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 November 2023

304 E 45th Street,
New York, United States

Email: info@uncdf.org

ACKNOWLEDGMENTS

On behalf of the migrant women and men originating from, and receiving remittances in, and their wider communities in least developed countries, the United Nations Capital Development Fund (UNCDF) Migration and Remittances programme team would like to thank the many partners and collaborators who are contributing to our efforts to advance the work on the regional harmonization of remittance policies in the Economic Community of Central African States (ECCAS) region. This appreciation is not their endorsement of this paper and is extended to the ECCAS Commission team for endorsing these efforts, to the Bank of the Republic of Burundi (BRB) for supporting these efforts in Burundi, and to the teams of ARTC, Bi-Switch, BANCOBU, IBB, KCB, Ecobank, CRDB, CEMC, Corilac, Feste, Lumicash, EcoCash, Dahabshiil, that have been involved since the inception and have contributed substantively to the report.

The drafting of this report was led by Mukankunga Bisamaza (Angel), remittance policy specialist, with invaluable inputs and support from Albert Mkenda, Edgar Muganwa, Dr. Deepali Fernandes, and Doreen Ahimbisibwe. Eliamringi Mandari and Amil Aneja provided overall guidance and coordination.

The author would also like to thank John Powell and Justine De Smet for editorial and design support.

The UNCDF Migration and Remittances programme has been made possible by the generous funding support from the Swiss Agency for Development and Cooperation (SDC) and from the Swedish International Development Cooperation Agency (Sida). This work is a product of the staff of the UNCDF with external contributions. The findings, interpretations, and conclusions expressed do not necessarily reflect the views of the UNCDF, its executive board and donors, or the governments they represent. UNCDF does not guarantee the accuracy of the data included in this work.

TABLE OF CONTENTS

ABOUT THIS REPORT

This is a diagnostic report for Burundi as part of a wider project on harmonizing remittance policies in the Economic Community of Central African States (ECCAS) region, prepared by the United Nations Capital Development Fund (UNCDF) and the ECCAS commission, with the objective of improving the ECCAS countries' current and ongoing policy and regulatory framework development and other initiatives relating to remittances.

UNCDF makes public and private finance work for underserved communities in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers last-mile finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's digital agenda for migration and remittances falls within the organization's broader corporate strategy, set forth in 2019, of Leaving No One Behind in the Digital Era. On the other hand, ECCAS is a regional economic community (REC) of the African Union for the promotion of regional economic cooperation in Central Africa. ECCAS is formed by 11 countries: Angola, Burundi, Cameroon, Central African Republic, Chad, Republic of the Congo, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Rwanda, and São Tomé and Príncipe. The objective of ECCAS is to achieve collective autonomy, raise the standard of living of its populations, and maintain economic stability through harmonious cooperation. In 2015, ECCAS was reformed to improve its effectiveness and efficiency with the target of achieving a single, harmonized legal and institutional framework. The objective of the reforms is to position ECCAS to achieve economic and trade integration, political integration, social stability, physical integration, and socio-cultural integration.

Remittances can help eradicate poverty and act as a catalyst for economic development in recipient countries, thus complementing both the UNCDF and ECCAS objectives. As the flow of migration and remittances are becoming more and more regional, it is important to enhance the regulatory framework of remittances that promotes the usage of digital channels at the regional level in a manner that balances innovation and risk. This will increase and fluidify remittance flows towards productive investment in health, education, and local businesses, thus contributing to the long-term development of countries around the world.

This diagnostic report has been prepared through a desk research review of relevant policies, laws, and regulations followed by extensive stakeholder consultations and benchmarking with international best practices and relevant countries' initiatives, policies, and regulatory frameworks. The authors of this report have prepared a roadmap with a country-level mapping of possible enablers, inhibitors, and policy options. It is recognized that implementation of the roadmap requires further engagements with the regulatory and policymaking bodies to determine what options can be taken up.

ACRONYMS

AML/CFT	anti-money laundering/combating the financing of terrorism
ACH	automated clearing house
ATM	automatic teller machine
BRB	Banque de la République du Burundi
CAPEX	capital expenditure
CICO	cash-in/cash-out
CDD	customer due diligence
COMESA	Common Market for Eastern and Southern Africa
COVID-19	Coronavirus disease 2019
CEMAC	Communauté Économique et Monétaire de l'Afrique Centrale (Economic and Monetary Community of Central Africa)
DFS	digital finance system/service
EFT	electronic funds transfer
ECCAS	Economic Community of Central African States
FX	foreign exchange
POS	point of sale
e-KYC	electronic KYC
KYC	know your customer
GDP	gross domestic product
GPs	general principles for international remittance services
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
MoMo	mobile money
MRPs	money remittance providers
NPS	national payment system
P2P	person-to-person
PSP	payment system provider
PSOs	payment systems operators
PvP	payment-versus-payment
REC	regional economic community
RSP	remittance service provider
RTGS	real-time gross settlement system
SADC	Southern African Development Community
SDGs	sustainable development goals
SIM	subscriber identity module
SMS	short message service
STP	straight-through processing
SYGMA	Système de Gros Montants Automatisé
SWIFT	Society for Worldwide Interbank Financial Telecommunication
RTGSS	real-time gross settlement system
UAE	United Arab Emirates
UN	United Nations
UNCDF	United Nations Capital Development Fund

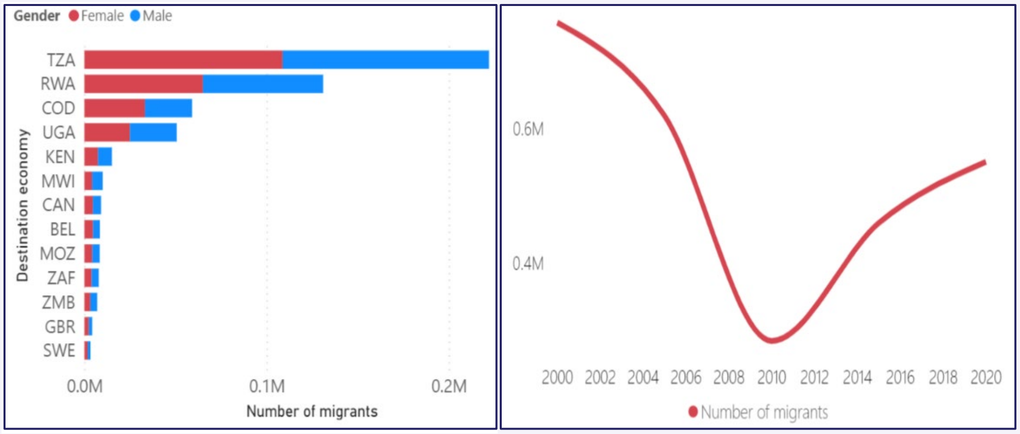
UNDESA	United Nations Department of Economic and Social Affairs
USD	United States dollar
USA	United States of America
WU	Western Union

COUNTRY CONTEXT

Burundi is a small country in east-central Africa bordering Lake Tanganyika in the southwest that has endured decades of instability caused by ethnic conflicts.

It is estimated that there are 551,100 Burundian migrants globally, i.e., 4.6 percent of the Burundian population. Tanzania is the destination country for around 40 percent of Burundian migrants that send 43 percent of received remittances, followed by Rwanda, the Democratic Republic of the Congo, Uganda, and Kenya.[1]

Figure 1: Migrant stock in destination economy-2021



Source: UNDESA, International Migrant Stock Data (Accessed on 18 September 2022)

Altogether, the top 5 countries have 86.7 percent of the Burundian migrant diaspora, accounting for almost 74 percent of the US$48.3 million remittances received, representing 1.6 percent of Burundi´s GDP. Burundi saw large migration flows between 1960-2000, mainly to neighbouring countries due to decades of instability caused by an ethnic civil war until 2005, when the conflict ended. Migration destinations outside Africa include Canada, Belgium, Australia, the USA, and the UK.[2]

The government has focused on more pressing issues, such as security and providing basic needs in the aftermath of the conflict. However, the government has recently shown greater interest in migration and development policies by launching initiatives to tap into the diaspora's resources. The Burundian government is increasingly aware of its diaspora's potential, and tapping into it will require developing an effective and

[1] UNDESA, International Migrant Stock: Destination. https://www.un.org/development/desa/pd/content/international-migrant-stock (accessed on 10 November 2022).

[2] Ibid.

sustainable institutional environment within which this potential can thrive. However, it is essential to note that, since 2011, efforts have been made to engage with the diaspora about reintegrating into the country's social and economic life. The Government of Burundi drafted a national diaspora policy in 2015. This draft policy document contains key strategic objectives to improve engagement with diaspora groups for the country's development, but it is unclear if this policy has been adopted.[3]

Burundian migrants primarily contribute to their economy through remittances for the daily needs of their family members in the country. In most cases, remittances are sent to Burundi *via* an over-the-counter mechanism that continues to make the cost of remittances high. The high cost can be explained by the few players available in the market, the low financial inclusion, and the low uptake of digital financial services.

Equally, Burundi is also the destination country of 312,800 migrants, mainly coming from the neighbouring Democratic Republic of the Congo, representing 63 percent of total migrants in Burundi and, to some extent, Rwanda.[4]

POLITICAL ECONOMY

The diaspora contributes to 1.6 percent of the GDP through remittances, which helps to reduce poverty in Burundi, where 72.8 percent of the population lives in poverty. The construction sector has been emerging as an area of investment for the Burundian diaspora in cooperation with banks in Burundi. The high costs of sending remittances to Burundi incites migrants to use informal channels that are not always secure, obscuring the visibility of migrants' contribution to the economy.

Scepticism within the Burundian diaspora due to ethnic conflicts, compounded by a distrust of the diaspora and its potential political influence regarding activism against the current regime, is expected to impact Burundi's engagement with its diaspora.[5]

Since 2011, the inflow of remittances in Burundi has significantly improved through formal channels.[6] Based on 2021 KNOMAD data, it is unclear if Burundi is a receiving

---

[3] European Union Global Diaspora Facility, Diaspora engagement mapping, Burundi. https://diasporafordevelopment.eu/library/burundi/ (accessed on 10 November 2022).

[4] UNDESA, International Migrant Stock: Destination. https://www.un.org/development/desa/pd/content/international-migrant-stock (accessed on 10 November 2022).

[5] European Union Global Diaspora Facility, Diaspora engagement mapping, Burundi. https://diasporafordevelopment.eu/library/burundi/.

[6] Maastricht Graduate School of Governance, Migration Policy Brief No. 6, The Emerging Remittances Market in Burundi: Opportunities for Development. https://www.files.ethz.ch/isn/152468/PB6.pdf.

country or a sending one due to a lack of data on outbound remittances. Most of the international remittances are sent to Bujumbura, Burundi's capital. Further internal transfer of remittances to rural areas occurs through banks and the informal sector.

The above observation indicates the need to assess the remittance market in Burundi to improve the way remittances are captured and provide better visibility of the impact of remittances on the country's economy.

REMITTANCE LANDSCAPE

Remittances are money transfers sent by migrants to their family members or other loved ones back in their country of origin. The remittance market in Burundi consists of both banks and non-bank financial institutions.

MARKET

Banks: As of 2021, the central bank[7] reported that the country has 10 licensed commercial banks and 174 branches,[8] most of which are in urban areas, even though 86 percent of the population lives in rural areas.[9] The financial sector in Burundi is dominated by banking, with over 75 percent of the total financial sector asset. The banking market is dominated by the three largest and systemically important banks: Credit Bank of Bujumbura (BCB), Burundi Commercial Bank (BANCOBU), and Interbank Burundi. Foreign banks operating in the country include Ecobank (Pan African Bank, West Africa); CRDB (Tanzanian bank); DTB, and KCB (Kenyan banks). Most of the banks do offer remittance services via international remittance service providers. International banks with subsidiaries in other countries allow customers to access services from any country they operate from.

Microfinance institutions (MFIs): As of early 2023, there were 26 microfinance institutions in the country and 46 cooperatives, including FINACOBU (a network of 107 cooperatives)[10] and MUTEC (a well-developed MFI founded by the Burundian diaspora in Europe). MUTEC facilitates transactions from the Burundian diaspora by offering relatively cheap services for money transfers—it pools the money from money-senders

---

[7] https://www.brb.bi/sites/default/files/BM_March_2021_0.pdf.

[8] IMF Financial Access Survey, (2016).

[9] https://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&sId=1460043522778.

[10] https://www.brb.bi/fr/content/etablissements-de-microfinance-actifs.

and transfers it at once.[11] MFIs, like banks, are more prevalent in urban than rural areas.[12] As of June 2018, the microfinance sector accounted for 14.4 percent of total bank assets. Burundi's MFIs have been innovating in the last two years by providing digitally enabled services to their customers, either by integrating with mobile money players[13] or by developing an internal platform, e.g., what CORILAC has done with CORICASH and CEMC, which will soon launch its application.

Mobile money operators (MMOs): The telecom industry has significantly facilitated Burundi's internal and international money transfers as more players have entered the market. Burundi has three MNOs, namely Econet-Leo, SmartPesa, and Lumitel, with an aggressive rural expansion strategy boosted by mobile money take-up. As of September 2019, there were 4,034,628 mobile money users, or 62 percent of the adult population.[14] Overall, some 1,803 mobile money merchants and 59,529 registered agents powered an annual value of $308 million in 2019, representing 9 percent of the GDP. These figures indicate the growing role that DFS can play in accelerating service expansion and fuelling economic growth.

Non-bank remittance service providers (RSPs): There are seven non-bank money transfer operators (MTOs), most of which work as agents of Western Union as the go-to provider.[15]

Agents: Regulation No. 002/2017 permits commercial agents to work with PSPs. Commercial agents can perform payment and banking activities on PSPs' behalf if they have declared them to the BRB for approval. BRB data from December 2021 indicates that the country has 10,449 banking agents and 146,228 mobile money agents.

Regarding remittances, the national post office of Burundi, Régie Nationale des Postes (RNP), serves the market through the international remittance provider RIA. It should be noted that the RNP currently has 68 branch offices across the country, forming a network through which money can be sent and received. In September 2015, the RNP was funded by Turkey and Belgium to launch a project that will capitalize on the postal network to contribute to developing concrete solutions for migrants and their families.[16]

---

[11] https://www.mutecsa.bi/historique/.

[12] https://openknowledge.worldbank.org/handle/10986/34999.

[13] Information collected during in-country consultation.

[14] https://openknowledge.worldbank.org/handle/10986/34999/.

[15] https://www.brb.bi/fr/content/etablissements-de-paiement.

[16] https://www.upu.int/UPU/media/upu/files/postalSolutions/developmentCooperation/rdpAfrica20172020En.pdf.

PAYMENT INFRASTRUCTURE

The payment systems available in the Republic of Burundi can be categorized into one of the following:

a) Payment systems provided by the Bank of the Republic of Burundi (BRB): The Bank of the Republic of Burundi (BRB) has embarked on several projects to automate various payment systems, including automatic transfer systems (ATS). Automatic transfer services have a real-time gross settlement (RTGS) system, an automated clearing house (ACH), and a central securities depository (CSD). The BRB oversees the national payment system and is the operator and owner of the ATS and RTGS. The RTGS is integrated with the COMESA Regional Payment and Settlement System (REPSS) and the East African Payment System (EAPS).

The BRB has also set up a payment infrastructure called Bi-Switch (Burundi Monetization System) to ensure national interoperability of retail payments. Bi-Switch maintains and operates an interbank network where all banks participating in the local card scheme can use a shared infrastructure such as ATMs and points of sale. Also, since mid-2022, the Bi-Switch infrastructure has been interoperable with the two mobile money providers, Lumicash and Econet.

b) Private sector systems: These include e-money providers such as mobile money telecommunication companies, single-purpose stored value cards, eCommerce, aggregators, integrators, and remittance companies. Regarding mobile communications networks, Burundi ranks low in terms of 3G and 4G network coverage amongst its peers in the sub-Saharan region, covering only 40 percent of the population, which is concentrated in urban areas. This is owing to the unwillingness to expand due to unpredictable regulatory conditions.

c) National ID: The Republic of Burundi has a national identification service for all its citizens with non-biometric cards. The services are not digitized, and there is no centralized database that market players can use for KYC validation.

d) Automatic teller machines (ATMs) and point of sale (POS) devices and cards: Burundi has over 118 ATMs and 165 POS across the country as of 2022.

PRODUCTS

Most remittances are handled over the counter, and these transactions can only be made through banks and payment institutions. These institutions are regulated under the law on the national payment systems, baking law, and associated regulations that make provisions for licensing and foreign currency dealing, respectively.

There is poor access to formal remittance services in Burundi, often caused by a limited distribution network that relies mostly on banks as they are the country's main providers of remittance services. In the past two years, the instruction restricting remittance service providers from disbursing remittances in foreign currency amplified the use of informal channels for remittances, such as couriers. Furthermore, irregular Burundian migrants cannot access formal remittance channels because official identification is required in many countries to meet the know-your-customer (KYC) criteria for cross-border transfers through official channels. However, banks in Burundi have developed investment projects for diaspora members. For example, the BCB and FinBank run projects in the housing construction sector.

Burundi has seven non-bank remittance service providers, focused primarily in urban areas. Their location makes it hard for migrants to send remittances to their family members in rural areas. [17] These non-bank remittances are agents of international remittance service providers (Western Union, MoneyGram, and Dahabshiil). In terms of mobile money, the Burundian market, with only two players (Lumicash and EcoCash), is still at its early stage with a limited range of mobile money offers, such as person-to-person (P2P) transfers, cash-in/cash-out (CICO) services, airtime purchases, and other payment services. Only EcoCash offers cross-border remittances through its partnership with WorldRemit, which disburses remittances in the customers' EcoCash mobile wallet.

Financial products and services are generally developed by financial institutions in silos and marketed to women and men migrants and their families based on economic interest. By partnering with banks, both Lumicash and EcoCash offer bank push-and-pull money. To diversify their portfolio, mobile providers have added utility payments for electricity, tax payments, salary disbursement, etc., but the uptake of these services remains low among the population. Moreover, Econet-Leo has also partnered with the post office to leverage post office branches as cash points (for sending or collecting money).

Mobile money has been instrumental in the country's financial inclusion improvement, estimated at 20 percent by the central bank as per the 2018 financial inclusion report.[18] Banks in Burundi have been slow to adopt digital channels, which are crucial for expanding and reaching underserved market segments. However, over the past two years, the market has experienced rapid growth in proprietary digital solutions led by banks and/or MFIs to improve their reach in the country. For example, BANCOBU and IBB, two of the three major players, have developed a digital wallet service that enables unbanked customers to open a wallet account that will encourage people to open regular bank accounts. To capitalize on these efforts, the BRB, in partnership with other

---

[17] https://www.brb.bi/fr/content/etablissements-de-paiement (accessed on 10 November 2022).

[18] https://www.brb.bi/sites/default/files/Rapport%20d%27enqu%C3%AAte%20sur%20l%27IF-Ed%202018.pdf (accessed on 10 November 2022).

public and supply-side stakeholders, could launch grassroots initiatives and campaigns to better educate Burundians on digital financial services.

Regarding domestic remittances, Findex (2021) states that only 6.1 percent of Burundians have sent or received domestic remittances *via* digital channels.

ROADMAP

The assessment and stakeholders' consultations have resulted in developing remittance-related enablers, inhibitors, and recommendations for reform. Enablers are factors that contribute to the enhancement of remittance flows, while inhibitors are factors that restrict efficient remittance flows, and recommendations are options to improve the current enabling policy, regulatory, and payment infrastructure environment to increase remittance flows. All of these have been categorized under five key areas:

1. **Legal and regulatory framework:** This includes options for reform relating to authorities, roles, responsibilities, and mechanisms for coordination, including legal and regulatory factors that support cross-border remittances.

2. **Financial and payment system infrastructure:** This includes options for reforming policies, standards and rules related to national payment systems, improving the network of access points, promoting access to interoperable systems and platforms, and establishing national ID systems that support e-ID and ID requirements adjusted on a risk basis.

3. **Market practices:** This includes options for reforms supporting cross-border remittances, especially on a foreign exchange regime that provides clear guidance and mechanisms to capture remittance-related data at the transaction level, as well as data analysis and sharing.

4. **Consumer protection:** This includes options for reforms related to data protection, privacy and confidentiality for remittance-related data and relevant components of consumer protection laws that guide consumer protection and complaints resolution mechanisms for financial services, including cross-border remittances.

5. **Cooperation and collaboration:** This includes recommendations on establishing mechanisms and processes to foster coordination between different stakeholders, including through memoranda of understanding and bilateral (or multilateral) agreements; public-private collaboration mechanisms on matters related to the development and implementation of cross-border remittance policies; harmonization of laws and regulations; and establishment of regional bodies to coordinate regional initiatives, and mechanisms for coordinating and implementing policy issues at the regional level. This aspect includes leverage and consistency with other regional and subregional instruments and institutions.

Tables (a)–(e) present enablers, inhibitors, and recommendations for reform across the five domains listed above.

LEGAL AND REGULATORY FRAMEWORK

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Burundi's national payment system is governed by Law 1/07 of 11 May 2018. This law establishes the rules for the regulation and supervision by the central bank of the systems, the issuance and use of means of payment, the protection of the systems, and the collateral contracts. As per article 4 of the law, no payment system can operate without a licence 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 to organize the functioning and operationalization of the national payment system. 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 easy interconnection between different platforms.	• The BRB has an inadequate NPS governance structure and oversight function. While a new governance structure has been proposed, it is yet to be fully implemented, leaving some activities related to the national payment system undertaken by the microfinance supervision department despite its limited capacity and resources. • Article 4 of Regulation 001/2017, relating to payment services and the activities of payment institutions, mentions the need for a minimum capital with no other details on the type of payment service provider and its corresponding capital requirements. However, in its communication to all market players referenced D1/1063/2017 of 17 July 2017, on conditions required to carry out payment services and payment institution activities, it went on to specify the minimum capital and related fees, which continues to group non-bank RSPs in the general payment institution.[19] This is a challenge as no proportionate licensing requirement establishes criteria based on the type of service to be offered. • Article 49 of Regulation 001/2017, relating to payment services and the activities of payment institutions, includes information to be shared following a payment transaction. However, it is not specific to a type of payment service provider and its corresponding information requirements. • Regulation 1/2022 of 14 April 2022, governing participation in the Integrated Payment and Settlement System of Burundi, provides in article 2, point 5, that any financial institution satisfying the conditions for participation can participate in the national payment system. However, due to some of the requirements under Annexe 5, MFIs are bound to indirect participation as they are not authorized to deal with foreign currencies. Thus, they must open	• The BRB may consider developing a regulation to clarify licencing and operational requirements per service type. • The BRB may consider strengthening the NPS governance and oversight function to ensure the proper functioning of the payment systems in Burundi. • The BRB may consider developing detailed guidelines on implementing interoperability for all service providers at the national, regional, and international levels to enhance the flow of digital remittances in the country. • The BRB may consider introducing fair criteria for participation in the national payment system. Once these requirements are met, any MFI or other non-bank RSP on the market could join directly. The aim is to ensure that direct participation in the national payment system is based on an institution's capability, not the type of institution. • BRB in the implementation of the NPS may consider putting in place 24h/7days operating hours to accommodate transfert from across the world at any given time and day.	Short-term: expected to be implemented in the next year

[19] https://www.brb.bi/sites/default/files/Conditions%20requises.pdf (accessed on 10 November 2022).

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
	and maintain accounts with banks, adding another operational layer with additional operational costs. • The operating hours of the NPS is not yet 24h/7 days. • The market does not have a sandbox regulatory framework to support fintech in developing innovative solution in a controlled environment.		
Burundi has a Foreign Exchange Regulation governing all aspects of foreign exchange in the country. The objective of the regulation is to determine the rules and procedures relating to the management of foreign currency and define the roles and responsibilities of authorized intermediaries and any other interested parties. The foreign exchange regime is liberalized, and commercial banks can buy foreign currency following an administered floating exchange rate. Article 59 of this regulation allows both residents and non-residents to open foreign currency accounts. Forex Bureau provisions are included in the foreign exchange regulation in Chapter III. Article 64 specifies the need for approval before running that business, and article 65 lists requirements that include a minimum capital of $50,000.	• In January 2020, the BRB restricted cross-border remittance terminations to local currency, suspending money transfer institutions' activities other than commercial banks. The BRB lifted the restriction in October 2022, followed by the BRB requesting the former forex bureaux to apply for license renewals. However, it is unclear whether the lifting also applies to non-bank RSPs.	• BRB could consider developing a detailed tiered approach based on an institution's risks and capacity to deal with foreign currency. This approach may foster inclusiveness and open opportunities to players such as non-bank RSPs that can terminate huge sums of remittances, particularly in underserved areas such as rural and peri-urban areas.	**Short-term: expected to be implemented in the next year**
The microfinance sector is governed by Regulation N001/2018 related to microfinance activities. Article 2 of the regulation provides four categories of Microfinance institutions named categories 1 to 4: First category: Microfinance enterprises, cooperative financial societies, and other types of microfinance institutions in the legal form of a public limited company,	• Article 17 of Regulation 001/2017 provides that MFIs can also offer remittance services if they obtain approval from the central bank. However, there is no clear guidance on the requirements that MFIs need to fulfil to obtain such approvals. Moreover, most of the MFIs demonstrate limited capacity in handling cross-border transactions.	• The BRB may consider introducing detailed guidelines on MFIs that can perform remittance operations to provide clarity and certainty for MFIs to enhance remittance flows.	**Short-term: expected to be implemented in the next year**

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
a public company or a mixed company, which collect and grant loans and offer other financial services to their clients. Second category: Financing and/or guarantee funds engaged in microfinance activities, microcredit programmes affiliated with non-governmental organizations (NGOs) and non-profit associations (NPOs) that grant credit but are not authorized to collect deposits from the public. Third category: Savings and credit cooperatives with the legal form of a cooperative society, which collects deposits from its members and provides them with loans, among other financial services. Fourth category: The community of financial entities such as cooperative societies, pre-cooperative groups, village savings and credit associations that collect contributions from their members and grant them credit according to the agreed approach. The activities of these associations do not require approval but registration with the central bank. MFIs can provide e-money loans through e-money providers if they obtain approval from the central bank. MFIs can also perform remittance operations provided they obtain central bank approval as stated under article 17 of Regulation 001/2017 relating to payment services and the activities of payment institutions.			

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Non-bank RSPs are regulated under the payment system law, including all digital financial service providers. Payment service providers can apply for a license specifying the payment service offered. As the supervisory body, the BRB sets the eligibility criteria. Payment service providers are allowed to use non-exclusive agents in compliance with Article 75 of Regulation 001/2017 relating to payment services and the activities of payment institutions and in the overall Regulation N002/2017 relating to commercial agents in banking and payment service operations. Non-bank RSPs can operate as long as they meet the minimum capital of BIF 1 billion, a requirement for licensing a remittance provider business.	• Non-bank RSPs are not exclusively mentioned under Chapter VI of Regulation 001/2017 relating to payment services and the activities of payment institutions, where Article 39 provides for required authorization for international electronic money transfers. This causes inadequate clarity on how non-bank RSPs should operate in Burundi. • Regulation 001/2017 relating to payment services and the activities of payment institutions, annexe 5C, provides for an international transfer limit of BIF 1 million ($500) without specifying whether it is for inbound or outbound transactions. In practice, it was observed that some players also implement this limit on inbound flows, limiting the volume of foreign currency inflows. • The minimum capital requirement is not based on the risk and scope of operations. All RSPs need to abide by the same minimum capital. • As per article 6 of Regulation N002/2017 relating to commercial agents in banking and payment service operations, banking agents' recruitment is subject to BRB vetting, while for e-money issuers, the vetting is done by the institution itself based on BRB guidelines. There are complaints from the banks about substantial delays by the BRB in this exercise.	• The BRB may consider establishing a dedicated regulation for non-bank RSPs to create clarity and certainty for RSPs to enhance remittance flows. • The BRB may consider introducing risk-based capital for non-bank RSPs in the regulatory framework based on the risk assumed by the RSPs and the scope of operations. Non-deposit-taking RSPs usually provide only a minority of a sender's overall payment needs. Consequently, they do not require the application of heavy prudential requirements as the failure of an RSP is unlikely to cause systemic risk. • The BRB could consider placing the agents' vetting responsibility on RSPs, and the BRB can just conduct post-reviews.	Short-term: expected to be implemented in the next year
Law No. 1/02 on the fight against money laundering and the financing of terrorism addresses issues of AML/CFT. This law requires banks and other financial institutions to properly verify the customer's identification before engaging with them in financial services. The law has also established an administrative service (financial intelligence unit) with a legal mandate for receiving declarations of suspicious transactions, their treatment, and the transmission of the resulting report and other information concerning acts likely to constitute money laundering and the financing of terrorism to the Public Prosecutor's Office.	• The regulatory framework does not include online and e-KYC despite the growth of electronic transactions in the economy, including mobile money. • There is a lack of risk-based guidelines for customer due diligence (CDD). The framework does not provide for proportionate risk-based KYC, and the transaction threshold is the same for all players, i.e., BIF 20 million. In addition, non-bank RSPs are subject to the same processes as banks and MFIs. • While steps to deal with suspicious transactions and PEP are explained in the law, in practice, this is not yet implemented, considering that the financial intelligence unit has not yet been operational. This affects the proper reporting of suspicious transactions leaving market players to implement their own procedures based on their organizations' policies.	• The BRB may consider introducing risk-based guidelines for customer due diligence (CDD) that will provide for proportionate KYC, taking into consideration the type of customers and the type of transactions. • The BRB may consider making guidelines for online KYC and allow for e-KYC to help women and men migrants and their families to open bank accounts remotely from their countries of destination.	Short-term: expected to be implemented in the next year

INFRASTRUCTURE

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Mobile Money is a trusted channel for receiving remittance transfers because of its convenience, speed, security, and reduced cost. The two dominant MNOs are Econet-Leo and Lumitel. Interoperability has been established between the two mobile wallets. Both wallets provide other use cases, such as bill payments and are interoperable with the mobile wallets of a few banks. Since 2 March 2023, the interoperability of mobile wallets between Lumicash and EcoCash via the Bi-Switch has been achieved.	• Mobile money providers face several challenges, including inadequate interoperability, network coverage, availability, power, and security. • Interoperability is limited as only nine and two out of 11 and 21 commercial banks and microfinance institutions, respectively, have direct access to the Bi-Switch. • The use cases currently available via the Bi-Switch are limited to P2P transfers via mobile wallets. The use cases need to be increased, possibly enhancing the Bi-Switch platform. • There is limited interoperability between the Bi-Switch and utility companies because financial institutions try to establish direct integration with utility companies. There is, however, a gap between what financial institutions want in terms of integration and what some utility providers can offer in terms of third-party integration. • Even though Bi-Switch provides a standard API for integration, banks and MFIs have faced high integration costs. These costs usually include a change management process with their vendor to integrate with the Bi-Switch. This could be due to the Bi-Switch having closed-loop APIs.	• Encourage mobile money providers to work together to reduce the cost of improving the infrastructure. An example is shared telecommunication infrastructure. • The BRB can consider adopting a harmonized messaging standard such as ISO 20022 messaging standards across all financial institutions, bank networks and payment systems for bank and non-bank institutions. • The BRB may also consider open application programming interfaces (APIs) to harmonize the integration process with banks and non-bank institutions. This could help resolve challenges faced by financial institutions while integrating with the Bi-Switch. • Bi-Switch can consider increasing the use cases beyond P2P mobile interoperability. Bill payments will increase the uptake of the services provided by the infrastructure.	Medium- to long-term
Banking networks and access points include ATMs, POS, and agents. The Bi-Switch provides a network to support Burundi's domestic card scheme, linking bank ATMs and POS.	• Banking networks, transaction infrastructures such as ATMs and EFTPOS, and other potential networks of agents are not very extensive, especially in rural areas, creating a significant physical access problem for many remittance receivers. • The retail payment systems currently in use are not adequate for cross-border remittances. They are	• The BRB can improve the payment infrastructures by developing retail payment systems to cover broad geographical areas. • The BRB can guide Bi-Switch and its participants on using a common messaging standard and adopting open APIs to enable interoperability with last-mile infrastructure providers.	Long-term: not expected to be implemented soon

	better placed to serve domestic payments. As a result, there is over-dependence on correspondent banking. Correspondent banking introduces higher costs and excludes many RSPs due to the de-risking practices of big international banks. • Payment and settlement systems such as RTGS are not integrated within the ECCAS region.	• The national post office in Burundi, Régie Nationale des Postes (RNP), can be integrated into the retail payment ecosystem to increase coverage to rural communities.	
The BRB has taken steps to protect National Payment Systems such as the RTGS, ACH, and CSD by implementing internal standard security provisions.	• Although BRB has taken steps to enhance its cybersecurity capabilities, the same may not be true for all the players in the retail payment system. There is a need for guidelines on cybersecurity requirements for all players in the retail payments space. • Although BRB has taken measures to implement business continuity and disaster recovery for the national payment systems platform, there are no guidelines for the rest of the retail payments ecosystem to follow.	• The BRB can issue guidelines on a harmonized and coordinated cyber-reporting framework. Adopting a compliance standard security framework such as the ISO/IEC 27001 would reduce systematic risks associated with information security in the retail payments ecosystem. • The BRB can consider issuing guidelines to the players in the retail payments ecosystem to ensure business continuity and disaster recovery requirements are enforced across the sector.	Medium-term: expected to be implemented in the next 2-3 years
The Republic of Burundi issues its citizens and residents with identity cards. Citizens can open bank accounts and mobile money accounts with national IDs.	• The existing payment infrastructure is not integrated with identity systems, making it costly for customers to open accounts and use financial services.	• The ID databases can be standardized and digitized. Digital ID is paramount to increasing the adoption of formal financial services. Identifying specific policy interventions to boost the implementation and usage of digital ID is critical to its role as an enabler for remittance services as it supports effective identification and onboarding of customers/user segments, facilitates authentication and verification of cross-border transactions, facilitates adequate AML/CFT supervision of cross-border transactions, and expands the digital footprint of the underbanked to provide access to a broader range of financial services. • The ID systems can be integrated with the payment infrastructure. Once the ID system is improved, the payments infrastructure can also be enhanced to integrate with digital identity systems. Access to CDD information will play a significant role in lowering the risk perception of persons and reducing the cost of compliance.	Long-term: not expected to be implemented soon

MARKET ASPECTS

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
• Financial inclusion has improved since 2017 with new mobile money entrants into the Burundian market. • Market players are extensively innovating with digital offerings to their customers. For example, IBB and BANCOBU announced that as of September 2022, their customers could have a digital wallet without opening a traditional bank account. • Banks are working on offerings enabling the Burundian diaspora abroad to access financial products in Burundi.	• Only one mobile money provider out of the existing three has engaged in remittance services. • There is an inadequate distribution of remittance services in the country, with a high concentration of service points within the province of Bujumbura, where the capital city lies. • According to the BRB's available financial inclusion data, Burundi's population has inadequate financial education. Only 10 percent of respondents mentioned being well-informed about the various services available in the market. • Most financial institutions, especially microfinance institutions, are not well-known to the public. • Long physical distance is one of the barriers to financial access. Service points are distant from each other outside the province of Bujumbura, especially in rural areas. This hinders access to financial services. • Burundi's population uses informal services more than formal financial institutions, whether in terms of saving, borrowing, or transferring money. • Remittance services are mainly over-the-counter. • Market players' initiatives are often implemented in silos, which, in the long run, will impact the interoperability ambition of the central bank.	• The BRB could consider running financial literacy campaigns in conjunction with financial institutions on topics such as remittances, including financial and digital literacy in the local languages of Burundi. • Given that farmers constitute the majority of the population of Burundi, the BRB, in concert with local governments, could devise mechanisms to boost the use of formal financial services, such as opening DFS accounts for all farmers in collaboration with the Ministry of Agriculture. Agriculture-related SACCOs can be formed. The receiving-side culture of using formal financial services can influence the sending-side culture, and migrants can leave the country with that culture. • The BRB could encourage RSPs in partnership with MMOs to develop USSD-enabled offerings to enable access to formal remittance services by the low-income population who cannot afford smartphones. • RSPs under BRB supervision can foster product innovation that will improve the payment ecosystem with more payment-use cases to ensure the sustainability of the adoption of digital payment methods (merchant payment) that rely not only on price but also on the value of the service. The innovation must cover all business aspects, including marketing and communication of the developed solutions. • The initiatives can focus on women migrants, especially on product innovation.	**Medium-term: expected to be implemented in the next 2-3 years**

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
• Market players report their activities to the BRB monthly, quarterly, and yearly. Banks and MFIs can collect sex-disaggregated data using their core banking systems if required. • Most RSPs in the market use Voyager as the platform for their services and have aligned with the BRB on collecting that data. • In 2022, BRB partnered with the statistical bureau to conduct a household survey to assess the penetration level of financial services' informality across the country.	• There is a lack of sex-disaggregated data at the transactional level across market players because it is not a statutory requirement now. • Prevalence of informal channels for sending and receiving remittances. • Lack of estimates of informal remittances. • During supervision, the BRB faces challenges around aspects relating to the RSPs' technologies that are sometimes incompatible with BRB requirements and formats. Reporting is done manually via Excel files, putting the integrity of the information collected at stake due to possible errors.	• The BRB may consider implementing an automated data collection system that gathers sex-disaggregated data directly from market players' core platforms at the transactional level. This automation will reduce human errors using Excel while improving BRB data collection, analysis, and dissemination mechanisms to better understand inbound and outbound remittance flows. • The BRB may consider developing a remittance transaction reporting system for remittance data collection, analysis, monitoring, and use. This would involve developing a platform to define appropriate remittance data architecture, data collection and repository systems, data measurement and analytics processes, and data monitoring and use. • It could be helpful for the BRB to develop estimates on the size of informal remittance flows to supplement the data that is formally collected and provide a better picture of remittance contribution to the country's economy. • Thorough data and information collection, analysis, and disclosure can lead to better decision-making processes for enhancing the delivery of remittance services by public and private stakeholders.	**Medium-term: expected to be implemented in the next 2-3 years**

CONSUMER PROTECTION

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority

Consumer protection mechanisms are provisioned under Regulation No. 001/2019 relating to the protection of consumers of financial products and services[20] and apply to all financial service providers, including agents and non-bank financial institutions. The regulation covers disclosure and transparency requirements that help protect customers and call for fair treatment and business conduct. Moreover, the law also provides the legal mechanisms to ensure the implementation of the set consumer protection regulation, including fines, suspension of operations, or even cancellation of operational licenses.	• The law is designed to include financial service providers with a focus on domestic market players. The cross-border remittance issues to be addressed may include the following:
	  ○ Transparency of fees for senders often leaves out the fees on the beneficiaries' side.
	  ○ Dispute resolution mechanisms, considering the service is offered from one country's legislation to another.
	• The complaint processing takes up to two months if it is escalated to the central bank, and currently, the process involves writing a letter of complaint addressed to the BRB.
	• There is a lack of guidelines on redressal mechanisms for mobile money customers as, in the market, their grievances are still addressed by the ARCT instead of the BRB.
	• Although the BRB requires the disclosure of charges before the transaction, the market still lacks adequate transparency in tariff-setting practices among RSPs. This affects customers' willingness to use formal remittance service channels.
		• The BRB may consider introducing customer protection aspects related to cross-border remittances. These include obliging RSPs to disclose a detailed list of fees involved before the remittance transaction is terminated and specifying the level of responsibility for addressing sender and beneficiary complaints.
		• The BRB may also consider introducing a tiered approach to complaint resolution with specific roles and responsibilities to reduce complaint processing time.
		• The BRB may consider digitalizing the complaints submitted through the bank's website and develop a service level agreement (with a specific time for processing complaints in a shorter time than the current two months).
		• The BRB may also consider expanding and updating FAQs to include consumer protection issues.
		• The BRB may consider launching customers' education campaigns on consumer protection while exploring guidelines that could be implemented in cases where there is a possible transfer of consumer value to new accounts (mobile number portability). When switching a mobile number from one MNO to another, the guidelines can develop protocols to ensure users do not need to cash out from their fiat-based electronic wallet. In summary, this will entail the development of specific redressal mechanisms dedicated to mobile money.
		• RSPs can be required to display the exchange rate fee they are charging their clients for full disclosure of charges and the amount that will be disbursed by the sender and received at the other end.
		• For transparency and disclosure, the BRB could consider requiring proper disclosure at the advertising, shopping, pre-contractual and contractual stages (and on request). Principle 3 of the G20 High-Level Principles on Financial
			Medium-term: expected to be implemented in the next 2-3 years

[20] BRB, *Règlement - protection des consommateurs des produits et services financiers*. https://www.brb.bi/sites/default/files/R%C3%A8glement%20-%20protection%20des%20consommateurs%20des%20produits%20et%20services%20financiers.pdf.

	• Customer complaints mainly concern different exchange rates that vary from one RSP to another and non-disclosure of the total price and speed of the service. In most cases, remittance transfers involve a foreign exchange transaction and a margin as a percentage. To know the total price of the transfer, the sender needs to know the exchange rate to be used. In addition, some RSPs do not convey the truth about the speed of services, and/or customers are not informed when delays occur. Overall speed depends on the speed of both messaging and settlement (and sometimes, there is no liquidity provision to the disbursing agent so that pay-out can take place before a settlement is complete). • Some intermediary banks hold onto the funds for a period before forwarding them so that they can benefit from the resulting float.	Consumer Protection states that "all financial consumers should be treated equitably, honestly and fairly at all stages of their relationship with financial service providers". Guidelines should also require RSPs to provide information about any other relevant aspects of their service, such as: (i) the ability, if any, of the sender to revoke the transfer after it has been paid for; (ii) whether the RSP will inform the receiver when the funds are available; (iii) information about the rights of the consumer in the event of any problems (e.g., dispute or error resolution); (iv) the customer's ability to transfer products or services to another provider with reasonable notice; and (v) contact information. • The BRB could consider introducing a code of conduct on float and liquidity management because this is an implicit charge. Its effect is that the remittance service is slower, and the intermediary entity earns interest income from the funds. • Financial education and customer awareness: RSPs could establish financial education programmes for remittance consumers to raise awareness of basic information about remittance products and services, including charges and fees.	

COOPERATION AND COLLABORATION

Enabler(s)	Inhibitor(s)	Recommendation(s)	Priority
Membership in various regional and international communities, including ECCAS, EAC, COMESA, and ESAMLAAG. Burundi has undertaken various initiatives to align specifically with the EAC projects on harmonization in the financial sector.	• Un-harmonized policies, laws and regulations concerning cross-border remittances across regional blocks.	• The BRB may consider continuing its support for the ongoing efforts to harmonize remittance policies within the ECCAS region. The BRB can achieve this by collaborating with the ECCAS Member States to harmonize remittance-related policies, particularly because it can be challenging to use regional payment systems if the regulation in each participating system is not harmonized or if operating standards are different. • Leverage existing bilateral arrangements with various corridors to include remittance-related services operations and cross-border regulatory cooperation as a pathway towards harmonization. The intended outcome is to increase the efficiency, affordability, and security of intra-regional and cross-border fund transfers. • Explore the potential of trade and investment agreements and any related regulation, bilateral and regional, including the context of ECCAS, ACP-EU, and COMESA, as applicable to determine financial services and investment commitments undertaken by the interested Member States which could benefit the Burundian remittance markets.	Short-term: expected to be implemented in the next year
The BRB works closely with ARCT on mobile operators' networks and money service providers.	• There is low awareness of ongoing initiatives in the Burundi financial sector among ministries. For instance, the Ministries of Finance, Trade, and Foreign Affairs could extensively leverage those initiatives to expand them in their respective sectors, namely cross-border trade and migrant financial inclusion for resource mobilization. • Despite existing collaboration between various ministries and the BRB on issues pertaining to the financial ecosystem, the diversity of permits/licenses continues to affect market players. For example, the required documents during the licensing process of RSPs include a tax certificate which requires that a business is legally registered and that the registration process requires fees.	• Explore collaborations and initiatives between the Ministries of Foreign Affairs, Labour, and Migration to reach out to Burundian migrants on effective remittance transaction channels, services beyond remittance transfers, and financial/digital literacy. From a larger perspective, building sustainable relationships with Burundian migrants is necessary. • The BRB may consider having a one-stop centre to license and issue necessary permits for RSPs. The BRB can achieve this by collaborating with the Ministries of Finance, Trade and ICT.	Short-term: expected to be implemented in the next year

KEY TAKEAWAYS AND NEXT STEPS

UNCDF and the ECCAS Commission conducted this diagnostic review and consultations with the specific and essential purpose of optimizing migrant remittances. We recognize that the recommendations also require various levels of effort and timeframes to implement.

We look forward to reviewing this report in detail with key BRB and Government stakeholders and accordingly identifying opportunities where UNCDF can provide specific support going forward. Along with consultations to review this report's contents, UNCDF and the ECCAS Commission will keep Burundian stakeholders updated about the comprehensive work we will be pursuing around migration and remittances, which includes:

Demand-side research: Despite digital solutions' great potential to improve the lives of migrants and their families, both access and uptake remain a challenge. Many migrants may lack practical access to a digital transaction account (such as a mobile wallet), either because such services are simply unavailable in the locale where the migrant is working or because the migrant lacks the necessary documentation to open such an account. Where access is available, the migrant may lack the necessary digital literacy to know how to register for such an account. Finally, some migrants, even those digitally adept, may not see digital solutions as better than cash-based solutions, which is perhaps not surprising since the use cases for digital remittance channels remain limited to date. Unless human-centred financial product development, focused on the financial needs and mobility considerations of migrants, is responsively designed and supported by the requisite last-mile delivery infrastructure, commercially viable financial inclusion for migrants and their families will not be achieved. UNCDF's demand-side research thus focuses heavily on human-centred design. We anticipate that the learnings from our human-centred design work will be applicable and valuable to the Burundian context.

Supply-side research: Access and uptake of digital financial services, including remittances, requires a robust and inclusive digital finance ecosystem. Such an ecosystem must ensure the active participation of traditional and non-traditional financial service providers to support commercially viable digital remittance channels. The supply-side assessment work is aimed at reviewing the constraints faced by the providers—agent networks, liquidity management, business models, products, digital infrastructure, etc.—that currently limit their capacity to advance the usage of digital products.

Learning and implementation: In parallel with the roll-out of the research strategy, UNCDF and the ECCAS Commission will pursue an ambitious capacity-building and learning agenda. We are partnering with leading academic and learning institutions to advance our understanding of shared challenges and opportunities about building enabling ecosystems, pursuing evidence-based decision-making, and designing migrant-centric financial products.

Finally, as we begin collaborating with the BRB to review this report, we also look forward to holistically considering the set of recommendations. The holistic approach is important for several reasons. First, all the work with UNCDF will ultimately support the central bank's efforts to improve remittance flows through regulated channels, giving regulators a more accurate picture of the true balance of payments. At the same time, the work will also advance the financial inclusion of migrants and their families, thus advancing the financial inclusion agenda for the country. UNCDF's recommendations in this report form a system, and changes to any single factor will likely cascade through that system. Tackling the diagnostic recommendations systemically, rather than looking at individual recommendations in isolation, will make their inter-dependencies and linkages more visible, aligning them with the country's monetary, financial inclusion, and digitalization agendas and ultimately creating the best path forward.

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