



Payment Infrastructure Assessment Report

Regional Harmonization of Remittance Policies in the Economic Community of Central African States (ECCAS)

Burundi

Data and analysis in this report reflect the period up to March 2023

© 2025, United Nations Capital Development Fund (UNCDF) All rights reserved worldwide

The views expressed in this publication are those of the author(s) and do not necessarily represent the views of UNCDF, the United Nations or any of its affiliated organizations or its Member States.

All queries on rights and licences, including subsidiary rights, should be addressed to:

304 E 45th Street,
New York, United States

Email: info@uncdf.org

LIST OF ACRONYMS AND ABBREVIATIONS

ACH	automated clearing house
AfDB	African Development Bank
AML/CFT	anti-money laundering/combating the financing of terrorism
API	application programming interfaces
ARCT	agency for the regulation and control of telecommunications
ATM	automatic teller machine
ATS	automated transfer system
Bi-Switch	Burundi Switch
Bif	Burundian franc
BRB	Bank of the Republic of Burundi
CAPEX	capital expenditure
CDD	customer due diligence
CDF	Congolese franc
CEMAC	Economic and Monetary Community of Central Africa
CICO	cash-in-cash-out
COMESA	Common Market for Eastern and Southern Africa
COVID19	coronavirus disease 2019
CRDB	CRDB bank
CSD	central securities depository
CMA	capital markets authority
DFS	digital finance system/service
EAC	East African Community
EAPS	East African Payment and Settlement System
ECCAS	Economic Community of Central African States
EFT	electronic funds transfer
e-Money	electronic money
FX	foreign exchange
GDP	gross domestic product
GPs	general principles for international remittances services
KES	Kenyan shilling
KYC	know your customer
IBB	Interbank Burundi
ID	identification
IMF	International Monetary Fund
ISO	International Organization for Standardization
LMICs	low- and middle-income countries
MFIs	microfinance institutions
MFS	mobile phone financial services
MMO	mobile money operator
MNO	mobile network operator

MRPs	money remittance providers
MTO	money transfer operator
NPS	national payment system
P2P	person to person
PAPSS	Pan African Payment and Settlement System
PIC	payments incident centre
PSP	payment system provider
POS	point of sale
PSOs	payment systems operators
PvP	payment-versus-payment
REC	regional economic community
REPSS	regional payment and settlement system
RNP	national board of posts of Burundi
RSP	remittance service provider
RTGS	real-time gross settlement system
Rwf	Rwandan franc
SDGs	sustainable development goals
SIM	subscriber identity module
SMS	short message service
STP	Straight-through processing
SWIFT	society for worldwide interbank financial telecommunication
TZS	Tanzanian shilling
UGX	Ugandan shilling
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNDESA	United Nations Department of Economic and Social Affairs
USD	United States dollar
USA	United States of America
WB	World Bank
WU	Western Union

CONTENTS

List Of Acronyms And Abbreviations	2
Landscape for Cross-Border Remittances in Burundi	6
Remittance Market Overview	6
The Government Of Burundi's Efforts To Improve Remittance Inflows.....	6
Key Stakeholders in the Payments and Remittance Market	8
Bank of the Republic of Burundi.....	8
Banks.....	8
Non-Bank Remittance Service Providers.....	8
Mobile Money Operators	8
Microfinance Institutions	9
Agents.....	9
National Payment Systems Infrastructures	10
Large-Value Payment Systems	10
National Retail Payment Systems	10
Retail/Low-Value Payment Systems	11
Personal Identification Cards	11
Remittance-Linked Products and Services	12
Assessment of the Payment Systems Infrastructure for Digital Remittances.....	14
Retail Payments Access Points for Sending and Receiving Remittances	14
Context.....	14
<i>Situation in Burundi</i>	14
<i>Recommendations</i>	15

Access to National Payment Infrastructures by Non-Bank Remittance Service Providers	16
<i>Context</i>	16
<i>The Situation in Burundi</i>	16
<i>Recommendations</i>	16
Interoperability and Interconnectivity of Domestic Payment Infrastructures	17
<i>Context</i>	17
<i>The Situation in Burundi</i>	18
<i>Recommendations</i>	18
Interconnectivity with Regional and International Hubs, Gateways, and Multilateral Payment Platforms	18
<i>Context</i>	18
<i>Situation in Burundi</i>	19
<i>Recommendations</i>	21

LANDSCAPE FOR CROSS-BORDER REMITTANCES IN BURUNDI

REMITTANCE MARKET OVERVIEW

Burundi is a landlocked country of 27,834 square kilometres¹ with an estimated population of 12.6 million² (2022). As of mid-2020, Burundi had approximately 551,105 migrants living abroad, of which 50.1 percent are women. There are 344,767 immigrants living in Burundi, of which 50.7 percent are women. Ninety percent of immigrants are from countries with which Burundi shares its borders. Fifty-eight percent are from the Democratic Republic of Congo (DRC), 22 percent are from Rwanda, and 10 percent are from the United Republic of Tanzania.³ Additionally, there are migrants from Belgium and France showing some post-colonial ties around trade and commerce with the two European countries.

In 2021, remittances amounted to approximately US\$48 million, 1.6 percent⁴ of the country's GDP. This was after remittances recovered from an all-time low in 2019 and 2020, \$15 million in 2019 and 2020.⁵ This could be partly attributed to the March 2020 restrictions on foreign exchange, where the government of Burundi directed all remittances to disburse in local currency. In addition, the global economy slowed down due to the disruption brought about by the COVID-19 pandemic.

THE GOVERNMENT OF BURUNDI'S EFFORTS TO IMPROVE REMITTANCE INFLOWS

In October 2022, the Bank of the Republic of Burundi (BRB) removed the restrictions set in March 2020 on remittances paid out in foreign currencies,⁶ helping to revive remittances in Burundi. Since the BRB reversed the restrictions, remittance operations resumed. However, if the lifted ban applies to banks only or all RSPs, non-banks included, more clarity is required. The BRB has also passed other laws relating to remittances. For example, the National Payment System (NPS) is governed by Law 1/07 of 11 May 2018 on the National Payment System. The issuing and use of payment instruments, the security of payment systems, and the laws governing collateral

¹https://databank.worldbank.org/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=RWA (accessed 10 November 2022)

² <https://www.unfpa.org/data/world-population-dashboard> (accessed 12 November 2022)

³ UNDESA, Population Division (2020). International Migrant Stock 2020 (accessed 15 December 2022)

⁴ KNOMAD, 'Remittances', <https://www.knomad.org/data/remittances> (accessed on 20 July 2022)

⁵ Ibid

⁶ <https://www.reuters.com/world/africa/burundi-central-bank-lifts-ban-foreign-exchange-bureaus-2022-10-08/> (accessed 15 December 2022)

contracts are all governed by this statute. As per article 4 of the law, no payment system can operate without a license issued by the BRB. The law is complemented by Regulation 001/2017 relating to payment services and the activities of payment institutions and Regulation 1/2022 of 14 April 2022 governing participation in the Integrated Payment and Settlement System of Burundi. Article 28 of Regulation 001/2017, relating to payment services and the activities of payment institutions, requires interoperability among payment system providers as soon as the license is obtained. Article 29 of the same regulation requires payment service providers to implement open platforms to enable more fluid interconnections between different platforms. Burundi has an agent banking regulation, i.e., No. 002/2017, structured in 19 articles and relates to commercial agents in banking operations and payment services. The regulation clarifies the rules and procedures relating to the activities of commercial agents of institutions subject to banking operations and payment services.

On 1 July 2007, Burundi was admitted as a Member State of the East African Community (EAC) alongside its neighbour Rwanda. At the time, other EAC Member States included Tanzania (which shares a border with Burundi), Uganda, and Kenya. One of EAC's pillars is the common market protocol, the second of five regional integration milestones of the EAC, which has been in force since 2010. The pillar grants the rights and freedom of movement of persons, labour, and capital among Member States.⁷ EAC membership has since grown with the admission of the Member States of South Sudan (15 August 2016) and the DRC (11 July 2022). Burundi shares a border with three other EAC members (Rwanda, the DRC, and Tanzania). Being a member of the EAC benefits migrant men and women in all Member States as their status is recognized in the country they migrate to.

The Agency for the Regulation and Control of Telecommunications (ARCT) is Burundi's telecommunications regulator. The ARCT regulates the voice and data business of telecommunications, while the BRB oversees the mobile money (MMO) business. According to the ARCT, 46 percent of the population uses mobile phones.⁸

⁷ <https://www.eac.int/common-market> (accessed 15 December 2022)

⁸ <https://arct.gov.bi/> (accessed 15 December 2022)

KEY STAKEHOLDERS IN THE PAYMENTS AND REMITTANCE MARKET

BANK OF THE REPUBLIC OF BURUNDI

The BRB is responsible for licensing all financial institutions in Burundi, as well as providing non-objection note to partnerships with non-bank RSPs. The BRB also licenses Payment Systems Providers (PSPs)⁹ and oversees the National Payment System (NPS) under the Payment Systems department. The BRB is mandated to supervise commercial banks, MFIs, SACCOS, MMOs, and banking agents.¹⁰

BANKS

As of 30 October 2022, Burundi had 15 commercial banks and one national bank for economic development. Most banks partner with non-bank RSPs like Western Union to provide remittance services.¹¹ Private banks also offer digital financial products to their customers, like the internet and mobile banking. P2P transfers and some bill payments can be carried out through these electronic channels. Commercial banks also have agent networks and agents, plus ATMs supported by the Bi-Switch, and POS interbank network.

NON-BANK REMITTANCE SERVICE PROVIDERS

Non-bank RSPs partner with international money transfer operators (MTOs) such as Dahabshiil, Western union, and MoneyGram and do not directly participate in the NPS and, therefore, partner with commercial banks for settlement services. There are nine licensed non-bank RSPs. The National Postal Administration (Régie Nationale des Postes) also provides a financial service branded “RUNGIKA”, a postal service for electronic money transfer. There is also an existing link between the postal service and worldwide remittance payment firms such as Ria to enable remittances.¹²

MOBILE MONEY OPERATORS

Two mobile money operators (MMOs) are active in Burundi. These are Eco-cash (developed in-house by Cassava fintech) and Lumicash,¹³ provided by the two MNOs Econet-Leo, and Lumitel, respectively. Regarding interoperability, the two MMOs are still undertaking a project with the Bi-Switch as part of a wider interoperability initiative for retail payments. MMOs also provide push and pull services with the digital channels of some banks and MFIs. As of 31 December 2021, the number of mobile network

⁹ <https://www.brb.bi/fr/content/etablissements-de-paiement> (accessed 15 December 2022)

¹⁰ <https://www.brb.bi/fr/content/textes-l percentC3 percentA9gislatives> (accessed 15 December 2022)

¹¹ <https://www.brb.bi/en/content/commercial-banks> (accessed 15 December 2022)

¹² <http://www.posteburundi.bi/?fr/sb16/> (accessed 15 December 2022)

¹³ <https://lumitel.bi/> (accessed 15 December 2022)

users subscribed to mobile money was 4,642,575, of which 31 percent are active.¹⁴ As of 31 December 2020, the number of commercial agents registered totalled 109,849, serving all three platforms non-exclusively.

MICROFINANCE INSTITUTIONS

MFIs are licensed and supervised by the BRB. As of 31 October 2022, there were 41 MFIs.¹⁵ MFIs partner with MTOs like Western Union to terminate remittance services, but they are not allowed to send remittances. MFIs do not participate directly in the NPS and rely on their partnership with commercial banks to access the NPS as indirect participants.

AGENTS

Both banking and mobile money agents are recognized by Regulation No. 001/2017 in Burundi. As of 31 October 2021, there were 10,449 banking agents and 146,228 mobile money agents. Agents are key in remittances as they have a far larger geographical reach than bank branches. RSPs are partnering to utilize bank and mobile money agents jointly. An example is when CRDB rolled out its agency banking channel and partnered with Econet to increase the reach of its service.¹⁶

¹⁴ <https://arct.gov.bi/observatoires-des-marches/> (accessed 12 December 2022)

¹⁵ <https://www.brb.bi/fr/content/emf-en-activit%C3%percentA9> (accessed 15 December 2022)

¹⁶ <https://www.uncdf.org/article/2626/agent-banking-with-crdb> (accessed 22 December 2022)

NATIONAL PAYMENT SYSTEMS INFRASTRUCTURES

The participants in the payment systems of Burundi include the BRB, the government, commercial banks, financial institutions, and PSPs. NPSs in Burundi are classified into two categories, i.e., large-value (wholesale) and low-value (retail) payment systems, based on the throughput in terms of values and volumes processed.

LARGE-VALUE PAYMENT SYSTEMS

The BRB fully owns and maintains the large value payments systems. The large value payment systems include the real-time gross settlement (RTGS) system, the automated clearing house (ACH), and the central systems depository (CSD) system. The products supported by the large-value payments also include automated cheque clearing (ACC) and automated transfer systems (ATS). The RTGS has 17 direct participants, 15 commercial banks, one postal financial service (RNP), and the BRB.¹⁷ The Bi-Switch and CSD are integrated with the RTGS as external systems.

A SWIFT-based communication component is being developed to enable integration with regional payment platforms such as the East African Payment and Settlement (EAPS) of the East African Community (EAC) and the Regional Payment and Settlement System (REPPS) of the Common Market for Eastern and Southern Africa (COMESA). The integration with the two systems is still being tested as of 31 October 2022.¹⁸ Additional cross-border initiatives include the establishment of a payment incident centre (CIP) with the support of the African Development Bank (AfDB) as well as the establishment of the Burundi Stock Exchange with the assistance of the World Bank (WB) and other partners. Regarding establishing the Burundi capital market, the law establishing the regulatory body, the Capital Markets Authority (CMA), is awaiting approval from the President of the Republic of Burundi.

NATIONAL RETAIL PAYMENT SYSTEMS

The Bi-Switch is the institution that operates Burundi's national retail payments switch infrastructure established through an agreement between commercial banks, BRB, and the postal financial service to enable interoperability across financial institutions. The Bi-Switch supports interoperability between ATMs and POS networks of different financial institutions across the country. Nine of fourteen commercial banks and two of forty-one MFIs are connected to the Bi-Switch, and in 2022, the two MMOs, namely Ecocash and Lumicash, began their integration into the Bi-Switch and are currently in the testing stage. The main challenge faced by banks and non-banks during system integration is the need for further development of their in-house systems to interface with the Bi-Switch via API. The lack of interoperability with most retail stakeholders also makes

¹⁷ Public Sector Stake holder consultation October 2022, Bujumbura – Burundi.

¹⁸ <https://brb.bi/fr/content/rapport-annuel> (accessed 15 December 2022)

developing value-added services that could foster greater uptake of digital financial services and remittances difficult. Implementing the retail payment switch is due to progress to the next phase with World Bank (WB) support. It is during this phase that non-banks like MFIs may be onboarded onto the Bi-Switch.¹⁹

RETAIL/LOW-VALUE PAYMENT SYSTEMS

As of 30 October 2022, nine licensed payment institutions existed. These include developers of the two MMOs (Lumicash and Cassava Fintech) and seven other RSPs, namely Tanganyika, galaxy, UF Money, Baraka Trust, Hop Money, Muhe cash, and Leapa, which are all listed as money transfer institutions.²⁰

PERSONAL IDENTIFICATION CARDS

The Republic of Burundi issues its citizens and residents with identity cards. Citizens can open bank accounts and mobile money accounts with their national IDs. The national identity system is not biometric, and the country does not have a national identity database to support financial institutions during KYC checks, a restriction which prevents the country from digitizing citizens' services. Biometric IDs are a critical step toward the automation of the KYC process. The limitations affect the pace at which accounts are opened and the pace at which digital financial services are being adopted in Burundi. Under its common market protocol, the EAC ensures its citizens' rights and freedom of movement across the EAC Member States. Uganda, Kenya, Tanzania, Rwanda, and the DRC (the latter three sharing a border with Burundi are Member States of the EAC).²¹ When the Republic of Burundi starts to issue national biometric IDs, it will be possible to use the same to freely travel through other EAC countries that recognize biometric-enabled national IDs as travel documents.

¹⁹ Private Sector Consultation, Bujumbura – Burundi (accessed 15 December 2022)

²⁰ <https://www.brb.bi/fr/content/etablisements-de-paiement> (accessed 14 December 2022)

²¹ <https://www.eac.int/common-market> (accessed 14 December 2022)

REMITTANCE-LINKED PRODUCTS AND SERVICES

In March 2020, the BRB put restrictions on remittances terminating in foreign currencies. As such, several RSPs, including forex bureaux, closed or lost their licenses. The ban was later lifted in October 2022. Remittances have been recovering, albeit slowly.²²

Mobile Money Operators (MMOs) are key in developing remittance products. Of the two active MMOs, Ecocash has a partnership with WorldRemit to disburse cross-border remittances into their customers' mobile money wallets.²³ MMOs do not participate directly in the RTGS, do not engage in forex exchange operations, and must partner with banks for this service. MMOs have also integrated mobile wallets with almost all banks and most MFIs to provide push and pull services for bank and MFI customers. Both MMOs recommend fostering public awareness of digital financial services, as this will create awareness of remittances as digital financial products.

There are locally licensed MTOs that operate as partners of international MTOs like Dahabshiil, Western Union, etc. Their coverage is limited as they operate in urban areas. For example, although Dahabshiil is popular in the East African region, it has only one branch in the country located in Bujumbura. Dahabshiil operates in 126 countries worldwide, 40 of which are in Africa, including Burundi.²⁴ To comply with the March 2020 restriction of disbursing remittances only in local currencies, Dahabshiil had to close its foreign exchange business after receiving instructions from the BRB.

Commercial banks have developed digital finance products interoperable with domestic MMOs and digital payment gateways. Within the region, banks currently use corresponding banks and bilateral agreements with other banks to perform cross-border transactions. CRDB Bank and KCB Bank are the two banks with a regional presence that they leverage to provide cross-border remittance services using their regional networks.²⁵ CRDB Bank Burundi, a subsidiary of CRDB Bank Tanzania, provides foreign currency accounts in US dollars and euros for citizens of either country looking to travel between the two countries and transact.²⁶ They also have digital channels like mobile and internet banking, accessed by approximately 60 percent of their customers.²⁷ KCB Bank Burundi, as a subsidiary of the KCB Group, provides diaspora bank account services to its customers that can be accessed in Burundi and other East African countries where KCB has a presence. It also comes with digital channels like mobile and

²² Private Sector Stakeholder consultations, Bujumbura - Burundi 16 to 20 October 2022

²³ <https://www.worldremit.com/en/burundi/ecocash> (accessed 15 December 2022)

²⁴ <https://www.dahabshiil.com/about-us/> (accessed 14 December 2022)

²⁵ Private Sector stakeholder consultations in Bujumbura – Burundi between 18 and 20 October 2022.

²⁶ <https://crdbbank.co.bi/en/banking/cross-border/> (accessed 16 December 2022)

²⁷ Private Sector stakeholder consultation in Bujumbura – Burundi 19 October 2022.

internet banking. KCB Bank has relationships with MTOS, like Western Union and MoneyGram.²⁸

Micro Finance Institutions have developed digital finance products integrated with MMOs and banks. An example is Corilac, a category one MFI with a digital financial product called Coricash that is also available on both Lumicash and Ecocash. Furthermore, the cash-in/cash-out services are domestic.

²⁸ <https://bi.kcbgroup.com/en/diaspora> (accessed 15 December 2022)

ASSESSMENT OF THE PAYMENT SYSTEMS INFRASTRUCTURE FOR DIGITAL REMITTANCES

This section assesses progress made by the BRB and market stakeholders to address the NPS infrastructure gaps and remaining challenges.

RETAIL PAYMENTS ACCESS POINTS FOR SENDING AND RECEIVING REMITTANCES

CONTEXT

The usefulness of transaction accounts for payments, or remittance services is augmented by a broad network of access points with wide geographical coverage and by offering a variety of interoperable access channels.²⁹ The existence of a national-level retail payment infrastructure, including an ACH, payment cards, and mobile money switches, can effectively increase the network of access points (e.g., ATMs, POS, branches, or agent networks) for individual customers. Such centralized payment infrastructures act as hubs for processing interbank transactions, improving interoperability and exhibiting positive network externalities for all system participants. Any branch of a bank or other PSP participating in the ACH or switch can be used to initiate fund transfers to a customer of another ACH or switch participant. This supports countrywide reachability, even if a particular bank does not have access points deployed in specific regions. The success of digital remittance services that use the rails of retail payment systems depends on the availability, quality, and reliability of customer service and access points.

SITUATION IN BURUNDI

Only 46 percent of the population uses mobile phones³⁰, showing that there is still room to expand the mobile telecommunications network alongside mobile financial services to rural areas. This is followed by enhancing the existing mobile money agent network. The Bi-Switch infrastructure also provides a limited use case for remittances.

So far, P2P tests have been conducted with MMOs. However, more use cases can be developed by working with banks and MFIs on the existing platform to enhance interoperability. For example, bill and utility payments and payments for government services could be purchased from any participants for as long as they are connected to the Bi-Switch. Furthermore, only nine out of 14 banks and two out of 41 MFIs have attempted to develop APIs to integrate with the Bi-Switch. Integration costs are the main

²⁹ World Bank, *Payment Aspects of Financial Inclusion (PAFI)* (2017), www.worldbank.org/en/topic/financialinclusion/brief/pafi-task-force-and-report.

³⁰ Public Sector stakeholder ATRC- Consultation 21 October 2022

challenge for those who have yet to connect with the Bi-Switch, primarily due to closed-loop systems needing to be adjusted to connect with other third-party systems. There is a need for clear guidelines on integration and the adoption of open APIs to avoid integration costs that will deter users. Although most banks have ATMs and POS, they are mostly found in urban areas like Bujumbura, and those in rural areas are affected by power and network connectivity fluctuations. Additionally, retail payment systems also face cyber-attacks. As Burundi continues to grow its NPS, the BRB's department for payment systems needs to strengthen its capability, which is responsible for overseeing the NPS.

RECOMMENDATIONS

There are several initiatives ongoing within the National Payments Systems. BRB can consider the following:

1. **The BRB** could consider developing a **supervisory framework for the National Payment System**. As the BRB develops its NPS, several components will require supervision, such as the Bi-Switch, the regional integration initiatives, the payment system providers, and the growing agent network. The BRB can achieve this by establishing a **capacity-building programme** in-house and for other stakeholders to familiarize themselves with the NPS framework.
2. With guidance from the **BRB**, the Bi-Switch could prioritize **implementing the retail payment** infrastructure. The BRB can bring the different stakeholders together to support the **development** of the last-mile payment infrastructure, which includes the Bi-Switch company, banks, and non-banks like MMOs and MFIs. The **BRB** can also collaborate with the **Bi-Switch** company to **extend the network** supporting **ATMs and POS to rural areas**. This collaboration can take place alongside efforts to **grow the banking and mobile money agent network in rural areas**.
3. **The BRB** could aim to increase use cases for digital financial services by improving availability and coverage, including use cases for women via **the Bi-Switch**. Bill payments, POS, and quick response (QR) code-based acceptance for card-based purchase transactions can be adopted as different players join the Bi-Switch. In addition to providing interoperability, a wider development of the POS and QR code infrastructure at the merchant and bank agent levels could increase the number of distribution points for remittances and improve banking services for remittance recipients by providing them with access to low-cost electronic payments and by eliminating the need to withdraw cash. The use of QR-code technology for growing merchant acceptance can be cost-

effective and quick as it requires little or no technical knowledge by merchants and consumers. Furthermore, the QR code structure should be standardized to foster interoperability and usage to improve its effectiveness.

4. **The BRB** can work with the National Board of Posts (RNP)³¹ of Burundi to leverage its large branch network and physical presence in Burundi to increase the number of access points for remittances.

ACCESS TO NATIONAL PAYMENT INFRASTRUCTURES BY NON-BANK REMITTANCE SERVICE PROVIDERS

CONTEXT

According to the FSB Stage 2 report,³² “there are clear advantages to promoting direct access to the national payment infrastructures by non-bank RSPs as this reduces the costs for remittances transfers and time it takes to settle these transactions. Lowering barriers to access improves the possibility for PSPs and payment infrastructures to become direct members of multiple payment systems across different jurisdictions. Similar access requirements in different payment systems can encourage PSPs to become global payment players, serving many jurisdictions. Lower cost and higher speed in cross-border payments with lower credit and liquidity risks would be the targeted outcome.”

THE SITUATION IN BURUNDI

Non-banks cannot currently participate in the NPS directly, but they can develop settlement procedures with commercial banks that have direct access to the RTGS.

RECOMMENDATIONS

The following recommendations could be considered to improve the quality of access to NPS infrastructures:

1. **Allowing strong non-bank RSPs to access the National Payment Systems directly.** For example, category one MFIs could serve a larger section of low-income earners or might be able to cover a wider geographical area through their extensive bank branch network or banking agents in rural areas.
2. **Building resilience in critical retail NPS infrastructures is important.** The impact of operational incidents could be mitigated, in principle, by building

³¹ <http://www.posteburundi.bi/?fr/sb16/> (accessed 15 December 2022)

³² Building Block 10 describes the importance of direct access. Committee on Payments and Market Infrastructures, *Enhancing Cross-Border Payments: Building blocks of a global roadmap* (2020), www.bis.org/cpmi/publ/d193.pdf.

resilience that withstands service disruptions and supports effective business continuity plans. NPS system operators could be required to: (i) adopt rigorous risk management procedures in line with global best practices to identify and mitigate operational risks, including cyber-resilience; (ii) incorporate appropriate redundancy and business continuity arrangements to ensure timely service recovery in the event of a major disruption; and (iii) establish procedures for timely communication to stakeholders of operational incidents. In addition, the BRB should continue holding periodic, regular disaster recovery drills (both announced and unannounced) to ensure the effectiveness and resilience of the systems operated by the NBR and the other PSOs. This should be based on guidance developed by the Committee on Payments and Market Infrastructures (CPMI) on cyber-resilience³³ and other global best practices.

INTEROPERABILITY AND INTERCONNECTIVITY OF DOMESTIC PAYMENT INFRASTRUCTURES

CONTEXT

Interoperability is one of the most desirable characteristics of financial market and payment infrastructures to ensure interconnectivity and the widespread availability of digital financial service access points. While the widespread availability of digital solutions for remittances, payments, savings, and credit provides people with access to financial services, payment interoperability enables these targeted people to transfer their money to any other individual without a requirement for multiple transaction accounts, thereby increasing the importance of transaction accounts and their usability.

ISO 20022 has emerged as the key global standard for developing modernized financial market infrastructures. Currently, most payment systems follow the ISO 20022 standards, resulting in improved efficiency, lower costs and fewer errors. ISO 20022 is a global standard for financial messaging that provides a standard model across business domains such as payments, securities, trade services, card services and foreign exchange. The standard defines messages with clarity of purpose and conveys information between parties within a payment chain. It also defines message specifications for each message type. Benefits of ISO 20022 include: (i) **sharing large volumes of information**, as ISO 20022 can carry large data sets and messages. Users of the standard can choose the quantity of data to share for necessary insights; (ii) **integrating domestic and cross-border payments**, as ISO 20022 can integrate and standardize domestic and cross-border payments in market practices by rolling out standard guidelines; (iii) **ensuring interoperability and harmonization**, as ISO 20022 enables the harmonization of previously known interoperable formats, and simplified

³³ Bank for International Settlements and International Organization of Securities Commissions, *Guidance on Cyber Resilience for Financial Market Infrastructures* (2016), www.bis.org/cpmi/publ/d146.pdf.

data consumption and transmission. The underlying syntax of XML and the structured platform makes this standard more feasible for payments; and (iv) **efficient gains and cost-saving**, as ISO 20022 makes financial messaging more efficient by standardizing and harmonizing payment message formats, increases STP rates and simplifying cost-intensive procedures such as payment processing, investigations, data analytics and reporting.

THE SITUATION IN BURUNDI

The NPS is still being implemented in Burundi. It should be noted, however, that the NPS now supports ISO 15022. The industry standard is shifting toward ISO 20022, so a strategy for transitioning to ISO 20022 is being developed.

RECOMMENDATIONS

The following recommendations could be considered to improve the interoperability environment:

1. The BRB should provide clear **guidance** to the **market on message standardization and interoperability framework plans**. This includes standardization for messaging, QR codes, ATM, and POS devices, as well the adoption of open Application Programming Interfaces (API). This process will lay out the importance of establishing interoperability and will outline the intended framework for the standardization process³⁴ for QR codes to bring uniformity and provide equal opportunity for all players in the payment space.
2. The BRB could consider **fostering an integrated infrastructure interoperable with mobile network operations**. Furthermore, the BRB could encourage RSPs to work together to reduce the cost of improving the infrastructure. An example is **shared infrastructure**. Having shared infrastructure for all payment infrastructures could foster product development, as innovators can focus on specific initiatives and avoid some of the capital and operational costs involved with setting up infrastructure independently.

INTERCONNECTIVITY WITH REGIONAL AND INTERNATIONAL HUBS, GATEWAYS, AND MULTILATERAL PAYMENT PLATFORMS

CONTEXT

Cross-border payments through the correspondent banking model often involve long transaction chains that lead to fragmented and truncated data standards, high costs of

³⁴ Based on EMVCo and international standards.

capital, and weak competition, all of which negatively affect payment speed, cost, and transparency. Interlinking retail payment systems (including fast payment systems) and wholesale payment systems (such as RTGS) enables PSPs to interact directly through the linked infrastructures and reduces their reliance on traditional correspondent banking. Interlinking arrangements can range from simple agreements on cross-participation to full technical integration of systems.³⁵

SITUATION IN BURUNDI

Burundi has nine licensed providers who engage in domestic transfers. These have variable levels of success as far as domestic interoperability is concerned. However, few payment providers are active in cross-border retail payments; for example, only one MMO has an agreement with a digital remittance provider (Ecocash and WorldRemit). There is a reliance on banks with a regional presence (CRDB and KCB) to facilitate cross-border transfers using their regional bank branch network, and commercial banks rely on correspondent banking relationships, which are over the SWIFT network. This raises remittance costs and discourages migrant men and women who remit small amounts, sometimes less than the cost of a SWIFT transfer.

Regarding the interoperability of large-value payments, BRB is a member of the East African Payments and Settlement System (EAPS). The EAPS provides interoperability of large-value payment systems of the central banks in the participating Member States of the EAC, namely Uganda, Kenya, Tanzania, Rwanda, Burundi, and South Sudan. In EAPS, each central bank maintains an account in each of the other Member State's currencies (Ugandan shilling (UGX), Kenyan shilling (KES), Tanzanian shilling (TZS), Rwandan franc (RwF), Burundian franc (BIF), and the South Sudanese pound (SSP)). EAPS enables the central banks to settle transactions in each of the five currencies with the broader objective of fostering inter-regional trade. Burundi joined EAPS in 2020 but had yet to complete the RTGS integration and benefit from lower transaction costs for large-value payments by October 2022.

The Regional Payment and Settlement System (REPPS) provides clearing and settlement for members of the Common Market for Eastern and Southern Africa (COMESA) region. Settlement is in USD, EUR, and GBP currencies, and the system is operational in the Member States of Mauritius, the DRC, Malawi, Swaziland, Uganda, Zambia, Rwanda, Burundi, and Kenya. As of 30 October 2022, Burundi was yet to complete integration with the REPSS project, and such is not benefitting from the project.

³⁵ Building Block 13 describes the importance of interlinking of different payment systems. Committee on Payments and Market Infrastructures, *Enhancing Cross-Border Payments: Building blocks of a global roadmap* (2020), www.bis.org/cpmi/publ/d193.pdf.

In 2014, the EAC undertook diagnostic studies of the interoperability of cross-border retail payment systems in the EAC. The Central Banks of the EAC Member States reviewed the findings and commissioned stakeholder consultations in their respective countries. Overall, stakeholders from both public and private institutions recommended that each country works toward achieving domestic interoperability by implementing interoperable national retail payment switches. The stakeholders also recommended a regional infrastructure to serve as a regional hub connecting the national retail payment switches of the EAC Member States. As of October 2022, Kenya and Tanzania had operational interoperable national retail payment switches, Kenswitch³⁶ and TIPS³⁷, respectively. Rwanda had successfully piloted mobile money interoperability with its national retail payments infrastructure, the R-Switch. In contrast, Burundi was in the process of implementing the Bi-Switch and had also piloted mobile money interoperability between the two MNOs Lumitel, and Ecocash. South Sudan was still implementing the RTGS at the BSS³⁸. The DRC is still a new EAC member and hasn't yet joined EAPS. In this regard, Burundi should prioritize implementing the Bi-Switch.

The Pan African Payment and Settlement System (PAPSS) is a centralized payment and settlement infrastructure for intra-African trade and commerce payments. It is endorsed by the African Union (AU) and is being developed in collaboration with the African Export-Import Bank (Afreximbank). It will facilitate payments and formalize some unrecorded trade due to the prevalence of informal cross-border trade in Africa.³⁹ It will also provide an alternative to current high-cost and lengthy correspondent banking relationships to facilitate trade and other economic activities among African countries through a simple, low-cost, risk-controlled payment clearing and settlement system. The benefits of PAPSS for cross-border payments include reduced costs, smoother processing times, fewer liquidity requirements for commercial banks, fewer liquidity requirements for central banks regarding settlements and their own payments, and better central bank supervision of cross-border payment systems.

The PAPSS is currently live in the West African Monetary Zone (WAMZ) in the central banks of Nigeria, Ghana, Liberia, Sierra Leone, the Gambia, and Guinea, using six local currencies and two languages. Its unique offering supports instant payments in local currencies with settlement finality supported by Afreximbank. It has buy-in and has been fully endorsed by the African Union Heads of State and has a continent-wide regulatory framework for the participation of multiple players. Uganda was not yet a member of PAPSS as of May 2022, although the BOU is aware of Afreximbank's ongoing initiative.

³⁶ Kenswitch is a PSP in the Kenyan market, regulated by the Central Bank under the NPS law and has been in the market since 2002

³⁷ Tanzania Instant Payments System (TIPS) is an interoperable digital payment platform operated by Central Bank

³⁸ Bank of South Sudan (BSS).

³⁹ <https://papss.com/> (accessed 14 December 2022)

RECOMMENDATIONS

The following recommendations could be considered to improve the interconnectivity with local and regional multilateral platforms:

1. **The BRB should be more active in regional cross-border payment system projects.** The BRB can consider fully integrating with the cross-border RTGS platforms of the EAPS and REPPS projects in the short term.
2. The EAC's diagnostics on cross-border retail payment systems recommend establishing domestic interoperability before regional integration. The BRB should prioritize implementing the Bi-Switch as a precursor to integrating regional retail payment systems. The same domestic integrated retail payment infrastructure will provide interoperability with domestic RSPs, and regional and international payment system providers.
3. **The BRB could foster connectivity of the NPS with local, regional, and international hubs and payment gateways.** Establishing connectivity with international hubs and gateways will facilitate greater access to digital payment channels. Such service aggregation platforms and remittance hubs allow RSPs to scale quickly and not incur disproportional operational and regulatory costs. These platforms and remittance hubs also have the potential to reduce the distance to access points and transaction costs by facilitating a high number of low-value/low-fee transactions through many access points (or accessible remotely through the Internet or mobile networks).

ABOUT ECCAS

The Economic Community of Central African States (ECCAS), created in 1983, comprises 11 Member States—Angola, Burundi, Cameroon, Central African Republic, Chad, Republic of the Congo, Democratic Republic of the Congo, Gabon, Equatorial Guinea, Rwanda, and São Tomé and Príncipe. It is one of the five development zones on which the African Union (AU) intends to build continental cooperation and integration.

According to its statutes, ECCAS' mission is to foster political dialogue in the region, establish a regional common market, set common sectoral policies, foster and strengthen harmonious cooperation and balanced and self-sustaining development in all areas of economic and social activity, especially in the fields of industry, agriculture, natural resources, infrastructure, trade, customs, monetary and financial matters, and tourism.

ECCAS member states adopted a strategic plan for integration and a strategic vision in October 2007. The vision is to create by 2025 "a stable, prosperous, united, economically and politically united Central Africa" to make the region an area of peace, solidarity, and balanced development, with free movement of people, goods, and services.



ABOUT UNCDF

UNCDF mobilizes and catalyzes an increase in capital flows for SDG impactful investments to Member States, especially Least Developed Countries, contributing to sustainable economic growth and equitable prosperity.

In partnership with UN entities and development partners, UNCDF delivers scalable, blended finance solutions to drive systemic change, pave the way for commercial finance, and contribute to the SDGs. We support market development by enabling entities to access finance in high-risk environments by deploying financial instruments, mechanisms and advisory.

For more information, please contact:
Eliamringi Mandari
eliamringi.mandari@uncdf.org



Follow @UNCDF