital payments
- Project awareness and training of SMEs on digital marketing tools and basic digital financial literacy skills;
- Macro-economic outlook with respect to digital financial inclusion, contribution of payments and financial services to GDP and trade;
- Understanding the gaps in relation to cost of transaction, domestic regulatory frameworks; political will; consumer protection; financial exclusion of women and youth;
- Understanding the proposed solutions from stakeholders, on how to make it easier for women and youth to participate in cross border trade. This is with consideration of safety, transaction times, internet access, cost of mobile phone and data, digital literacy;
- The operations and gaps of payments systems infrastructure within the digital financial inclusion framework of regulators, telecommunications operators, financial institutions/banks, payments systems providers and fintechs, SMEs, corporates, Relevant regulations to support the harmonisation of digital payments

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Marianne Nzioki
mnzioki@comesabusinesscouncil.org

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KEY LEARNINGS

The stakeholder groups surveyed comprise Mobile Network Operators, Central Banks, Commercial Banks, Government Ministries, SMEs and ICT regulators. From these discussion, the following were some of our key learnings:

a) Regulatory Framework:
Current laws and regulations related to the retail payment were established in the early 2000s and are not fully reflective of trends in innovative payment solutions. A few countries have initiated work on reviewing, but these will need standardisation, while being relevant and proportionate to the requirements of the specific jurisdictions.

b) Interoperability:
In many of the countries there is limited interoperability between providers; while within domestic borders this has largely been addressed, across borders not much progress has been made, which in part is due the region's multi-currency regime. Moreover, largely there is limited interoperability between card and mobile payment systems. This restrains the operational and economic efficiency of national payment systems, and impedes on the consumer buying power.

In contrast, in Tanzania mobile network interoperability is supported by the regulatory framework. One mobile money agent can facilitate cash-in/cash-out transaction for several mobile network operators, which to its credit, has resulted in fewer booths.

c) Cash-heavy Economies:
The COMESA region remains highly cash-centric, which presents numerous risks and challenges for MSMEs. The costs of transacting in cash can easily exceed 1% of GDP and perpetuates a shadow economy. To turn this around and cultivate a cash-lite culture, a multitude of interventions are required for consumers at the bottom of the financial pyramid. This will require a high density digital payment acceptance infrastructure as well as robust incentives for customers and merchants to shift to digital payment methods.

d) Network Infrastructure:
There are a number of gaps in network infrastructure, some of which include unstable back-end and front-end infrastructure of providers; low penetration of smart phones which limit the usage of innovative channels; limited mobile and electricity coverage especially in rural areas, which reduces the number of places where customers can utilise Point of Sale (POS) machines and ATMs; and frequent network failures and problems that arise during the use of e-payments, which reduces customer confidence in digital payment channels.

e) MSME Profiling:
On average the MSME engaged in cross-border activities is primarily female, aged between 25-34 years. They have limited formal education, and rely on family and friends for financing their entrepreneurial ventures. This MSME is typically affiliated to a trade association. They are comfortable with a mobile device and are generally happy to transact with same.
Key activities coming up over the next few months:

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<th>ACTIVITY</th>
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<tr>
<td>First Advisory Committee meeting; review of Business Case Report</td>
<td>May 2020</td>
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<td>Circulation of Draft Business Case Report to sectoral stakeholders:</td>
<td>May 2020</td>
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<td>• Financial regulators and payment systems committee</td>
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<td>• ICT regulators committee</td>
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<td>• Mobile network operators and banks committee</td>
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<td>• SMEs committee</td>
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<td>Feedback from sectoral stakeholders; finalisation of draft Business Case</td>
<td>June 2020</td>
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<td>Report.</td>
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<td>Circulation of Draft Business Case Report to sectoral stakeholders:</td>
<td>July 2020</td>
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<td>• SMEs committee</td>
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<td>Hold sectoral stakeholder meetings for Business Case Report validation:</td>
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<td>Public-Private Stakeholders’ Dialogue</td>
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<td>Country Validations: Presentation of the Business Case Report for</td>
<td>September 2020</td>
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<td>consideration by Member States</td>
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Digital Financial Services Workshop with the Federation of Egyptian Industries’ SMEs.

Observing the high economic activity at the Rwanda-DRC border post, the busiest in Africa.

A survey visit to the local craft market to gain consumer behaviour insights, with respect to what drives SMEs’ use of mobile payments (Mauritius).

Digital Financial Literacy Training session with participants from the Zambia Federation of Associations of Women in Business.
PHOTO HIGHLIGHTS cont.

Participants of the Digital Financial Literacy training conducted in Mchinji District, bordering Zambia’s Chipata, organised in collaboration with the National Association of Small and Medium Enterprises (NASME).

A visit to the Nakonde-Tunduma border surveying the MSME cross-border mobile payments ecosystem.

MSME Digital Financial Literacy training session with participants from the Ethiopian Chamber of Commerce and Sectoral Associations (ECCSA).

Interactive SME Digital Financial Services Workshop organised in collaboration with the Mauritius Chamber of Commerce and Industry - MCCI.

Digital Financial Literacy training session with the members of Tanzania Women Chamber of Commerce - TWCC.
QUICK FACTS

Mobile industry contribution to GDP

- 8.6% of GDP: $144bn in 2018
- 9.1% of GDP: $185bn in 2023

Unique mobile subscribers

- 456m in 2018
- 623m in 2023

CAGR 2018-25: 4.6%

Smartphones

- 39% in 2018
- 66% in 2025

Percentage of total connections:

*Excluding licensed cellular IoT

SIM connections

- 774m in 2018
- 1.04bn in 2025

CAGR 2018-25: 4.3%

Mobile internet users

- 239m in 2018
- 483m in 2025

CAGR 2018-25: 10.6%

4G and 5G

- 4G: 7% in 2018, 23% in 2025
- 5G: 28m in 2025

Employment

- 500,000 Jobs formally supported by the mobile ecosystem
- Plus 1.2 million informal jobs

Source: GSMA - The Mobile Economy Sub-Saharan Africa 2019
Cash transfers lead the social assistance response to COVID-19
In response to the COVID-19 pandemic, many countries are using cash transfers - a tool that can be fast and support local economies. The humanitarian sector has used this tactic for years to ensure that communities living through crises don’t slip into deep poverty.

Among the various social assistance responses from governments, cash transfers have been the most widely used during this crisis. For some countries, this will be easier than for others as they already have well-established ways to deliver cash seemlessly, such as widespread use of mobile money. Read the full article here: https://bit.ly/3bsyZyC

COVID-19 CRISIS: Digital Financial services users saved USD 60 Million in 30 days
With the temporary waving of transfer fees, each user most likely saved at least USD 0.3 whenever they processed a transfer. However, cross network/bank services are still costly. With more interoperability implementation, a further $30 Million is likely to be saved each 30 days if transfers keep zero rated and interoperability costs are cut up to about 70 percent.

So far, Mobile Money operators and Banks such as Stanbic and Standard Chartered, have zero rated digital banking services in a number of countries. At least 1.2 billion transactions were processed in 30 days, through 110 million active wallets. This means these 15 countries are processing close to 40 million mobile money transactions a day. Read the full article here: https://bit.ly/2VsegWq

Kenya's Safaricom forecasts 7% coronavirus hit to M-Pesa revenue
Kenya's Safaricom expects a 5.5 billion shilling ($51.64 million) hit to its revenue from M-Pesa in the three months from mid-march after it adjusted prices because of the coronavirus crisis, its chief executive told Reuters. The foregone revenue, equating to 7.3% of the mobile money platform's annual earnings, will be caused by the removal of all charges on small peer-to-peer transfers to facilitate cashless payments to help to contain the Coronavirus pandemic. Read the full article here: https://reut.rs/2yyYekf
ABOUT CBC:

CBC is a Business Member Organisation, and a private sector institution of COMESA. We represent the interests of the private sector at a regional level. The services we offer go beyond advocacy to actively promote business participation in regional integration, investment and global trade. This is done by facilitating the growth of strong business synergies, the development of business opportunities, and also through legislative and strategic advocacy. Our services are custom tailored and driven by both industry, and enterprise interests.

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COMESA Business Council
Ben Bella Road, P.O. Box 30051, Lusaka, Zambia
Email: info@comesabusinesscouncil.org
Tel: +260 211 229725/32

Follow us on social media:
For further information, contact Marianne Nzioki, Marketing and Relations Officer
E-mail: mnzioki@comesabusinesscouncil.org