



# RemitSCOPE

Africa



Senegal  
Country diagnostic

# ACKNOWLEDGEMENTS

This country diagnostic was commissioned by the International Fund for Agricultural Development (IFAD) to DMA Global (DMAG) in implementation of the PRIME Africa initiative, co-financed by the European Union, and presented at the first National Remittance Stakeholder Network in Senegal in March 2021. Development of this diagnostic was coordinated by Pedro De Vasconcelos (Financing Facility for Remittances, IFAD) and Leon Isaacs (DMAG), with extensive contributions by team members of both institutions.

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ISBN 978-92-9266-199-1

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# ACRONYMS

AFI	Alliance for Financial Inclusion
AML/CFT	anti-money laundering/combating the financing of terrorism
ANSD	National Agency of Statistics and Demography
ARTP	Telecommunications and Postal Regulatory Agency
BCEAO	Central Bank of West African States
BOI	banking operations intermediary
CENTIF	National Financial Intelligence Unit
CFAF	CFA franc
CICO	cash-in cash-out
DFS	decentralized financial systems (microfinance institutions)
DMAG	DMA Global
DMC	Directorate of Currency and Credit (Ministry of Finance and Budget)
EBR	expanded banking rate
EMI	e-money issuer
ESRI	baseline survey on financial inclusion
FSP	financial service provider
GDP	gross domestic product
GIM-WAEMU	Interbank Monetary Group of WAEMU
IFAD	International Fund for Agricultural Development
KYC	know-your-customer
MAESE	Ministry of Foreign Affairs and Senegalese Nationals Abroad
MEFP	Ministry of Economy, Planning and Cooperation
MFI	microfinance institution
NRSN	National remittance Stakeholder Network
OQSF	Financial Services Quality Observatory
OTC	over-the-counter (payment in cash on the spot)
RMTC	rapid money transfer company
SDGs	Sustainable Development Goals
SMEs	small- and medium-sized enterprises
SRIF	regional strategy on financial inclusion
RSP	remittance service provider
TRA	transaction risk analysis
UN DESA	United Nations Department of Economic and Social Affairs
UNCDF	United Nations Capital Development Fund
WAEMU	West African Economic and Monetary Union
WDL	World Data Lab

# Executive summary

This research is part of a series of country diagnostics in selected African countries, in implementation of the [Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa \(PRIME Africa\)](#) initiative. The diagnostic series can be downloaded on the [RemitSCOPE](#) web portal.

*Senegal has a competitive market that is on track to achieve SDG 10.c on the cost of remittances, with room for improvement in terms of digitalization and financial inclusion.*

## Migration and remittances

- The Senegalese diaspora comprises an estimated 650,000 people, of whom more than half are located in high-income countries, chiefly in Europe, with the remainder elsewhere in Africa.
- At CFAF 1300 billion (US\$2.2 billion), international remittances account for 10 per cent of gross domestic product (GDP) and benefit one third of rural families. An estimated CFAF 130 billion (US\$250 million) is transferred outside the regulated financial sector.
- The Senegalese diaspora is increasingly comprised of women, and the gender dimension warrants further study to propose better adapted targeting and services.

## Financial infrastructure

- The regional strategy on financial inclusion prioritizes the promotion of digital financial services (including remittances) and financial education.
- E-money payment services are not integrated with the retail payments system, and interoperability between the systems is piecemeal.
- Domestic remittances are the use case that drove the boom in e-money and the use of electronic transaction accounts in Senegal.
- Developing use cases around the receipt of international and domestic remittances through digital channels could further strengthen financial inclusion in rural areas and for women and youth.

## Regulatory framework

- The regulatory framework for international remittances clearly defines the partnership between money transfer companies and accredited intermediaries on one hand, and between such intermediaries and their sub-agents on the other.
- The conditions whereby e-money issuers (EMIs) may distribute international remittances outside the West African Economic and Monetary Union (WAEMU), and certain matters relating to client protection, would benefit from being stipulated more clearly to facilitate partnerships and the digitization of remittances.

## Market structure and competition

- At 4 per cent on average, the cost of sending remittances places Senegal in the lead within sub-Saharan Africa in terms of achieving SDG 10.c.
- Money transfer companies may enter into partnerships with banks and the postal service (La Poste), as well as non-bank institutions when a bank is involved.

## Sending remittances

- Competition is strong in the major European corridors, especially for online remittances between traditional and digital money transfer companies, keeping down costs, although cash transfers continue to dominate.

## Receiving remittances

- Most remittances are paid in cash over-the-counter (OTC);<sup>1</sup> the use of electronic accounts to receive international remittances remains very limited.
- Access points for sending international remittances reflect the concentration of urban populations and of the institutions distributing remittances.
- Distribution would gain in networking by using the e-money payment system, while financial service providers (FSPs), as money transfer operator partners, could further promote the cross sales of services.

## Financial services for remittance users

- In sending countries, some Senegalese banks have branches, and local banks offer bi-banking services for diaspora members. However, these are limited in terms of both their overall offer and geographical coverage.
- The digitalization of financial services distribution by banks and microfinance institution (MFI), and the emerging fintech and insurtech industries, are opening the way to full coverage of the needs of remittance beneficiaries, especially in rural areas.
- The postal service, and particularly Poste Finance with its dedicated subsidiary for financial services, could capitalize further on its comparative advantages in money transfers and offer savings accounts and insurance to capture migrants' families with proper status.
- Client-centred research is needed to support the shift to digital and identify market opportunities to develop inclusive services clustered around remittances.

## Key actors and coordination

- Sector governance and supervision reside with the Ministry of Finance, Central Bank of West African States (BCEAO) and the National Financial Intelligence Unit (CENTIF), while the Ministry of Foreign Affairs and Senegalese Nationals Abroad (MAESE) is involved in promoting financial services for the diaspora.
- Government and donor interventions tend to focus on investments by migrants and the digitalization of financial and payment services and rarely on digitizing international remittances, reinforcing the need for strategic coordination.

<sup>1/</sup> Payment in cash on the spot.

**Table 1. Optimizing the remittance market**

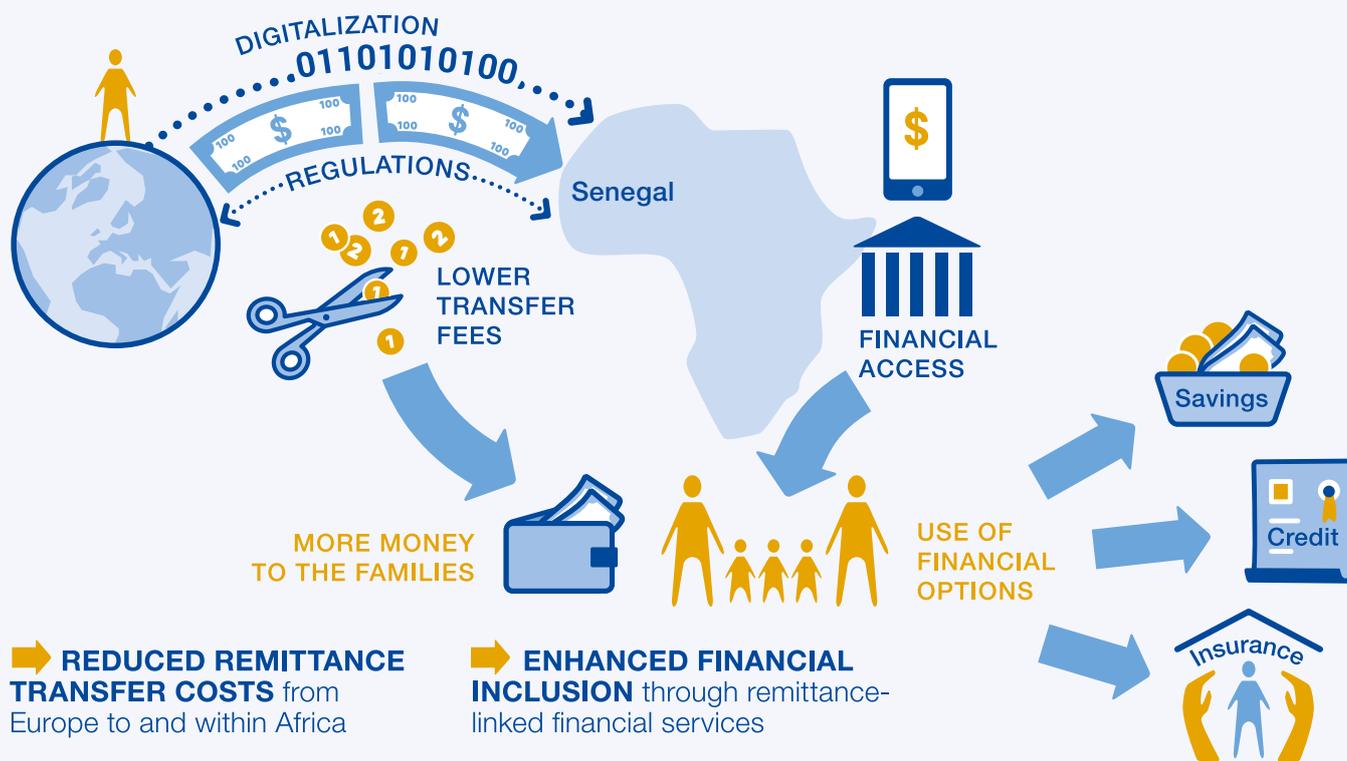
Market structure and costs	Conditions for remittance operations and regulation	Payment infrastructure	Use of electronic accounts and payments
<p>To lower costs, a competitive market is needed that provides new entrants with easy access to extensive payment networks.</p> <ul style="list-style-type: none"> <li>– The Senegalese market is competitive, particularly corridors in the euro zone, with diverse business models ranging from money transfer companies converting to digital to fintech, including specialty banks.</li> </ul>	<p>Regulation of international remittances should be well defined, well supervised, clear, open and proportional.</p> <ul style="list-style-type: none"> <li>– The regulatory environment for international remittances is currently open and relatively clear. There are opportunities to stimulate competition and, crucially, to improve access by adapting conditions and approaches to client identification in sync with the realities of people’s lives – particularly rural people – in opening electronic accounts with limited risk.</li> </ul>	<p>End-to-end digital remittance services associated with an electronic payment ecosystem to avoid cash withdrawals and payments will be essential to reduce the need for agents and reduce costs. This requires an interoperable, inclusive and competitive payment system.</p> <ul style="list-style-type: none"> <li>– The national payment system in Senegal is fragmented and is not currently fully interoperable, limiting the use of electronic payments and the benefits of receiving money digitally.</li> </ul>	<p>Better financial inclusion based on the use of transaction accounts linked to payment and banking services will help build the resilience of beneficiaries to financial shocks.</p> <ul style="list-style-type: none"> <li>– Digital financial services are at the core of the regional strategy on financial inclusion, and the use of e-money is driven by domestic and regional remittances. Digital international remittances offer an additional opportunity to accelerate financial inclusion.</li> </ul>

**The PRIME Africa initiative**

IFAD is implementing the **Platform for Remittances, Investments and Migrants’ Entrepreneurship in Africa (PRIME Africa) initiative**, co-financed by the European Union and aimed at maximizing the impact of remittances for millions of families in selected African countries, which contributes to fostering local economic opportunities in migrants’ countries of origin (figure 1).

Figure 1. PRIME Africa activities in Senegal

**GOALS**



**ACTIVITIES**



● **Address the data gap**

Strategic market data allow for further market depth and width, and targeted capacity-building to key stakeholders for remittance data creation and use.



● **Increase market competition**

Expand access to remittances through close cooperation with public and private sectors, and additionally reduce significantly direct and indirect costs, and spur market competition.



● **Support an enabling environment**

Coherent national regulatory frameworks in both sending and receiving countries can foster competition in remittance corridors and enable safe, cheap and fast transfers.



● **Finance and promote business models linking remittances and financial services**

Co-finance and promote innovative, replicable and scalable business models and technologies that link remittances to financial services, towards greater financial inclusion.



● **Finance scalable innovations and related capacity**

Collaboration mechanisms in place among central banks, regulatory bodies, the private sector and diaspora communities in sending and receiving countries; and strengthened capacity to adapt and scale up best practices within an operational framework that allows cooperation among partners.

## Objective and methodology

This diagnostic assessment of the remittances market in Senegal was prepared pursuant to the Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) programme. The main objectives are as follows:

- A. Lower the cost of remittances to Senegal in line with Sustainable Development Goal (SDG) 10.c and the Global Compact for Migration.
- B. Reduce the use of informal remittance channels to Senegal.
- C. Improve financial inclusion with remittance-linked financial services.

The diagnostic is a working document that is regularly updated as additional information becomes available. Currently, the report provides an evaluation of remittance market into Senegal, under a supply-based approach.

Based on the results of this diagnostic, recommendations were formulated and included in a road map proposing an approach structured around priority actions to achieve the objectives of PRIME Africa. Toward this end, coordination and alignment with public policies and those of other international development agencies will be crucial, including potential financing to implement the road map. Plans call for financing to be made available to the public and private sectors for implementation of the road map.

Research and analysis were based on the following elements:

- A. Documentary research.
- B. Interviews with stakeholders, including the BCEAO and oversight agencies, specifically the Ministry of Finance and Budget, international, global, corridor specialist and digital remittance service providers (RSPs), banks, MFIs, mobile money providers and payment institutions, development agencies and specialist consultants.
- C. Mystery shopping survey of pricing, products and services.

The research was conducted between January and June 2020. The report has been updated with the most recent figures and data on remittance flows and digitalization.

Two virtual meetings of the working group (in April 2020 and May 2020) were held with market stakeholders to evaluate the impact of the COVID-19 pandemic on the Senegalese remittance market. The discussions kept going at the subsequent NRSN meeting, held in 2021.

## Taxonomy

- **Remittances:** in everyday language (independent of the balance-of-payments terminology established by the International Monetary Fund-MBP6), remittances are cross-border person-to-person of relatively low value, typically recurrent payments made by migrant workers (World Bank, Committee on Payment and Settlement

Systems). The term “remittance” is used more frequently outside official and regulatory spheres than “money transfer,” although it refers to the same phenomenon.

- **Rapid money transfers:** “transactions whereby a sum of money deposited by an originator at a branch of an accredited service provider or sub-agent is remitted within a brief period of time to a beneficiary at another branch of an accredited service provider or sub-agent using a secure information system operating in real time or quasi real time. Such transactions involve neither a bank account nor an electronic money account,” BCEAO, Instruction no. 013 – 11 – 2015. This technical definition refers to transfers of funds initiated and unwound in cash.

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## RECOMMENDATIONS

- A. Use the National Remittance Stakeholder Networks (NRSNs) to set up an ad hoc working group to coordinate interventions, structure dialogue and pool resources to accelerate the digitalization of remittances, cost reductions and financial inclusion.**
  - B. Consolidate data collection and dissemination on remittance flows by corridor and the use of digital channels.**
  - C. Support the conversion of remittance users to the use of digital and regulated channels.**
  - D. Leverage the e-money payment infrastructure for incoming international remittances and improve access to other digital channels.**
  - E. Promote business models, partners and products that link remittances to other payment, financial and value added services.**
  - F. Promote interoperability to develop the retail payment system and the integration of mobile payments with financial products.**
-

# 1. Migration and remittances

Figure 2. Map of Senegal



- The Senegalese diaspora was estimated at 650,000 in 2019 (UN DESA) out of a total population of 15.8 million. Some estimates place it as high as 2 million people. The diaspora therefore represents between 5 per cent and 12 per cent of the population.
- The main destination countries are The Gambia (21 per cent), France (20 per cent), Italy (16 per cent), Spain (8 per cent) and the United States (7 per cent), together accounting for nearly three quarters of the Senegalese diaspora.
- More than half of all emigrants (55 per cent) are based in high-income countries, chiefly in Europe and the United States.
- 45 per cent have migrated elsewhere in Africa, to neighbouring countries (The Gambia, Mali, Mauritania), Côte d'Ivoire (a regional economic power) and Central Africa (Congo, Gabon).
- Migration has increased steadily by 2 per cent a year since 2015, below the level of demographic growth (+2.8 per cent per annum).

**Figure 3. Major host countries, Senegalese diaspora**

Host countries (thousands)	
The Gambia	133
France	130
Italy	104
Spain	52
USA	46
Gabon	30
Côte d'Ivoire	30
Mali	23
Mauritania	18
Congo	14

Source: UN DESA 2019.

- The Senegalese diaspora comprises 38 per cent women according to UN DESA (and just 13 per cent according to the Directorate of Currency and Credit [DMC] 2013 study). Analysts agree on the growing share of women within the diaspora as a result of migration policies in the host countries favouring family reunification, in addition to the rising number of binational marriages and a higher proportion of young women among students than in the past.
- **Internationally:**
  - On average, women send smaller amounts than men, with an average annual remittance of CFAF 344,000 for women (EUR 524) compared to CFAF 677,000 (EUR 1,032) for men (DMC, 2013).
  - At the receiving end, women tend to receive more remittances in slightly higher amounts than men: 54.9 per cent for women versus 45.1 per cent for men, in values of CFAF 1,100,000 and CFAF 560,000 respectively.
  - 19 per cent of remittances are sent to a spouse in double the average household amounts at CFAF 1,340,000 (EUR 2,042).
- **Domestically,** women are also more likely to receive transfers than men, with 39 per cent of women having received transfers versus 36 per cent of men.
  - FSPs would benefit from targeting women who receive substantial regular amounts from their spouse, to develop their financial culture, encourage them to save and help them develop financial autonomy with a view to family reunification either in Senegal or abroad.

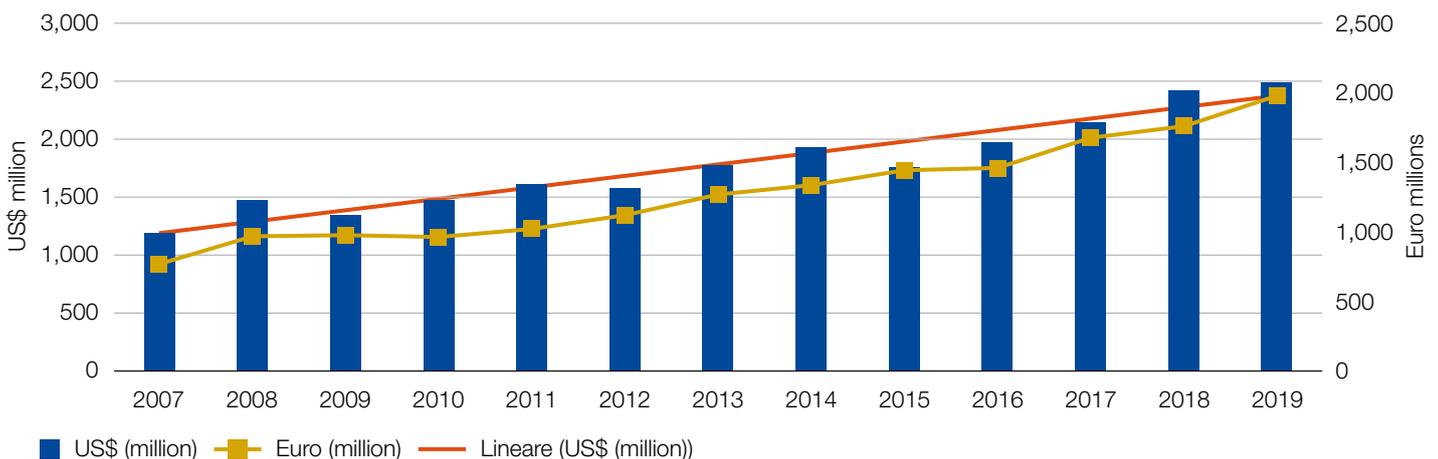
*The Senegalese diaspora is increasingly comprised of women, and the gender dimension warrants further study to propose better adapted targeting and services.*

At CFAF 1,600 billion (US\$2.5 billion), international remittances account for 10 per cent of GDP and benefit one third of rural families. An estimated CFAF 130 billion (US\$250 million) is transferred outside the regulated financial sector.

*International remittances account for 10 per cent of GDP and benefit one third of rural families.*

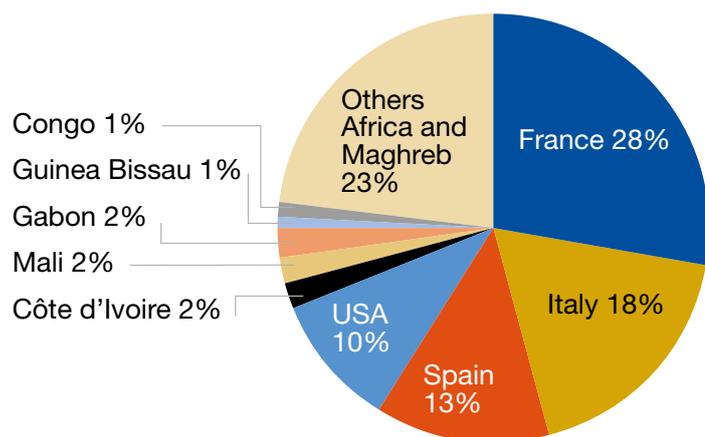
- Senegal is in fourth place in sub-Saharan Africa in terms of receiving remittances (after Nigeria, Ghana and Kenya) with US\$2.5 billion in 2021, or 10 per cent of GDP.
- Remittances posted steady growth of 8 per cent a year over the 2007–2011 period despite the 2007 financial crisis.
- Growth in incoming remittances is stronger than growth in migration over the long term and can be attributed in part to unaccounted for informal flows being absorbed by formal channels. An estimated 10 per cent of flows move through informal channels (BCEAO, 2013). However, remittances continue to be received through informal channels, especially in rural areas where one third of households do so.
- Approximately one of three rural households and one of five urban households are remittance recipients (IFAD, 2015).
- The main remittance corridors to Senegal reflect migration corridors (with the exception of The Gambia); the main sending countries are France (28 per cent), Italy (18 per cent), Spain (13 per cent) and United States (10 per cent).
- Remittances from European Union countries represent 63 per cent of the flows.
- The main African corridors are Côte d’Ivoire, Gabon and Mali. Senegal is a net recipient in the WAEMU zone with CFAF 95 billion received in 2019 versus CFAF 55 billion sent. However, the WAEMU zone accounts for more than one quarter of all remittances sent from Senegal.
- The Ministry of Finance collects data on incoming and outgoing remittances in Senegal from accredited operators and transmits it to BCEAO.
- By way of comparison, domestic remittances by mobile in 2018 stood at CFAF 422 billion (just under US\$800 million) and regional remittances by mobile at CFAF 35 billion (US\$65.8 million) or nearly two thirds of OTC rapid transfers.

Figure 4. Remittances received, long-term trend (in EUR and US\$)



Source: Ministry of Finance DMC/MEFP.

Figure 5. Major remittance corridors to Senegal



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## PRIORITY ACTIONS

B.1 Improve data collection on incoming remittances by conducting ad hoc surveys on informal flows and publicize the findings to enable private and public actors to assess the scope of flows and opportunities by corridor.

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## 2. Financial infrastructure

*The regional strategy on financial inclusion (SRIF) prioritizes the promotion of digital financial services (including remittances) and financial education.*

BCEAO, in consultation with the union member states, including Senegal, and with technical support from the United Nations Capital Development Fund (UNCDF) and donors, has developed a road map to improve financial inclusion on a regional scale to address common regulatory and non-regulatory issues.



- The objective of the regional strategy on financial inclusion within WAEMU 2016–2020 is to ensure, over a horizon of five years, access to and use of a diversified range of adapted and affordable financial products and services for 75 per cent of the adult population of WAEMU, paying special attention to rural people, women and youth, as well as small- and medium-sized enterprises (SMEs) and persons with limited schooling. In particular, pillar 3 calls for promoting innovations for the financial inclusion of excluded populations with adapted products and in the form of digital financial services. In order to achieve this objective, plans call for increasing the number of service points and providing greater electronic payments interoperability and diversification of financial services via mobile telephone.

Pillar 4 calls for strengthening financial education and client protection in financial services.

- At the national level, a monitoring committee is in place in Senegal.

The committee provides coordination and synergy between national strategies and the regional strategy. It is composed of representatives of the ministries concerned, professional associations, promotion agencies and structures, technical and financial partners, postal and insurance authorities and the National Directorate of BCEAO. An action plan is under development. A baseline survey on financial inclusion in Senegal (ESRI) has been undertaken by the Ministry of Finance with assistance from the Alliance for Financial Inclusion (AFI).

- The SRIF and its national iterations now being designed thus complement the Sector Policy Letter on Microfinance in Senegal 2016–2020 focusing on the development of MFIs and services in Senegal. It calls for the inclusion of domestic remittances in the operations of decentralized financial systems (DFS), expansion of the distribution network using remote banking and a contribution to the national financial education programme.
- The Government of Senegal developed a national financial education programme in 2012, expanded it in 2016 to include micro, small and medium-sized enterprises and established the Financial Services Quality Observatory (QSF). The QSF serves as an interface between FSPs, banks, DFS, the Post and users. It measures the degree of satisfaction with financial services, acts as mediator and implements financial education actions. In connection with the SRIF and BCEAO, a working group was set up in 2019 and greater attention has been paid to digital financial education and insurance products.

- Plans call for integrating retail banking payment systems with e-money payment systems under GIM-WAEMU. This would enable a switch at the national level to a planned regional system for card and mobile payments and would provide a network for rapid money transfer companies (RMTCs) partnering with accredited intermediaries integrated with the national payments system. The integration of retail payments systems could be used as leverage to lower costs by reducing bargaining costs for RMTCs.
- Partnerships between banks or DFS (MFIs) and mobile money providers take place bilaterally and create interoperability between electronic wallets and bank or DFS accounts (e.g. Ecobank or the MFI Caurie Financial Management, which have account interoperability with Orange money electronic wallets).
- Access to US\$ channels is open to financial service providers, which allows their clients, regardless of their mobile operator, to undertake transactions on their account remotely by mobile. Business models remain to be developed, however, taking into account technology and profitability constraints (e.g. the ability to receive a transfer and allocate a certain amount of it to savings in a dedicated account). In this sense, in addition to access to the channel there is the question of pricing – where innovative models are emerging in a context of sustainable competition for operators other than mobile network operators.
- Aggregators of payment and rapid transfer solutions are developing networks and positioning themselves as entry points to the market for international RMTCs, for example the company Wari in partnership with banks, ATPS as a subsidiary of Banque Atlantique and WafaCash as the dedicated remittances and payments subsidiary of Attijariwafa bank with several thousand payment points each, or indeed InTouch, which is positioning itself within the mobile money segment.
- Partnerships between RMTCs and multi-channel, multi-partner remittance hubs are being developed on the margin, for instance the partnership between Ria and Terra Africa around remittances on electronic account.
- The mobile money payment network is 15 times larger than the OTC payment network of the major international transfer companies, which have around 4,000 outlets. With more than 60,000 active service points, the cash-in cash-out (CICO) agent network of e-money issuers is the largest retail payment system in Senegal.

*E-money payment services are not integrated with the retail payments system and interoperability between the systems is piecemeal.*



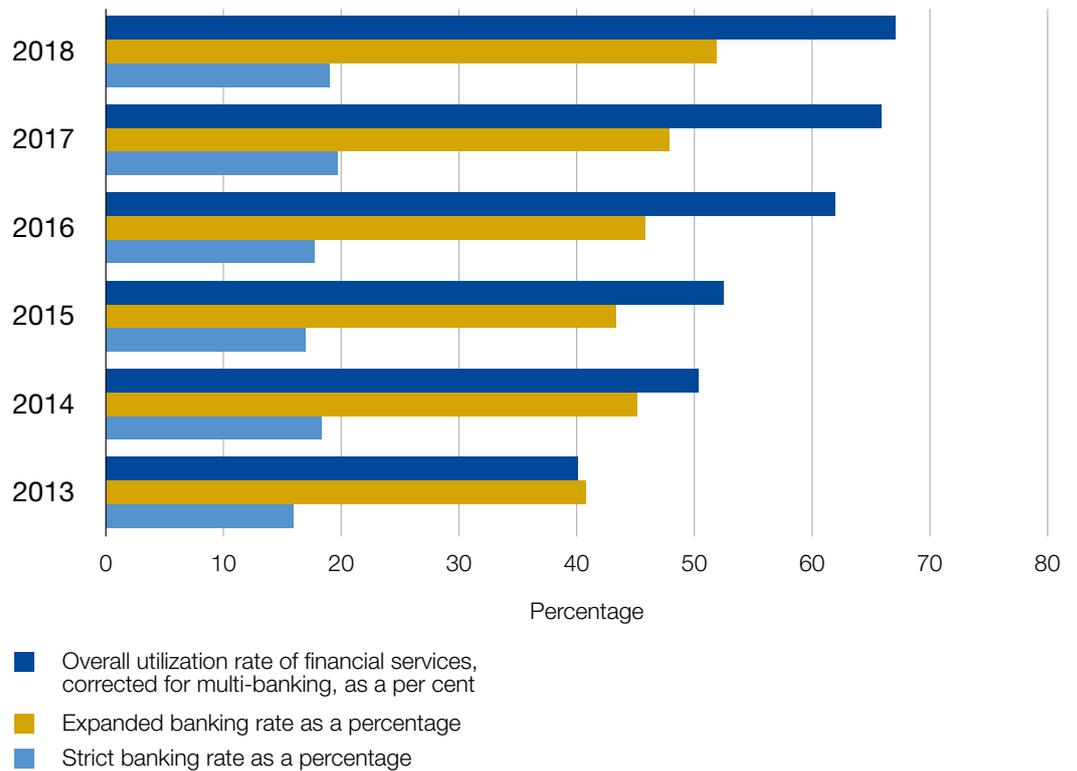
**4,000** OTC payment points  
for international remittances



**x15**  
**60,000** Active CICO agents  
for e-money

- The increase in the number of accounts held by adults over the age of 15 as measured by BCEAO was driven by the expansion in e-money accounts and contributed to a 15 per cent increase in financial inclusion over 5 years.
  - The overall utilization rate of financial services (including holders of bank, postal, MFI and e money accounts) rose from 40 per cent in 2013 to 67 per cent in 2018.
  - Over the same period, the percentage of adults holding bank accounts rose from 16 per cent to 19 per cent, and from 41 per cent to 52 per cent including MFIs.

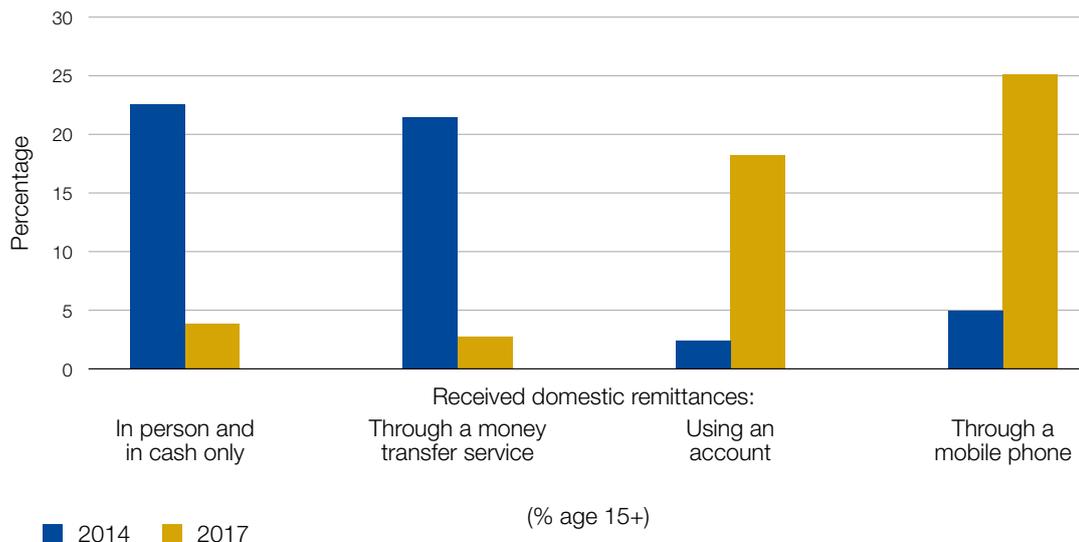
**Figure 6. Trends in financial inclusion in Senegal 2013–2018, BCEAO indicators**



Source: BCEAO, 2018.

- The e-money boom led to a shift in users of domestic remittances (representing half of all adults) from the informal sector and strictly cash transfers to the use of e-money accounts:
  - Strictly cash remittances through informal channels or RMTCs fell from more than 20 per cent in 2014 to less than 5 per cent in 2017;
  - Conversely, remittances sent using a mobile account increased from 5 per cent to 25 per cent over the same period.

Figure 7. Trends in domestic remittance methods 2014–2017

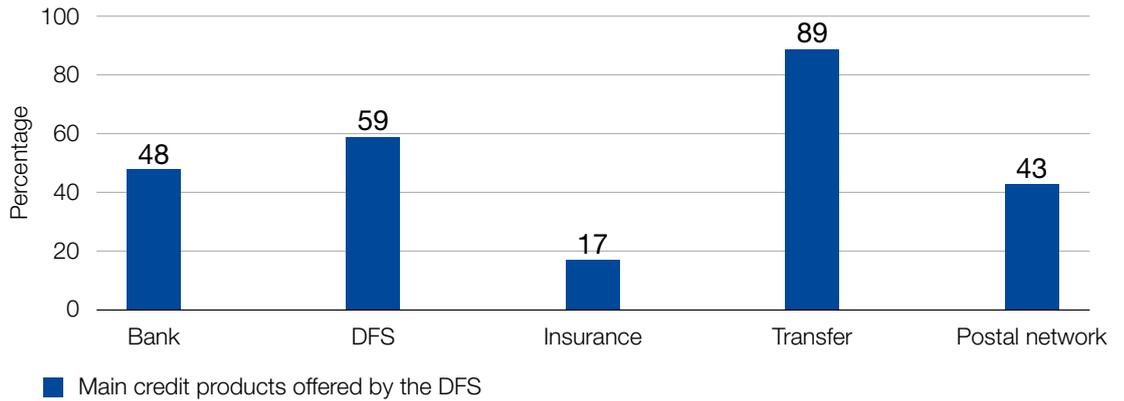


Source: Findex 2017, World Bank.

- Among financial services, people are most familiar with remittances at 89 per cent (AFI, Baseline Survey on Financial Inclusion in Senegal [ESRIF], 2017).
- Despite the 9 per cent gap in account access, women tend to receive remittances more often (in the case of domestic remittances) than men (39 per cent versus 36 per cent).
- Rural people and youth also receive remittances more frequently than the rest of the population, although the gap for access to an account is 8 per cent for young people and 3 per cent for the rural population as a whole.
- 65 per cent of rural remittance recipients have savings, whereas only 33 per cent of non-recipients are able to save (IFAD, 2017), offering an opportunity for FSPs to target rural people.
- Developing products linked to remittances such as savings and insurance would help build the financial resilience of remittance beneficiaries. Specifically, the e-money payment infrastructure (agents, portable equipment, mobile network coverage and traceable client registration) could be leveraged to make mobile telephones a transactional and transitional instrument towards full financial inclusion.
- Client-centred research and data are needed to adapt existing services for remittance recipients, particularly for international remittances, which have a higher value on average than domestic remittances, paying special attention to women and rural people. International remittances are received by 20 per cent of the adult population, 14 per cent of them from Europe (ESRI, AFI, 2017).
- The BCEAO plan to develop a unique digital identifier for FSPs (based on biometrics and accessible in real time through a centralized database) would allow for better client knowledge and better monitoring of financial inclusion and compliance with the anti-money Laundering and Combating the Financing of Terrorism (AML/CFT) obligations by operators, while favouring access by persons who are not fully documented and are deemed less profitable for basic transaction accounts.

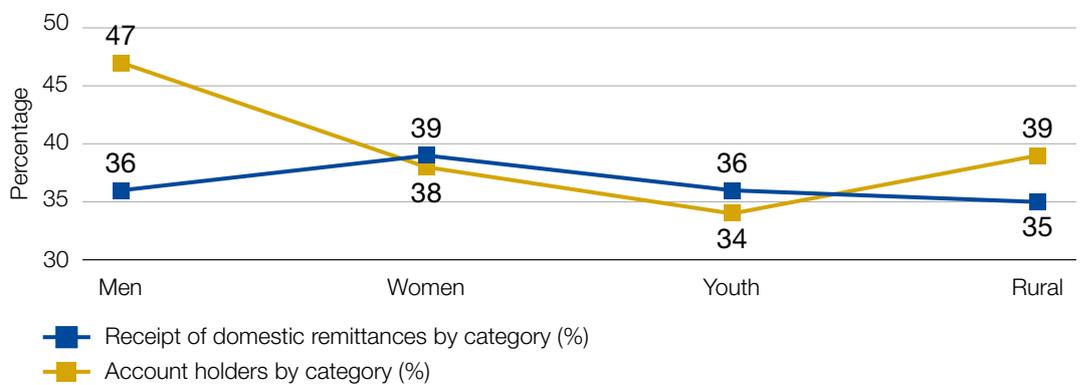
*Developing use cases around the receipt of international and domestic remittances through digital channels could further strengthen financial inclusion in rural areas and for women and youth.*

**Figure 8. Knowledge of financial services by population**



Source: Baseline survey on financial inclusion, AFI 2017.

**Figure 9. Comparison of remittance users and account holders by population category**



Source: Findex data 2017.

## PRIORITY ACTIONS

**A.1** Include remittances as a vector of financial inclusion and digitalization of financial services under the financial inclusion strategy.

**F.1** Accelerate the integration of electronic payment and banking systems under the Interbank Monetary Group of WAEMU (GIM-WAEMU) at the national and regional levels and, nationally, under partnerships between FSPs, fintech, EMIs and multi-channel hubs.

**C.1** Develop use cases around domestic and international remittances to build the resilience of remittance beneficiaries and develop the digital financial services ecosystem.

**B.2** Deepen knowledge of the use of remittances by financially excluded groups by conducting dedicated studies and including specific questions on international remittances in representative national surveys, such as Finscope, Findex and ESRIF/AFI.

# 3. Regulatory framework

The regulatory framework for international remittance operations clearly defines the conditions for partnerships between money transfer companies and accredited intermediaries on one hand, and between such intermediaries and their sub-agents on the other hand.

- Accredited intermediaries and the postal service are authorized to undertake external financial operations under the following 2011 law: Regulation of external financial relations by member states of the West African Economic and Monetary Union and implementing texts.
  - The accredited intermediaries are credit institutions (banks and bank-like institutions).
  - Supporting documents are required for the settlement of transactions outside WAEMU for amounts in excess of CFAF 500,000.
- DFS (MFIs) may, subject to authorization by the Ministry of Finance and BCEAO opinion, enter into agreements with money transfer companies to provide remittance services but remain subject to the regulation of external relations pursuant to articles 6 and 36 of the uniform law respecting the regulation of decentralized financial systems.
- The accredited intermediaries and DFS having signed partnership agreements with RMTCs may authorize sub-agents to distribute such services on their account: Instruction no. 013 – 11 – 2015 respecting rapid money transfer operations in the capacity of sub-agent within the West African Monetary Union.
  - A duly authorized sub-agent may be an individual or a company.
  - Exclusivity is prohibited.
  - Activities by the sub-agent for the principal's account are strictly limited to receiving and sending funds.
- Principals and their sub-agents are subject to the general obligations of customer due diligences in connection with combating money laundering and the financing of terrorism: Instruction no. 01/2007/rb of 2 July 2007 respecting combating money laundering within financial institutions.
  - They must satisfactorily establish the identity and address and know the line of business of their clients to avoid engaging with a suspicious person or a suspicious transaction.
  - Documents and other items supporting the identity and business of their clients must be retained for 10 years.
  - They must allow information to be provided on demand on the source and destination of the funds (including any financial intermediaries concerned), the identity of the originator and the beneficiary and the economic grounds for the transaction.

The conditions whereby EMIs may distribute international remittances outside WAEMU and certain aspects relating to know-your-customer (KYC) requirements by type of service or agent would benefit from being more specific.

- E-money institutions may distribute remittance services within WAEMU, but must be associated with a bank for the settlement of external operations: Instruction no. 008-05-2015 governing the conditions and types of operations by electronic money issuers in the member states of the West African Monetary Union (UMOA).
- The provisions of article 31 of Instruction 008-05-2015 stipulate levels of identification differentiated by transaction amounts and storage of value in electronic accounts:

**Table 2. Rules and amounts for electronic accounts**

	User not identified	User identified
Prevailing identification standards	The user is not identified by the EME but the OTN which provided them with the SIM card and registered their identity at time of subscription (registration of the identity card).	The user is identified by the EME and an account is opened: <ul style="list-style-type: none"> <li>– shows a valid official document, keeps a copy of the identification document (art. 27)</li> <li>– A contract is signed between the EME and the customer including customer information, usage and evidenced by a signature (art. 29)</li> </ul>
Maximum account balance limit	FCFA 200,000 (EUR 300)	– FCFA 2,000,000 (EUR 3,000)
Maximum monthly reload limit	FCFA 927,200,000	FCFA 10,000,000 With potential upgrade if controls are in place and after obtaining authorization from the BCEAO (art. 31)

- Given the challenges involved in greater digitization of international remittances outside WAEMU through the use of electronic transaction accounts, further clarification would be welcome on the conditions whereby international RMTCs may enter into partnerships with EMIs, for example on the management of foreign exchange operations and consumer identification requirements, including e-KYC options, by transaction and value storage amounts.
- The conditions for partnerships between e-money issuers, distributors and sub-distributors are clear and allow a large number of actors to distribute e-money services. However, the banking operations intermediary (BOI) status appears relatively poorly adapted (with just five BOIs in Senegal) for broad distribution of banking services and is confined to the latter (i.e. microfinance services are not included).
- Under prevailing regulations, EMIs and OTC transfer payment agents are not authorized to distribute microfinance and banking services, hindering the use of this popular payment infrastructure to develop financial inclusion.

*In terms of consumer protection, complaints and redress mechanisms and the cost structure for sending and receiving remittances would benefit from greater transparency.*

- The current provisions applicable to the client information obligation, specifically as stipulated in article 6 of Instruction no. 013 – 11 – 2015, would benefit from greater clarity and from harmonization with those applicable to e-money institutions and their distribution agents. In particular, complaints and redress mechanisms should be known to the consumer, and the cost structure – crucially in a context of developing mobile remittances – should be affordable: sending fees, withdrawal fees (if any), exchange rates applied by internet sites and mobile applications of on-demand agents.
- In fact, the research done on costs using the mystery shopping approach highlighted a lack of transparency around the cost of remittances to Senegal:
  - Information on costs is either not available or very difficult to access, both on the internet and from transmitting agents outside Senegal.
  - Withdrawal fees are not systematically posted or disclosed for mobile remittances outside Senegal.
  - Certain agents of certain brands apply hidden fees over and above the official rate in effect, with no recourse for the consumer.
- In a context of growing digitalization, special attention must be paid to information on data privacy protection according to the channel and in a format adapted to the target groups, who have limited financial and digital education.

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## PRIORITY ACTIONS

**D.2.1 Organize research and multi-actor dialogue – between the private sector, Ministry of Finance, BCEAO, the Telecommunications and Postal Regulatory Agency (ARTP) and donors – to identify the regulatory and partnership constraints on the use of non-banking agents (e-money and OTC transfer payment distribution agents) to promote digital financial services.**

**D.3.2 Plan for the development of clear and staged KYC directives adapted to the objectives of receiving (and eventually sending) remittances and financial inclusion, in addition to the current generic AML/CFT instructions and identification standards that apply to EMIs.**

**D.4 Strengthen consumer protection in terms of information on complaints and redress mechanisms, the fee structure for sending and receiving remittances, and data protection.**

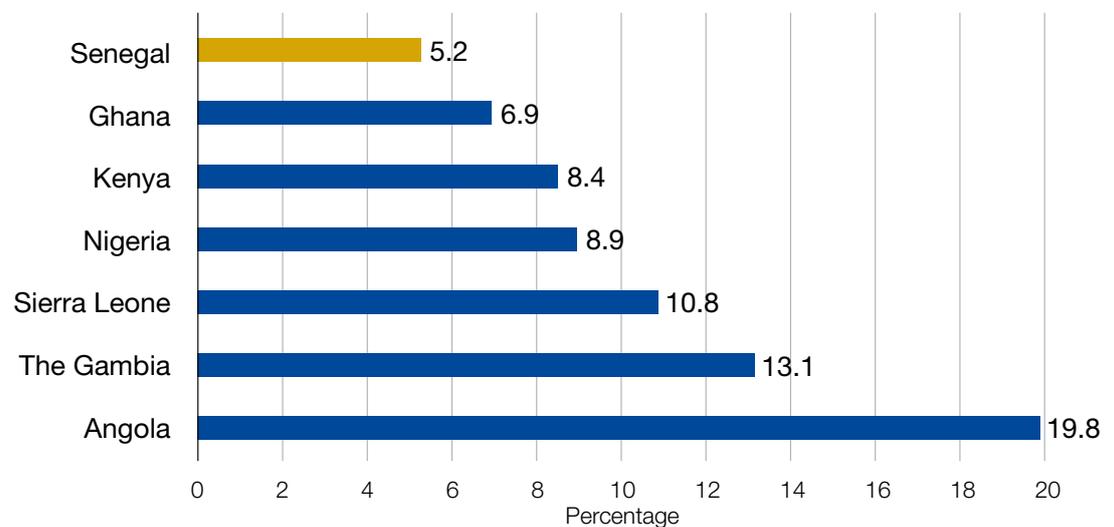
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## 4. Market structure and competition

- The current average cost of sending US\$200 is 5.1 per cent of the remittance amount.
- Based on two reference corridors (France and Italy) and compared to the global and regional average, the Senegalese market is competitive.
- The lack of an exchange commission in these corridors explains this in part, although competition is a determining factor.
- In the United States, however, the average cost of sending remittances among major RMTC is higher, on the order of 10 per cent in April 2020.

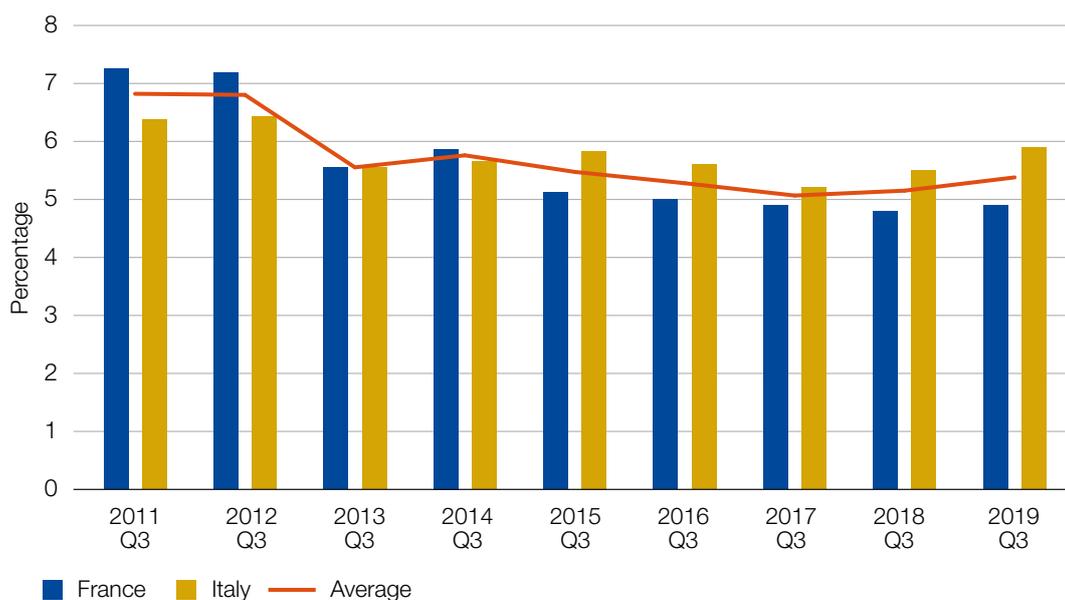
*At 5 per cent on average, the cost of sending remittances places Senegal in the lead within sub-Saharan Africa in terms of achieving SDG 10.c.*

Figure 10. Average transfer cost of US\$200 to African countries



Source: RPW Q1 2020, World Bank.

- The cost of sending remittances to Senegal from France and Italy has remained stable at around 5 per cent since 2013.
- At 5 per cent, Senegal has partially met one of the targets under SDG 10.c in eliminating fees over 5 per cent for the major corridors, but not the target of achieving an average of 3 per cent.
- Although cash payments continue to dominate, online remittances options, including by traditional money transfer companies, are becoming widespread and offer a key way to lower costs.

**Figure 11. Average cost in percentage to send US\$200 to Senegal since 2011**

Source: RPW Q1 2020, World Bank.

*Money transfer companies may enter into partnerships with banks and the Post, as well as non-banking institutions, when a bank is involved*

RMTCs are authorized to enter into direct and indirect partnerships with a broad range of institutions.

RMTCs may enter into direct partnerships with:

- Accredited intermediaries, banks and bank-like credit institutions.
- The postal service.
- DFS (MFI), subject to BCEAO approval.

Indirectly, RMTC may also agree to partnerships for distribution of their services with:

- Aggregators of payment solutions and remittances with a banking partner for the settlement of foreign exchange transactions and management of payment methods.
- EMIs for the distribution of remittances to electronic accounts with a bank engaged in the settlement of foreign exchange transactions.

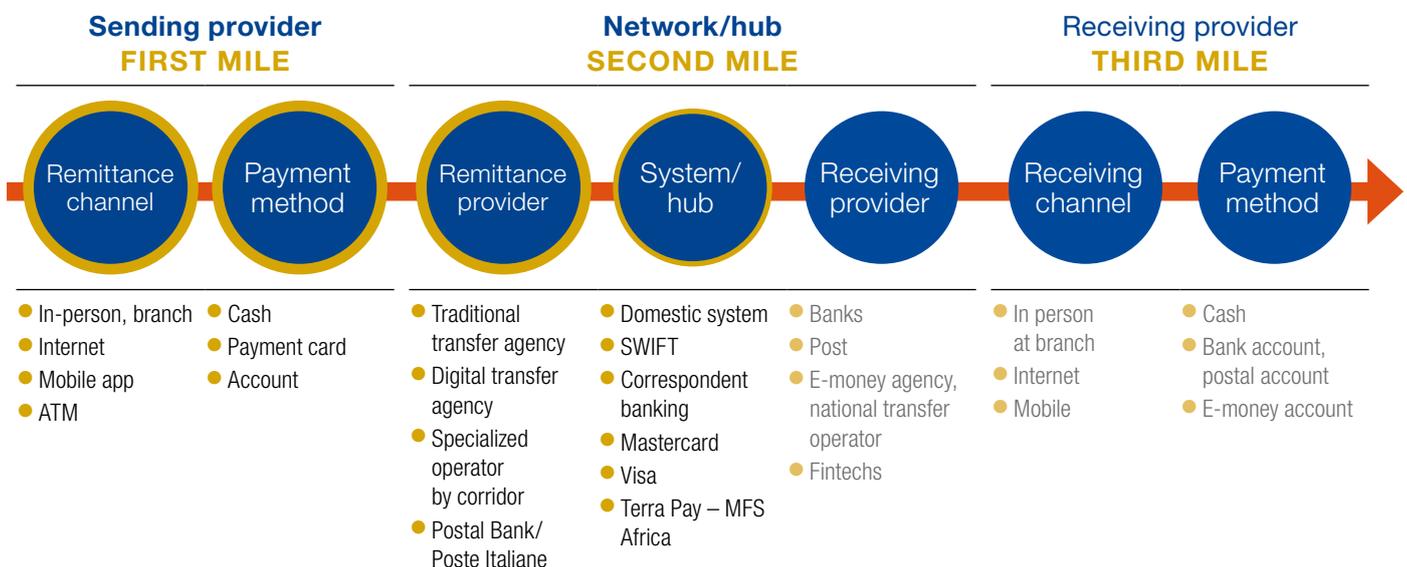
### Other key regulatory features

- There is no specific regulation governing incoming remittances but there is an instruction stipulating conditions for operations by sub-agents contracted by banks or DFS that are agents of RMTCs.
- The regulatory environment for remittances to Senegal is based on a banking model given the role of banks in the management of foreign exchange transactions, distribution of payment methods and endorsement of liability in accordance with AML/CFT standards.
- Banks and DFS may authorize individuals or companies to distribute rapid money transfer services on their account as sub-agents (BCEAO instruction no. 013-11-2015).
- Exclusivity clauses in contracts with sub-agents are prohibited and not admissible in the context of the money transfer company-agent relationship or even between e-money issuers and distributors.

- As a WAEMU member state, Senegal was a pioneer in regulating e-money issuance and distribution with an initial instruction adopted by member states in 2006 and a second approved in 2015. Accredited e-money issuers and distributors may manage electronic payment services (including for remittances) nationally and within the monetary union, but are required to associate with a bank for incoming and outgoing remittances in foreign exchange.
- Receipt of domestic and international remittances in an e-money account requires no additional identification other than that needed to register a SIM card up to the amount of CFAF 200,000 (US\$350).

## Remittance value chain in Senegal: overview of upstream corridor competition for sending remittances

Figure 12. Remittance value chain in Senegal, sending side



Competition is strong in the main European corridors, especially for online remittances between traditional and digital money transfer companies, keeping down costs, although cash remittances continue to dominate.

### Traditional money transfer companies

- Four global money transfer companies that initially developed their market for cash remittances are present in most of the corridors: Western Union, MoneyGram, Ria and Xpress Money. With the exception of Xpress Money, they also offer online remittances to bank and electronic accounts.
- The dominant money transfer companies (Western Union, MoneyGram, Ria) have developed aggressive pricing to capture or retain their clientele, for both cash payment channels and digital channels, and are often among the most competitive in the market.
- Postal systems are among the market leaders for retail financial services and often the only physical access point for sending remittances, especially in small towns in Italy and France. They have a multi-channel, multi-product and multi-instrument

offer with account opening standards that are in compliance with regulations but less conservative than those of banks.

### Digital money transfer companies

- Operators specializing in online remittances (fintechs) such as WorldRemit, Azimo and TransferWise have emerged and developed a market in the past 10 years.
- By debiting an account or card online or through an internet site, they allow for receipt in cash to an account or place of residence. Some of them offer end-to-end digital products such as TapTap Send.
- Competition is stronger in this digital segment, as fintechs contest the price of traditional money transfer companies on their offer by agency or in cash. In turn, the traditional money transfer companies position their digital offer at the low end of the price range at less than 3 per cent.
- In France, Italy and Spain, the cost of sending remittances through the internet is 2 per cent less on average than when using an agent.

### Operators specializing by corridor

- There are a number of speciality banks positioned in the Senegalese corridor, especially in France and to a lesser degree in Italy and the United States.
- In France, the corridor is covered by various bank brands offering bi-banking options: French banks with Senegalese subsidiaries, Senegalese banks with partner banks in France, financial institutions accredited in Europe and retained by Moroccan groups with Africa-wide coverage.
- In Italy, Extrabanca is a bank dedicated to diasporas that offers competitive remittances in addition to bank and insurance products in Italy.

Figure 13. RSPs in Senegal



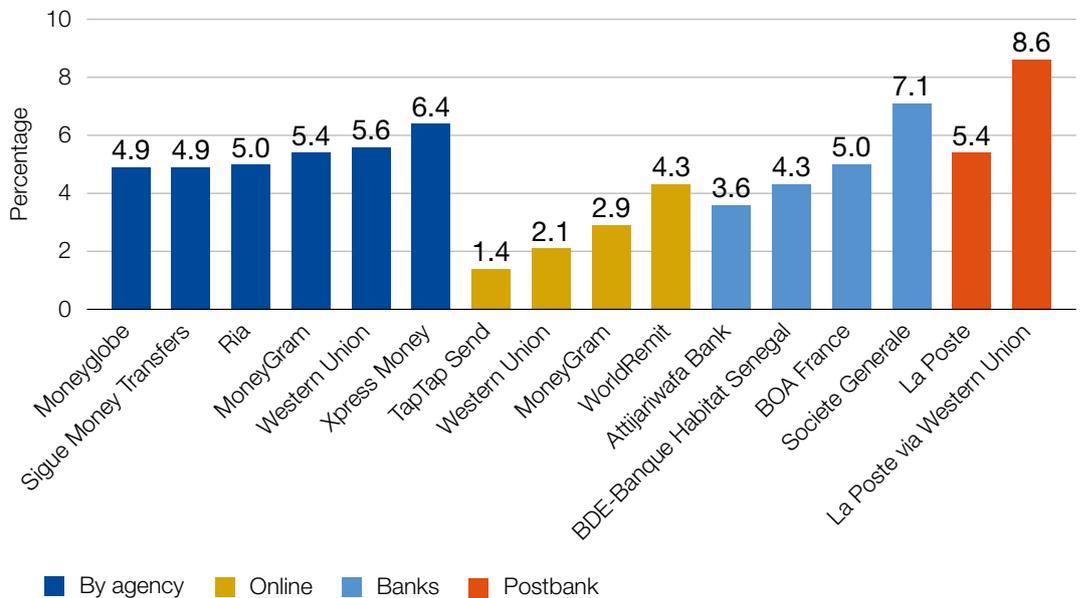
Table 3. Determining factors in cost reduction

Remittance corridor to Senegal	Market size (millions of US\$, 2019)	Lack of foreign exchange fee	Strong presence of fintech	Existence of operators specific to certain corridors	Average cost to send US\$200/140 €
France	694 ●	●	●	●	4.8%
Italy	440 ●	●	●	●	4.9%
Spain	328 ●	●	●	●	5.3%
The United States	249 ●	●	●	●	10.0%

Figure 14. Money transfer methods to Senegal from France

**France** Pricing to send remittances to Senegal from France: 4.8% average cost

By agency	Online	Banks	Postbank (banque postale)
5.2%	2.7%		
<ul style="list-style-type: none"> <li>– Sending remittances through agents in cash for quasi-instant payment remains the dominant method.</li> <li>– The major traditional money transfer companies are competitive, virtually all of them aligned at 5 per cent.</li> </ul>	<ul style="list-style-type: none"> <li>– The online channel is 2.5 per cent less costly on average than the agency channel.</li> <li>– Traditional money transfer companies are positioned in the digital channel with aggressive pricing of between 2 per cent and 3 per cent.</li> <li>– The emerging fintech TapTap Send, registered in the United Kingdom and launched by Senegalese engineers, has the least expensive offer in the market.</li> </ul>	<ul style="list-style-type: none"> <li>– French banks with Senegalese subsidiaries (e.g. Société Générale) and Senegalese banks with partner banks in France (e.g. BHS with BDE), or financial institutions accredited in Europe and retained by Moroccan groups with Africa-wide coverage, offer transfers based on low-cost accounts as well as savings options in Senegal (in most cases).</li> <li>– The distribution network is limited to a few branches, located mainly in Paris. Opening and replenishing an account remotely is possible as well as online transfers and banking transactions.</li> </ul>	<ul style="list-style-type: none"> <li>– Banque postale, which is very popular among migrants, offers postal transfer services (in cash at the window by debiting postal accounts) at competitive prices as well as Western Union services (at the window and online) through its network of more than 20,000 access points. Western Union services are however 3 per cent more costly than on the Western Union site or through other agents.</li> </ul>

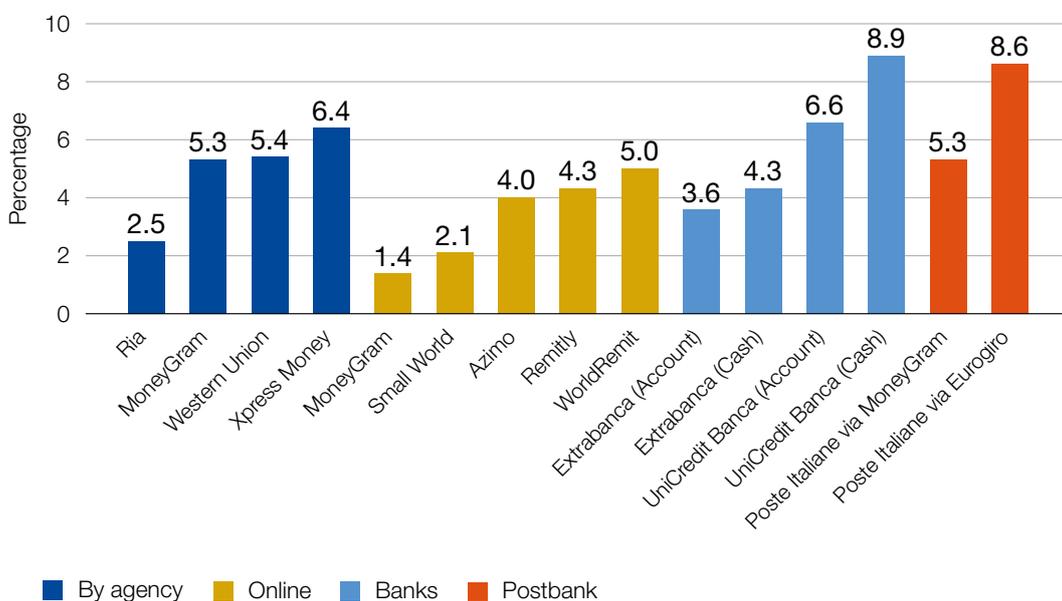


Sources: RPW (Q1 2020, mystery shopping May 2020, RMDA customer survey May 2020).

Figure 15. Money transfer methods to Senegal from Italy

**Italy** Pricing to send remittances to Senegal from Italy: 4.9% average cost

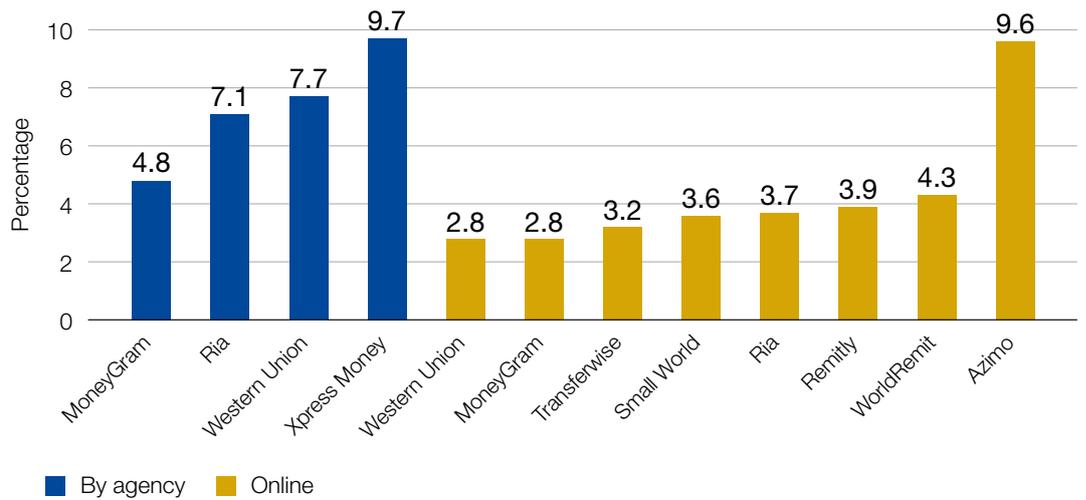
By agency	Online	Banks	Poste Italiane
4.9%	3.4%		
<ul style="list-style-type: none"> <li>– The agency channel continues to be the most often used, along with a preference for instant cash transfers.</li> <li>– The major traditional money transfer companies have a competitive pricing structure, especially Ria with a posted rate of 2.5 per cent of the remittance.</li> </ul>	<ul style="list-style-type: none"> <li>– Remittances through the online channel are 1.5 per cent less expensive than by agency.</li> <li>– MoneyGram has particularly aggressive pricing at 1.4 per cent of the amount sent (EUR 140/US\$200).</li> </ul>	<ul style="list-style-type: none"> <li>– Extrabanca is a bank dedicated to diasporas that offers competitive remittance services as well as banking and insurance products in Italy.</li> <li>– UniCredit, a national retail bank, has a relatively competitive offer.</li> <li>– There are no banks offering bi-banking options, with the exception of Bank of Africa (BOA) (still at an incipient stage).</li> </ul>	<ul style="list-style-type: none"> <li>– Poste Italiane, through its omnipresent network, offers products ranging from Eurogiro postal transfers to MoneyGram and Western Union online remittances by card and mobile app, with competitive pricing for the latter.</li> <li>– Poste Italiane is also a popular bank with migrants, who use PostePay payment cards that are either linked to a postal account or rechargeable, making it a preferred network for capturing savings by migrants in Italy (invested with <i>Cassa Depositi e Prestiti</i>, the Italian deposit bank).</li> </ul>



Sources: RPW Q1 2020.

**Figure 16. Money transfer methods to Senegal from Spain**

 <b>Spain</b>		Pricing to send remittances to Senegal from Spain: 5.3% average cost
<b>By agency</b>	<b>Online</b>	
<b>7.3%</b>	<b>4.2%</b>	
Sending remittances via an agent is relatively costly compared to the other major corridors in the European Union, at an average cost of over 7 per cent.		Competition is stronger between online providers, with fintechs contesting the pricing of traditional money transfer companies on their products in cash/by agency. In turn, the traditional money transfer companies are positioning their online offer at the lower end of the online segment at less than 3 per cent.



Source: Mystery shopping 27.05.2020.

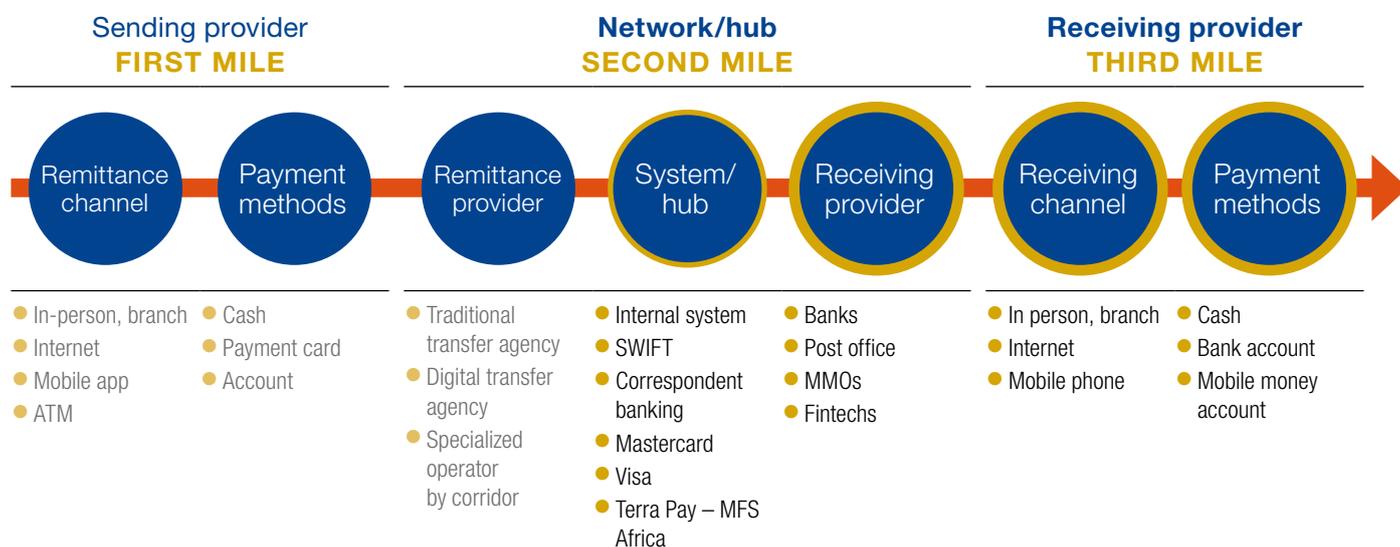
## PRIORITY ACTIONS

**C.2 Promote knowledge and use of digital channels through support for the pathway and client experience in the digital environment by the public sector and private operators.**

**E.1 Consolidate the scope and scale of services provided by operators specializing by corridor and fintech models offering competitive pricing and bank products for migrants.**

## Remittances value chain in Senegal: overview of downstream corridor competition, for receiving remittances

Figure 17. Remittance value chain in Senegal, receiving side

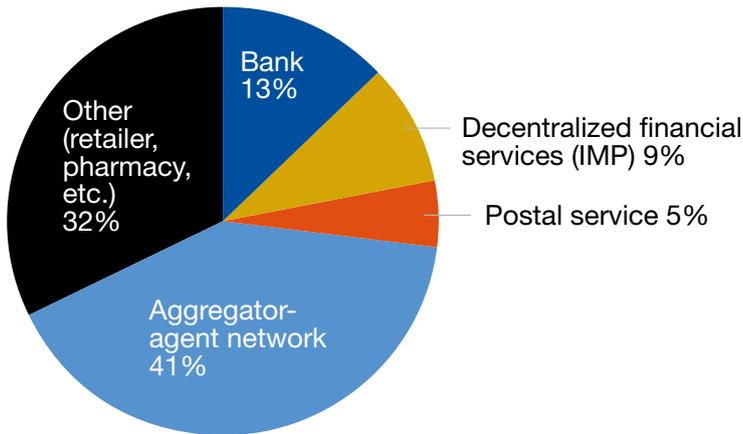


*Most remittance payments are made in cash and over the counter, and the use of electronic accounts to receive international remittances remains very limited.*

The services of international transfer companies are distributed by banks, DFS, the postal service and its sub-agents, including individuals and companies.

- The major money transfer companies (Western Union, MoneyGram, Ria) have about 4,000 service points concentrated in the main urban centres.
- The distribution of remittances is increasingly dominated by specialist sub-agents aggregating payment services and managing agents (three quarters) and less and less by financial intermediaries (one quarter).
- The major money transfer companies do not yet have operating agreements with the main e-money institutions, which have the largest distribution networks.
- Only a residual part of remittances initiated digitally are unwound to an electronic wallet, e.g. the World Remit – Wizzal – Ria – Orange Money partnership, by code or on an account.
- A lack of familiarity with digital payment options and a poorly developed digital payments ecosystem, mistrust of mobile money providers and EMIs among migrants at distance, a pricing method with cash-out fees paid by the beneficiary upon withdrawal and identification standards that vary by amount are obstacles to greater use of electronic wallets to receive international remittances.

**Figure 18. Structure of payment service points for international remittances**



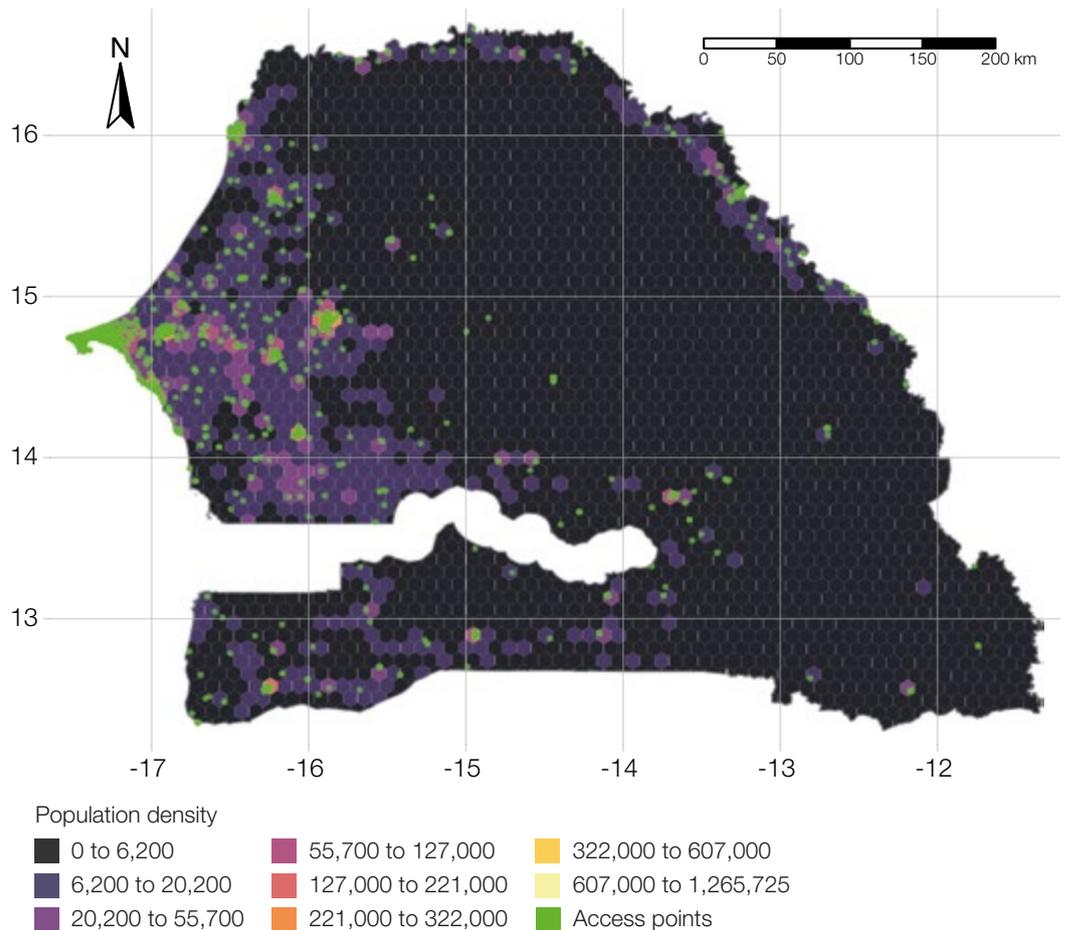
Source: IFAD, DMAG, WDL 2020.

The access points for sending international remittances reflect the concentration of the urban population and of the authorized institutions distributing the remittances.

A large number of rural locations have no service, including in regions with very large numbers of international migrants.

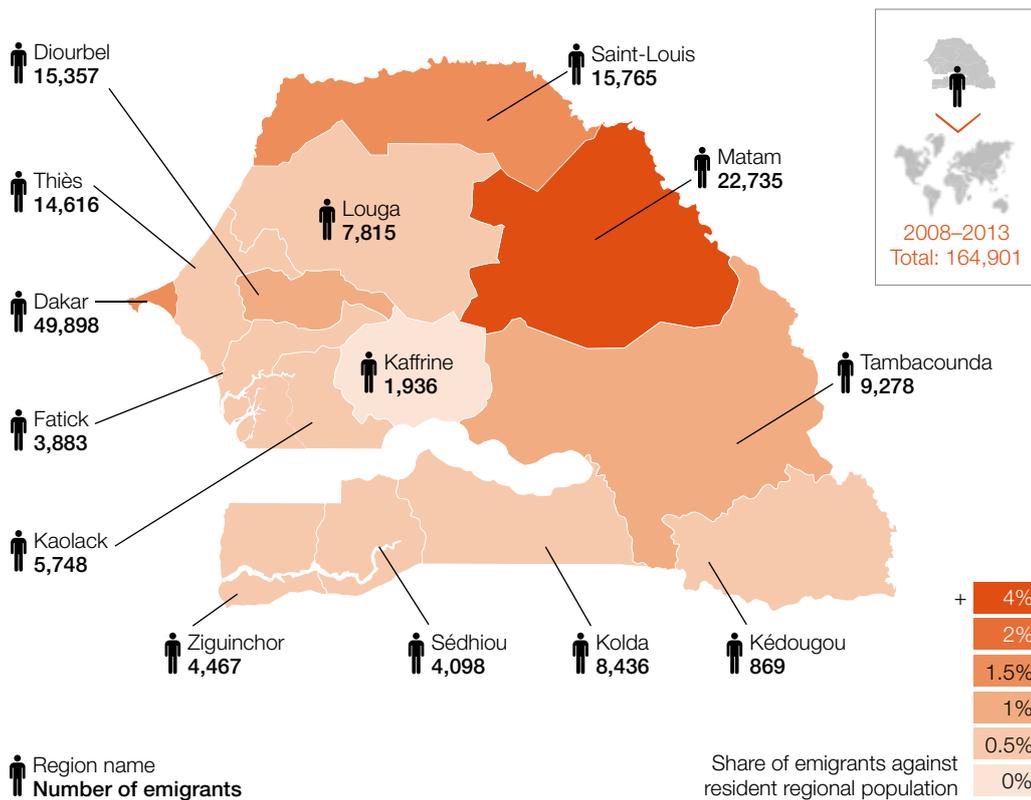
With 60,000 active payment points, the mobile money payment network is 15 times larger than the payment network of the major international money transfer companies, which have about 4,000.

**Figure 19. Network of access points distributing Western Union, MoneyGram or Ria and population density**



Source: World Data Lab/Facebook 2020.

Figure 20. Main international migration regions in Senegal

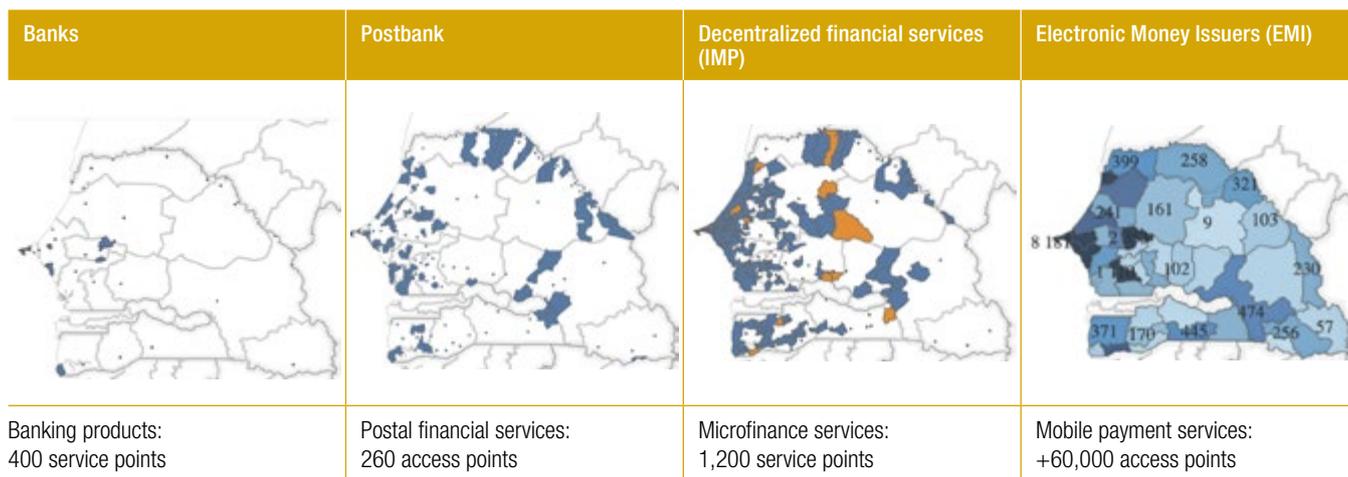


Source: ANSD, RGPHAE<sup>2</sup> 2013.

*Distribution would gain in networking by using the e-money payment network, while financial service providers partnering with money transfer companies could further promote cross sales of services.*

- The various agents/sub-agents of money transfer companies distributing international remittance services could further leverage their comparative advantages in terms of the array of financial products useful to remittance beneficiaries and proximity products:
- E-money distributors could play a more important role in international remittances by leveraging their scale and acting as a transactional interface with payment services providers.
- 30 per cent of distribution service points for remittances belong to financial service providers that could promote cross sales of their services to strengthen the financial inclusion and resilience of remittance beneficiaries.
- The agent status could be strengthened to allow business to take place between aggregators of services and managers of agents and financial service providers, particularly DFS, to include microfinance services in the menu of services offered by agents.

Figure 21. Geographic scope and scale of banking and payment services by money transfer company partners



Source: FINclusion Lab 2017 and BCEAO 2019.

### PRIORITY ACTIONS

D1. Reduce the frictions limiting the use of electronic wallet-based international remittance payment options by both consumers and operators, restating or clarifying prevailing regulatory provisions as needed.

B.3 Implement the geolocation of mobile money access points under the aegis of BCEAO and expand the resulting mapping to include international remittance payment points to identify discrepancies between territories and market opportunities.

# 5. Financial services for remittance users

Senegalese banks with branches in the sending countries and some sending country banks offer bi-banking services, although they are limited in terms of features offered and geographic scope.

- Senegalese banks and host country banks offer bi-banking options consisting of a transactional offer linking a bank account in France to a bank account in Senegal to perform transfers, build up savings and create a banking record that could potentially open up access to housing credit or credit upon returning to Senegal.
- To mitigate their lack of service points in the host country, these banks are increasingly focusing on remote banking options (opening an account remotely and banking online).
- Their offer remains centred around sending money at a low cost (flagship product) and capturing savings.

**Table 4. Senegalese banks in sending countries: presence and products offered**

Banks	Presence in sending countries	Products offered
<b>Bank of Africa</b> 	Senegalese-Moroccan bank present in France with a financial establishment licence. Use of European passport and partnership with Italian banks.	<ul style="list-style-type: none"> <li>– Distance account opening</li> <li>– Transfers between French bank accounts and BOA Senegal accounts</li> <li>– Distance banking services with access to BOA Senegal accounts</li> </ul>
<b>Attijariwafahank</b> 	Senegalese-Moroccan bank with banking accreditation in France. Initially targeted the Moroccan diaspora and also offers bi-banking to Senegalese migrants in Europe. Seventy-three branches and representative offices in eight European countries: Belgium, England, France, Germany, Italy, the Netherlands, Spain and Switzerland.	<ul style="list-style-type: none"> <li>– Distance account opening</li> <li>– Money transfer solutions</li> <li>– Savings and insurance products</li> <li>– Bank account management support</li> </ul>
<b>Banque de l'Habitat du Sénégal</b> 	Senegalese bank specializing in housing finance with representation in France and the United States of America. Targeted the diaspora as a major customer segment by developing a diaspora kit and recently issued a diaspora bond for CFAF 20 billion, fully subscribed.	<ul style="list-style-type: none"> <li>– Distance account opening</li> <li>– Interest-bearing savings account, low-cost transfers (online to a BHS account), solidarity insurance</li> <li>– Bond issue over 5 years at 6.25% 2019–2024</li> </ul>
<b>Extrabanca</b> 	Italian bank dedicated to the diaspora with branches in Milan, Rome, Brescia and Prato.	<ul style="list-style-type: none"> <li>– Competitive transfer product</li> <li>– Banking and insurance products in Italy</li> </ul>
<b>Société générale</b> 	French bank with a substantial national network that has developed a number of international subsidiaries, including SGS in Senegal. Offers remittances to the Senegalese diaspora established in France.	<ul style="list-style-type: none"> <li>– Transfer products e-transfers from a Société Générale France account to a Société Générale Sénégal account</li> </ul>

The digitalization of financial services distribution by banks, MFI, fintech and agent networks is opening the way for fuller coverage of the needs of remittance beneficiaries, especially in rural areas.

- There is a broad range of distribution models for financial and payment services in Senegal, combining financial intermediaries (banks, DFS, the postal service), EMLs and agent networks.
- The development of technologies and fintech allows for the inclusion of digitized payment solutions and expansion of client contact points by sub-contracting to retail agents.

**Table 5. Services offered by selected FSPs for remittance recipients**

Model	Description of services	Opportunities to develop financial services for users of international money transfers
<b>Banque Agricole/AgriCash</b> 	The Banque Agricole du Sénégal (which also targets the diaspora) continues its digitalization by offering a series of financial services with multi-channel access through its online platform AgriCash.	Built-in offer for rural producers receiving money transfers including money transfers, savings, agricultural insurance and payment from suppliers/buyers.
<b>Caurie MF (IMF rurale)</b>	Caurie MF is an MFI specializing in funding rural populations. It has just launched the interoperability of these accounts with Orange money <u>electronic accounts</u> .	Financial education of remittance-receiving families and returning migrants to use savings and credit services for AGR financing.
<b>COFINA, Baobab (IMF digitales)</b>	COFINA is an MFI targeting MSMEs and has a distribution network as well as a partnership with the French bank BDE to relay account/card transfers to COFINA Senegal.	Support the increase of digital service points in rural areas offering transfer services and micro/meso-finance services in migration areas.
<b>In Touch (fintech)</b> 	Aggregator and provider of digital payment solutions, In Touch has also developed a network of agents within Senegal with support from UNCDF.	Continue the integration of services related to money transfers (e.g. microfinance) and the development of rural agents with a particular focus on rural areas.
	The French SGS Bank has created an IOB, Manko, offering quasi-banking services (paid savings, micro-credit, insurance) and YUP, an EME offering payment services.	Consider options for transferring SG France accounts to YUP electronic accounts and promoting Manko financial services to international transfer recipients.

*The postal service (La Poste), and particularly Poste Finances, its financial services subsidiary, could capitalize further on their comparative advantages in money transfers and offer savings accounts to capture more migrant families with the proper status.*

- The postal authority and its specialist subsidiary Poste Finances distribute postal financial services – transfers, deposit accounts and other payment services – in accordance with the Postal Code, Law No. 2006-01 of 4 January 2006 respecting the Postal Code. ARTP is their oversight agency, and they are also accountable to BCEAO with respect to compliance with AML/CFT standards, consumer protection, payment services, e-money and the retail payment system (SICA).
- For international TRA, La Poste and Poste Finance have entered into partnerships with Western Union, MoneyGram, RIA, World Remit, Small World and Eurogiro.
- Poste Finances offers current accounts and interest-bearing savings accounts, and has 90,000 active accounts (Universal Postal Union, 2018).
- Poste Finances is also positioned in the domestic remittances market, including by mobile, and distributes AMSA insurance products as an agent.
- In terms of digital payment methods, Poste Finances has distributed PosteCash since 2015, a card that can be topped up in cash or by prepaid card (e.g. Neosurf in France and Europe) complying with Visa and GIM-WAEMU standards that allow for withdrawal and payment transactions at ATMs and accredited merchants, as well as payments of bills, insurance premiums and school fees, money transfers and savings account deposits through a mobile app or the internet with an online platform that operates worldwide.
- It has a network of 225 service points distributing financial services and remittances, located mainly outside Dakar with a presence in every region of Senegal and a strong rural base.
- La Post/Poste Finances share of the international TRA market in Senegal was an estimated 13 per cent in 2018 (Universal Postal Union, 2020) although their network represents just 6 per cent of access points to TRA services. They effectively have a comparative advantage in terms of proximity, trust and service quality that is valued by remittance beneficiaries (IFAD, 2018). Also, La Post/Poste Finances is the financial institution best known to remittance users (AFI, 2017) with 43 per cent of users reporting knowledge of La Post and 12 per cent using it to send or receive TRA compared to 7.3 per cent through a DFS agency and just 5.4 per cent at a bank branch.
- Poste Finances could capitalize on its national presence, professional experience and international remittance positioning to develop a broader offer for migrants and their families. To develop such bi-banking options, as currently planned for Italy (with Poste Italiane) and also expand the range of products to meet migrants' needs (e.g. offering housing credit), Poste Finances should however obtain status as a bank-like credit institution.



*Client-centred research is needed to support the shift to digital and identify market opportunities to develop inclusive services clustered around remittances.*

- Remittance users find it convenient to use informal channels (or use them by default when formal offers are not accessible). A certain segment is always hesitant to use remittances through digital channels, especially at the sending end, because of a lack of trust, instances of fraud affecting digital's reputation and other friction linked to user experience throughout the client trajectory.
- Because international remittances are in higher amounts than domestic remittances, they offer recipients more opportunities to pay for the most immediate essential goods and services and potentially to put part of the amount aside rather than withdrawing the full amount at the point of sale. As demonstrated by the COVID-19 crisis, developing payment and financial services that meet the needs of remittance beneficiaries would contribute to both improving the entire digital payments ecosystem and offering remittance users more practical options (including less exposure to the pandemic) and greater resilience to financial shocks.
- Behavioural research conducted by Developing Markets Associates Global (DMAG) has shown that channel preferences vary by corridor, and international best practices show that any campaign aimed at changing ways of sending and receiving money should involve both recipients and senders. Sensitization and financial education campaigns are more effective when they take place at both ends of a given corridor.
- Narrowing gender and rural financial gaps using remittances as a cushion for financial resilience requires more information from behavioural and geographical research to prepare the way for initiatives by governments and the private sector.

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## PRIORITY ACTIONS

**E.2 Encourage client-centred research (with a gender perspective) and mapping of migration zones by migration corridor or remittance corridor to support sensitization and financial education campaigns and assist in the development of new products and client risk profiling by the private sector.**

**C.3 Launch sensitization and financial education campaigns (integrating a corridor and gender approach) building upon existing initiatives.**

**E.3 Plan for the conversion of Poste Finances to a bank-like credit institution to develop bi-banking options.**

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# 6. Key actors and coordination

*Governance and supervision of remittances lies with the Ministry of Finance and Budget, BCEAO, ARTP and CENTIF, while MAESE is involved in promoting financial services for the diaspora.*

- The Ministry of Finance and Budget (MFB) **Directorate of Currency and Credit (DMC)**:
  - Performs oversight on behalf of MFB over accredited credit institutions in distributing remittance services and ensures implementation of the regulations on external financial relations.
  - Collects data on remittances from operators.
  - Conducts studies on remittances (e.g. 2012–2013).
- The **Ministry of Foreign Affairs and Senegalese Nationals Abroad (MAESE)**, through the Directorate General for Support to Senegalese Nationals Abroad, provides:
  - Assistance, promotion of financial services and investment programmes accessible to the Senegalese diaspora through various channels including information offices (BAOS, BASE).
- **BCEAO** operates regionally and nationally to supervise banks and microfinance institutions (together with MFB):
  - Defines WAEMU monetary policy and foreign exchange regime.
  - Defines general laws on the financial sector for adoption by WAEMU member states and issues the related instructions.
  - Defines the SRIF and monitors its implementation through national committees.
  - Organizes and supervises regional settlement and retail payment systems.
- The **ARTP** is in charge of various aspects on which it collaborates with BCEAO:
  - Supervision of postal services, including postal financial services distributed by the postal service.
  - Access to the US\$ channel.
  - Telecommunication services user data protection.
  - Conditions for SIM card subscriber identification and e-signature validation.
- **National Financial Information Processing Unit (CENTIF)**:
  - As a financial information unit, it collects and processes information on combating money laundering and declarations regarding the subjects of suspicious transactions (in the case of remittances, accredited intermediaries and DFS).

*Government and donor interventions tend to focus on migrants' investments and digitalization of financial and payment services, but rarely on the digitalization of international remittances, reinforcing the need for strategic coordination.*

In terms of engaging with the Senegalese diaspora, there are very few programmes prioritizing remittances and inclusive financial services for migrants and their families.

- **National working group on remittances** – IFAD met with the Senegalese stakeholders together online in April and May 2020, under the PRIME Africa programme, in response to the COVID-19 pandemic.
- The **German Agency for International Cooperation**, the **French Development Agency (AFD)** (Programme in Support of Solidarity for Development Initiative), the Italian **Agency for Development Cooperation** (Private Sector Support Platform II) and **International Organization for Migration (IOM)** each have a project or programme component on financing and/or support for returning nationals; however, AFD is planning to set up an information and incubation platform for innovative solutions to facilitate the remittance-savings-investment continuum of the diaspora.
- **MAESE/Directorate General for Support to Senegalese Nationals Abroad:**
  - Recently made available an envelope of CFAF 12 billion (EUR 18 million) of assistance to members of the Senegalese diaspora affected by the COVID-19 crisis
  - From a more structural perspective, the Support Fund for Investments by Senegalese Nationals Abroad promotes productive investments by Senegalese nationals abroad with a minimum of financial resources who wish to carry out projects within the national territory.
  - MAESE also promotes private initiatives by the diaspora such as the investment guarantee initiative FONGAD Invest in the United States and, in Senegal, the fintech SEWACARD's payment card.
- **UNCDF**, in response to the COVID-19 crisis, recently launched a call for proposals, including for Senegal, to promote the digitalization of remittances and the development of digital financial services to build the economic resilience of remittance recipients.

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## **PRIORITY ACTIONS**

A.2 Use the National Remittance Stakeholder Network (NRSN) and consolidate the existing sector governance by setting up a dedicated working group to coordinate actors around a common agenda of priorities.

E.2.2 Catalyse available resources to finance knowledge production on remittances as common goods, private sector partnership-building and innovative products in the form of joint calls for proposals or technical assistance to promotion, oversight and supervision agencies.

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# 7. Recommendations

Table 6. Summary of recommendations

Main objectives		Respond to COVID-19 crisis	Accelerate digitalization	Lower costs	Increase and strengthen financial inclusion	Switch from informal to formal
Theme(s)	Recommendation	Objectives				
<b>A Coordination</b>	Use National Remittance Stakeholder Networks to set up an ad hoc working group to coordinate interventions, structure dialogue and pool resources to accelerate the digitalization of remittances, cost reduction and financial inclusion	■	■	■	■	■
<b>B Information</b>	Consolidate data collection and dissemination on remittance flows by corridor and the use of digital channels	■	■	■	■	■
<b>C Digitalization</b>	Support the conversion of remittance users to the use of digital and regulated channels	■	■	■	■	■
<b>D Market environment: regulatory framework</b>	Leverage the e-money payments infrastructure for incoming international remittances and improve the accessibility of other digital channels	□	■	■	■	■
<b>E Financial Inclusion</b>	Promote business models, partnerships and products that link remittances to other payment, financial and value added services	□	■	■	■	■
<b>F Market environment: payment system</b>	Promote interoperability to develop the retail payment system and the integration of mobile payments with financial products	□	■	■	■	□

## A. Use National Remittance Stakeholder Networks to set up an ad hoc working group to coordinate interventions, structure dialogue and pool resources to accelerate the digitalization of remittances, cost reduction and financial inclusion

Theme: **Coordination**

Objectives:



### Context and challenges

- Developing the remittances market calls for setting up structured spaces for dialogue between the private sector and regulatory, supervision and financial inclusion promotion authorities.
- International remittances are based on international standards and partnerships that require dialogue between actors in the different regulatory areas concerned.
- The financial resources available to support innovations are fragmented and limited.

Priority actions	Specific activities
A.1 Include remittances as a vector of financial inclusion and digitalization of financial services under the financial inclusion strategy.	<p>A.1.1 Develop a road map to develop the market for remittances to Senegal aligned to the regional strategy on financial inclusion, the sector policy letter on microfinance and various global initiatives on remittances.</p> <p>A.1.2. Support the integration of remittances into the national strategy on financial inclusion and the microfinance sector policy letter.</p>
A.2 Use the National Remittance Stakeholder Network (RNEF) and consolidate the existing sector governance by setting up a dedicated working group to coordinate actors around a common agenda of priorities.	<p>A.2.1 Structure a dialogue between actors around the thematic areas involved in recommendations under key stages of the road map and periodically evaluate progress.</p> <p>A.2.2. Mobilize available resources to support innovations in the remittances market.</p>

### Expected outcomes

- Coordinate interventions and pool donor resources.
- Encourage sector and international dialogue by integrating regional and global networks such as AFI, Global Forum on Remittances, Investment and Development (GFRID), etc.

## B. Consolidate data collection and dissemination on remittance flows by corridor and the use of digital channels

Theme: **Information**

Objectives:



### Context and challenges

- The need for monitoring by corridor is exacerbated by the crisis (France, Italy, Spain and the United States are all affected and will react differently).
- Knowledge about user preferences needs to be updated.
- Service points for international remittances are concentrated in the best served urban and peri urban areas and cover the territory less well than CICO agents.

Priority actions	Specific activities
B.1 Improve data collection on incoming remittances by conducting ad hoc surveys on informal flows and publicize the findings to enable private and public actors to assess the scope of flows and opportunities by corridor.	B.1.1 Accelerate the collection and availability of information on rapid money transfers by sending corridor. B.1.2 Update the study on remittances conducted in Senegal with BCEAO in 2010 and by DMC in 2012 2013.
B.2 Deepen knowledge of the use of remittances by financially excluded groups by conducting dedicated studies and including specific questions on international remittances in representative national surveys, such as Finscope, Findex and ESRIF/AFI.	
B.3 Implement a geolocation of mobile money access points under the aegis of BCEAO and expand the resulting mapping to include international remittance payment points to identify discrepancies between territories and market opportunities.	B.3.1 Geolocate remittance service points and identify poorly served territories.

### Expected outcomes

- Enable private sector actors to adapt their commercial strategies by taking into account flow volumes and trends, local implementation and user preferences.
- Anticipate the impact of the reduction in remittances to certain migration regions to adapt aid accordingly.
- Consider remittance services and national coverage of their distribution points in sector policies and the strategy on financial inclusion.

## C. Support the conversion of remittance users to the use of digital and regulated channels

Theme: **Digitalization**

Objectives:



### Context and challenges

- The crisis has accelerated the shift among users towards digital methods, although payments are still mainly in cash.
- Digital channels for sending remittances are often less costly.
- Despite real growth in the mobile payments infrastructure, migrants are still hesitant to send money to electronic wallets.

Priority actions	Specific activities
C.1 Develop use cases around domestic and international transfers to build the resilience of remittance beneficiaries and develop the digital financial services ecosystem.	C.1.1 Promote the electronic payments ecosystem, e.g. options for purchasing essential goods remotely and paying for healthcare services, school fees or agricultural inputs.
C.2 Promote knowledge and use of digital channels through support for the pathway and client experience in the digital environment by the public sector and private operators.	C.2.1 Develop a dedicated website and a communication campaign focusing on migrants and remittance beneficiaries.
C.3 Launch sensitization and financial education campaigns (with a corridor and gender approach) building upon existing initiatives.	C.3.1 Adopt a targeted approach to migrants' families in existing financial education initiatives in Senegal and in the sending countries.

### Expected outcomes

- Encourage migrants to use digital remittance methods and direct online payment to purchase essential goods for their families.

## D. Leverage the e-money payments infrastructure for incoming international remittances and improve the accessibility of other digital channels

Theme: **Market environment: regulatory framework**

Objectives:



### Context and challenges

- With 60,000 active payment points, the mobile money payments network is 15 times larger than the payments network of the major international money transfer brands, which have about 4,000.
- Regulation of agents is fragmented depending on the status of the principal: banks for BOIs; banks, the postal service and DFS for agents distributing RMTCs; e-money institutions for agents distributing e-money.
- Identification standards applicable to electronic wallet holders based on risk (caps by transaction and by balance) do not apply to other types of accounts that could be relevant to the needs and risk profiles of international remittance beneficiaries.

Priority actions	Specific activities
D.1 Reduce the friction limiting the use of electronic wallet-based international remittance payment options by both consumers and operators, restating or clarifying prevailing regulatory provisions as needed.	
D.2 Consolidate the agent status to allow for client identification and the distribution of financial services (except for those of banks, electronic institutions and rapid money transfer) for third parties.	<p>D.2.1 Organize research and multi-actor dialogue (private sector, Ministry of Finance, BCEAO, ARTP, donors) to identify the regulatory and partnership limitations on the use of non-banking agents (e-money and OTC transfer payment distribution agents) to promote digital financial services.</p> <p>D.2.2 Capitalize on lessons learned from measures in the context of BCEAO opinion 004-03-2020, e.g. concerning more flexible procedures for opening electronic accounts and a reverse client identification in accordance with AML/CFT standards.</p>
D.3 Strengthen sector dialogue to align practices with regulatory requirements in terms of KYC and AML/CFT compliance and identify ways of optimizing client identification (less costly and better adapted to poorly served populations).	D.3.2 Plan for the development of clear, staged KYC directives adapted to the objectives of receiving (and eventually sending) funds as well as financial inclusion, beyond generic instructions on prevailing AML/CFT standards and on appropriate identification options for remittance users.
D.4 Strengthen consumer protection in terms of information on complaints and redress mechanisms, the fee structure for sending and receiving remittances, and data protection.	

### Expected outcomes

- Increase access to and use of mobile wallets in Senegal for receiving international remittances
- Encourage partnerships between RMTCs and e-money institutions or aggregators of electronic payment solutions.

## E. Promote business models, partnerships and products that link remittances to other payment, financial and value added services

Theme: **Financial inclusion**

Objectives:



### Context and challenges

- Remittances are often withdrawn directly in cash at the service point without using any other services that could be useful to the economic and financial autonomy of the beneficiaries.
- In rural areas, service points for remittances are too far away and available financial products are in most cases not well adapted.
- Mobile telephone and emerging agritech platforms offer a series of value added services to all actors in the agricultural value chain, including smallholder producers who often receive remittances.

Priority actions	Specific activities
E.1 Consolidate the scope and scale of services by operators specializing by corridor, mobile financial service providers and fintech models that offer competitive rates and bank products for migrants and their families.	<p>E.1.1 Test the development of financial, payment and value added products combined with remittance receipt services.</p> <p>E.1.2 Make the expansion of service points of financial service providers in rural areas more viable by including remittance services.</p> <p>E.1.3 Facilitate the acquisition of more vulnerable population groups such as women, youth and rural people by mobile financial service providers offering remittances.</p>
E.2 Encourage client-centred research (with a gender perspective) and map migration zones by migration corridor and sending corridor to support sensitization and financial education campaigns and aid in the development of new products and client risk profiling by the private sector.	E.2.1 Catalyze available resources to finance the production of knowledge about remittances as common goods.
E.3 Plan for the conversion of Poste Finances into a bank-like credit institution to develop bi-banking options.	E.3.1 Assess the issues and constraints on the conversion of Poste Finances to a status that allows for a fuller diaspora offer.

### Expected outcomes

- Strengthen the financial inclusion and resilience of remittance beneficiaries.
- Make rural service points more economical by including remittances.
- Contribute to the digitalization of agricultural value chains.

## F. Promote interoperability between different methods to develop the retail payments system and the integration of mobile payments with financial products

Theme: **Market environment: payment systems**

Objectives:



### Context and challenges

- Interoperability between banking and mobile payment systems is under way with a planned regional scope under the aegis of GIM-WAEMU.
- The retail payment systems of banks and DFS are beginning to join up with e-money payment systems under bilateral agreements.
- Hubs specializing in system interoperability and the clearing and settlement of foreign exchange transactions (such as MFS Africa, Mowali, Thunes) provide opportunities for partnerships between RMTCs and e-money providers.

Priority actions	Specific activities
F.1 Accelerate the integration of electronic payment and banking systems under the Interbank Monetary Group of WAEMU (GIM-WAEMU) at the national and regional levels and, nationally, under partnerships between FSPs, fintech, EMIs and multi channel hubs.	F.1.1 Encourage the integration of mobile payment service providers within the GIM-WAEMU payment system and, if possible, the integration of hubs allowing for international transfers.
F.2 At the national level, promote partnerships between FSPs, fintech, EMIs and multi-channel hubs.	<p>F.2.1 Encourage the multiplication of bilateral agreements between providers of transactional solutions in e-money allowing for the receipt of international transfers and financial institutions offering banking products (banks, DFS/MFIs, the postal service).</p> <p>F.2.2 Support fintechs by strengthening the integration of transactional solutions by mobile to allow for the receipt of remittances and banking products.</p>

### Expected outcomes

- Provide access to migrants and remittance beneficiaries to transactional solutions linked to banking products.
- Integrate the existing payment systems and platforms to provide universal access and lower costs.



## About the authors

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### **International Fund for Agricultural Development (IFAD)**

IFAD is a specialized agency of the United Nations and an international financial institution, with the mandate to invest in rural people to eradicate poverty in low- and middle-income countries.

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### **Financing Facility for Remittances (FFR)**

IFAD's US\$65 million multi-donor Financing Facility for Remittances aims at maximizing the impact of remittances on development and promoting diaspora engagement in migrants' countries of origin.

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**For more information, visit:** [www.ifad.org](http://www.ifad.org) | [www.ifad.org/ffr](http://www.ifad.org/ffr) | [www.RemitSCOPE.org](http://www.RemitSCOPE.org)

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### **Developing Markets Associates Global (DMAG)**

Headquartered in central London with a regional office in Sydney, DMAG is a leading payments consultancy engaged by both the public and private sector to deliver projects around the world. Since the company was founded in 2007, it has grown to 20 full-time staff, with a global network of research and support staff of a further 60 people. DMAG's core competencies include:

- Remittances and payment systems
  - Financial inclusion and access
  - Diaspora investment and diaspora related affairs
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**For more information, visit:** [www.developingmarkets.com](http://www.developingmarkets.com)

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## About the initiative

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### **Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa)**

PRIME Africa is a EUR 15 million initiative co-financed by the European Union and implemented by IFAD's FFR, aimed at improving the management of remittances and their use for development impact in selected African countries.

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**For more information, visit:** [www.ifad.org/prime-africa](http://www.ifad.org/prime-africa)



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The Senegal country diagnostic was undertaken in the framework of the Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) programme, co-financed by the European Union

ISBN 978-92-9266-199-1



9 789292 661991