



# RemitSCOPE

Africa



**The Gambia**  
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 The Gambia in 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 978-92-9266-195-3

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# ACRONYMS

ACH	automated clearing house
ACP	automated cheque processing
AFI	Alliance for Financial Inclusion
AIR	African Institute for Remittances
AML/CFT	anti-money laundering/combating the financing of terrorism
API	application programming interface
ATM	automated teller machine
B2B	business-to-business
CBG	Central Bank of The Gambia
DMAG	DMA Global
ECOWAS	Economic Community of West African States
FATF	Financial Action Task Force
FFR	Financing Facility for Remittances
fintech	financial technology
FIU	Financial Intelligence Unit
forex	foreign exchange
G2P	government-to-person
GAMBIS	Gambia Biometric Identification System
GDP	gross domestic product
GEPSS	Gambia Electronic Payment System
GIABA	Inter-governmental Action Group against Money Laundering in West Africa
GMD	Gambian dalasi
GNI	gross national income
HDI	Human Development Index
IFAD	International Fund for Agricultural Development
IHS	integrated household survey
IMF	International Monetary Fund
IMTO	international money transfer operator
IOM	International Organization for Migration
KYC	know-your-customer
MFI	microfinance institution
MMP	mobile money provider
MNO	mobile network operator
MSDG2	Migration and Sustainable Development in The Gambia Project (Phase 2)
MTO	money transfer operator
NACCUG	National Association of Cooperative Credit Unions of The Gambia
NAWEC	Gambia National Water & Electric Company
NBFI	non-bank financial institution
NFIS	National Financial Inclusion Strategy
NRWG	National Remittances Working Group
NRTF	National Remittance Task Force
P2G	person-to-government
P2P	peer-to-peer
POS	point of sale
PRIME Africa	Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa
RSP	remittance service provider
RTGS	real time gross settlement system
SDG	Sustainable Development Goal
UN DESA	United Nations Department for Economic and Social Affairs
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
VISCA	village savings and credit association

# 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.

The Gambia is a relatively small country, and remittances are important to its economy. Many participants offer traditional services, but lack of digital options and low levels of financial inclusion hinder development.

## Migration and remittances

- The Gambia is a small, fragile nation in West Africa. Classified by the World Bank as a country with “high institutional and social fragility,” it has recently transitioned from a lengthy dictatorship that ended in January 2017. Stretching along the Gambia River, The Gambia is surrounded by Senegal, except for a 60 km coastline on the Atlantic Ocean.
- The Gambia has a long history of both internal and international migration. However, as a small country with a relatively spread-out diaspora, diaspora communities are small.
- All segments of the Gambian population migrate. The reasons differ and, to a certain extent, the profile of the Gambian diaspora seems to vary with the destination country.
- The Gambia is also a destination country for immigrants, primarily from Senegal, and a transit country for migrants travelling through to Northern Africa and Europe, known as the “back-way”.
- Formal international remittances account for 63 per cent of the Gambian economy in 2021, leaving The Gambia with one of the highest dependencies on remittances in the world.
- The precise value of money sent informally to The Gambia is unknown. The Central Bank of The Gambia (CBG) reported that the total official figure for 2021 is US\$773 million. According to CBG, around 20 per cent of this amount is channelled informally.
- The quality of the remittance data collected by the CBG is improving and is beginning to be made available with a breakdown by send country. Remittance data is not currently published.

## Financial environment

- The Gambian payment system infrastructure has been significantly modernized since 2011, with volumes and values growing accordingly.
- The Gambia has one national electronic payment switch, which from a technology and ambition perspective offers multi-channel interoperability. However, the existing commercial propositions undermine the achievement of its vision.
- Overall, the existing payment system provides the basic infrastructure and foundations to support cash and account-based remittances in the market, but not mobile money.
- The formal financial sector in The Gambia is made up of banks and a range of different non-bank financial institutions. Each caters to different segments of society and provides tailored financial services.
- Understanding access (in terms of physical proximity) to financial services in The Gambia is not easy. Financial service providers are concentrated in urban areas

and, even if they are accessible, much of the quality and/or range of products and services in rural areas are poor.

- Formal financial inclusion in The Gambia is very low, due to heavy know-your-customer (KYC) restrictions and low financial literacy, which means that for most people, terminating their remittances digitally is not an option.
- The CBG and partners released the first National Financial Inclusion Strategy (NFIS), now in its operational phase. International remittances and their specific considerations are integrated into the strategy.
- The Gambia has a very high number of mobile subscribers. However, despite a generally supportive regulatory environment, the use of mobile money has yet to take off as it has in other African countries.
- One of the main access barriers to formal financial services in The Gambia are the challenges created by a fragmented identification system, including expired documentation, similar names and lack of addresses.

## Market structure

- Remittances sent to The Gambia involve a number of different entities at both the send side and receive end. Due to low financial inclusion, cash/agent services through money transfer operators (MTOs) are the most commonly used.

### Send market

- Western Union has the largest market share, followed by APS International, which is a Gambian-owned, regional specialist focusing on sending to The Gambia. The United Kingdom and the United States are the two predominant send countries to The Gambia.
- There are 33 MTOs currently authorized by the CBG to provide remittance services through payout partners in The Gambia. Few of The Gambia-corridor specialists provide services from the European Union.

### Receive market

- The Gambia payouts are cash/agent-based and therefore rely on authorized agents and subagents to reach the final beneficiary. Agency arrangements are often complex and multi-layered.
- With respect to pricing, at 12 per cent of the send amount, remittance prices to The Gambia are among the highest in the world, and The Gambia has a long way to go to meet the United Nations Sustainable Development Goal (SDG) 10.c of 3 per cent of the send amount by 2030.
- The high average cost of sending money to The Gambia is attributable primarily to the high foreign exchange (forex) margins levied on the customer, which are often fairly hidden.
- While average prices across the main send markets are high, the corridor specialists focusing and targeting this corridor are providing more competitive pricing.
- The main drivers of the high costs are the lack of digitalization in The Gambia and reliance on agents and cash to reach the beneficiary, even in rural areas. Furthermore, The Gambia is a low-volume corridor and therefore not the focus of larger international money transfer operators (IMTOs).
- Access to remittance services seems to be better than access to financial services due to the large network of forex bureaus and credit unions across the country. Opening up the international remittance market to mobile money agents, village savings and credit associations (VISCAs) and retail outlets (where conditions are met) would help improve access.

- The outbound remittance market is mainly informal as most funds flow to Senegal. However, the formal market is served by IMTOs and local MTOs (licensed as forex bureaus), but it is unclear how much of their business is trade and how much is remittances.

## Financial services for remittance users

- Several organizations in The Gambia, particularly banks and microfinance institutions (MFIs), are advocating remittance-linked financial products for diaspora members and their families, but few businesses offer these services, and more education beyond the point of receipt is needed to convert remittance receivers.
- Although still in its early stages, The Gambia's growing financial technology (fintech) sector is developing products and services that the diaspora can access to have more control over how their remittances are spent, which supports financial inclusion.

## Regulatory environment

- The regulations for The Gambia's remittance environment are clear, centralized and allow for a diverse range of operators, but they could be extended to be agnostic of the type of business that can provide remittance services.
- The CBG is currently reviewing the KYC framework for MFIs and mobile money providers (MMPs) to create a tiered system that factors in irregular ID holders. The KYC requirements for opening a bank account remain high, hindering access to financial services in the country.
- The Gambia does not offer explicit consumer protection for international money transfers or any deposit or pass-through protection for people who are saving funds formally.

## Stakeholders and coordination

- In terms of the stakeholders involved in international remittances, a few international organizations and local networks specifically focus either on improving this market or on complementary areas.
- A few organizations are working on remittances in The Gambia and are (or will be) bringing stakeholders together and designing interventions. Close coordination among these organizations is necessary, along with a collaborative approach to overall development agendas in order to avoid duplication, confusing messaging, or engagement-fatigue with stakeholders; and to coordinate strategies and programmes and leverage resources.
- Some of the key stakeholders in this space are IFAD, the CBG, the United Nations Capital Development Fund (UNCDF), the World Bank, the African Institute for Remittances, the African Development Bank, the Migration and Sustainable Development in The Gambia Phase 2 (MSDG2) Project and several private sector players, including banks, MFIs, corridor specialists and forex bureaus sending to The Gambia.

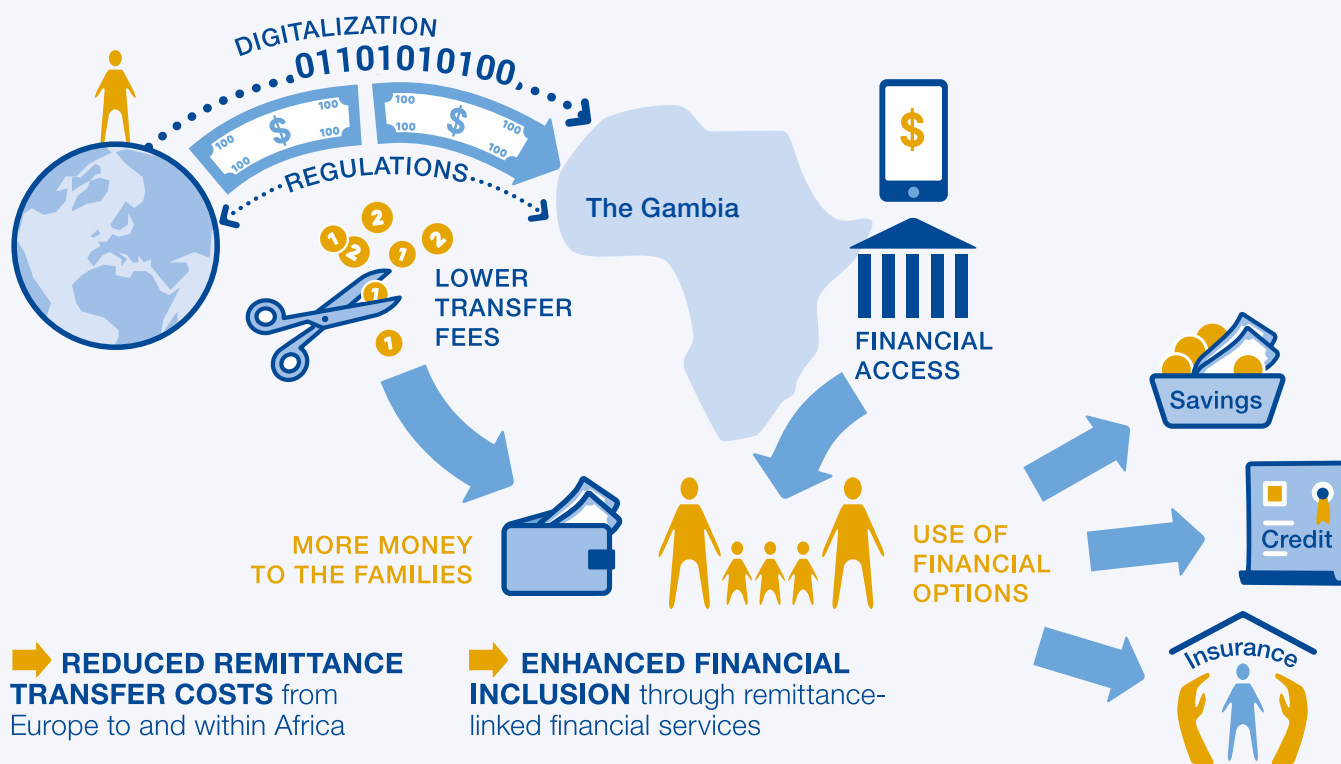
### The PRIME Africa initiative

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 The Gambia

**GOALS**

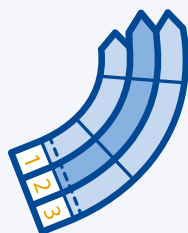


**ACTIVITIES**



● **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.



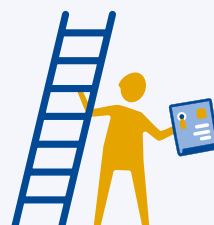
● **Support an enabling environment**

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, toward 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.

## Objectives

The Gambia country diagnostic has been prepared in accordance with the PRIME Africa goals, to provide more in-depth analysis and additional evidence for the areas of action identified in the country road map. Specifically:

- A. Provide a comprehensive response to the consequences of the COVID-19 pandemic.
- B. Accelerate digitalization.
- C. Reduce remittance transfer costs to The Gambia in support of SDG 10.c and the Global Compact for Safe, Orderly and Regular Migration.
- D. Enhance financial inclusion through remittance-linked financial services.
- E. Reduce the use of informal channels to The Gambia.

The diagnostic is a “working document” that will be updated and amended as additional information is collected and assessed. The report currently provides an assessment of the remittance market in The Gambia, with insights into two specific send markets (corridors) to the country, including demand-side research.

Based on the findings from this diagnostic, recommendations are made and inserted into a road map that will propose a prioritized approach to what should be done to meet PRIME Africa goals. Coordination and cohesion with public policy and other international development agencies will be key to success. It is envisaged that funding for the public and private sectors will be made available for road map implementation.

## Methodology

The focus of the Gambian diagnostic thus far is on the remittance market in The Gambia from the supply side of the market. The methodology consists of:

- A. Desk research.
- B. Interviews with stakeholders, including the CBG and regulators, payment companies, remittance corridor specialists, IMTOs, digital IMTOs, banks, MFIs, MMPs, development agencies and specialist consultants.
- C. Mystery shopping exercises for pricing, products and services.

The research was conducted between January and June 2020, with updated data provided in August 2022.

There have also been two virtual National Remittance Stakeholder Network meetings (April and May 2020) and the first NRSN in-presence meeting, held on the occasion of the International Day of Family Remittances on 16 June 2022, in Banjul.

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## RECOMMENDATIONS

- A. Learn from the COVID-19 crisis to put measures in place to guard against future pandemics.
  - B. Leverage the National Remittance Stakeholder Network (NRSN) to create a working group for the coordination, implementation and review of improvements in The Gambia's remittance landscape.
  - C. Improve data on remittances and diaspora in The Gambia to inform policy and private-sector business decisions.
  - D. Support and further develop The Gambia's young domestic digital payments ecosystem, so that international remittances can be terminated digitally and do not need to be cashed out.
  - E. Improve financial inclusion for remittance recipients, especially in rural areas.
  - F. Improve the operations and competitiveness of The Gambia's remittance market to allow for greater diversity of actors, increase access and drive down costs.
  - G. Support remittance service providers (RSPs) and other institutions to shift consumers toward the use of digital remittance services and design remittance-linked financial products for senders and receivers.
  - H. Review and improve the anti-money laundering/combating the financing of terrorism (AML/CFT) framework in The Gambia, including KYC, ID and address challenges to allow for improved access to formal remittances and other financial products.
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# 1. Migration and remittances

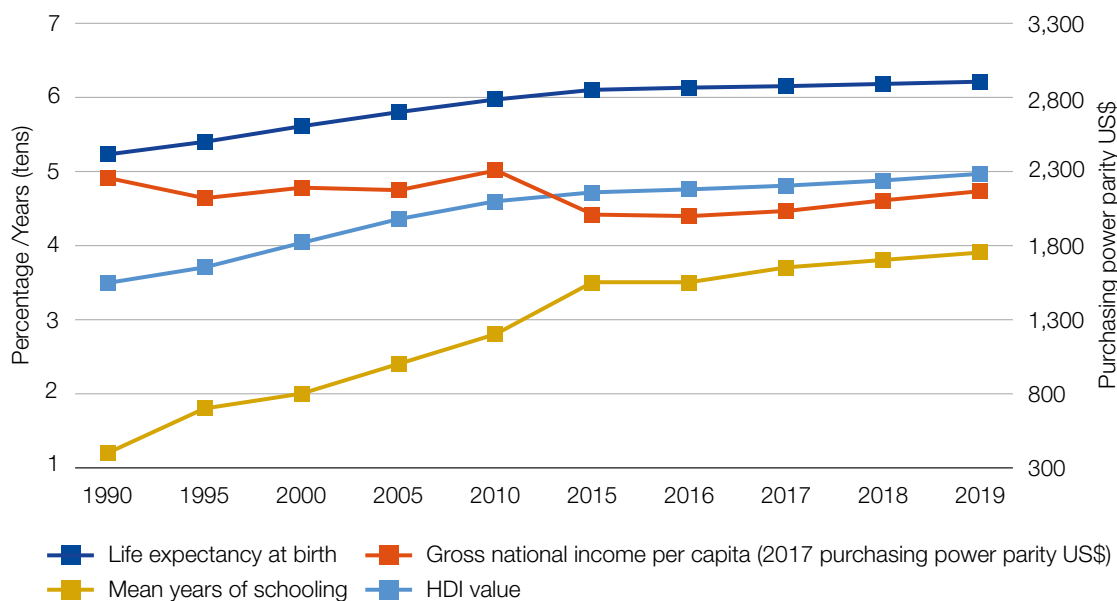
## Country context

- The Gambia is a small, developing country in West Africa. Stretching along the Gambia River, it is surrounded by Senegal, except for a 60 km coastline on the Atlantic Ocean.
- The country has a population of 2.1 million. With 176 people per square kilometre, it is one of the most densely populated countries in Africa. Most of the population (57 per cent) is concentrated around urban and peri-urban centres (World Bank, 2020). According to the Integrated Household Survey (IHS, 2015/16), in 2015, the poverty rate in The Gambia was 48.6 per cent (with rural poverty at 69.5 per cent), placing it among the poorest and most fragile countries in sub-Saharan Africa (IMF, 2020).
- Gross domestic product (GDP) grew by 5.6 per cent in 2021, and per capita income in 2021 was US\$835 (World Bank). Agriculture accounts for about 20 per cent of GDP, provides employment for more than 75 per cent of the labour force and is one of the main generators of forex earnings (2018, GlobalEdge). The other main contributors to GDP are tourism, remittances and imports for re-export.
- Over 10 per cent of The Gambia's population lives overseas, primarily in North America, Europe and other African countries. Diaspora numbers per country are small, as the diaspora is spread across a range of countries. Gambian emigrants include long-term economic and seasonal migrants, asylum seekers and irregular migrants entering Europe "the back-way". The Gambia is also a receiver of immigrants, which numbered 215,000 in 2019 (UN DESA), the majority of whom are from Senegal, which means that about 10 per cent of The Gambia's residents are foreign-born.

Figure 2. Map of The Gambia



Figure 3. Trends in The Gambia’s Human Development Index (HDI) component indices 1990–2019



Source: UNDP (2020) The Next Frontier- Human Development and the Anthropocene. <http://hdr.undp.org/en/countries/profiles/GMB>.

This section provides an overview of the migration trends driving the remittances sent home to The Gambia and insights into the profile of migrants sending them. It also looks at remittance flows into The Gambia, informal flows, and the quality and accessibility of remittance data.

- Migration and the Gambian diaspora.
- Remittance flows into and out of The Gambia.
- Informal remittance flows.
- Remittance data collection frameworks.

The Gambia is a small country with a population of 2.1 million. It has a long history of both domestic and international migration. An estimated 17 per cent of the population in The Gambia has migrated internally, mainly from rural to urban areas, with 57 per cent living in urban centres (World Bank, 2020). Urbanization is driven by rural flight and population growth.

*The Gambia has a long history of both internal and international migration.*

*However, as a small, developing country with emigration to various parts of the world, diaspora communities tend to be small and spread out.*

The Gambia is also a country with significant emigration. Until recently, emigration was largely the result of the previous government's policies and lack of political and civil rights. In 2016, democratic elections led to a regime change. But emigration is still driven by a number of factors, including youth unemployment, poverty, climate change and the desire to study.

In 2019, an estimated 140,000 Gambians were residing overseas (Kebbeh, 2019). Data is not consistent across different sources, with the World Bank reporting 106,000 and the UN DESA 118,000. The main destination countries are the United States (19 per cent), Italy (15 per cent), Spain (14 per cent), the United Kingdom (12 per cent), and Germany (12 per cent) (Kebbeh, 2019).

A small diaspora has emigrated to many different countries, meaning they are not concentrated and individual community numbers are small. An estimated 26,200 Gambians can be found across the United States, 21,400 in Italy, 19,000 in Spain and 17,000 in the United Kingdom. In the United States, the United Kingdom, France and the Netherlands, the Gambian diaspora is comprised of both men and women, whereas in Italy, Spain and Germany it is predominantly male.

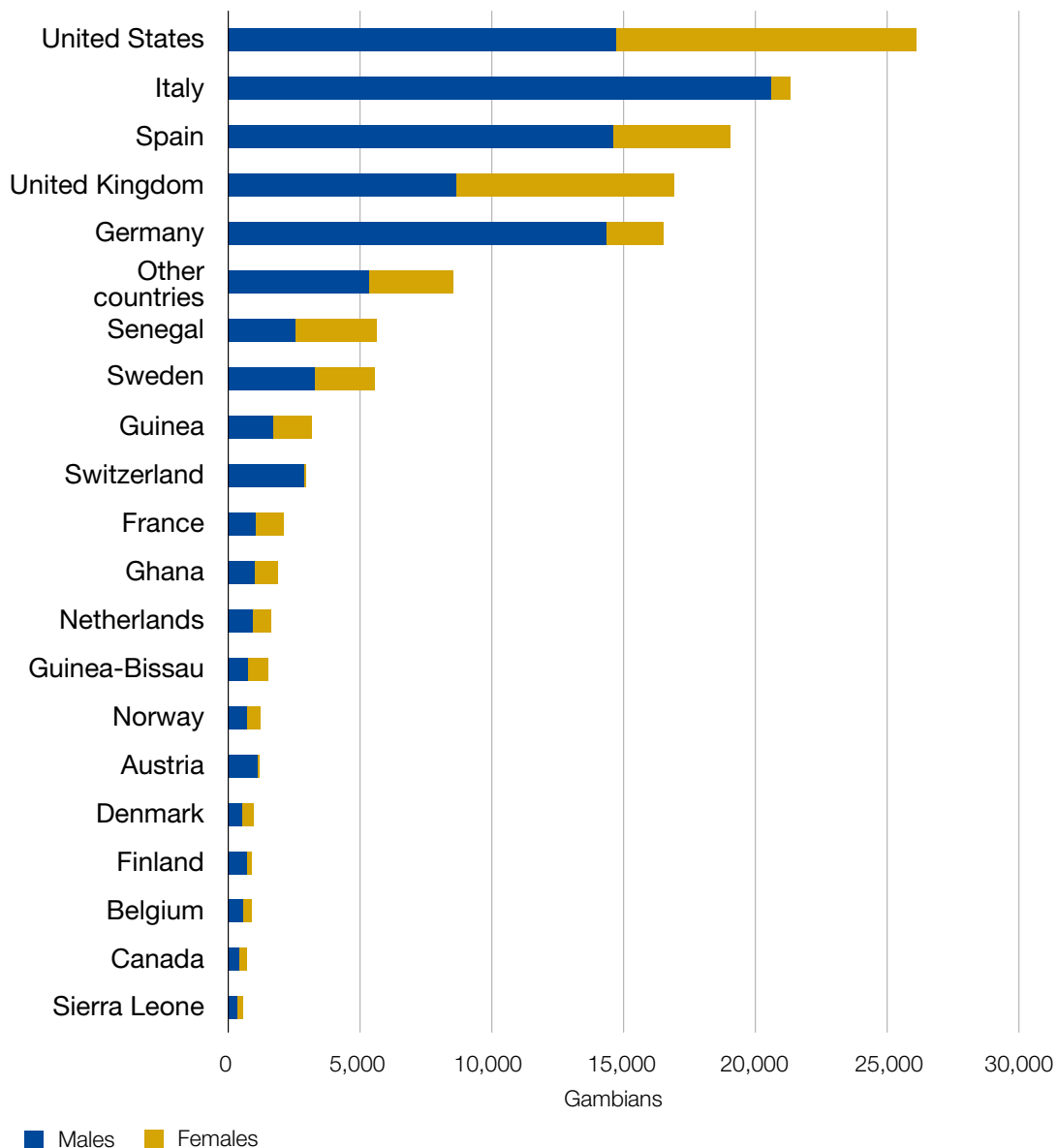
**In 2021, inbound remittances were valued at US\$773 million, having experienced 11 per cent growth year-on-year over the past five years, and accounted for 63 per cent of GDP in 2021 (World Bank).**

According to the CBG, the largest remittance send markets are the United States (30 per cent), the United Kingdom (28 per cent), Italy (7 per cent), Spain (6 per cent), Sweden (6 per cent) and Germany (5 per cent). Money sent home by family and friends is a vital source of income to an estimated 26–37 per cent of households in The Gambia (FinScope, 2019; HIS, 2015). However, despite their importance to the national economy and livelihoods, the values sent home, especially by corridor, are small by global standards, and average transaction costs are among the highest in the world.

All segments of the Gambian population migrate. The reasons differ, and, to a certain extent, the profile of the Gambian diaspora seems to vary with the destination country. Few surveys have been conducted to understand the profile of the Gambian diaspora

from a qualitative perspective. Thus, insights, obtained from stakeholders and existing reports (which are sometimes conflicting), are mainly anecdotal.

**Figure 4. Gambians living outside of The Gambia in 2019**



Source: Kebbeh, 2019.

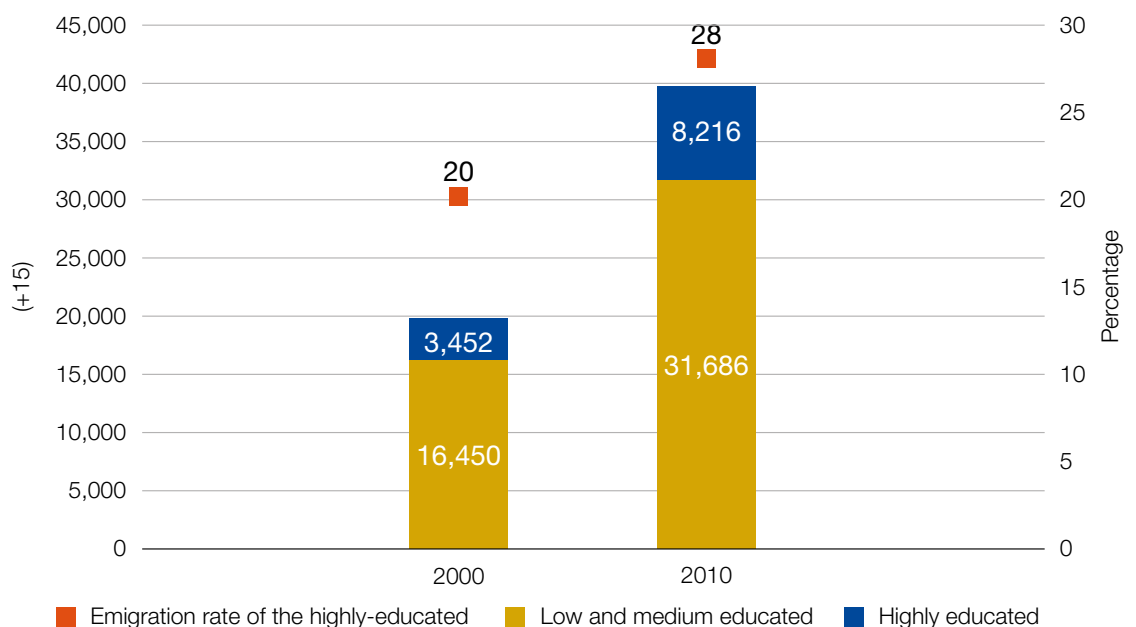
**Northern Europe and North America.** Interviews with stakeholders suggest that the diaspora residing in the United States, the United Kingdom and Nordic countries are more established, well-organized and with higher education and income levels. In addition, it was noted that some Gambians head to Sweden informally, as they can reside there without documentation, suggesting that more people are living in Sweden than the actual data.

**Southern Europe.** Conversely, Gambians residing and working in southern Europe, including Italy, Spain and Portugal, work mainly in low-paying, low-skilled jobs in agriculture and are more from rural areas of The Gambia. In Spain, for example, many Gambians have taken citizenship and the majority reside formally, as they must be registered to access healthcare. However, other reports suggest that there is a large number of irregular migrants who have overstayed their visas (Maastricht University, 2017).

**Intra-African migration.** The number of Gambians formally living in other African countries is relatively low. The main host countries are Senegal, Sierra Leone, Ghana and Guinea-Bissau. However, the size of the diaspora in each is still very small, with 5,630 in Senegal, 1,900 in Ghana and 1,500 in Guinea-Bissau.

A high percentage of Gambians living in Ghana and Guinea-Bissau is women. It is likely that there are significantly more Gambians in Senegal than reported due to the large and relatively porous border between the two countries and the free-movement-of-persons rules within the Economic Community of West African States (ECOWAS). While there are official border crossings between the two countries, there are also many unofficial crossings that people use; hence, the true number is unknown.

**Figure 5. Evolution of Gambian migrant profile (+15) in OECD countries 2000–2010**



Source: IOM The Gambia Migration Profile, 2017. <https://rodakar.iom.int/sites/rodakar/files/document/publications/The%20Gambia%20Migration%20Profile.pdf>.



**Refugees and asylum seekers.** As of 2016, an estimated 11,569 Gambian refugees and 18,869 asylum seekers were living outside the country (Maastricht University, 2017). In recent years, the major destination for Gambian refugees has been Italy (Gambians accounted for 10 per cent of all asylum applications in Italy in 2015).

**The “back-way”.** Gambians are also among the top five nationalities of individuals crossing the Mediterranean to Italy and Spain, a phenomenon known as the “back-way” (Maastricht University, 2017). In 2016, nearly 13,000 Gambians arrived in Italy and Spain by sea. It is estimated that between January 2016 and 2019, over 20,000 left The Gambia (ActionAid, 2019).

According to UN DESA (2019), The Gambia’s total stock of immigrants numbered 215,406 in 2019. As seen in figure 6, most migrants in The Gambia arrived from Senegal (63 per cent), Guinea (21 per cent), Guinea-Bissau (10 per cent) and Mali (5 per cent).

The largest community is the Senegalese, 130,000 of whom formally reside in the country. There is free movement of persons within the ECOWAS region, meaning that most Senegalese are formally residing in The Gambia. The country has also been the destination for a small number of skilled migrants from West African states, including Sierra Leone and Ghana.

The Gambia has hosted refugees from other African countries during conflicts (including, for example, the civil wars in Sierra Leone and Liberia, and the military coups in Guinea-Bissau and Guinea) (Kebbeh, 2013).

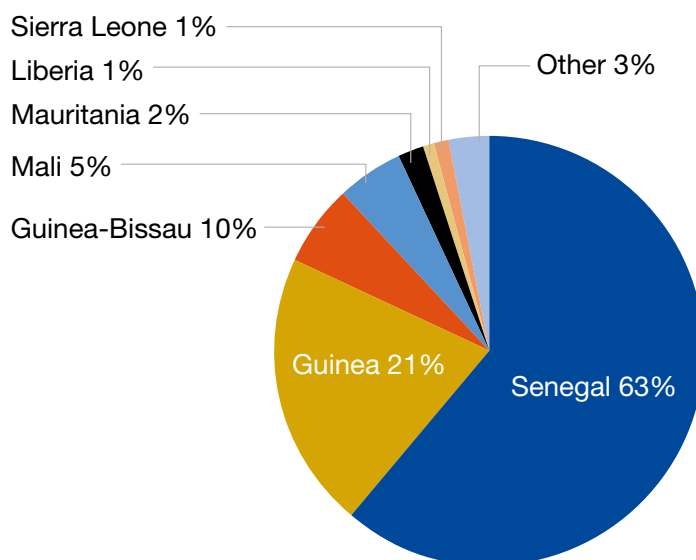
**Formal international remittances account for 63 per cent of the Gambian economy and have been growing at 11 per cent year-on-year since 2015, with an estimated 26–37 per cent of households relying on them.**

According to the CBG, remittance inflows into The Gambia have been growing year-on-year at 9 per cent since 2015. In 2021, remittances were calculated at US\$773 million by the CBG, accounting for 63 per cent of GDP (2021). To put this into perspective, foreign direct investment in The Gambia was US\$71 million in 2019, and US\$189,5 million in 2020. This shows that remittances are almost four times as important as these flows to the national economy. International remittances are not only an important source of income for many households but a significant source of foreign exchange in the Gambian economy, especially since it is an import-dependent country.

According to data collected by the CBG for January-April 2020, the largest remittance corridors are the United States (30 per cent), the United Kingdom (28 per cent), Italy (7 per cent), Spain (6 per cent), Sweden (6 per cent) and Germany (5 per cent). These

*The Gambia is also a destination country for immigrants, mainly from Senegal, and a transit country for migrants travelling through the “back-way”, to North Africa and Europe.*

**Figure 6. Migrant nationalities in The Gambia**



Source: 2019 UN DESA.

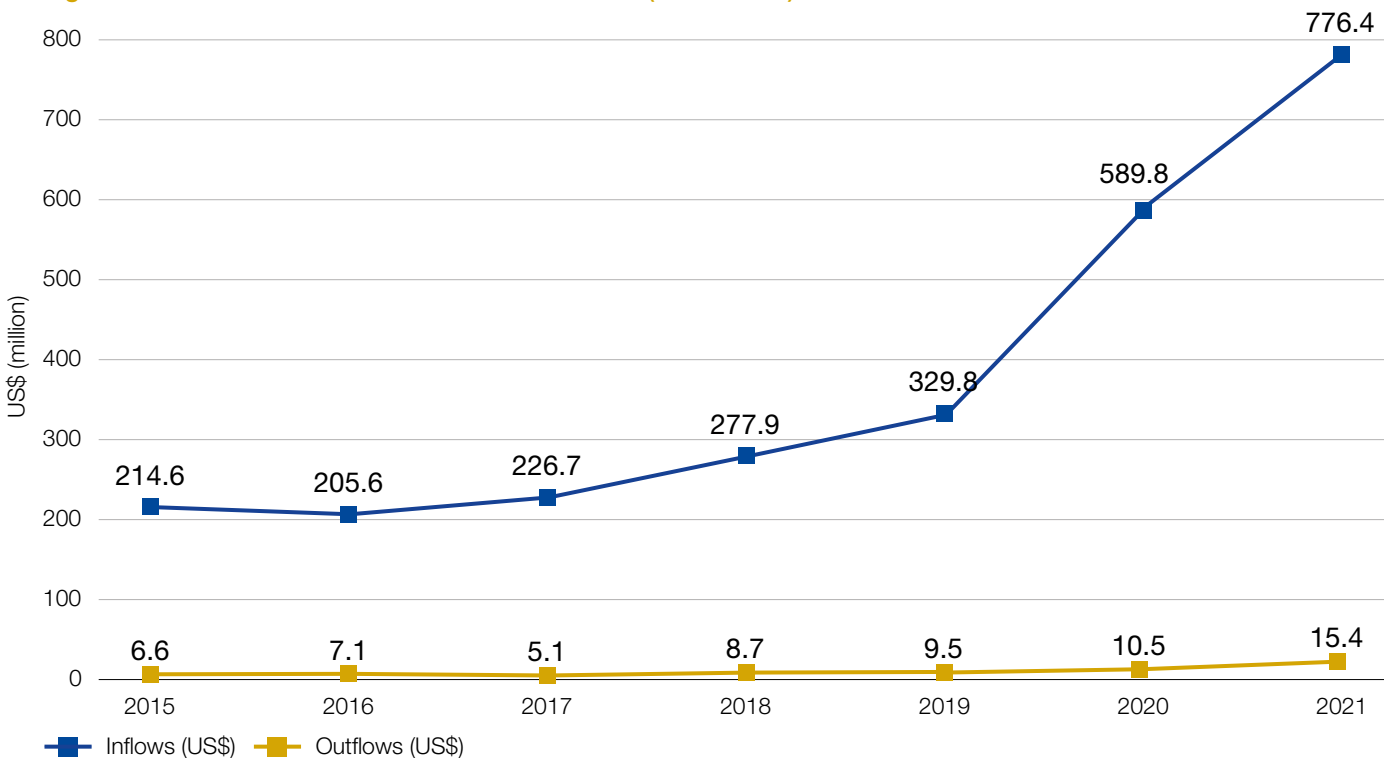
proportions have been applied to the 2019 CBG inflow data to provide insights into the volumes per corridor. Figure 5 shows these adjusted flows against the World Bank’s bilateral remittance matrix estimates.

Data from the World Bank’s bilateral remittance matrix uses migrant stock data and country income differentials as the basis for its estimates, and thus, estimates of total flows, including both formal and informal flows. It is clear from the graph that the World Bank estimates are significantly higher than those reported by the CBG, which may be indicative of the types of values flowing through informal channels. Furthermore, the World Bank estimates suggest that inflows from other African countries are higher, such as US\$6.8 million from Nigeria, US\$5 million from Senegal and US\$4.3 million from Sierra Leone. Formal data from the CBG do not support this.

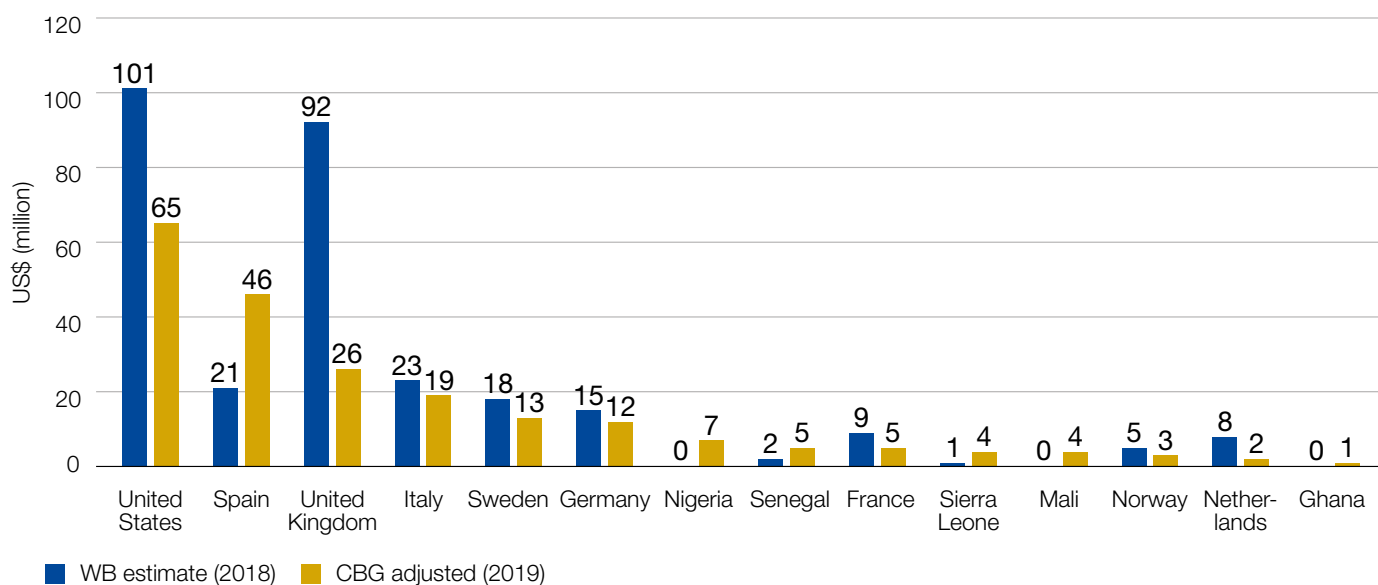
Formal outbound remittances from The Gambia are small. In 2019, the CBG reported that US\$9.5 million in remittances was sent from The Gambia. Since an estimated 10 per cent of the population in The Gambia is foreign, and 6 per cent of the adult population sends outbound remittances, these values are small (averaging US\$44 per immigrant). This again may be indicative of the use of informal services. Discussions with operators suggest that flows from The Gambia to Senegal are significant, but much of these may be covering trade receipts rather than peer-to-peer (P2P) cross-border remittances.

The exact value of money sent informally to The Gambia is unknown, although some research indicates that around 40 per cent of inbound remittances are received through informal channels and as much as 70 per cent of outbound remittances are sent therethrough.

**Figure 7. The Gambia – annual remittance values (US\$ million)**



Source: Central Bank of The Gambia.

**Figure 8. Remittance volumes sent to The Gambia (US\$ million)**

Source: Central Bank of The Gambia.

Discussions with market operators and experts in the Gambian remittance market suggest that a large proportion of remittances are sent home through informal channels. Informal remittances can be:

- Sent via unregistered remittance service providers in the send market (usually trusted people from the community or small business owners) or unregistered forex bureaus in The Gambia;
- Sent via taxi, motorcycle, transit company or bus driver for regional transfers; and
- Carried by family and friends across borders.

Due to their nature of informal remittance services into and out of The Gambia, not much is known about their scale and they have not been quantified. The International Organization for Migration (IOM) is considering undertaking some limited qualitative work in The Gambia to understand the remittance market, including the informal market. Discussions between the Migration and Sustainable Development in The Gambia Project (MSDG2) and the CBG were held with regard to the use and prevalence of informal remittance services. A call to action to shed more light on this phenomenon and understand the prevalence and scale of its use, especially in certain corridors, would be beneficial.

Based on a sample of 1,500 people, FinScope (2019) found that 59 per cent of outbound remittance senders used informal methods, and 37 per cent of those receiving remittances from abroad had used informal remittance services in the past 12 months (see table). Interviews with remittance service providers (RSPs) suggest that these numbers are significant, with many reported unregistered service providers operating from the United States, the United Kingdom and, potentially, Sweden.

**Table 1. FinScope survey on outbound remittances in The Gambia**

	Formal vs informal	Sending money abroad in the last 12 months from The Gambia	Received money from abroad in the last 12 months
<b>Percentage of sample</b>		<b>6%</b>	<b>26%</b>
Cash deposited at bank (branch/bank agent/ATM)	Formal	1%	2%
Money transfer agencies (Western Union, MoneyGram, etc.)		32%	51%
Transfer via MFI/bank (reliance)		7%	5%
Online banking, mobile		n/a	1%
Combination of many means, one of which is formal		1%	4%
Friends or family	Informal	42%	33%
Motorcycle/taxi/transit company		8%	1%
Combination of many informal means		9%	3%

Source: FinScope 2019 Survey (n=1,500).

Interestingly, in response to the COVID-19 crisis, there was reportedly a more than 40 per cent increase in remittances into The Gambia from March to April 2020. This was an unlikely finding, given the severe lock down in many send markets (including Italy and Spain), with less access to services and disruptions in employment. It has been suggested that this significant increase was the result of more people opting to use formal channels due to disruptions in informal services, as borders, shops and businesses have been closed and travel restricted. Whether this is the case is unknown, but it will be interesting to observe behaviour patterns and consumer choices in the future.

The quality of remittance data collected by the CBG has improved and is available with a breakdown by sending country. The data are currently unpublished.

Remittance data are currently collected according to the IMF Balance of Payments Manual 5 (BPM5) and migrated to BPM6 in 2020. Remittance data in The Gambia are collected using the international transaction reporting system (ITRS) for commercial banks. Remittances are sorted by tranches, and the higher-bracket remittances (>US\$500) are considered a proxy for real estate estimates counted in the balance of payment financial account. In addition, remittance inflows gathered from MTOs are sorted by corridor.

There has been a focus in the CBG on remittance inflow data. In 2018, the African Institute for Remittances (AIR) provided technical assistance to the CBG to improve the compilation and reporting of remittance statistics, including capacity-building. Furthermore, data has been discussed at the National Remittance Task Force (NRTF) Round Tables. The MSDG2 has been working with the CBG and advocating that the CBG be the authority on remittance data in The Gambia and that data be published in a monthly bulletin. There is also a call from industry for better data.

The CBG is also trying to capture 80–90 per cent of unofficial transfers. Policymakers traditionally rely on data that captures inflows and outflows only through official channels. Therefore, improving the quality of data in this area will not only complement the CBG's efforts to improve overall balance of payment statistics, but also support the country's efforts to put an effective framework in place to maximize the development impact of remittances.

Remittance data are available on a monthly basis and at the corridor level. It is not clear whether the data are also available by: (a) channel; (b) where the money is picked up; (c) how the money is spent (where available); and (d) the receive subregion.

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## **PRIORITY POLICY ACTIONS**

Building on the work done under the MSDG2 plan, support the CBG in providing enhanced data to the remittance market.

Enhanced data collection on informal flows to shed light on the magnitude of flows and business opportunities for the main corridors (especially intra-Africa).

CBG data on remittances should be published in a monthly bulletin with a breakdown by corridor, sender (diaspora), channel, location received, operators (or market share), receive subregion and insights into the informal market.

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## 2. Financial environment in The Gambia

*The Gambian payment system infrastructure has been significantly modernized since 2011, and volumes and values have been growing accordingly.*

International remittances sent to The Gambia rely on The Gambia's payment system infrastructure to get money to the beneficiary. Removing the need to receive money in cash by terminating money digitally (into a bank account or a mobile or e-wallet), addresses the risks and challenges of handling cash and lowers costs by removing pay out agent costs. However, receiving money digitally achieves this only if it can also be spent digitally; otherwise, money still needs to be cashed out (at an ATM, bank branch or through a mobile money agent).

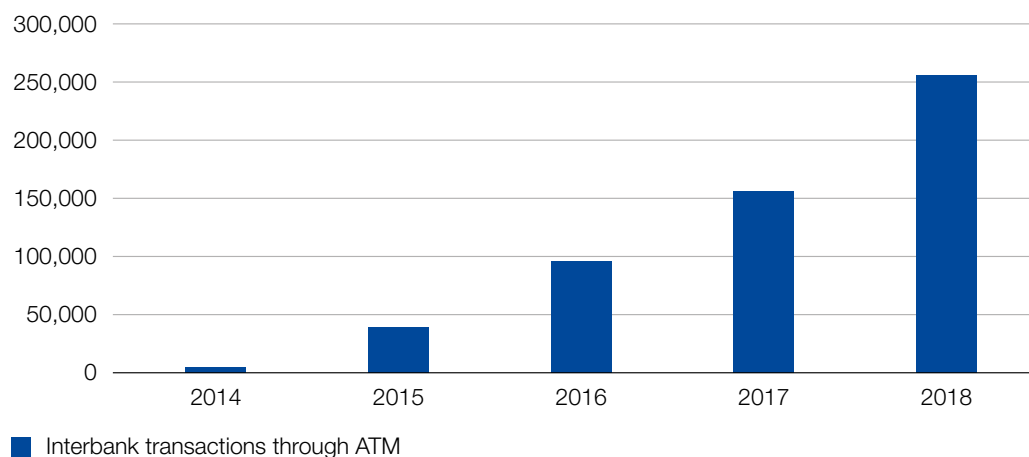
This section looks at:

- The payment system infrastructure in The Gambia that supports the remittance market and digital retail payment growth.
- Financial inclusion in The Gambia and the use of digital payment instruments.
- Identification and address systems required to access remittances and other financial products.
  - a. Gambian payment system infrastructure.
  - b. Interoperability in Gambian payments.
  - c. Financial inclusion.
  - d. Mobile money usage and growth.
  - e. Payment access points.
  - f. Identification and address system.

In 2011, the CBG introduced a range of financial market infrastructures. These include the real time gross settlement system (RTGS), the automated clearing house (ACH) and the securities settlement system.

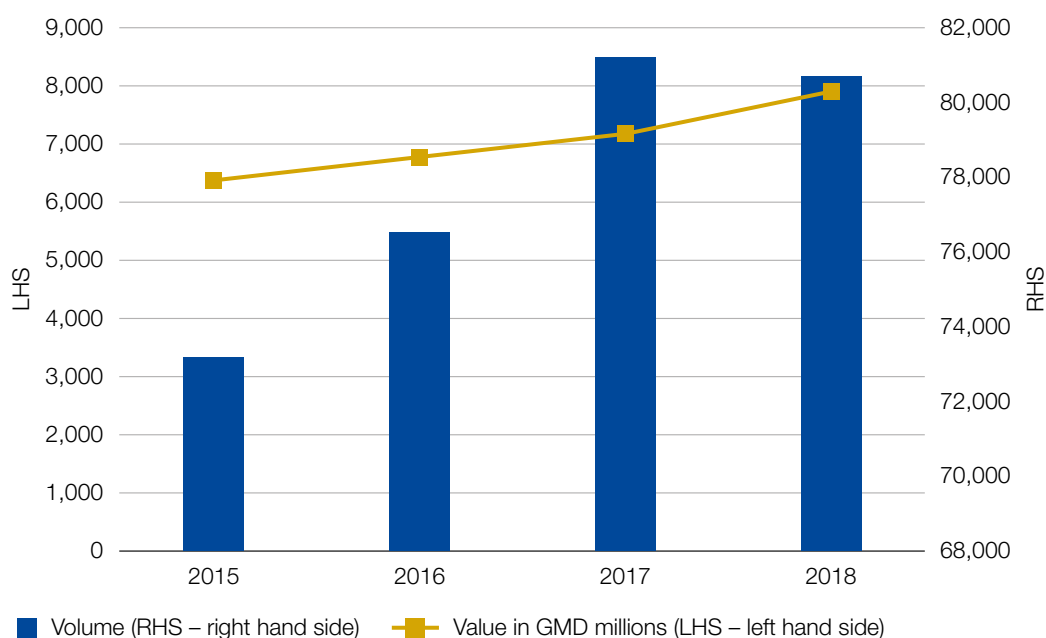
- The RTGS system allows participants to settle high-value and time-critical payments and is part of The Gambia Electronic Payment System (GEPSS).
- The automated cheque processing system (ACP) and ACH handle high-volume and low-value payment transactions. These systems function smoothly and support remittance-to-account services and settlement between MTOs and remittance payout agents in The Gambia.

The volume of transactions through cashless electronic means has been rapidly growing – see growth in transactions through the ACH and use of ATMs in figures 9 and 10. The Gambia also has one national payment switch, GamSwitch, which is a public-private partnership, with 51 per cent ownership by the CBG. GamSwitch provides 24/7 instant interoperability between commercial banks (ATMs and cards) and others. The vision for GamSwitch is to offer “online integration with other parties in the payment ecosystem, including MNOs, retailers, service providers, schools, local and international MTOs, utilities and government agencies.”

**Figure 9. Total number of transactions through ATM**

■ Interbank transactions through ATM

Source: Central Bank of The Gambia.

**Figure 10. Total number of transactions through the ACP/ACH system**

■ Volume (RHS – right hand side)    ■ Value in GMD millions (LHS – left hand side)

Source: Central Bank of the Gambia.

The Gambia has one national electronic payment switch that, from a technology and ambition perspective, offers multi-channel interoperability. However, the existing commercial offerings are undermining the achievement of its vision.

GamSwitch provides a payment gateway for customers to make debit card and account-based payments through network acquirers and channels consisting of all bank ATMs, point of sale (POS) terminals, and web and mobile platforms.

GamSwitch has integrated all 12 commercial banks to provide inter-bank transfers 24/7, and has also integrated with NAWEC (the state-owned utility company) to provide cash power, and with the four mobile network operators (MNOs) to offer airtime top-up. A few

MTOs, such as Yayeh, Kaliloo and Ballu, have integrated to offer remittance-to-account, airtime top-up, and payment of cash power.

GamSwitch is currently trying to increase its number of connections to meet its goal of providing full multichannel interoperability in the market and is in discussions with mobile money providers (MMPs) and MFIs. GamSwitch has also presented itself to the Association of Bureau de Change to demonstrate its value-added proposition, but so far there have been no integrations.

As yet, MMPs have not integrated, which means that if money were terminated into a mobile wallet, funds could not be sent to a mobile wallet from another provider or push/pull to a bank account or e-wallet. This will affect the desirability and use of mobile money.

Pricing is the main challenge to integration with GamSwitch. MMPs, some MTOs and forex bureaus have not integrated because they consider it too expensive. There have also been reports that the system is unreliable. Participants must transfer certain volumes for it to be profitable. Due to the low number of bank and mobile money accounts, there are currently no benefits of joining GamSwitch. Fee structures differ, depending on the product, such as open application programming interface (API) for airtime. There is usually a membership fee, plus a marginal fee for usage. For MTOs, GamSwitch would charge about 2 per cent of the send amount, which is far too high if the goal is to keep the total cost below 3 per cent.

There is very limited competition for switches in the market, and with the existing commercial offerings, integration does not make sense for some players. The Gambia has low levels of financial inclusion and mobile money use and, therefore, the benefits of integration in terms of reach and volume are not immediate. As they increase, the commercial attractiveness of GamSwitch should as well.

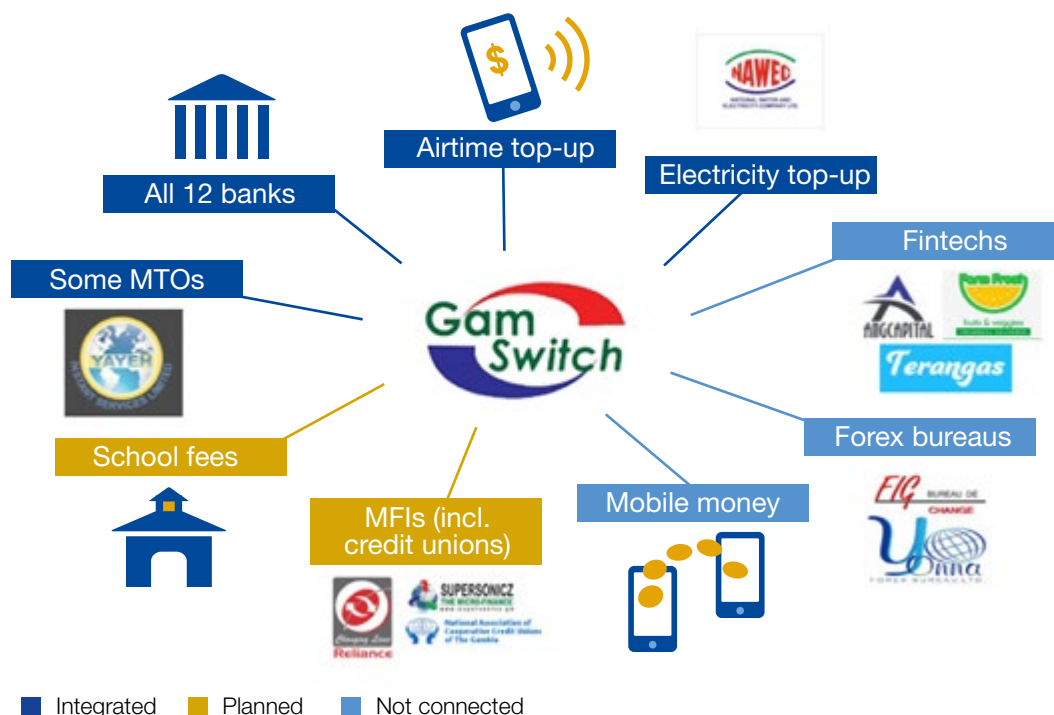
As a public utility, 51 per cent is owned by the CBG. Whether there is a role for the CBG to intervene in the market to encourage interoperability between the different digital payment channels is an aspect that should be explored.

Overall, the existing payment system provides the basic infrastructure and foundations to support cash and account-based remittances in the market, but not mobile money.

The formal financial sector in The Gambia is made up of banks and a range of different non-bank financial institutions. Each caters to different segments of society and provides tailored financial services.



Figure 11. GamSwitch



Source: DMAG 2020 research.

Table 2. Payment systems

Payment system infrastructure	Function	Current status in The Gambia	Notes
ACH	For small value electronic transfers between bank accounts and depositing funds in people's accounts.	😊	Exists and is operating smoothly according to the central bank. According to GamSwitch, these functions are not instant or 24/7.
RTGS	For large value bulk transfers for settlement between institutions.	😊	Exists and is operating smoothly according to the central bank. According to GamSwitch, these functions are not instant or 24/7.
National switch	To provide interoperability between banks, ATMs and POS.	😊	Operational – all banks are connected. Provides 24/7 instant services. Use of ATMs has been increasing since 2014.
	To provide interoperability between mobile money providers and banks.	😞	Technically possible, but to date no MMP has integrated due to the cost of the services.
	To allow NBFIs to integrate, including MFIs and MTOs etc.	😐	Operational, but still in its infancy. Currently being rolled out. A few IMTOs have joined, NAWEC, airtime top-up. In the process of including MFIs, targeting forex bureaus and open to others.

Source: DMAG 2020 research.

**Table 3. Bank and non-bank financial institutions in The Gambia**

Banks	Non-bank financial institutions (NBFIs)						
	Insurance companies	Microfinance institutions (MFIs)			Mobile money providers	Foreign exchange bureaus	
		Finance companies		Fiduciary financial institutions			Village savings and credit associations (VISCAs)
Commercial banks			National Association of Cooperative Credit Unions of The Gambia (NACCUG)				
12 banks	11 companies	3 finance companies	55 (12 more coming soon)	1 (in principle)	69 VISCAs	2 MMPs	115 forex bureaus
87 branches and 69 ATMs	10 brokerage firms and 130 insurance agents	112 branches	Each 3–6 branches			852 mobile money agents	833 branches
<ul style="list-style-type: none"> <li>– Offer core banking services to their customers.</li> <li>– All major commercial banks provide e-banking services and at least one has an app for customers.</li> </ul>		<ul style="list-style-type: none"> <li>– Able to take deposits, loans, remittance and foreign exchange services.</li> <li>– Reliance is the largest finance company. Reliance is the largest MFI reaching 27,000 clients and 97,000 savings clients and is responsible for 20% of financial inclusion in The Gambia.</li> <li>– Finance companies are in the process of speaking to GamSwitch.</li> </ul>	<ul style="list-style-type: none"> <li>– Deposit and credit – some offer remittance services.</li> <li>– Two types (1) professional (mainly in urban areas and (2) community based (mainly in rural areas).</li> </ul>	<ul style="list-style-type: none"> <li>– Highest category of MFI in The Gambia.</li> <li>– Social Development Fund (issued a licenced in principal).</li> </ul>	<ul style="list-style-type: none"> <li>– The VISCA is the official micro finance organization that represents the network of smaller financial institutions throughout The Gambia. Financial associations at the village level in order to funnel cash savings at enterprise loans for villages under their own local area. Savings and credit products only.</li> <li>– According to information from 2013 – therefore outdated – there were 71 existing VISCAs providing direct benefits to over 45,000 households with deposit of GMD 11.8 million and GMD 24.4 million loan portfolio benefiting over 35,000 rural poor in the country of which women constitute 40 per cent.</li> <li>– They need reviving to help drive financial inclusion.</li> <li>– There are aims by the CBG to professionalize them. The CBG has an effort to commercialize or privatize VISCAs in collaboration with the VISCA apex.</li> </ul>	<ul style="list-style-type: none"> <li>– P2P payments, airtime top-up, payment of utilities.</li> </ul>	<ul style="list-style-type: none"> <li>– Provide foreign exchange services and also money transfer services – either as agents for IMTOs or providing direct services.</li> <li>– No other financial services.</li> </ul>

Source: DMAG 2020 research.

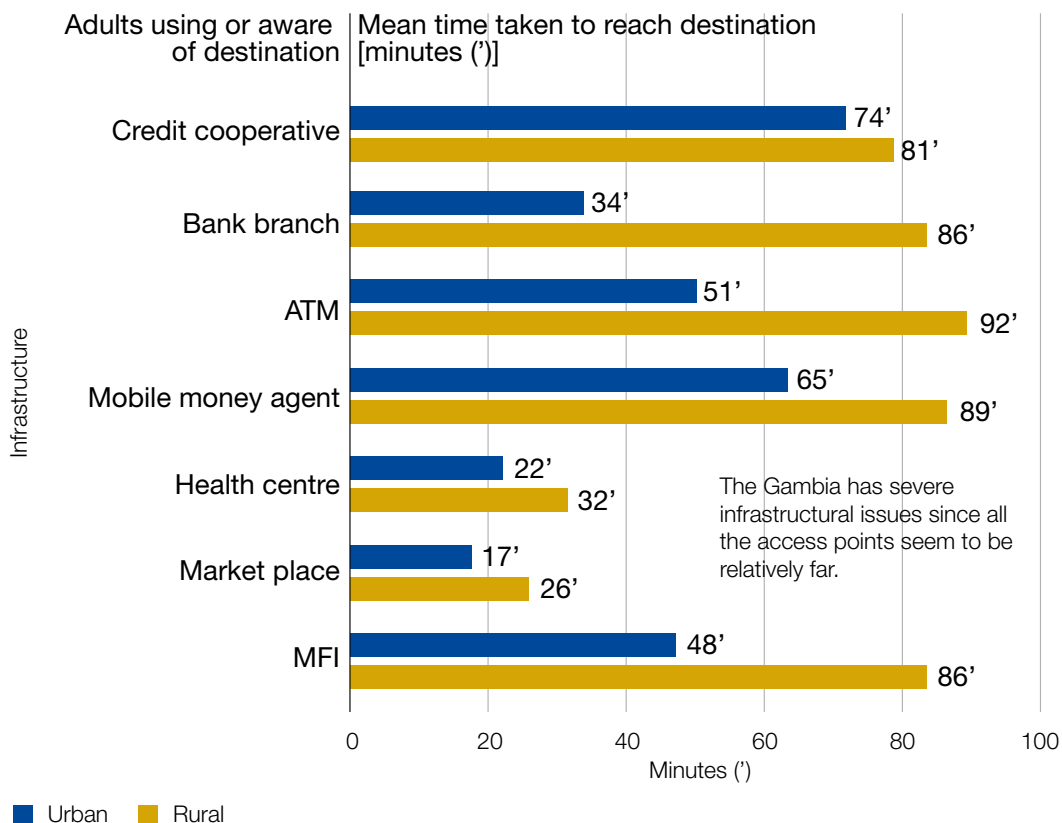
Understanding access (in terms of physical proximity) to financial services in The Gambia is not very easy. Financial service providers are concentrated in urban areas and, even if accessible, much of the quality and/or range of products and services in rural areas is poor.

Formal financial services are located primarily in urban areas, with the majority of locations in Banjul and surrounding districts. The CBG reports that 28 per cent of financial service locations are in provincial areas and that there are services in all administrative regions and subregions. However, this is likely to be the result of the extensive forex bureau network, which for the most part offers only foreign exchange and money transfer services.

The FinScope (2019) survey found “severe infrastructure issues, since all access points seem to be relatively far” in both urban and rural areas. It is unclear whether this survey included village savings and credit associations (VISCAs) as formal financial services in its analysis. In rural areas, especially in the country’s eastern region, MFIs are the main financial service providers. However, according to FinScope (2019), they are still nearly an hour away, even in urban areas, and an hour and a half away in rural areas.

There is a role for agency banking to further bring formal financial and banking services to the remote parts of the country. Because from a regulatory perspective, agency banking is permitted in The Gambia, there are opportunities for banks to partner with non-bank financial institution (NBFIs) to offer a wider range of financial services. For example, in 2018, EcoBank pioneered agency banking in The Gambia, offering deposit and withdrawal services through accredited retailers to reach the remotest areas of the country. Other examples have not been identified.

**Figure 12. Understanding people’s lives – infrastructure**



Source: FinScope 2019.

*Formal financial inclusion in The Gambia is very low, due to heavy KYC restrictions and low financial literacy, which means that for most people, terminating their remittances digitally is not an option.*

Financial inclusion is defined as the availability and equality of opportunities to access financial services. It refers to a process whereby individuals and businesses can access appropriate, affordable and timely financial products and services. These include banking, loans, equity and insurance products. Financial inclusion allows people to manage their finances, protect themselves through savings and insurance, have resilience against future shocks and access affordable credit.

Financial exclusion is high in The Gambia, even compared to peer countries. FinScope (2019) surveyed 1,500 people across The Gambia and found that 69 per cent of people are financially excluded (75 per cent in rural areas), only 5 per cent have a bank account, and only 2 per cent use mobile money.

No work (34 per cent), no regular income (28 per cent) and lack of trust (7 per cent) were identified in the FinScope survey as the main reasons for not having a bank account, and 3 per cent of respondents cited not having the required documentation. However, according to financial service providers in The Gambia, KYC requirements for opening an account are a major challenge for Gambians trying to access formal financial services, especially with a bank.

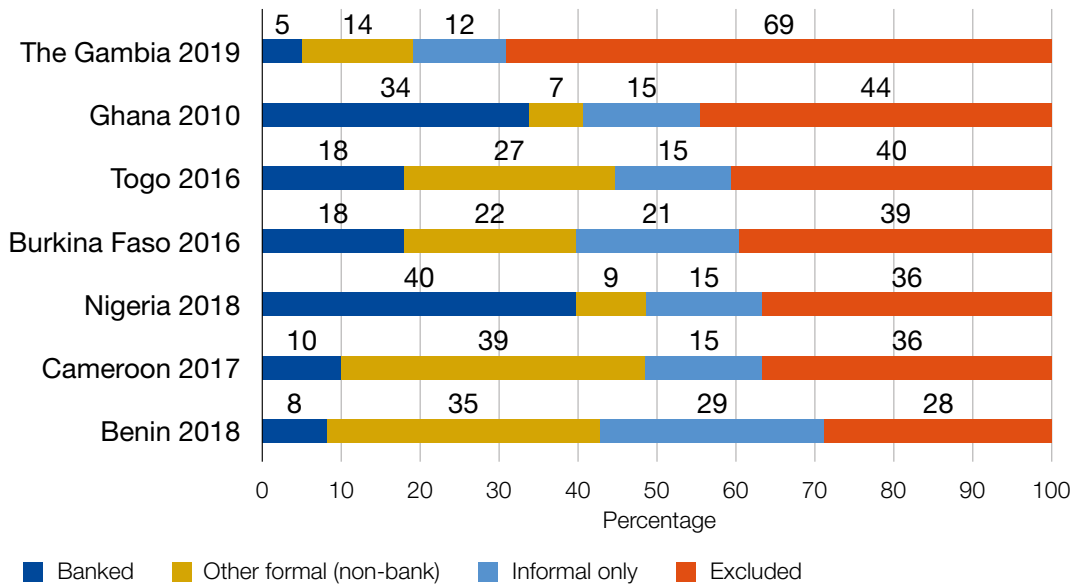
The low levels of financial inclusion in The Gambia mean that people receive their remittances in cash at physical locations, rather than digitally into bank accounts or mobile wallets. The Gambia is at the start of its journey to create a well-used digital payment ecosystem that eliminates the need for cash, agents and the risks associated with cash.

These low financial inclusion levels also offer an opportunity for remittances to play a driving role in improving access, awareness and uptake. Since international remittances are received by an estimated 26–37 per cent of the population (FinScope, 2019; HIS, 2015), and a significant proportion will be visiting formal financial locations to collect their remittance, this interaction and relationship with the formal sector is a potential conduit for building trust, providing financial education and driving financial inclusion.

While services are available, uptake has been very low. More financial education and merchant and bill payment options favourable to consumers are needed to drive the use of digital payments and financial inclusion.

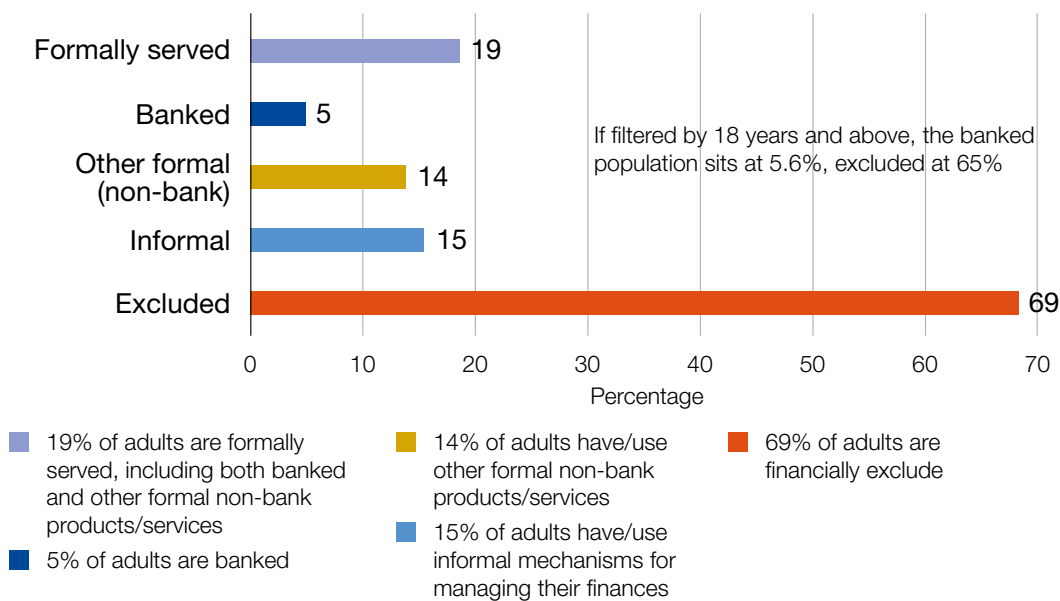
The CBG, with partners, is currently finalizing its National Financial Inclusion Strategy, which should provide a coordinated roadmap on how to drive financial inclusion in The Gambia. In 2018, the CBG joined the global financial inclusion network, the Alliance for Financial Inclusion (AFI). Since then, it has received technical assistance from the World Bank and the United Nations Capital Development Fund (UNCDF) to formulate the Strategy, with full support from the Ministry of Finance and Economic Affairs and buy-in from key stakeholders. The first draft has been completed and is currently under review to enter the operational phase.

Figure 13. Financial access strand 2019



Source: FinScope 2019.

Figure 14. Financial inclusion rate of the Gambian adult population



Source: FinScope 2019.

The National Financial Inclusion Strategy will have four pillars:

- Access, quality and usage.
- Enabling financial infrastructure.
- Financial innovation.
- Consumer protection.

The strategy is now operationalized through specific working groups.

The National Financial Inclusion Strategy should be reviewed with respect to the opportunities to leverage international remittances for financial inclusion and vice-versa. Given the role and importance of international remittances in The Gambia, they should be included across the national strategy, as there are specific considerations. For example:

- Financial literacy needs of prospective migrants, migrants, returnees and remittance-receiving households;
- Specific consumer protection required to support international remittances; and
- Products and services – innovation for international remittances, etc.

The use of mobile money in The Gambia is still in its infancy. Despite a very high number of mobile subscribers, MMPs having the largest agent networks across The Gambia (825 agents, according to the CBG) and the existence of a sound regulatory environment (ranked eighth globally in the GSMA Mobile Money Regulatory Index, 2019), the use of mobile money has yet to take off as it has in other African countries.

FinScope (2019) found that only 2 per cent of Gambians were using mobile money since its live use in 2016, with a slow uptake. Additionally, Gambians are not yet permitted to terminate international remittances and, therefore, only handle domestic remittances and other local P2P transfers.

QMoney and AfriMoney are The Gambia's two MMPs that offer domestic P2P transfers, cash in/cash-out (provider only) and bill payments for NAWEC. Transactions are all effected in US\$ or with an agent.

**QMoney** is Gambian-owned and has 600 agents, 45 per cent of whom are active.

**AfriMoney** has over 2,000 agents across The Gambia and over 200,000 mobile wallet subscribers. Of these, almost 920 agents and 16,500 subscribers are active. Most keep money in their wallet to buy airtime.

People send an average of GMD 200–1,000 (US\$4–20) all around the country. Mobile money wallets are capped at a maximum balance of GMD 50,000 (US\$1,000).

Challenges facing the mobile money market in The Gambia include:

1. Lack of interoperability with each other or with the national switch.
2. Limited merchant payment opportunities, meaning that customers have few choices with their wallet other than to cash out or buy airtime.
3. KYC does not appear to be a major issue, and customers can register with a voter card, but the fragmented ID regime in The Gambia means that operators could be faced with a variety of IDs that they may not recognize. Tiered AML/CFT framework, light KYC and ID alternatives are among the reforms envisioned to accelerate financial inclusion.
4. Low financial literacy and literacy levels (51 per cent of adults, World Bank 2015).
5. Liquidity management at the agent level, with domestic transactions averaging GMD 200–300 (US\$4–6) only. During the COVID-19 lockdown, many agents chose household expenditures over business expenditures.
6. Limited “network effect,” with a concentration of agents in the western part of the country and lack of full national coverage.

7. Challenges around customer awareness. FinScope (2019) found that even though more than 68 per cent of adults knew about mobile money, 35 per cent felt they needed more information about it and 8 per cent needed more training on how to use it. Furthermore, many individuals believe they need access to data to use mobile money, which is not the case. Many customers do not understand the service charges for using their mobile wallet for things like cash power, causing them to distrust the service.

According to stakeholders, The Gambia's identification system is rather fragmented, with several different types of government-issued IDs. There was also a stretch of about two years where no new IDs were being printed, so operators were required to (and sometimes still do) accept expired IDs. Moreover, the government will sometimes issue a new type of ID, such as a new driver's licence design, that operators have not yet seen but is technically valid. Operators then must quickly get their employees up to speed in verifying this new ID.

The process for acquiring some forms of ID can also be cumbersome, which discourages people from obtaining or renewing their ID. For example, driver's licences must be renewed every year, resulting in long lines at the licence centre, discouraging many people from obtaining or renewing their licence.

Many people, especially in rural areas, simply do not have an ID. Further research is needed to determine why, particularly if access to official ID centres is the issue.

In 2009, The Gambia launched The Gambia Biometric Identification System (GAMBIS), an integrated multi-document identification platform. It is a controversial project through which the Government of The Gambia aims at capturing biometric information of all citizens and aliens in the country. This data will be used to issue national ID cards, residence permits, driver's licences and work permits. This system also includes the National Identification Number, a unique 11-digit number that is matched to the cardholder's thumbprint. The programme also aims at facilitating commercial, legal, financial and government transactions. It has come under criticism because its contract to operate is with a company under investigation for corruption, and the extent of the roll-out is unclear.

There is also no proper address system in The Gambia, particularly outside of Banjul, making it hard to verify the address of those interested in opening a bank account. In fact, many streets remain nameless, and an address is part of the minimum KYC required by banks globally. Ghana has developed a digital address system using postal codes for every 5 m<sup>2</sup>. P2P knowledge sharing could be utilized to help bring this to The Gambia.

Throughout The Gambia, residents also have very similar names and names that often have slight variations in spelling. This compounds the address issue and leads to The Gambia's high KYC requirements. People with the same first and last names, often even spelled the same way, might all live in the same general area, making it hard to differentiate among them on paper. That is why banks end up requiring a photo ID and a tax identification number as their minimum KYC requirements, which are much higher than those of peer countries. While proof of address is not a requirement for money transfer services, it still prevents the possibility of financial inclusion for remittance families.

*One of the main access barriers to formal financial services in The Gambia are challenges created by a fragmented identification system, including expired documentation, similar names and lack of addresses, which contribute significantly to The Gambia's high KYC requirements.*

Several interventions could be used, and some are already under review, to streamline and improve The Gambia's ID system and lower KYC requirements to reflect current realities in the country:

Stakeholders have recommended a national database that would issue each resident a unique identifier even if they live near others with similar names. GAMBIS would address this.

A simple interim solution would be to ensure that a driver's licence does not require annual renewal.

The CBG is working with other stakeholders to lower KYC requirements, especially in rural areas. It has recommended that someone with an ID could perhaps be allowed to open an account on behalf of someone without one. The World Food Programme's project in rural areas accepts expired IDs and asks the village head to "validate the identity of the person;" otherwise, it would not be able to register many people for the programme (Stakeholder Interviews, 2020).

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## PRIORITY POLICY ACTIONS

The National Financial Inclusion Strategy (NFIS) should be reviewed by the National Remittances Working Group (NRWG) (or a subset thereof) to ensure that international remittances are incorporated and considered across the NFIS, and the NRWG should be included in the NFIS development process.

Increase financial education and awareness among remittance receivers and the general public across the country, especially in rural areas, to drive financial inclusion.

Support regulated organizations such as forex bureaus and credit unions (and potentially VISCAs) where international remittances are collected to play a role in driving financial inclusion.

Onboard more merchants and billers (schools, hospitals, government-to-person (G2P) and person-to-government [P2G], taxes, etc.) into the digital payment ecosystem so that customers have a place to use their accounts and wallets, thus reducing the need to cash out remittances.

KYC requirements for all financial services should be reviewed to ensure that they are proportionate to the risks and take the realities of identification and access in the country into account.

The Gambia's address and identification systems should be streamlined, using best practices from other African countries.

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# 3. Regulatory environment

**Engaging in cross-border money transfers requires operators and their partners to follow the rules and regulations of the host jurisdiction.** Each country has its own regulatory environment. Regulations govern licensing (in terms of who is allowed to operate in the market); compliance, including anti-money AML/CFT frameworks and KYC requirements; consumer protection; exclusivity; and, the rules of engagement.

This section presents the regulatory environment for international remittances in The Gambia, assessing whether it is fit for purpose, proportionate, fair and consistent in meeting goals of the PRIME Africa initiative.

- Overview.
- Licensing.
- Compliance.
- Other association regulations.

The remittances industry in The Gambia is regulated and supervised by the CBG. This includes all financial institutions involved in the international and domestic remittance markets. GamSwitch and the telecom companies are regulated by the Public Utilities Regulatory Authority.

*The regulations for The Gambia's remittance environment are clear, centralized and allow for a diverse range of operators, but they could be extended to be agnostic of the type of business that can provide remittance services.*

**Table 4. Bank, non-bank financial institutions and non-financial institutions in The Gambia**

Banks	Non-bank financial institutions (NBFIs)					Non-financial institutions	
Commercial banks	Insurance companies	Microfinance institutions (MFIs)			Mobile money providers	Foreign exchange bureaus	Retail shops/ petrol stations, etc.
		Finance companies	Fiduciary financial institutions	Village savings and credit associations (VISCAs)			
		National Association of Cooperative Credit Unions of The Gambia (NACCUG)					

■ Not authorized to pay out international remittances by the CBG

Source: DMAG 2020 research.

*Banks and certain NBFi classifications are the only entities authorized to pay out international remittances in The Gambia, which hinders access.*

The CBG has clear guidance for those wishing to provide international money transfers. In 2015, the CBG’s Foreign Department published “Policy guidelines on money transfer operations in the domestic foreign exchange (forex) market,” including the authorization process and requirements, agents, settlement, records and AML/CFT.

According to the MTO Guidelines, only authorized money dealers, including deposit money banks, bureau de change and finance companies (including credit unions), are permitted to engage in forex business. IMTOs are not required to be licensed in The Gambia but must partner with authorized money dealers who will pay out remittances on their behalf. All partnerships must be approved by the CBG. There is currently no licence for MTOs in The Gambia, which tend to operate under the forex bureau licence. All authorizations must be renewed annually. Exclusivity agreements between MTOs and payout partners are expressly prohibited (section 5.8, 2015).

Mobile money providers are not currently paying out international remittances, only domestic P2P payments. The 2011 Regulation for the provision of mobile money services neither permits nor prohibits international remittances, but since they are not included in the list of authorized dealers in the 2015 MTO guidelines, they are not legally permitted to engage in the market.

Non-financial institutions, such as retail outlets or gas stations, are also not permitted to pay out remittances as they do in other African countries. These entities are permitted to engage in agency banking.

VISCAs are community-based MFIs that are owned and managed by their members and are not permitted to pay out international remittances.

The CBG has guidance for both customer due diligence and compliance through:

- The Customer Due Diligence Guideline, which was issued to financial institutions in 2007; a revised version has been issued.
- The MLA 2003, which has been revised, and a new AML/CFT 2012, which was enacted in June 2012.

The Financial Intelligence Unit of The Gambia (FIU) is the agency created to combat AML/CFT. The FIU works closely with the global Financial Action Task Force (FATF) and the FATF-style regional body called the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA).

*The CBG is currently reviewing the KYC framework for MFIs and MMPs to create a tiered system that factors in irregular ID holders. The KYC requirements for opening a bank account remain high, hindering access in the country.*

## KYC requirements

- Sending remittances. Since there are no forex restrictions, Gambians can send as much as they want out of the country, but anything above US\$10,000 needs to be reported to the Financial Intelligence Unit. All that is required for sending remittances is an ID such as a national ID, driver's licence or passport.
- Receiving remittances. Receivers must furnish proof of identification, which can be a national ID, passport, driver's licence, residence permit or other government-issued ID, and in some locations, such as Reliance Financial Services (an MFI), a voter ID card is permitted.
- Bank account. To open a bank account, individuals need a valid ID, tax identification number and proof of address. Many banks also require two references and proof of income.
- Mobile money. To acquire a mobile money account, individuals must have a registered SIM (which requires a valid ID) and have activated the service on their device.

The CBG is currently working with UNCDF and stakeholders to implement a tiered KYC framework for MFIs and mobile money in line with FATF recommendations. The particular focus here is on onboarding, especially for people with irregular IDs. For example, many people currently use SIM cards that are registered under other people's names because they do not have their own ID. While this framework would set limits for accounts, it would allow those with an irregular or no ID to access basic financial services through mobile money.

The Gambia is not on the FATF list of countries identified as having strategic AML/CFT deficiencies. The country does not offer explicit consumer protection for international money transfers or any deposit or pass-through protection for people saving funds formally.

## Consumer protection

Within all the publicly available laws guiding financial institutions, consumer protection clauses are not explicitly addressed, except for section 7c of the 2009 Guidelines for forex bureaus, which requires them to clearly display their prices.

The Gambia has a competition and consumer protection commission with three acts listed on its website that do not explicitly pertain to financial services and remittances. It should also be noted that if people wish to lodge a complaint with this commission, they must pay the processing fee themselves, and this fee is not explicitly stated.

Consumer protection provisions are found in the mobile money guidelines, but since international remittances cannot be terminated, it is unclear whether the same protections would apply to all remittance users (not only domestic ones).

In The Gambia there is also The Gambia Competition and Consumer Protection Commission (GCCPC).

*KYC requirements vary with the type of product but are satisfactory for receiving remittances, where a wide array of identification can be used but must be improved to drive financial inclusion through banks and NBFIs.*

## Deposit protection

While there are no explicit provisions for deposit protection, the National Association of Cooperative Credit Unions of The Gambia (NACCUG) does not allow its members (credit unions) to use customer deposits for their remittance business, which suggests that there might be a deposit protection scheme in the country that simply is not available publicly.

There is currently no pass-through deposit protection, but it is needed to ensure that people's funds in mobile money wallets are protected, even if all the funds are held in an escrow account.

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### PRIORITY POLICY ACTIONS

Work toward allowing international remittances to terminate into mobile wallets, especially if mobile money is considered a key driver of financial inclusion in the forthcoming National Financial Inclusion Strategy.

Expand remittance payout networks to other types of institutions with liquid networks across The Gambia – e.g., VISCAs, gas stations, retail networks – to be able to pay out remittances.

Develop and introduce stronger consumer financial protection provisions that are coherently and publicly spelled out and applicable across all financial sectors and services.

Support regulated organizations, such as forex bureaus and credit unions (and potentially VISCAs), where international remittances are collected to play a role in driving financial inclusion.

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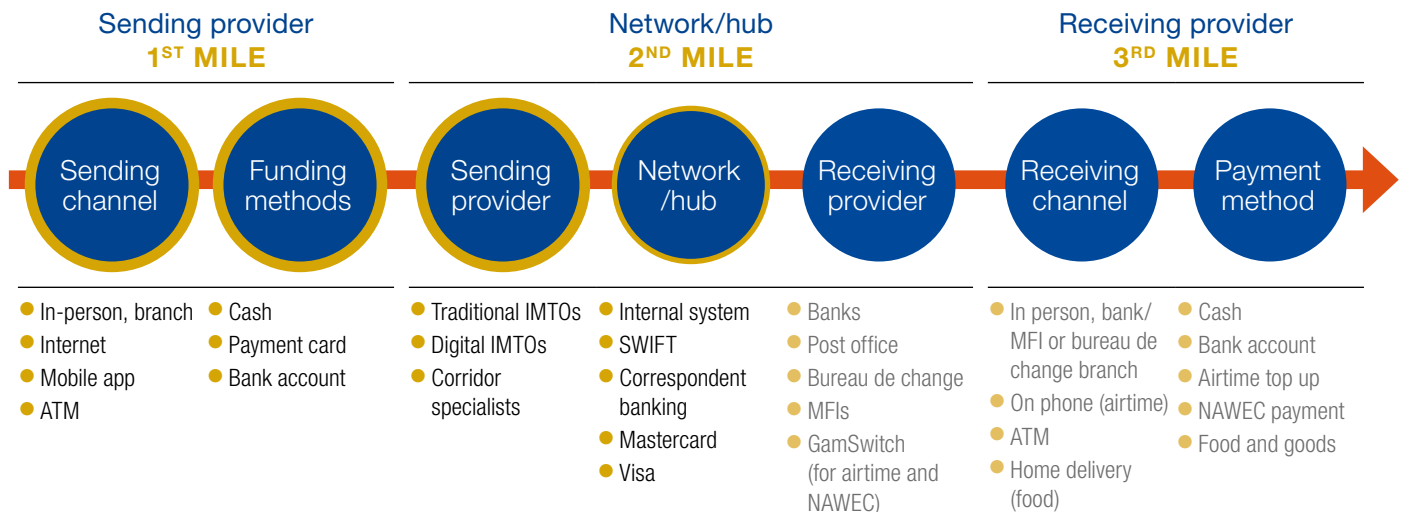
# 4. Remittance market structure

This section explores the remittance market structure, looking at the structure of and competition in the main send markets and payout networks in The Gambia and for outbound remittances. The cost of sending money to The Gambia is assessed, indicating some of the cost drivers that have been identified; and finally, insights into access to services are provided.

- Remittance value chain.
- First mile: market structure.
- Third mile: market structure.
- Pricing.
- Cost drivers.
- Access.
- Outbound remittance market structure.

*Remittances sent to The Gambia involve a number of different entities at both the send side and receive end. Due to low financial inclusion, cash/agent services through MTOs are the most used.*

Figure 15. Remittance service providers (RSPs) in The Gambia



Source: DMAG 2020 research.

## First mile

Western Union has the largest market share, followed by APS International, which is a Gambian-owned regional specialist focusing on this corridor.

Table 5. The first mile

Traditional MTOs	Digital MTOs	Corridor specialists
<ul style="list-style-type: none"> <li>– The Gambian remittance market is dynamic and served by most of the large international MTOs including Western Union, MoneyGram, Ria, Sigue, Xpress Money and SmallWorld.</li> <li>– Western Union has the largest market share, followed by MoneyGram and Ria (according to CBG).</li> <li>– SmallWorld acquired a Gambian MTO and is focused and competitive in this corridor.</li> </ul>	<ul style="list-style-type: none"> <li>– Online money transfer providers, such as WorldRemit and Azimo also serve this market offering cash pick-up and airtime top-up.</li> <li>– Usually digital services are more competitive but this is not the case in The Gambia.</li> <li>– The corridor specialists are mainly online and have a high market share.</li> <li>– Overall, digital MTOs have a relatively small market share.</li> </ul>	<ul style="list-style-type: none"> <li>– APS International is a corridor specialist that operates from Austria, Denmark, France, Germany, Italy, Norway, Sweden, the United Kingdom and the United States and has the second largest market share into The Gambia. They send to other markets as well but The Gambia is their primary focus. Their service is predominantly online, app-based or through a call centre.</li> <li>– Other corridor specialists include Supersonicz (which is also a licenced MFI in The Gambia), Yayeh and Bayba. There are also further corridor specialists from the United States and the United Kingdom.</li> <li>– They tend to be more competitively priced.</li> <li>– There are also new fintech corridor specialists including Kuringo (coming soon) and ANG capital.</li> <li>– There are also a few providers offering remittance-goods services (such as food)                         <ul style="list-style-type: none"> <li>– Terrangas, Farm Fresh and now APS International.</li> </ul> </li> </ul>
		

Source: DMAG 2020 research.

## Second mile

The CBG currently authorizes 33 MTOs to provide remittance services through payout partners in The Gambia. Few of The Gambia corridor specialists are providing services from the European Union.

A significant number of MTOs send money to The Gambia, considering the size of the market. All of The Gambia-only providers serve the United Kingdom and the United States.

While data by operator is not available, according to interviews conducted, Western Union has the largest market share, followed by APS International, and then Ria and MoneyGram.

Table 6. The second mile – money transfer operators in The Gambia

IMTO	Gambia and 5+ other corridors	Gambia 1–4 corridors	Gambia only	Unknown	Discontinuing
Western Union (first)	AFTAB (Ace)	Gamdirect	Tanzlanta	Amsterdam	Transfast
MoneyGram	APS International (2nd)	Shaka	Kemoson	Rupali	
Ria	Shika Cash (Wac)	Metropolitan Jollof	EDI	Speed	
Small World	Yayeh	Unity Link (Ghana)	Mbakey Finance	Smart forex	
World Remit	Jula Finance		Ping Money	Jula Kunda	
XpressMoney	Supersonicz			Money Exchange	
Wari	Jallow Enterprise			Choice Money	
	Immedi8				
	MoneyTrans				
	Rapid Transfer				

■ Send from at least one EU country

Source: DMAG 2020 research.

## Third mile

The Gambia payout is cash/agent-based and therefore relies on authorized agents and subagents to reach the final beneficiary. Agency arrangements are often complex and multi-layered.

### Authorized MTOs: 33 (licensed by foreign financial authorities)

The provision of international remittance services to The Gambia is framed through partnerships between international MTOs licensed in origin countries and authorized entities in The Gambia. Banks and large forex bureaus serve as aggregators or super-agents in the market. The more parties involved in the chain, the more this will add to cost structures.

### Agents: 12 banks, 115 forex bureaus, 3 finance companies (supervised by CBG)

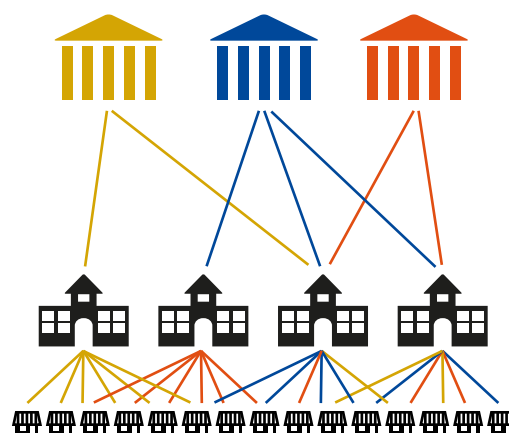
Exclusivity is banned in The Gambia, so IMTOs generally partner with multiple payout partners. Networks of agents and subagents are complex and interlinked.

The vast majority of formal remittances are terminated into cash in The Gambia. While services to bank accounts are available, the low level of financial inclusion means that they are not readily used.

### Subagents: forex bureaus, credit unions (monitored by agents)

Not all credit unions and forex bureaus partner with IMTOs to pay out remittances; it depends on the quality of their AML/CFT and compliance frameworks.

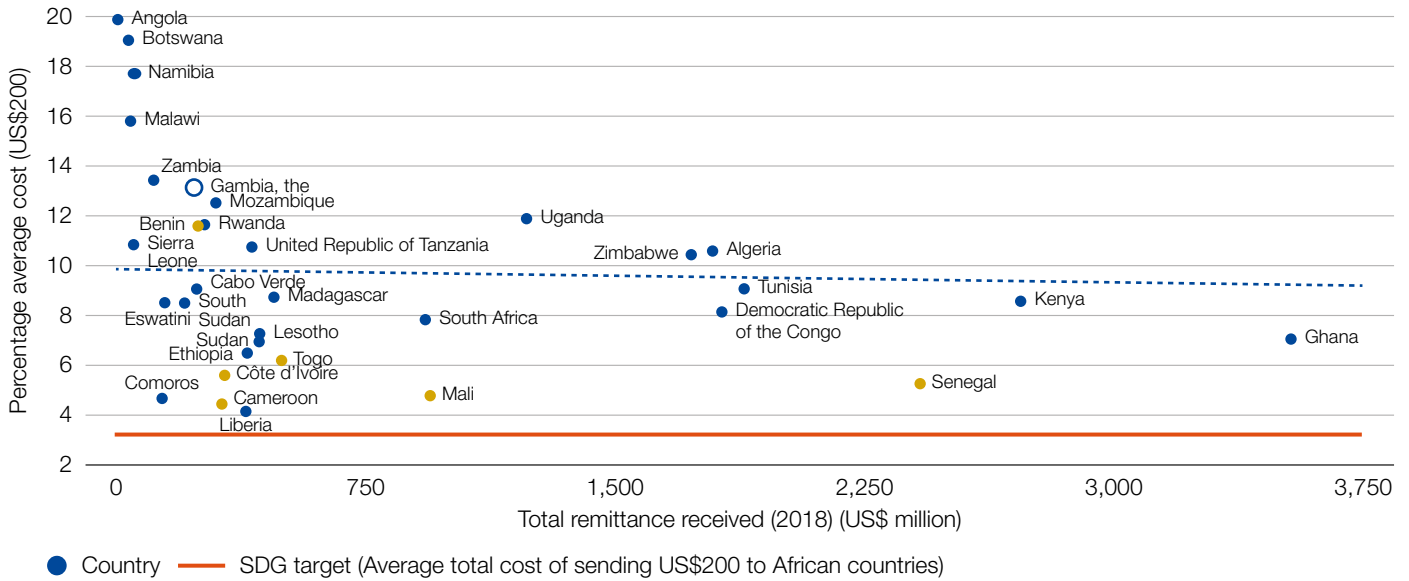
Figure 16. The third mile – payout locations in The Gambia



Source: DMAG 2020 research.

The average total cost of sending money to The Gambia is 13 per cent of the send amount (based on sending a US\$200 equivalent), which is significantly higher than in many other African countries, including Senegal, at 5 per cent; Ghana, at 7 per cent; and Nigeria, at 9 per cent. The Gambia is a small-volume corridor in comparison to many other African markets, and remittance pricing reflects this (the economic rules of supply and demand apply here). To demonstrate this, the figure below shows a negative correlation between volumes and pricing among African countries.

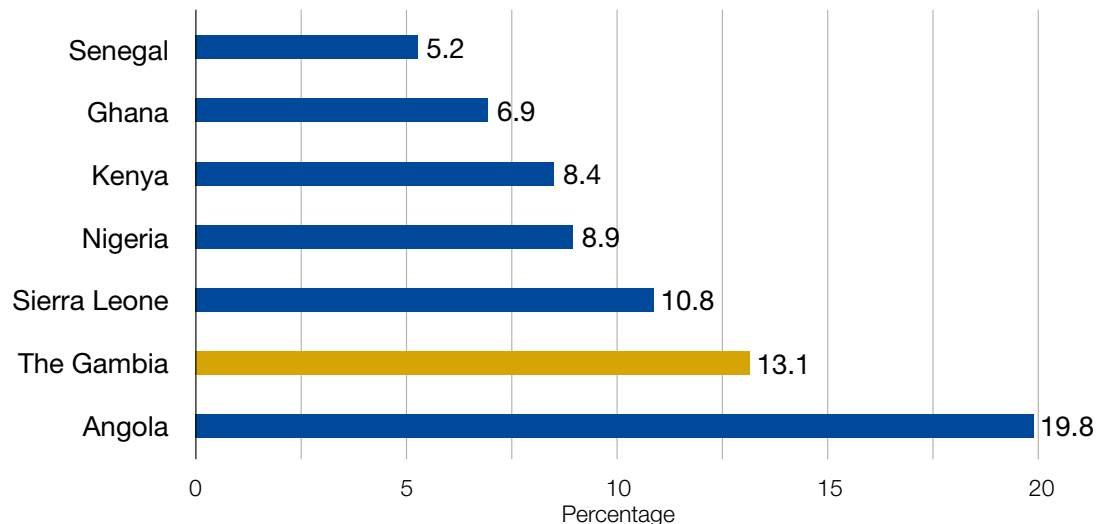
Figure 17. Percent average total cost in relation to remittance volume for African countries



Source: The World Bank, Remittance Prices Worldwide, Q1 2020.

*At 13 per cent of the send amount, remittance prices to The Gambia are among the highest in the world, and thus, The Gambia has a long way to go to meet the SDG 10.c target of 3 per cent of the send amount by 2030.*

Figure 18. Mystery shopping for sending US\$200 equivalent from seven countries



Source: Mystery shopping for sending US\$200 equivalent from seven countries (20 April 2020) for The Gambia and the World Bank's Remittance Prices Worldwide (Q1 2020).



The total average cost of sending money to The Gambia is fairly consistent across all the main send markets (when surveying 11 MTOs), except for Italy, Spain and Sweden, where average costs are slightly lower.

It is evident that the high total cost of remittances is driven by the margin charged on forex. Total remittance costs can be broken down by the fee charged to the customer and the margin that service providers charge on the forex margin.

Fee and forex margins will often be set by the sending IMTO/MTO, based on its marketing pricing strategy rather than the underlying costs associated with forex management. The forex margin is an additional revenue stream and is generally less understood by the customer and therefore more hidden from them.

The forex margin is consistently high when using either the CBG reference rate or the [xe.com](https://www.xe.com) rate across all send markets. For the purposes of analysis, the forex margin is typically calculated by comparing the forex rate that the IMTO charges to the consumer against the forex rate on [xe.com](https://www.xe.com) (interbank rate) at the time of the transaction. In the case of The Gambia, the CBG also publishes a guiding reference rate for the Dalasi against other currencies for operators in the market to use, since the Dalasi is a small, lesser-traded currency and spreads in the market can be high. Figure 19 shows the difference between [xe.com](https://www.xe.com) and CBG reference rates for selected countries.

In The Gambia, the IMTO is not carrying the currency risk given that, while international remittances must be paid out in Dalasi, funds are usually settled in US\$. The sending MTO/IMTO sets the amount to be paid out by the receiving entity at the time the consumer initiates the transaction, and settlement is conducted either the same day or when a threshold in US\$ is met. MTOs do not generally pre-fund the payout entity, so there are no additional costs there.

Analysis suggests that high profit margins are being made by either the IMTOs or the payout partners – or both – depending on the commercial arrangements in place. The exact nature of the commercial agreements between IMTOs and payout partners is not transparent and will vary by operator. Thus, it is unclear who is driving and benefiting from the high margins. The forex margin, like the fee, will likely be shared among the sending agent, the IMTO/MTO and the receiving/payout entity.

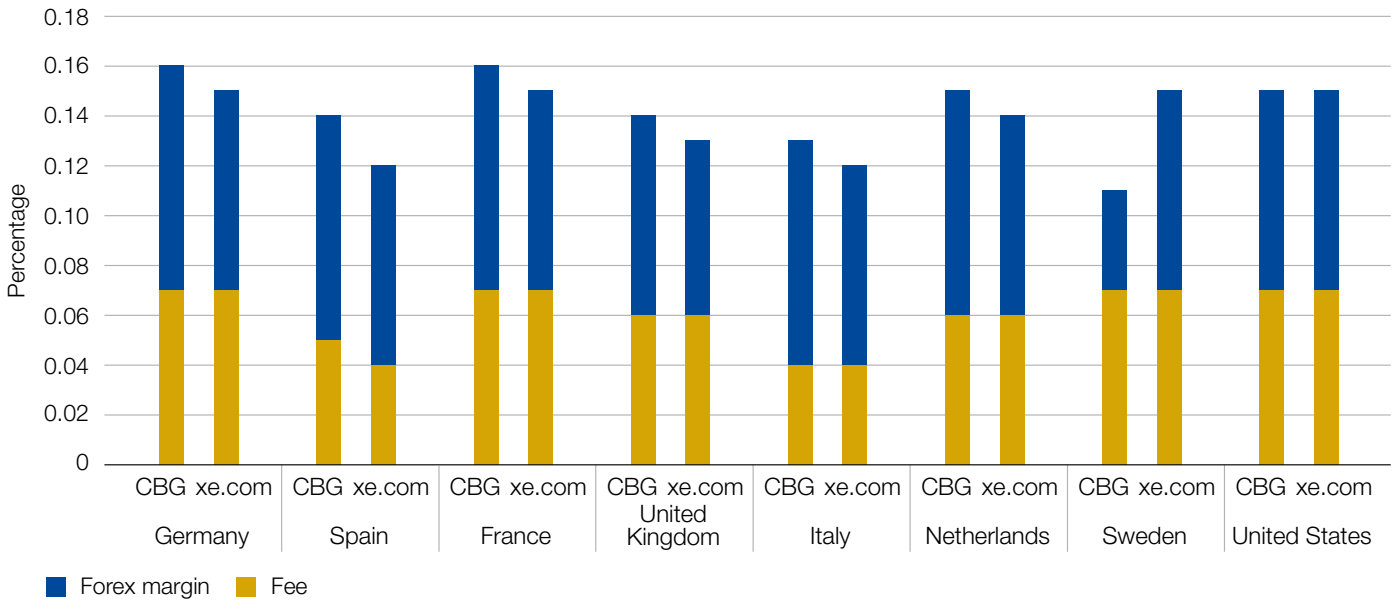
The corridor specialists in the market are focusing and competing on pricing to send money to The Gambia. The high use of APS International as the second largest operator in The Gambia reflects the attractiveness of this solution.

Awareness about these remittance service providers (RSPs) and how to use them is limited but growing. Many corridor players have smaller agent networks in the send country, and consumers must therefore initiate transactions online or use a call centre. Neither of these options is possible if the sender is financially excluded in the send country. In these cases, it is likely that informal services would have to be used.

*The high average cost of sending money to The Gambia is attributable primarily to the high forex margins levied on the customer, which are often fairly hidden.*

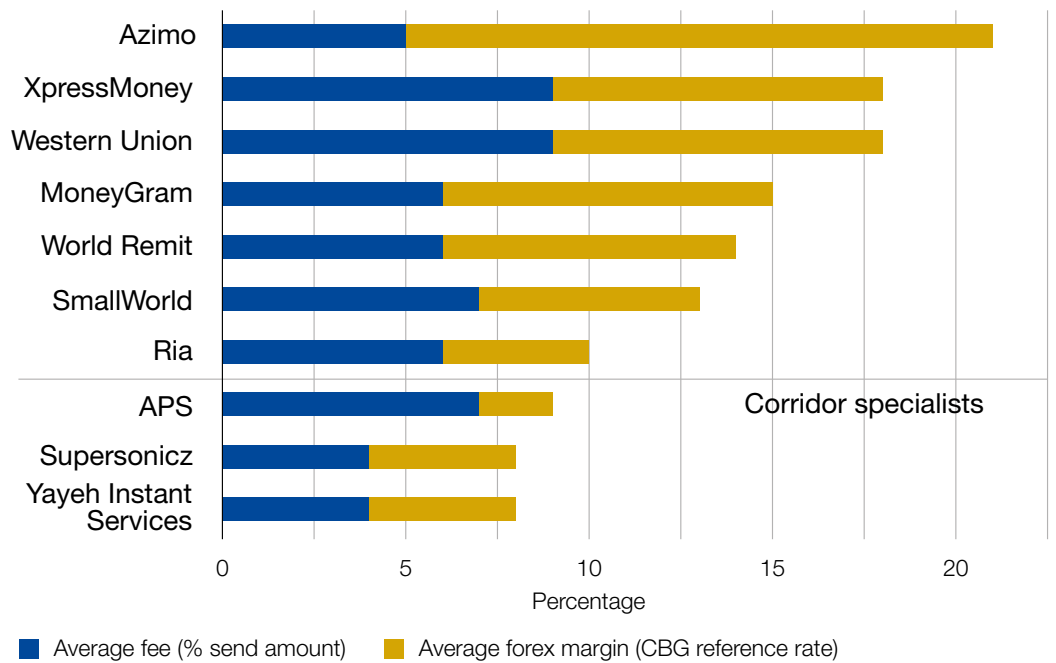
*While average prices across the main markets sending to The Gambia are high, the corridor specialists focusing on and targeting its corridors are providing more competitive pricing.*

Figure 19. Total cost of sending US\$200 equivalent to The Gambia (28 May 2020)



Source: Mystery shopping for sending US\$200 equivalent from seven countries, 28 May 2020.

Figure 20. Corridor specialists



Source: Mystery shopping for sending US\$200 equivalent from seven countries, 28 May 2020.




Of the larger players, SmallWorld has the greatest focus on The Gambia because it acquired a Gambian MTO, which gives it some corridor focus.

There is currently no financial incentive to send money digitally to The Gambia. Cost savings from digital are not being passed onto the consumer, since volumes through these channels are so small. While in many countries there is a large cost differential

between digital and cash-based services, this is not the case in The Gambia. There are benefits in terms of convenience and time saving in making a digital transaction rather than an agent-based one, but not all members of the Gambian diaspora are comfortable using, or able to access online services.

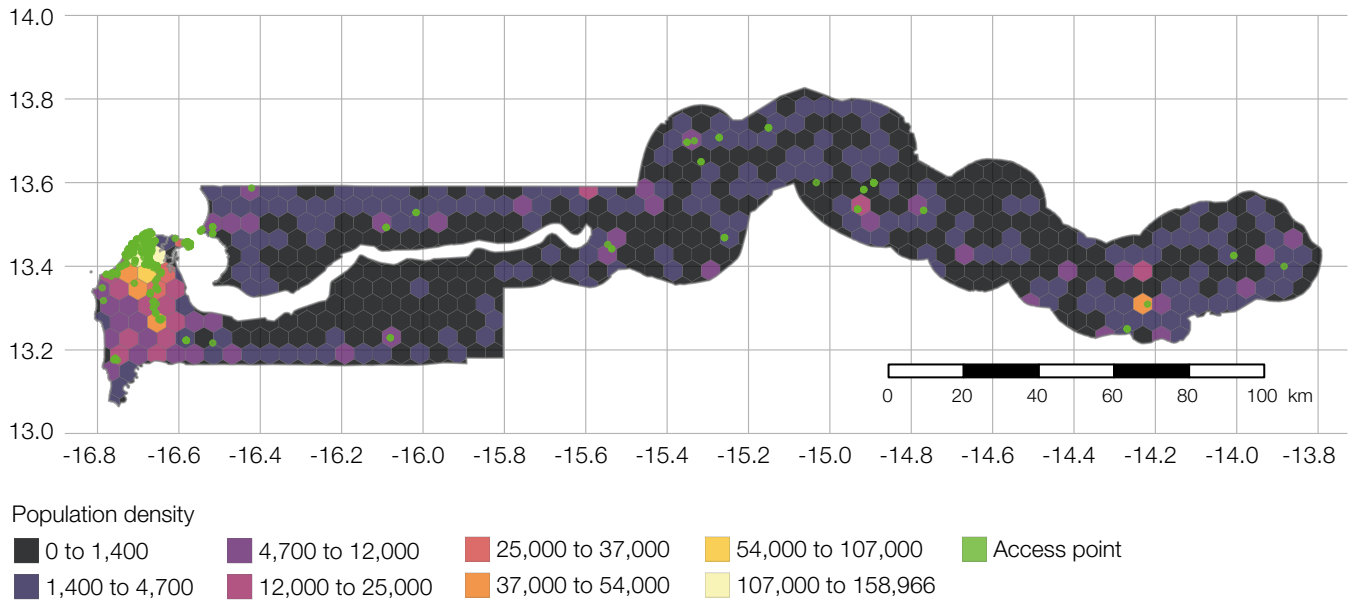
*The main drivers of the high costs are the lack of digitalization in The Gambia and reliance on agents and cash to reach beneficiaries, even in rural areas. The Gambia is also a low-volume corridor and therefore not the focus of larger IMTOs.*

**Table 7. Potential price drivers and their impact in The Gambia**

Potential price driver	Rationale	Impact in The Gambia on pricing	Main solutions
<b>Payout in Dalasi</b>	International foreign exchange costs are usually expensive into small, illiquid currencies, as the spreads offered by banks are usually quite high. IMTOs often have to keep pre-funded accounts in local currency with payout agents where there is risk in managing a volatile, depreciating currency.	<p><b>Small impact</b></p> <p>The Dalasi has experienced significant challenges with depreciation over the years, but has remained broadly stable more recently and volatility in the market has eased. It is possible that the high forex margins are built in to reflect the risk posed to the forex bureaus.</p> <p>In The Gambia settlement between IMTOs and local partners happens in US\$ and there is no pre-funding of accounts. Most remittances are paid out by forex bureaus or banks. These financial institutions are able to sell the US\$ received to banks at a premium. In The Gambia there is high demand for US\$ as it is an import-dependent country.</p>	 <p>Digitalization of the receive network.</p>
<b>Use of agents</b>	Agents typically take a proportion of the fee (approximately 20%) and also a proportion of the forex margin. As such, relying on agents for paying-in/paying-out of remittances has cost implications for the MTO. Therefore, a value chain where there are a large number of agents and entities involved in getting the money to the "last mile" or final beneficiary is more costly.	<p><b>Large impact</b></p> <p>In The Gambia, financial inclusion levels are low and nearly all international remittances are terminated in cash by agents. In The Gambia there are a large number of different financial institutions involved in paying out remittances and complex partnership and agent arrangements. These arrangements will increase the cost structures.</p>	
<b>Market barriers to entry</b>	Where the payout market is cash/agent based and the payout network fragmented, more effort is required to develop a large payout network. This effort has to be commensurate with the expected gains.	<p><b>Small/medium impact</b></p> <p>In The Gambia, the fragmented payout network means that the level of effort is not commensurate with the potential gains as volumes and values (and therefore revenue) are small. However, there are super-agents that can help manage this.</p>	
<b>Small volumes and lack of focus by the RSPs</b>	The money transfer business is a volumes business. Margins are made on each transaction and therefore in low volume corridors there are smaller revenues to be made. Low volume corridors therefore do not get the same attention as larger corridors and so pricing is often less competitive as IMTOs want to make sure they cover all costs.	<p><b>Large impact</b></p> <p>In The Gambia it is clear that the most competitive pricing is offered by the corridor specialists. This demonstrates that, where there is a focus on the corridor, services can be provided more competitively than those offered by most IMTOs.</p>	 <p>Target corridor specialists that are focused on competing in this market and can develop other revenue streams from their client base.</p>

Source: DMAG 2020 research.

Figure 21. Access points providing Western Union and MoneyGram services and population density



Source: World Data Lab/Facebook 2020.  
<https://drive.google.com/drive/folders/11kpcYAl9ekpoJd5YUs6gkgBw2TKpNfoj>.

*Access to remittance services seems to be better than access to other financial services due to the large network of forex bureaus and credit unions across the country. Opening up the international remittance market to mobile money agents, VISCAs and retail outlets (where conditions are met) would help improve access.*

Many stakeholders in The Gambia noted that there is no region in the country that is not served by remittance services and that forex bureaus and credit unions are present in rural areas. They felt that all beneficiaries can access their remittances.

*GamPost offers payout of inbound remittances through bank and MTO partnerships and savings accounts to approximately 10,000 Gambians.*

Figure 21 illustrates the degree of coverage provided by money transfer locations in the country. It clearly shows a significant concentration in the highly populated regions in the country's western region. There are 115 forex bureaus in The Gambia, with a total of 833 branches. This is a high number given the size of the country. According to the CBG, 28 per cent of remittance services are provided in rural areas.

In addition to postal services, GamPost, The Gambia's state-owned national post office, offers a number of financial products, including savings accounts, cards linked to those accounts and payout of international remittances. GamPost is regulated by a directorate in the Ministry of Information and Communications Infrastructure for its postal services and by the CBG for its financial services.

## Partners

- Remittances: MoneyGram, Western Union and Ria.
- Mobile money: Wari.
- Logistics: DHL and SN Brussels.

While not large, GamPost's 14 branches reflect the country's population distribution, which is about 62 per cent urban and 38 per cent rural. Furthermore, GamPost offers mobile apps and Visa debit cards linked to savings accounts.

GamPost provides about 10,000 savings accounts, but financial services make up only about 11 per cent of its revenue. It ranks the lowest among institutions offering financial services across The Gambia. However, its rural reach and digital offerings could position it to offer more innovative services to customers that banks typically do not cater to.

*The outbound remittance market is predominantly informal, Senegal being the most frequent destination. The formal market is served by IMTOs and local MTOs (licensed as forex bureaus). However, it is unclear how much of their business is trade and how much is remittances.*

The Gambia has a relatively active outbound remittance market, as it is a key destination country for migrants around West Africa, and has no forex restrictions. Outbound remittances to Senegal are a key market, but Sierra Leoneans, Ghanaians and Guineans working in The Gambia also send money home. Senders need only an ID for outbound remittances, and anything over US\$10,000 must be reported to the Financial Intelligence Unit.

**Figure 22. A Gampost branch office in The Gambia**



©FAO/Mapio.net

**Table 8. Access to financial services**

Access to financial services	Number
Bank branches per 100,000 adults	7.83
<b>Post offices per 100,000 adults</b>	<b>1.27</b>
Credit cooperative branches per 100,000 adults	9.10
Microfinance institution branches per 100,000 adults	3.35
Bank branches per 1,000 km <sup>2</sup>	9.68
<b>Post offices per 1,000 km<sup>2</sup></b>	<b>1.58</b>
Credit cooperative branches per 1,000 km <sup>2</sup>	11.26
Microfinance institution branches per 1,000 km <sup>2</sup>	4.15
Urban bank branches per 100,000 adults	10.10
<b>Urban post offices per 100,000 adults</b>	<b>1.17</b>
Rural bank branches per 100,000 adults	4.10
<b>Rural post offices per 100,000 adults</b>	<b>1.43</b>

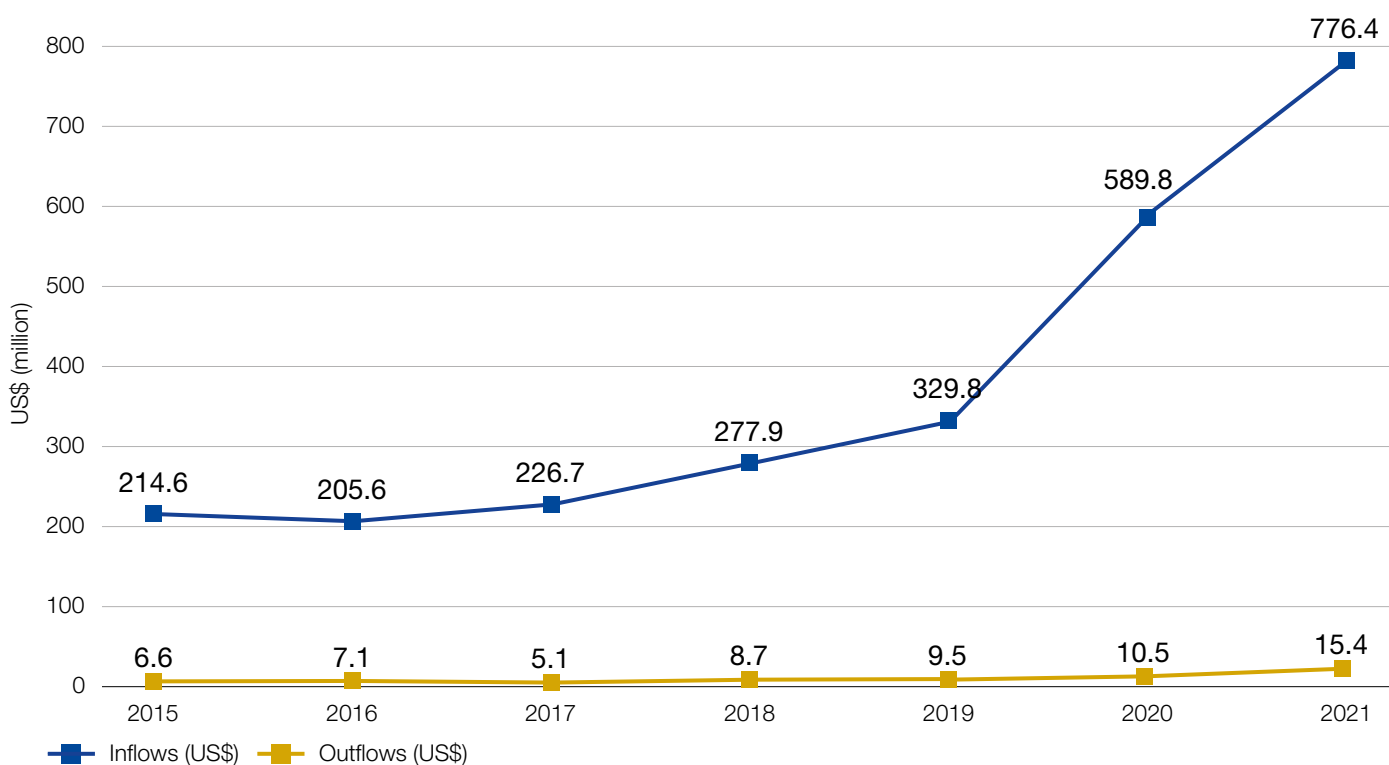
Source: IFAD research 2020 (composite of IMF and UPU data).

Since there is no MTO licence in The Gambia, some local MTOs licensed as forex bureaus typically provide outbound remittance services to senders. MoneyGram and Wari also participate in intra-African remittances.

Particularly between Senegal and The Gambia, many of the transfers are business-to-business (B2B), but MTOs generally do not differentiate between trade and remittances. These services are often used to settle trade receipts.

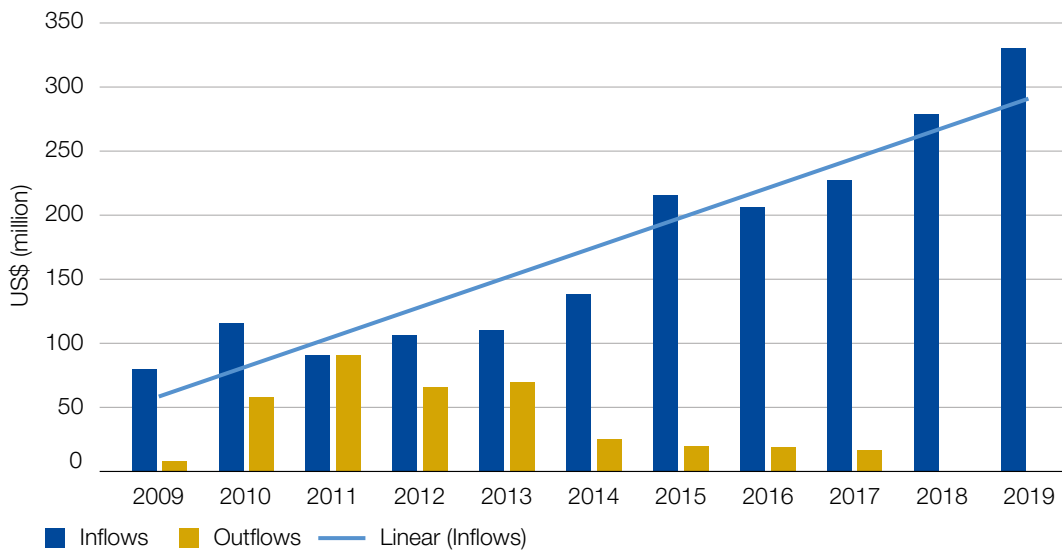
Small local MTOs often compete with informal operators along the Senegal and The Gambia border, with most of the remittances and trade being informal. Of the formal remittances captured, specifically by the CBG, outflows were almost 3 per cent of inflows in 2019.

Figure 23. The Gambia – annual remittance values (US\$)



Source: Central Bank of The Gambia.

Figure 24. Remittance flows to and from The Gambia 2009–2019 (US\$ million)



Source: World Bank Oct 2019.

## PRIORITY POLICY ACTIONS

Work toward allowing international remittances to terminate into mobile wallets, especially if mobile money is considered a key driver of financial inclusion in the forthcoming National Financial Inclusion Strategy.

Understand why costs to send remittances to The Gambia are so high.

Support MTOs, including corridor specialists, to be able to offer more competitive pricing and digital product offerings.

Disseminate information to remittance senders and receivers on how to send money digitally, and to remittance receivers on terminating remittances into digital wallets and accounts, and increase transparency in terms of forex margins.

## 5. Financial services for remittance users






Aside from being the movement of money from a sending country to a receiving country, remittances also have the potential to serve as a catalyst for financial inclusion. A number of entities offer diaspora- and remittance-linked products. This section examines remittance-linked products in The Gambia, as well as developments in the fintech area (as a driver of change and one of the key innovation actors).

- Remittance-linked financial products.
- Fintech in The Gambia.

*Several organizations in The Gambia, particularly banks and MFIs, are advocating remittance-linked financial products for diaspora members and their families, but few businesses offer these services, and more education beyond the point of reception is needed to convert remittance receivers.*

While diaspora accounts are not as commonplace as they are in other African countries, a few organizations do offer them, plan to offer them or offer remote banking options to customers who already have accounts with them.

**Table 9. Remote banking options for diaspora members**

	<p><b>Ecobank</b> Customers opening an account need a completed form, one mandate card, valid ID, proof of address, credit card statement, two passport photographs, pay slip or equivalent, answers to a KYC document and their tax identification number from The Gambia.</p>
	<p>While <b>FBN Bank</b> does not officially offer diaspora accounts, it gives diaspora members who are customers the option to manage their account via email, after executing the email indemnity.</p>
	<p><b>Supersonicz</b> offers diaspora savings accounts that allows customers to nominate a resident joint signatory, such as a spouse or parent, and gives the ability to repatriate their earnings through Supersoniz's MTO services and to invest back in The Gambia.</p>
	<p><b>Reliance</b> offers diaspora accounts, although most migrants actually open a Reliance account before they go abroad. It is possible for them to open the account from abroad but the process is manual and requires scanning and sending forms and ID to Reliance. Very few people have used this option. Reliance has also had some success in cross-selling wallets to remittance receivers, but sometimes the collector is not the financial beneficiary.</p>
	<p><b>APS International</b>, an MTO based in the United Kingdom is a corridor specialist to The Gambia, is currently applying for an MFI licence where it plans to offer Islamic financial services to diaspora members and those in The Gambia.</p>

Source: DMAG 2020 research.

Although still in its early stages, The Gambia's growing fintech sector is developing products and services that the diaspora can access to have more control over how remittances are spent and to support financial inclusion.

In many African countries, fintech companies drive digital payments and financial inclusion through innovation and responsiveness to market needs. These start-ups are usually run by young entrepreneurs solving real problems that traditional companies are not nimble enough to solve.



Unfortunately, the size of The Gambia's market means that it is often not attractive, particularly to businesses that require high volumes for low fees to make business sense; and little to no fees are essential for financially inclusive products.

Several organizations in The Gambia offer diaspora members the opportunity to shop specifically for what they want to send their family members, whether construction materials, food or airtime. Most MTOs, including global ones, offer mobile airtime top-up to the four telecoms in The Gambia. Several corridor specialists offer the ability to pay electricity bills through NAWEC's cash power top-ups. GamSwitch offers both of these services through anyone connected to their switch.

There is growing demand for remittance-linked goods and services, because diaspora members want more control over what their remittances are spent on. These goods and services also offer convenience to remittance receivers and are contributing to financial inclusion in a variety of ways.



In addition to remittances, airtime top-up and cash power, **APS International** has long been offering its Nduga service, in which diaspora members can shop for specific groceries that can be picked up from any of the 400 shops of the APS network. They also have the option to deliver groceries directly to their beneficiary.



**Terangas** focuses exclusively on allowing diaspora members to shop for goods on its website, which are then delivered to loved ones across The Gambia within 24 hours. They offer a variety of goods, including fresh produce, groceries, construction material, office and household supplies, cash power, airtime top-up and much more.



**Farm Fresh** is an e-commerce platform selling produce and other locally sourced products that diaspora members can order and have delivered to their family members. It offers subscription plans and advertised lockdown packages during the COVID-19 crisis.



An up-and-coming fintech, **J-Fin/Kuringo** will soon be offering a variety of services through its K-App. It is currently registered as a bureau de change in The Gambia but also has licences to offer MTO services in the United Kingdom, the European Union and soon Senegal. K-App will allow users to credit a wallet from anywhere in the world, and beneficiaries can then use the funds to pay for cash power, airtime, school fees, hospital bills and other essentials. Through the K-App, sponsors will also be able to monitor the disbursement of funds between beneficiaries and senders. K-app will be for B2B and P2P and aims to significantly lower the cost.

Source: DMAG 2020 research.

## PRIORITY POLICY ACTIONS

Support the development of digital financial services linked to international and domestic remittances, including diaspora accounts across the banking and MFI sectors and remote opening facilities.

Support regulated organizations, such as forex bureaus and credit unions (and potentially, VISCAs), where international remittances are collected to play a role in driving financial inclusion.

## 6. Stakeholders and coordination

A number of organizations are working on remittances in The Gambia and are (or will be) bringing stakeholders together and designing interventions. Close coordination among these organizations is necessary, along with a collaborative approach to overall development agendas to avoid duplication, confusing messaging or stakeholder engagement-fatigue; and coordinate strategies and programmes and leverage resources.

- **The National Remittance Stakeholder Network (NRSN)** meets regularly to discuss challenges and opportunities in the national remittance market (former Task Force on Remittances already convened virtually in April and May 2020 in response to the COVID-19 pandemic). The NRSN is convened by IFAD through the PRIME Africa programme.
- **IFAD's Platform for Remittances, Investment and Migrant Entrepreneurship in Africa (PRIME Africa)** is operating in The Gambia. It is an EC-funded multiyear programme focused on maximizing the impact of remittances for development and reducing their costs.
- The **MSDG2 (with GK partners)** convenes a biannual meeting with stakeholders involved in the Gambian remittance market. This platform has been used to address issues such as data. It is recommended that the NRSN coordinate with MSDG2 and that these existing platforms be utilized for PRIME Africa.
- The **IOM** is only just beginning its work in international remittances in The Gambia. It will be important to keep abreast of each agency's plans to avoid duplication and leverage each of their endeavours. There is mention of having a "remittances discussion on the topic of diaspora engagement." Coordination among the different stakeholders should be ensured.
- The **CBG**, in partnership with **UNCDF**, the **World Bank** and **AFI**, is currently finalizing the first National Financial Inclusion Strategy. It is proposed that remittance experts review the strategy to ensure that considerations specific to international remittances are embedded in it from the start. Once finalized, the strategy will enter the operational phase, where it is envisaged that sub-working groups will be set up to oversee implementation. Care should be taken to coordinate, use and build on existing platforms and working groups, where workable.
- The **African Institute for Remittances (AIR)** is providing technical assistance to the CBG on improving remittance data collection.

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## **PRIORITY POLICY ACTIONS**

Develop the National Remittance Stakeholder Network (NRSN) into a working group that can continue to address remittances and financial inclusion across different sectors (build on the existing round table discussions created by the MSDG2 and align with successful examples from Australia, Malaysia, New Zealand and the United Kingdom).

The National Financial Inclusion Strategy (NFIS) should be reviewed by the National Remittances Working Group (NRWG) (or a subset thereof) to ensure that international remittances are incorporated and considered across the NFIS, and the NRWG is included in the NFIS development process.

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# 7. Recommendations

Table 10. Summary of recommendations

Main objectives		Respond to COVID-19 pandemic	Accelerate digitalization	Reduce costs	Increase and deepen financial inclusion	Moving informal to formal
Theme	Recommendation	Objectives met				
<b>A COVID-19 pandemic response</b>	Learn from the COVID-19 crisis to put in place measures to guard against future pandemics.	■	■	□	■	■
<b>B Coordination</b>	Leverage the NRTF to create a working group for the coordination, implementation and review of improving The Gambia's remittances landscape.	■	■	■	■	■
<b>C Data</b>	Improve data on remittances and diaspora in The Gambia to inform policy and private sector business decisions.	■	■	■	■	■
<b>D Digitalization</b>	Support and further develop The Gambia's young domestic digital payments ecosystem so that international remittances can be terminated digitally and do not need to be cashed out.	■	■	■	■	■
<b>E Financial inclusion</b>	Improve financial inclusion for remittance recipients, especially in rural areas.	□	■	■	■	■
<b>F Enabling environment</b>	Improve functioning and competition of The Gambia remittance market to allow more diversity of actors, increase access and drive down costs.	□	■	■	□	■
<b>G Digitalization and financial inclusion</b>	Support RSPs and other institutions to shift consumers towards using digital remittance services and design remittance-linked financial products for senders and receivers.	■	■	■	■	■
<b>H Enabling environment</b>	Review and improve the AML/CFT framework in The Gambia including KYC, ID and addressing challenges to allow for improved access to formal remittances and other financial products.	■	□	■	■	■

## A. Learn from the COVID-19 crisis to put measures in place to guard against future pandemics

Theme: **COVID-19 pandemic response**

Objectives met:



### Rationale

As of publishing, The Gambia market has not been directly affected by the pandemic, compared to other markets, and has seen an increase in remittance flows and heightened interest in digital payments. The few service disruptions experienced can be addressed with some concerted effort.

Actions	Activities
A.1 Capitalize on the heightened interest in digital payments as a result of the COVID-19 pandemic and educate about and promote the digital ecosystem in The Gambia.	<p>A.1.1 Awareness campaigns on the benefits of using digital rather than cash in The Gambia and send countries with diaspora.</p> <p>A.1.2 Review subsidizing domestic mobile money transfer fees in The Gambia to promote the use of mobile money.</p>
A.2 Turn remittance service providers and their agents into essential service providers in COVID-19 times.	
A.3 Learn from the experiences of other countries and UN Remittance Community Task Force actions.	A.3.1 The Gambian Remittance Working Group, to keep abreast of developments in the UN Remittance Community Task Force and integrate relevant actions.

### Benefits

Having plans in place in the event of another pandemic or crisis will permit a more immediate response in the future.

## B. Leverage the National Remittance Stakeholder Network to create a working group for the coordination, implementation and review of improvements in The Gambia’s remittances landscape

Theme: **Coordination**

Objectives met:



### Rationale

- Several stakeholders are involved in meeting the goals of lowering remittance costs and the use of informal services and increasing financial inclusion. Coordination and collaboration among the various parties is critical.
- The National Financial Inclusion Strategy is currently being designed to offer an opportunity to ensure that it considers and targets international remittances, diaspora and their families and leverages planned activities for maximum impact.

### Actions

B.1 Develop the National Remittance Task Force into a Working Group that can continue to address remittances and financial inclusion across different sectors (build on the existing Round Tables created by the MSDG2 and align with successful examples from Australia, Malaysia, New Zealand and the United Kingdom).

B.2. The National Financial Inclusion Strategy (NFIS) should be reviewed by the National Remittances Working Group (NRWG) (or a subset thereof) to ensure that international remittances are incorporated and considered across the NFIS, and the NRWG is included in the NFIS development process.

### Activities

B.1.1 Coordination among remittance-related projects in The Gambia (including the NFIS – see B2).

B.1.2 Ensure coordination and communication exercises between the various stakeholders and projects and strategies across the country.

B.1.3 Set milestones, monitor and evaluate progress of road map implementation against objectives and goals.

B.2.1 The NRWG should review the forthcoming NFIS before it has been finalized.

B.2.2 Identify areas of collaboration among implementing agencies and offer, for example, financial education for remittance families, prospective migrants and returnees/ IMTOs linked into the national payment system/ development of remittance-related financial services, etc.

### Benefits

The NRWG will be able to work across the MSDG2 MTO group that meets biannually, and the working groups being developed as part of the NFIS to ensure that the initiatives for improving and leveraging remittances to The Gambia are in synergy with and contribute to increasing financial inclusion across the country.

## C. Improve data on remittances and diaspora in The Gambia to inform policy and private sector business decisions

Theme: **Data**

Objectives met:



### Rationale

There is currently a lack of data available to both the CBG and the market as a whole. This means that policies and business decisions are ill-informed.

Actions	Activities
C.1 Building on the work done under the MSDG2 plan, support the CBG in providing enhanced data to the remittance market.	<p>C.1.1 Review requirements for improving data collection (so that it is available by corridor, channel, operator and receive district) in light of the assessment conducted by the Institute for African Remittances (AIR) and the processes and systems currently in place to analyse the data.</p> <p>C.1.2 Technical assistance to the CBG to improve existing data collection systems and analytical capacity.</p>
C.2. Enhanced data collection on informal flows to shed light on the magnitude of flows and business opportunities for the main corridors (especially intra-Africa).	<p>C.2.1 Coordinate ad hoc surveys on Gambian remittance corridors with the Gambian diaspora to understand how money is sent home.</p> <p>C.2.2 Make sure that information on international remittances and how money is received (location and channel), as well as the frequency with which it is sent and the amount, is included in planned national household surveys in The Gambia.</p>
C.3 CBG data on remittances should be published in a monthly bulletin with a breakdown by corridor, sender (diaspora), channel, location received, operators (or market share), receive subregion, and insights into the informal market provided.	C.3.1 Review whether additional capacity is required to deliver this.
C.4 More data is needed on the profile and remittance practices of the Gambian diaspora.	C.4.1 Conduct surveys and focus groups to qualitatively profile Gambians in the diaspora, including diaspora mappings that include diaspora networks, organizations and surveys.

### Benefits

The NRWG will be able to work across the MSDG2 MTO group that meets biannually, and the working groups being developed as part of the NFIS to ensure that the initiatives for improving and leveraging remittances to The Gambia are in synergy with and contribute to increasing financial inclusion across the country.

## D. Support and further develop The Gambia’s young domestic digital payments ecosystem so that international remittances can be terminated digitally and without the need to be cashed out

Theme: **Digitalization**

Objectives met:



### Rationale

- While technically The Gambia has a solution to offer mobile-to-mobile account and bank account interoperability, it is not operating at full capacity at the moment.
- There is low merchant uptake of mobile money and limited places where people can spend it, meaning that people must cash out to make payments.

### Actions

D.1 Considering the importance of interoperability between mobile money accounts and bank accounts for creating a digital payment ecosystem that reduces the need to cash out, GamSwitch and other solutions that can increase interoperability should be reviewed and supported, as appropriate.

D.2 Onboard more merchants and billers (schools, hospitals, government-to-person [G2P] and P2G [taxes, etc.] and so forth) into the digital payment ecosystem so that customers have places to use their accounts and wallets, thus reducing the need to cash out remittances.

### Activities

D.1.1 A review of what, if anything, should be done to address GamSwitch and its existing product offering to make it more appealing to partners.

D.1.2 A call for proposals for fintech and other digital payment providers to provide competitive switching services for MMPs and other types of financial institutions in The Gambia.

D.2.1 A call for proposals for fintech and other digital payment providers to offer innovative solutions to bring more merchants into the digital ecosystem.

### Benefits

The NRWG will be able to work across the MSDG2 MTO group that meets biannually, and the working groups being developed as part of the NFIS to ensure that the initiatives for improving and leveraging remittances to The Gambia are in synergy with and contribute to increasing financial inclusion across the country.



## E. Improve financial inclusion for remittance recipients, especially in rural areas

Theme: **Financial inclusion**

Objectives met:



### Rationale

- As lockdown measures were put in place, there was greater interest in paying for utilities using mobile money. However, the service fees deterred some people. There is a lack of understanding of the benefits of mobile money and why there is a service fee.
- Educate customers on the fact that they do not need to use up their data allowance to use mobile money, since they can use Unstructured Supplementary Service Data (USSD).
- Increased agency banking across The Gambia would help drive financial inclusion.

Actions	Activities
<p>E.1 Increase financial education and awareness across the country, especially in rural areas, among remittance receivers and the general public to drive financial inclusion.</p>	<p>E.1.1 Coordinated multi-stakeholder (public sector, NGOs, private sector) financial education activities and awareness campaigns. For example:</p> <ul style="list-style-type: none"> <li>– develop a series of tools (online and offline) to communicate the benefits of having a mobile wallet and information on how to use mobile money and its benefits;</li> <li>– conduct marketing campaigns on the benefits of bank accounts and digital wallets; and</li> <li>– set up a helpline and develop other information sources.</li> </ul>
<p>E.2 Support regulated organizations, such as forex bureaus and credit unions (and potentially, VISCAAs), where international remittances are collected, to play a role in driving financial inclusion.</p>	<p>E.2.1 Grants, insurance schemes, incentive programs and training to drive financial inclusion of remittance recipients through product development, partnerships and agency banking initiatives.</p>

### Benefits

Greater financial inclusion for remittance receivers.

## F. Improve the functioning and competitiveness of The Gambia’s remittance market to allow more diversity of actors, increase access and drive down costs

Theme: **Enabling environment**

Objectives met:



### Rationale

- Financial inclusion is being driven by mobile money, and yet, international remittances cannot be initiated or terminated with mobile money.
- Remittance payout networks are currently restricted to specific types of institutions rather than those with the capacity to handle them.
- Forex margins in The Gambia are substantial, and it is unclear as yet who is causing the high margins and why.

Actions	Activities
F.1 Work toward allowing international remittances to terminate into mobile wallets, especially if mobile money is considered a key driver of financial inclusion in the forthcoming National Financial Inclusion Strategy.	<p>F.1.1 Learn from best practices in other African countries (e.g. Ghana and Kenya), including through knowledge-sharing activities and workshops.</p> <p>F.1.2 Technical assistance to develop regulations tailored to the Gambian mobile money market.</p> <p>F.1.3 Ensure that other operators besides MNOs can be mobile money providers.</p>
F.2 Expand remittance payout networks to other types of institutions with liquid networks across The Gambia – e.g., VISCAs, gas stations, retail networks – to be able to pay out remittances.	<p>F.2.1 Review and amend regulations to extend the payout of remittance networks. Best practices from other African countries can be adopted.</p> <p>F.2.2 Provide training, support and oversight, as needed, to the CBG and/or institutions with large networks to meet compliance requirements to pay out international remittances.</p>
F.3 Understand why the costs of sending to The Gambia are so high.	F.3.1 Research or a roundtable on why such high forex margins are being levied on customers and what can be done to bring them down.
F.4 Develop and introduce stronger financial consumer protection provisions that are coherently and publicly laid out and applicable across all financial sectors and services.	

### Benefits

Countries such as Ghana and Kenya have had great success in being able to terminate remittances into mobile wallets, and this has driven financial inclusion and digitalization in the country.

## G. Support remittance service providers and other institutions to shift consumers toward the use of digital remittance services and design remittance-linked financial products for senders and receivers

Theme: **Digitalization and financial inclusion**

Objectives met:



### Rationale

- Diaspora accounts/remote onboarding for Gambians abroad would greatly aid savings and investment.
- RSPs that provide receiving goods rather than cash are on the rise because migrants/diaspora want control over what their money should be spent on.
- Cross-selling financial products, such as wallets, to remittance receivers are often an effective way to increase digital usage, and picking up their remittances is a perfect opportunity to financially educate consumers.
- Many people send and receive cash, which universally contributes to high costs.
- The COVID-19 pandemic increased digital sending, meaning the market for it is there, but new customers often need support to register and understand the benefits of such platforms (even beyond pandemics).

Actions	Activities
G.1 Support MTOs, including corridor specialists, to enable them to offer more competitive pricing and digital product offerings.	
G.2 Disseminate information to remittance senders and receivers on how to send money digitally and to remittance receivers on terminating remittances into digital wallets and accounts, and increase transparency in terms of forex margins.	<p>G.2.1 Call for proposals from the private sector in The Gambia and send countries to increase awareness about competitive digital products and services, and increase transparency.</p> <p>G.2.2 Include remittances in existing/planned financial education activities in The Gambia (either by coordinating with other FE programmes or through the NFIS [see B])</p>
G.3 Support the development of digital financial services linked to international and domestic remittances, including diaspora accounts across the banking and MFI sector and remote opening facilities.	G.3.1 Call for proposals to support the development of products and services to the diaspora and remittance beneficiaries to drive financial inclusion, reduce informality and/or lower costs.

### Benefits

- Increased financial inclusion.
- More effective use of remittances.
- Greater control for remittance senders.
- Increase in digital transactions leading to greater financial inclusion and lower costs.

## H. Review and improve the anti-money laundering/combating the financing of terrorism framework in The Gambia, including know-your-customer, ID and address challenges to foster improved access to formal remittances and other financial products

Objectives met:

Theme: **Enabling environment**



### Rationale

- KYC requirements for opening a bank account are very high, and only 5 per cent of adults have one.
- The ID system in The Gambia is currently very fragmented, contributing to KYC difficulties.
- Current KYC requirements in The Gambia are more stringent than in other similar African countries.

### Actions

H.1 KYC requirements for all financial services should be revised to make them proportionate to the risks and to take the realities of identification and access in the country into account.

H.2 The Gambia's address and identification systems should be streamlined using best practices from other African countries.

### Activities

H.2.1 Review of The Gambia's ID system (existing and planned), including the biometric ID, ID expiry dates, etc., and national plans for improvement to ensure that KYC requirements for international remittances and financial services are proportionate.

H.2.2 Technical assistance to the CBG and financial institutions to revise the KYC regime to ensure that it is risk-based and proportionate.

H.2.3 Review of The Gambia's existing address system and current plans to improve it. Review against initiatives such as The Gambia Post's digital address system.

### Benefits

Increase financial inclusion by encouraging greater financial inclusion.



## 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.



### **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)



### **DMA 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)

## 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 Gambia country diagnostic was undertaken in the framework of the Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) initiative, co-financed by the European Union.

ISBN 978-92-9266-195-3



9 789292 661953