

BDF - Ferdi - AFD Conference

Financial digitization: a sustainable development tool for Africa?

June 5, 2023, Auditorium of the Banque de France and online

The opportunities and challenges of financial digitization for sustainable development

In the wake of the success of M-Pesa in Kenya, Africa has seen a rapid expansion of financial digitization over the past decade, with a tenfold increase in the number of mobile money accounts (according to GSMA data). The emergence of digital financial services has been driven by a combination of the rapid spread of mobile telephony and internet with weak infrastructure and financial development on the continent. Mobile technologies have created significant leapfrogging effects, reducing the transaction costs of domestic and international money exchanges, such as migrant remittances.

At the same time, the range of digital financial services has expanded beyond money transfers and remote payments. By enabling better data collection and processing, financial digitization facilitates the granting of credit or insurance not only to individuals, but also to SMEs and small businesses that are excluded from these services provided by traditional financial players. By promoting the use of financial services in Africa by the largest number of people, i.e. financial inclusion, financial digitization holds the promise of faster and more inclusive growth, and more generally of sustainable development, for the continent.

Nevertheless, the acceleration of financial digitization also raises many questions. As with any financial innovation, its development must go hand in hand with the protection of consumers and their digital data, as well as public financial education on the specific risks of these services. The latter is all the more important given the cumulative risk of digital and financial divides, particularly for vulnerable populations. Finally, this sector needs to be secured and regulated, in particular to prevent the risks of illicit AML/CFT transactions, and to better understand the role of FinTechs, which are the main agents of financial digitalization.

Objective and organization of the conference:

The objective of the conference is to question the impact of financial digitization on the sustainable development of the African continent. The diversity of speakers, from Africa and elsewhere, academics or practitioners offering a wide range of experience, will shed light on these issues.

More specifically, the conference will aim to:

- 1) Analyze how digitization contributes to the development of financial systems;
- 2) Understand how financial digitization can foster sustainable development;
- 3) Highlight the associated risks and the necessary regulations of financial digitization.

The conference will be introduced by a presentation from a qualified personality and broken down into three sessions of 1.5 to 2.5 hours. It will be closed by a roundtable discussion focused on the opportunities and risks for Africa related to digitization and currency competition.

Introduction and Keynote Speakers

Session 1: Digitization as a tool for financial development and inclusion

The objective of the session is to analyze how digitization contributes to the development of financial systems and financial inclusion in Africa.

Examples of topics to be explored:

- What are the different forms of financial digitization?
- Through which channels does it facilitate the development of financial systems?
- What are the main vectors of financial digitization (actors, infrastructures, decentralized finance)?
- How can financial inclusion be promoted through digital tools?
- How can public policy support financial digitization?

Session 2: The impact of financial digitization on sustainable Development

The objective of the session is to better understand how financial digitization can foster economic development.

Examples of topics to be explored:

- What are the direct and indirect economic effects of financial digitalization?
- Can financial digitization increase resilience during crises and on what condition(s)?
- Through which channels can financial digitization support the social and environmental objectives of sustainable development, including the energy transition?

Session 3: Securing and regulating financial digitization

The objective of the session is to highlight the associated risks and necessary regulations of financial digitization.

Examples of topics to be explored:

- How to license, supervise and regulate Fintechs and other digitalization actors?
- What tools should be used to secure digital payment methods, particularly in the face of the risks of illicit flows (AML/CFT)?
- What are the main consumer protection issues in the face of digitization (transparency of conditions, data protection)?
- How to face the double challenge of digital and financial education of users?

Roundtable discussion:

What are development opportunities and risks for Africa related to digitalization and currency competition?