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Remittance transfers in Senegal: Preliminary findings, lessons, and recommendations on its marketplace and financial access opportunities¹

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Introduction

This report presents the findings of an analysis of remittances to Senegal as it pertains to its size, marketplace, and link to finances as factors associated to development. The study is based on the analysis field work research and interviews, primary data collection, and survey analysis among recipient and senders. The main findings of the report are as follows:

- About half a million Senegalese migrants live abroad;
- 32 percent, or 530,000 Senegalese households receive about US\$300 in remittances eight times per year;
- At least US\$1.3 billion per year, or almost 400,000 transfers per month, are going into the country;
- The bulk of remittance payout is conducted by fewer than ten institutions, comprised of several banks, the country's post office, and three microfinance institutions (MFIs);
- One money transfer operator (MTO) accounts for more than half of transfers, and roughly one-third of flows are sent through informal channels
- More than fifty percent of remittance recipients are saving US\$406 on average, compared to US\$206 by their non-recipient counterparts
- Efforts to bring migrants and their families into the formal financial system have been limited, and where such efforts exist they are primarily focused on migrants, not recipients.

The report recommends concrete steps that can operationalize a strategy that brings local development within a short term:

- Strengthen competition by holding international trade fairs where companies showcase their products and services;
- Strengthen outreach and awareness in the Senegalese migrant community in France, Italy, Spain, the United States, and other countries;
- Support MFIs through technical assistance on legal and regulatory issues and transfers, and the design and marketing of financial products; as well as
- Authorize MFIs to pay remittances as direct agents under certain conditions, and establish a revolving financial fund to level the playing field;
- Expand the country's payout network through increased partnerships with retail networks, and support innovative technology in the marketplace for transfers;
- Develop a financial literacy partnership with diasporas, financial institutions and NGOs whereby remittance recipients are provided with training on budgeting, savings, credit, and insurance, as well as offered financial products and a meaningful contact with a formal financial services representative.

The study contains four sections. The first section assesses the size of migration from Senegal, which is estimated at nearly half a million people living primarily in Europe, the United States, West and Southern Africa. Second, it looks at the trends in the marketplace, including regulatory issues and the marketplace for remittance transfers, which is dominated by several large banks, the country's postal service, and a network of

mostly smaller sub-agents, which includes microfinance institutions. Third, the report analyzes the intersection between remittances and financial practices, and how the supply side of the financial sector inter-relates to the demand of financial services from recipient households. The fourth section provides recommendations to increase competitions, expand the payout network, and increase access to financial services among remittance recipients.

1. Migration and remittances in Senegal

a. Migration from Senegal

Both outward and inward migration is important in Senegal. Estimates of Senegalese living abroad vary in numbers. According to the Development Research Center on Migration, there are nearly 500,000 Senegalese migrants. These migrants would represent 4 percent of the total population.² These numbers may be higher considering that in the first decade of 2000 news reports of mass emigration from Senegal had shown greater numbers than previous years.³ Moreover, there are differences in estimates according to official figures. For example, Eurostat reports 82,000 Senegalese in France, but the French Census office reports over 100,000.⁴ Similarly, the flow of Senegalese migrants to Spain shows that by 2004 there were over 24,000, yet Eurostat and other sources showed less than half that number.⁵ Italy, a country where Senegalese migration increases in the 1980s, first from France and later directly from Senegal, the official figure reported is 60,000 migrants. Thus, these figures for Europe are likely to be undercounting the number of Senegalese migrants.⁶

These differences are observed in the literature. Previous research has shown that intraregional migration of Senegalese citizens to West and Southern Africa has increased significantly in numbers that far exceed the amounts reported in official figures. These migrants have moved out of the country since the 1990s in large numbers, reportedly going to countries like South Africa and Senegal's West African neighbors.⁷

The International Organization of Migration (IOM) reported that the number of immigrants living in Senegal was just 126,204 in 2001 (according to a household survey conducted by ESAM II) and 220,208 immigrants in 2005 (UNPD, 2009).⁸ Finally, Senegal, once a regional destination for other West African migrants, has also increasingly become a transit country for West Africans migrants heading toward the Magreb and Europe.⁹

Given these differences in estimates, the data from the Development Research Center on Migration serve as a baseline for the number of migrants. Using other official reports the total number of Senegalese migrants may be over 35% of the current estimate by DRCM. As the following section will show, remittance estimates show that 32% of households were remittance recipients amounting to over 500,000 and studies have shown that 65% of migrants send money home, thus confirming a figure near

² Organisation internationale pour les migrations, *Migration au Sénégal, Profil National 2009*.

³ The estimate given by diaspora representatives go even up to 2 million of Senegalese migrants

⁴ INSEE, Enquêtes annuelles de recensement 2004 à 2006 - Exploitation principale

⁵ Senegaleses en España: conexiones entre origen y destino, <http://vlex.com/vid/68886689#ixzz0kln3tE6w>

⁶ <http://demo.istat.it/str2006/>

⁷ Orozco, Manuel, *West African Financial Flows and Opportunities for People and Small Businesses*, USAID, March 2006.

⁸ Organisation internationale pour les migrations, *Migration au Sénégal, Profil National 2009*.

⁹ *Ibid.*

700,000 migrants. Table 1 shows the numbers of Senegalese migrants as reported by DRCM, which can be taken as baseline.

Table 1: Senegalese migrants

Host Countries	2007 data	Other sources
Gambia	98,608	
France	87,839	105,000 (2005)
Others	73,542	
Italy	45,944	59857 (2006)
Mauritania	40,670	
Germany	25,413	
Ghana	23,896	
Gabon	18,770	
Burkina Faso	13,908	
Guinea	13,594	
U.S.	12,119	
Spain	11,391	25,000 (2004)
Guinea-Bissau	9,829	
Ivory Coast	3,992	
Total	479,515	650,000 est.

Source: Migrants: Development Research Center on Migration, Globalisation and Poverty. "Global Migrant Origin Database." Version iv, March 2007. <http://www.migrationdrc.org/>

Table 2: Migrants in Senegal

Countries of Origin	
Guinea	109,109
Mauritania	39,984
Guinea-Bissau	32,628
Mali	23,642
France	23,223
Cape Verde	12,583
Gambia	7,945
Morocco	4,315
Burkina Faso	3,793
Ghana	2,345
Others	24,179
Total	283,746

Source: Migrants: Development Research Center on Migration, Globalisation and Poverty. "Global Migrant Origin Database." Version iv, March 2007. <http://www.migrationdrc.org/>

b. Preliminary analysis of remittance transfers to Senegal

Having a clearer understanding of the number of migrants abroad allows for a baseline to estimate the flow of remittances, which are transfers typically sent only by migrants. Calculating remittance flows is already a difficult endeavour.

For the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO) and Senegal's Ministry of Finance, it has been a difficult task. These institutions report different figures for total inbound remittances. For example, the BCEAO reported US\$1.683 billion in total inbound remittances for 2009, while the Ministry of Finance reported US\$1.388 billion.¹⁰ These figures are significantly different estimates. According to the Direction de la Monnaie et du Credit, the department responsible for calculating remittance flows at the Ministry of Finance, these differences are partly due to the methods and formatting employed through monthly surveys that banks must complete. The BCEAO and Ministry of Finance have each required banks to provide quarterly figures on remittance transfers, but the content and format of their surveys are different. Starting in October 2009, the two institutions began requiring monthly reports and started to harmonize their surveys. They expect to use the same monthly survey starting in April 2010. The World Bank, for its part, reports its annual figures from the BCEAO office.

Additionally, another source that helps identify the volume of flows and number of transactions is a household survey conducted among 600 people in 2009.¹¹ The survey shows that 32% of people interviewed receive remittances from people who send them US\$300 eight times a year on average. This figure amounts to nearly 450,000 recipient households.

Table 3: Estimate of Remittances received in Senegal circa 2009

Senegal population (mid-year 2010)	12,861,000
Households in Senegal (HH size estimate 9.3 in 2006)	1,382,903
Households with migrants (72.8% of HHs)	1,006,754
Remittance recipient households (32.3% of HHs)*	536,104
Remittances received (mean annual transfer US\$2400)	\$1,286,432,640

*Surveys of migrants show that they remit to 1.3 households.

Sources: UN population division, Senegal's Agence Nationale de la Statistique et de la Démographie, Manuel Orozco Survey for IFAD.

Migrants in Europe, the United States and Canada are more likely to send remittances home than their counterparts in Africa and other parts of the world. 81 percent of Senegalese migrants in Europe and 79 percent of migrants in the U.S. and Canada send money home, compared to 60 percent in UEMOA monetary union countries, 65 percent in other African countries, and 63 percent in other parts of the world.¹² Using a revised estimate of migrants from Senegal and of the average amounts remitted by them in 2007,

¹⁰ Interview with Pape Aly Ndior, Directeur Général Adjoint of the Ministry of Finance's Direction de la Monnaie et du Credit, March 10, 2010.

¹¹ Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development (FIDA), October 2009.

¹² Organisation internationale pour les migrations, *Migration au Sénégal, Profil National 2009*, citing ANSD 2001 statistics published in 2004.

we find a volume received of nearly US\$900 million, 20 percent less than the figures reported by the BCEAO in that year. Given the complexities of accurately measuring these numbers, these estimates can serve as a range baseline of the flows.

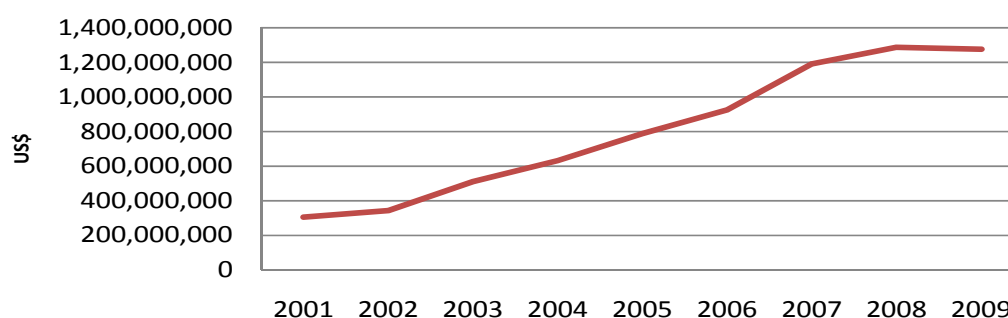
Table 4: Estimated flow of remittances (US\$) by country of flow origination, 2007

Region	Migrant remitters	Remittances
France	111,000	332,640,000
Italy	59,857	180,000,000
Germany	29,224,95	103,105,623
Spain	30,000	90,700,000
United States of America	20,000	60,480,000
Other	315,444	157,722,000
World	551,442	899,308,485

Source: Manuel Orozco, Global remittances matrix.

These flows have reportedly grown during the last ten years and are at least 8 percent of the country's GDP and 34 per cent of total exports, and over 60 percent of imports.

Figure 1: Remittances to Senegal, 2001-2009



Source: World Bank, 2010.

Other studies have provided different statistics, but the reliability of their sources is weaker. For example, the African Development Bank (AfDB) estimated¹³ that Senegalese migrants sent home €1.25 billion in money transfers in 2005, representing 19 percent of the country's gross domestic product and 218 percent of official development assistance. The AfDB noted that the origin of remittance funds coming into Senegal is relatively diverse compared to other countries studied. In looking at three primary countries where Senegalese migrants live, the AfDB found that €449 million originated in France, €350 million in Italy, and €180 million in Spain in 2005. Within France, 63 percent of transfers originated in Paris, with the rest spread out relatively evenly throughout the country. The report also found that Senegalese households receive money from two migrants on average, at a rate of 293 euro, ten times per year. With two migrants sending to each household, each migrant sent an average of 120 euro in each transfer, the report explained.

¹³ African Development Bank, *Migrant Remittances: A Development Challenge*, 2007.

2. Dynamics of the marketplace for remittance transfers in Senegal

As in other countries, Senegal's remittance marketplace operates in relationship with existing regulations pertaining to foreign currency inflows as well as with the (complying or non-complying) players participating in the transfers. What follows in this section is a review of how the remittances industry works and the regulatory environment and the extent of market competition for money transfers to Senegal.

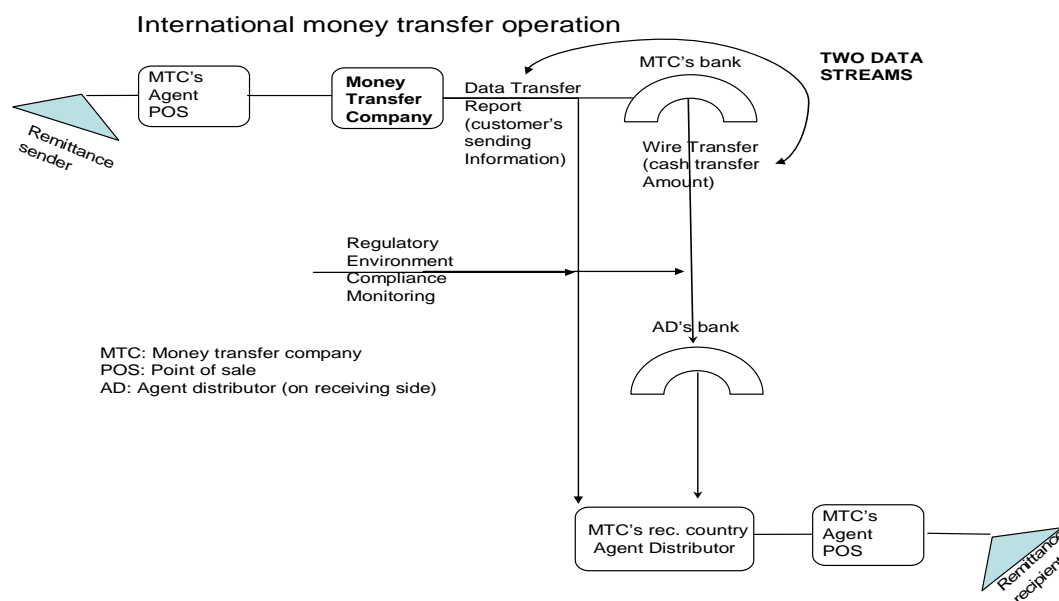
a. The remittances industry

The global remittances industry is complex, involving a broad array of money transfer intermediaries, also known as remittance service providers (RSPs), which are large and small businesses, both licensed and unlicensed.¹⁴ The marketplace of RSPs is shaped by numerous issues: number and type of companies involved, degree of competition, government regulations and policy environment, type and number of remittance and related services that are provided, and the demand for remittance services from immigrants.

There are four kinds of remittance sending intermediaries or providers (RSPs): non-bank financial intermediaries (NBFIs), banks and credit unions that provide remittance sending services, post offices, and informal intermediaries such as non-formal couriers or even friends who take or facilitate the sending of money from sender to recipient. For the most part, on the outbound, NBFIs dominate as remittance intermediaries. Among the NBFIs, the most significant players are money transfer operators (MTOs) like Western Union, Ria, Vigo, or MoneyGram. Other NBFIs include smaller money transfer companies and exchange houses that operate in one or more corridors. Numerous money transfer entities participate in making the transaction possible: these include, the remittance service provider, the agent that the company contracted to sell remittance transfers, the paying agent that provides the distribution on the receiving side, and the financial institution used by the money transfer company to make cash flow transactions. Both information and money consequently move through numerous stages and among a variety of players in the path from the remittance sender to their designated recipient (see Table x).

¹⁴ An unlicensed business is typically referred to an informal one.

Figure 2: Structure of an international money transfer operation



Source: Orozco, Pew.

In Senegal, many paying agent institutions utilize a sub-agent model, whereby the money transfer company on the receiving end enlists its own sub-agents to pay out some of the transfers it receives, adding another layer to the process.

b. Senegal's regulatory context

Typically, four main aspects relating to money transfers are regulated: the institutions allowed to pay international money transfers, anti-money laundering rules, regulations on holding foreign currency, and regulations on microfinance institutions (MFIs) in international payments. According to regulation in the Union Economique et Monétaire Ouest Africaine (UEMOA), the institutions authorized to conduct cross-border financial transactions as agents of remittance service providers include banks, the Post Office, and approved foreign exchange bureaux.¹⁵ The Ministry of Finance of Senegal is responsible for maintaining a list of authorized payers. What are not regulated are contractual obligations that can lead to oligopolistic or monopolistic controls, such as exclusivity. In practice, as will be discussed below, the obligation is less complied with by agents.

Because of the regulatory environment, banks have been the sole preference by governments as well as remittance service providers to pay remittances. As a result, banks have expanded their footprint in Senegal's growing money transfer business. Moreover, they have incorporated microfinance institutions, as well as some insurance companies and retailers, as their sub-agents. On their own, these nonbank institutions are not allowed to be direct agents of money transfer operators, but many have eagerly become sub-agents of banks in order to tap into the market. This sub-agent model has helped to expand the number of remittance payment points in Senegal, allowing recipients to pick up their cash

¹⁵ Regulation No. R09, 20 December 1998, Council of Ministers of the UEMOA, Article 2, Annex.

at a growing number of locations, bringing added convenience in an expanded payment map.

Both inbound and outbound transfers are subject to anti-money laundering regulation in Senegal.¹⁶ This regulation outlines measures financial institutions must undertake, such as Know Your Customer protocols, retention of documents and correspondence between banks, the enactment of an alert system to report suspicious transactions, on-going training for staff, and the establishment of external oversight bodies. The regulation stipulates that businesses conducting electronic transfers must have the capability of monitoring and reporting suspicious transactions. While most banks have anti-money laundering compliance systems in place, their sub-agents often do not. The larger microfinance institutions interviewed for this study explained that they only do some anti-money laundering compliance, while the smaller MFIs do not have any systems in place. The lack of technical capacity to implement such systems and resources to maintain them is a serious concern. According to Gregory Thys, regional director for Africa at ratings firm MicroRate, many international investors in Senegal's microfinance sector believe these MFIs, despite their considerable expansion into the remittances payout market, are ill-prepared for the risks inherent in the money transfer business (for a further discussion see the sections on financial intermediation below). According to interviews with senior bankers in Senegal, the BCEAO is currently working on revamping its anti-money laundering rules to tighten controls.

Non-residents may open foreign currency accounts, but only with the approval of the BCEAO.¹⁷ Credits to these accounts are unrestricted if they originate abroad or are made by transfer from a non-resident account in local currency. Debits to accounts may be done without permission from the bank if they are transfers to the same individual's other accounts or when being used to make local payments and the transaction can be justified to the financial institution by the account-holder.

Another area of regulation that affects the remittances marketplace in Senegal are limits on foreign currency flows. The West African Economic and Monetary Union (UEMOA) doesn't regulate inbound transfers, but it does regulate outbound cross-border payments, in part to prevent a large outflow of capital from the country.¹⁸ In the monetary union's "Zone Franc," these restrictions are more liberalized than transfers outside the free trade zone. Within the Zone Franc, senders may send any amount, but amounts above US\$10,000 must be reported to the Central Bank. Outside the free trade zone, transfers under CFA 300,000 (US\$ 651) are unrestricted, but above that amount senders must provide a proof of their beneficiary. La Poste is restricted from executing any transfers above CFA 1,000,000 (US\$2,170).¹⁹

Senegal has three different kinds of microfinance institutions; these include mutual societies, cooperatives and non-regulated NGO microfinance.²⁰ The 1997 Parmec law²¹ has regulated mutual societies and cooperatives in UEMOA countries which cover over 90% of the micro financing market. This law is now applied together with the regional UEMUA 2009 law. These institutions may pay out remittances only as sub-agents of

¹⁶ Instruction N°01/2007/RB July 2, 2007

¹⁷ Regulation No. R09, 20 December 1998 Council of Ministers of the UEMOA, Article 35

¹⁸ Regulation No. R09, 20 December 1998 Council of Ministers of the UEMOA, Article 4.

¹⁹ The exchange rate of 460 CFA to the U.S. dollar is used throughout this report, unless otherwise noted.

²⁰ Jenkins, Hatice. The impact of regulation of MFIs on microlending in Senegal.

²¹ Loi PARMEC Aout 1997, Loi no. 97-027.

authorized institutions. A new law²² established in 2008 set up government regulation of institutions that have not constituted themselves into mutual societies or cooperatives, which includes credit groups belonging to the UNACOIS trade association, a Western Union sub-agent. The new law stipulates that small credit groups must affiliate into a new category of financial institution called “decentralized financial systems,” or associate themselves with existing mutual societies or cooperatives. The law lays out the activities these institutions can perform, and there is no mention of cross-border payments, nor transfers of any sort.

c. The marketplace for remittance transfers

The outbound money transfer market is relatively small, constituted by less than 10 remittance service providers, in their majority money transfer operators. In the inbound market, interviews from most remittance service providers’ (RSPs) agents in Senegal suggest a total of 395,000 transfers a month, nearly half of which originate from Western Union. This figure would mean that most transfers (or 78 percent) to Senegal take place within the formal system.²³

Table 5: Market share of remittance service providers

RSP	Market
Western Union	300,000
MoneyGram	30,000
Ria	30,000
Money Express	15,000
Telegiros (Spain)	10,000
Others	10,000
Total transfers	395,000

Source: data collected from interviews with remittance agents in Senegal

Agents of remittance service providers in Senegal

The majority of payers in Senegal are banks, with the exception of La Poste. The postal office has the largest remittance distribution network in Senegal, with a strong presence outside Dakar and in cities along the northern border where banks have less presence. The institution, which offers financial products through its sister company La Poste Finance, has about 30 percent of Western Union’s volume market share.

²² Loi Organique No. 2008-47 du 3 de septembre 20089 portant réglementation des systèmes financiers décentralisés. Journal Officiel du Senegal. Broadly, the law’s stated objectives are to diversify the “financial landscape” to expand access to financial services among more economic agents, promote the sector’s stability and consumer protections, comply with international norms; reassert the conditions required to enter the sector, reinforce supervision, and improve institutions’ efficiency by favoring modern management tools that promote a deepening of the financial sector. A subsequent decree (Ministere de l’Economie et des Finances, Decret No. 2008-1366 du 28 de novembre 2008 portant application de la loi relative a la réglementation des systemes financiers decentralises au Senegal. Journal Officiel du Senegal) clarified that existing rules pertaining to mutual societies do not pertain to the “decentralized financial systems.”

²³ Using the median amount sent at €200 ten times a year, as per our April 2010 survey in Paris, and September 2009 in Rome and Madrid.

The largest payer in terms of volume is Compagnie Bancaire de l'Afrique Occidentale (CBAO), which is an agent of both Western Union and MoneyGram, a rare occurrence due to Morocco-based regional bank BST Atajari's 2009 merger with CBAO that brought the two money transfer operators under one roof. In 2009, CBAO's 73 Western Union payout locations paid out 84,000 transfers per month for Western Union, adding up to US\$272.6 million, and representing 34 percent of WU's market share in Senegal. CBAO also paid out approximately 16,700 transfers for MoneyGram, adding up to US\$59.8 million. The bank's combined Western Union and MoneyGram transfers of US\$332.4 million made it the largest single payer institution in the country last year.

One important change in the market is growing competition as banks work with more RSPs (predominantly MTOs) and expand payment networks by contracting with MFIs as subagents. Although the leading money transfer operators routinely asked their agents to sign exclusivity contracts forbidding them to work with another MTO, the government issued letters to banks pointing out that such clauses were not legal. Half of the banks in Senegal interviewed for this project are currently working with more than one operator, and looking to add additional ones. And, at least one other bank is about to sign a deal with another MTO. The other four banks, the smaller payers, said they are content with the status quo. Among MFIs, all but one are paying out remittances for more than one MTO, and they are all looking to add new operators as well. La Poste works with several operators and is actively expanding.

One challenge associated with exclusivity takes place in the country of remittance origination. In France, where Western Union, for example, holds a monopoly through its exclusive relationship with that country's post office, informality in the remittance market is higher than in Spain, where market competition is more robust. A survey of Senegalese immigrants in Spain showed that over 80 percent used money transfer operators to send money home.²⁴

Other players in the market include Banque de l'Habitat du Senegal (BHS), Banque Islamique du Senegal (BIS), and Societe Generale de Banques au Senegal (SGBS). Interviews show that BHS pays out about 40,000 inbound MoneyGram, MoneyExpress, and Coinstar transfers per month. In 2004, BHS had about 26 percent market share of remittances from France to Senegal through its proprietary money transfer service offered at its branches in Paris.²⁵

BIS, which has four branches in Senegal, pays out about 26,000 MoneyGram, Ria Envia, and Money Express transfers each month. SGBS is the only one among the top banks that isn't working with more than one operator. Through Western Union, SGBS paid out 25,800 transfers in January 2010. BICIS reports about 12 percent of Western Union's market share in the country.

Other banks in the remittance business manage much smaller volumes. Corporate sector bank BSIC reported paying about 10,500 transfers per month. Newcomers Banque Atlantique and Banque Regionale du Senegal pay out about 650 and 1000 transfers, respectively. The two banks whose numbers we are missing are Bank of Africa and Ecobank.

²⁴ Orozco, Manuel. "Hacia un optimismo cauteloso: el impacto de la crisis global sobre los inmigrantes y las remesas," December 2009, survey release of 900 migrants in Italy and Spain.

²⁵ Selected Committee on International Development Sixth Report, Chapter 4: Resource Flows: Remittances And The Role of The Diaspora, the UK Parliament, 2004.

Microfinance institutions in the remittance market

One of the biggest payers in Senegal is the country's largest microfinance institution, Credit Mutuelle du Senegal (CMS), which pays out about 50,000 Western Union transfers per month. Last year, the MFI paid out some US\$180 million in remittances. CMS has 188 branches in Senegal, with just over half located in rural areas. The MFI also does a significant volume of domestic transactions. In January 2010, it paid out 21,000 domestic transfers, adding up to about CFA 700 million per week.

Two other microfinance institutions participate in the market and are as competitive as the banks they are subagents for.²⁶ ACEP, working as a subagent of BIS, pays out about 10,000 MoneyGram transfers per month. This added up to US\$34.3 million in 2009. As Senegal's second-largest microfinance institution, ACEP has 13 branches and has been paying out remittances since 1996. The MFI also processed US\$17.8 million in Ria Enviva transfers last year, and US\$8 million in Money Express transfers last year. ACEP's monthly Money Express volume has recently doubled compared to last year, according to the MFI's remittances manager.

CBAO has managed a sub-agent network since 2004 through microfinance federation Pamecas, which has 63 MoneyGram payout locations. Pamecas, Senegal's third-largest MFI, estimates it has 36 percent of MoneyGram's market share in Senegal. The MFI has also been working with MoneyExpress since March 2009, with which it has developed a cash-to-account product for migrants in Italy. Pamecas saw a significant drop in remittances last year; a trend that managers said began in 2007. Much of the drop could be due to liquidity problems, managers explained.

In addition to CMS, PAMECAS, and ACEP,²⁷ at least two other MFIs are very involved in the remittances marketplace, despite their relatively low volumes of about 1,100 transfers each per month. U-IMCEC, a predominately rural MFI composed of four agricultural mutual societies, has 39 points of service for money transfers. U-IMCEC pays out Money Express transfers as a sub-agent of Banque Regionale de Marche, as well as for CashMoney, a Switzerland-based company, as a sub-agent of Banque Atlantique. The MFI's general manager said they noted a decline in remittance volumes in 2009, but transaction numbers remained the same. The MFI also experienced serious liquidity issues in 2009.

DynaMicrofinance, a federation of 20 small credit associations belonging to the UNACOIS traders industry association, works with Western Union as a subagent of BRS, with Money Express as a subagent of BHS, and is planning to ramp up its MoneyGram business with a new sub-agent contract with United Bank of Africa. UNACOIS started offering transfer services in 2002 with Money Express, which at the time operated using fax machines, as a sub-agent of BHS. Then, from 2005 to 2007, UNACOIS ceased to offer remittances due to technological issues. In 2007, the MFI started up remittances again, this time with Western Union through BRS, and later reinitiated Money Express transfers.

Most MFIs got into the remittances business because of the income diversification opportunity that transfer commissions represented.²⁸ While some MFIs have limited their

²⁶ Note that the figures on payments by these subagents are part of the total global reported by each bank for which the MFI work, not an additional number.

²⁷ These three businesses hold approximately 85 percent of total assets in the MFI sector.

²⁸ While operating costs are low, the revenue per transaction (at US\$1.00 or more) offers an incentive to stay an active payer.

payout networks to their own branches, others have expanded their footprint by enrolling retailers as their agents.

The sub-agent model is not without its problems, however. Many MFIs would prefer to be direct RSP agents, enabling them to earn full commissions and invest this revenue in expansion, such as by enlisting sub-agents of their own. In Africa, Senegal is host to some of the strongest lobbying efforts, led by the largest MFIs, to change existing regulation and allow nonbank financial institutions to conduct cross-border payments directly. It is unclear to what extent this lobby has been effective. The 1997 Parmec law, which authorized savings and credit unions (*mutuelles*) and cooperatives to offer financial services with approval from the Central Bank, did not result in MFIs' authorization to be direct MTO agents.²⁹ A senior manager at ACEP said he expects regulation will not change for another two or three years. Another institution, CMS, found an innovative way to get around this regulation. In 2005, CMS established Banque des Institutions Mutualistes d'Afrique de l'Ouest (BIMAO), and today CMS pays out remittances as a sub-agent of BIMAO. BIMAO also serves as the institution that manages CMS employees' salary accounts.

In their lobbying efforts to obtain authorization to pay out remittances directly, larger MFIs argue that smaller institutions ought to be restricted from being direct agents by placing on them strict capital requirements they must retain in reserve in order to conduct cross-border transfers. Capital requirements are an important element of remittances regulation. Among the MFIs surveyed for this study, many reported experiencing significant liquidity shortages in the last few years, in many cases forcing them to limit remittance payout service. This situation poses a challenge as to the extent to which these institutions can perform successfully in this market. A large MFI with US\$50 million in assets that pays over 10,000 transactions a month may face liquidity problems if it doesn't have enough reserves to cash transfers upon demand.

The table below provides the market share as reported by the institutions interviewed. As the table shows, nearly 400,000 transfers are carried out each month by banks, MFIs and the Senegalese postal office, amounting to an estimated US\$789 million. This figure suggests that informal flows may be less than 30% of the estimated 530,000 remittance recipient market.

²⁹ In 2007, at least one small MFI signed on as a direct agent of an MTO, but upon learning that the law didn't allow it, had to void their contract and start afresh with a bank as their agent.

Table 6 : Remittance transfer market (regulated institutions)

Institution	Type	MTO	TRX/month	TRX /year	US\$ 2009 volume	Average TRX	Source
CMS	MFI (sub-agent of BIMAO)	WU	50,000	632,000	\$180,110,000	\$166	interview
La Poste	Post office	WU, ME, CMT, Placide, KMT	90,000	1,080,000	\$179,280,000	\$166	interview
CBAO	Bank	WU	83,918	1,007,018	\$272,604,080	\$271	interview
BIS	Bank	Ria, MG, ME, CMT	26,000	312,000	\$108,500,000	\$294	interview
BOA	Bank	WU	25,000	300,000	\$104,400,000	\$348	est.
SGBS	Bank	WU	25,797	309,561	\$91,085,750	\$153	interview
BHS	Bank	MG, ME, Coinstar	40,000	480,000	\$79,680,000	\$166	interview
BICIS	Bank	WU	36,000	432,000	\$71,712,000	\$166	interview
Ecobank	Bank	WU	25000	300,000	\$49,800,000	\$166	est.
CBAO	Bank	MG	16,667	200,000	\$59,800,000	\$ 299	interview
Pamecas	MFI (sub-agent of CBAO)	MG, ME	11,500	138,000	\$41,230,000	\$ 299	interview
BSIC	Bank	MG	5,000	60,000	\$31,356,500	\$ 250	est.
ACEP	MFI (sub-agent of BIS)	MG	10,000	120,000	\$34,346,760	\$286	interview
BRS	Bank	WU	631	7,572	\$21,700,000	\$285	interview
ACEP	MFI (sub-agent of BRM)	ME	5,500	66,000	\$8,029,000	\$166	interview
ACEP	MFI (sub-agent of BIS)	Ria Envía	8,933	107,193	\$17,794,000	\$166	interview
DynaMicrofinance (I'UNACOIS)	MFI (sub-agent of BRS and BHS, and soon UBA)	WU and ME	1,100	18,635	\$4,435,662	\$166	interview
Banque Atlantique	Bank	MG, Money Cash	1,000	12,000	\$4,200,000	\$150	interview
U-IMCEC	MFI (sub-agent of BRM)	ME	1,020	12,240	\$445,069	\$166	interview
Remittance paying institutions (agents and subagents)			381,033	4,572,391	\$832,111,923		

Source: data collected from interviews with institutions and fieldwork research, March 2010.

The table above shows that one company may control 80 percent of the payments in the licensed money transfer operation to Senegal, and the rest is performed by smaller competitors, signalling the role of a strong oligopoly. Even though the role of exclusive agreements may have been dealt with, in practice it has yet to lend itself to greater competition. Two additional issues that shape the remittance market include the scope of payment networks in Senegal and the costs of remitting. The payment network's coverage is important, yet could improve with greater technology and technical assistance. Currently, the nearly 400,000 transactions are paid out in 1208 payout locations.

Table 7: Payout coverage

Total Payouts	Urban to Total Ratio	MFI to Bank ratio
1208	0.22	0.53

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

With regards to sending money to Senegal, the country exhibits expensive costs for migrants. The least expensive corridor is from France, where sending US\$200 costs 9.17 percent of the value sent.

Table 8: Average cost of sending a remittance from France to Senegal (March 2010)

	Send US\$200		Send US\$500	
	%	US\$	%	US\$
Bank	11.95	\$24	11.95	\$24
MTO	7.56	\$15	7.56	\$15
Post office	8.21	\$16	8.21	\$16
Total	9.17	\$18	9.17	\$18

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

Outside the France-Senegal corridor, on average sending costs are above 8 percent, a figure similar to other African countries, despite the fact that Senegal is a country with larger remittance inflows than other countries. Transaction cost is often associated with limited payment networks, lack of competition in the transaction origin, as well as the presence of oligopolies in the payment destination. These costs may be high partly due to the small payment network as well as the significant market share control of the volume and networks in Senegal by two main companies. Central to policy change is the opening of this market to other remittance service providers, both on the origination side (Europe in particular) and on the destination side (strengthening payment networks).

3. Financial intermediation and remittance recipients

The significance of remittances does not rely exclusively on their capacity to help recipients cope with day-to-day needs, but on how these flows help households build savings and assets. From a policy and business standpoint, providing financial services to remittance recipients opens an important development function in that recipients are able to mobilize their savings into the financial sector, obtain credit or access some type of insurance. Such savings, for example, can then be utilized for credit to enhance the country's productive base. As this section will show, remittance recipients in Senegal have accumulated an important stock of savings, but most of these savings are informal. Thus, incentives to bring these stocks into the formal system are important. Yet, there is a very limited financial service approach among institutions paying remittances in Senegal, and when such an approach exists, it focuses on migrants. The following section reviews these issues and their policy and business implications.

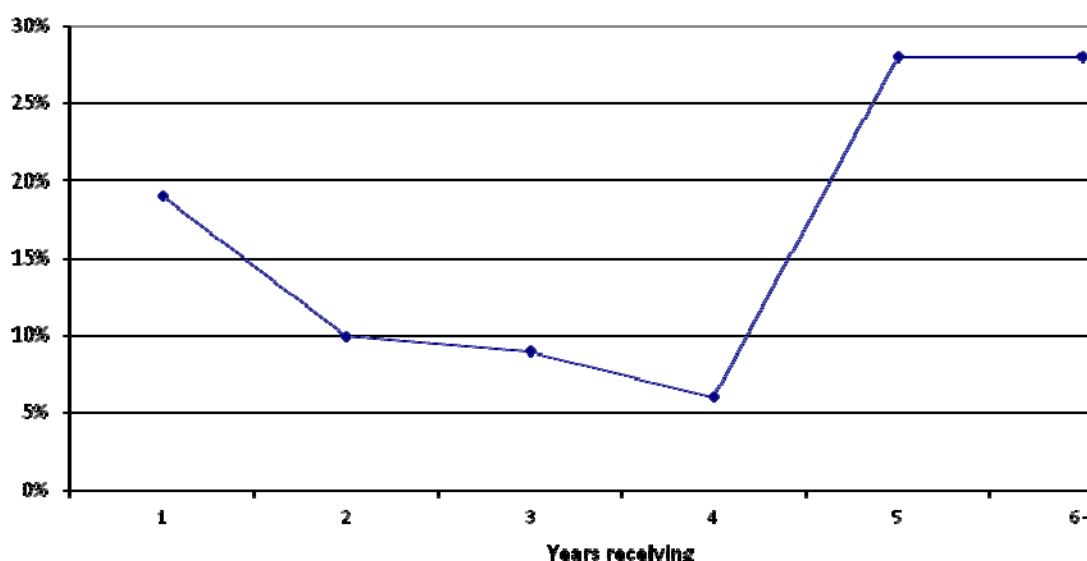
a. Remittance recipients and the demand for financial services

Seven in ten Senegalese households have a family member abroad and, as noted above, three in ten households receive remittances of about US\$300 eight times per year. According to a survey conducted among 200 microfinance clients and 400 of their neighbours throughout Senegal, the average value of remittances received varies based on gender, education level, and financial product ownership.³⁰ Men receive US\$358 on average, compared to US\$182 for women. Respondents with a primary school education receive US\$295, compared to US\$530 for those with a middle school education. Microfinance clients surveyed receive US\$447 on average, compared to US\$218 for their neighbors who receive remittances.

The recipients surveyed have received for a relatively short period of time. The average year in which their family member migrated was 2000, and four in ten households have received for four or fewer years. Fifty-seven percent of respondents said they or another member of their household is thinking about migrating in the next year. This number is significantly high, but reflects predominantly the emerging nature of Senegalese international migration dating less than 20 years.

³⁰ Orozco, Manuel. *Sending Money Home to Africa*, International Fund for Agricultural Development, October 2009.

Figure 3: Length of time receiving remittances (% of respondents)



The vast majority (85 percent) of recipients said they receive their money through money transfer companies, which pay out through banking or post office agents, as discussed above. These numbers diverge from our estimate that 29 percent of flows are not transferred by formal money transfer companies.

Only 3.5 percent of Senegalese recipients said they receive their money through an account-to-account or cash-to-account transfer. About 12 percent of respondents said they use informal or other means to receive their money, such as receiving through a friend or relative or a traveller.

Table 9: Remittance-receiving methods

	%
Money transfer company	85
Friend or relative	7
Bank transfer to bank account	3
Money sent home through travellers	2
Other	3
Total	100

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

These transfers account for 40 percent of all income earned in the household that receives remittances, a condition that puts them above those who do not receive remittances. Besides differences in local income, there are notable differences in the financial behaviour of households that receive remittances and those that don't.

Financial practices are typically considered as those that deal with the ability to budget, accumulate savings or invest, borrow or adopt risk mitigating measures. These activities can be analyzed along a dual context between regularity and formality. Regularity refers to ways people manage their money with some kind of frequency, rather than sporadically (for example, saving an inheritance). Formality applies instead to the

condition by which a person's financial practice takes advantage of the formal financial infrastructure (depositing money at banking institution, borrowing from a licensed lender, etc.). Looking at the survey we find that people's financial practices are mixed, though remittance recipients tend to save in larger numbers than non-recipients. We also find that use of financial institutions is significantly low.

First, despite the fact that many recipients pick up their money at bank branch locations that offer financial services, just 31 percent of respondents said they have some kind of formal financial relationship with a financial institution. Most of these have basic savings and loan accounts, with relatively low levels of credit and debit card penetration below 5 percent.

Table 10: Card ownership in Senegal

	%
Only Credit card	2.4
Only Debit card	2.2
Other	1.6

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

Second, 58 percent have some kind of savings, which translate in important stock of cash assets. Households that receive remittances reported having an average stock of savings of US\$406, while non-recipients had US\$206. Seventy-five percent have been saving this money for three years or less. This stock of savings amounts to three months of earnings or just over one money transfer received in a year. The amounts saved are significantly lower than those found in other nationalities that receive remittances and may reflect different circumstances and realities. For example, the size of the household in Senegal is three times larger than many Asian and Latin American households, and double the size of a typical African household. Thus, day-to-day obligations may have an effect on their ability to increase their stock of savings.

Third, looking at the range of Senegalese households' financial practices, we find that the majority of the most typical activities are informal mechanisms, such as saving leftover income, putting aside extra earnings, or investing it. A small number of respondents rely in owning savings or checking accounts as a key practice relative to other financial practices.

Table 11: Aggregate range of financial activities among Senegalese households

	Does not receive	Receives
Save leftover income	17.6%	20.9%
Save extra earnings	14.8%	16.3%
Invests extra income	12.5%	11.3%
Health insurance	10.2%	10.3%
Savings account	10.1%	7.7%
Checking account	5.8%	6.7%
Shared account	6.1%	6.7%
Merchandise	3.7%	5.5%
Animals	6.0%	4.3%
Durable goods	6.2%	3.8%

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

Moreover, recipient households are more likely than non-recipients to have loans or make payments for education, health, and appliances. Non-recipient households are more likely to have a loan for a vehicle, a party such as a wedding, and home loans.

Table 12: Types of loans or payments made by remittance recipients and non-recipients

	Does not receive	Receives
Education	49%	58%
Health	7%	18%
Insurance	10%	10%
Vehicle	23%	5%
Appliance	10%	25%
Business Loan	9%	13%
Travel Loan	13%	15%
Party Loan	11%	8%
Family Expenses	6%	8%
Funeral Service	2%	3%
Home Loan	36%	23%

Source: Orozco, Manuel. Sending Money Home to Africa, International Fund for Agricultural Development, October 2009.

These results show that remittance recipient households, as a percent, save more than non-recipients, as well as hold an important stock of savings higher than the rest of the population, despite its number being lower than other societies. Together, this stock of saved cash among remittance recipients may represent more than one hundred million dollars.³¹ If other methods of savings and asset ownership are included, the value is likely to be significantly higher.

b. Financial intermediation efforts

The formality with which people conduct their financial practices is a function of many factors, such as income, awareness of available financial products, and affordable and uncomplicated access. Here we analyze the role of financial institutions (meaning commercial, development banks, and various kinds of microfinance institutions) as intermediaries with a capacity to market products through different vehicles that would raise interest and awareness.

Senegal's financial system (banks and MFIs) is relatively small, constituting US\$4.6 billion in assets, 92 percent of which is owned predominantly by commercial banks. These institutions operate with a total of 440 branches, one third of which is CMS, the largest microfinance institution in the country. The volume of deposits in the country is US\$3 billion held by over 1 million depositors. However, the majority of deposits in banking institutions are commercial or corporate rather than individual accounts, with average deposits of US\$7,000, against average deposits of US\$200 in MFIs, whose clients are more likely to be personal rather than business account holders.

³¹ 58 percent saving US\$406 in an estimated recipient segment of 536,000 people yields US\$126 million.

Table 13: Senegalese Financial Institutions

Institution	Type	Branches	Total assets (US\$)	Agent of	Per
Compagnie Bancaire de l'Afrique Occidentale (CBAO)	Bank	32	\$1,330,752,498	Western Union, MoneyGram	\$6,213
Société Générale de Banques au Sénégal (SGBS)	Bank	44	\$1,048,169,352	Western Union	\$4,996
Banque Internationale pour le Commerce et l'Industrie du Senegal (BICIS)	Bank	24	\$668,311,045	Western Union	\$3,919
Ecobank Sénégal	Bank	28	\$429,740,987	Western Union	\$6,224
Banque de L'Habitat du Sénégal (BHS)	Bank	5	\$420,591,998	MoneyGram, Money Express, Coinstar	\$3,356
Credit Mutuelle du Senegal (CMS)	MFI	118	\$207,200,000	Western Union	\$362
Bank of Africa - Sénégal (BOA)	Bank	8	\$164,624,674	Western Union	N/A
Banque Islamique du Sénégal (BIS)	Bank	4	\$109,655,944	Ria Envia, Money Express, Choice Money Transfert	\$18,496
PAMECAS	MFI	64	\$65,392,969	MoneyGram, Money Express	\$188
ACEP Senegal	MFI	42	\$63,999,105	MoneyGram, Ria Envia, Money Express	\$270
Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC)	Bank	1	\$62,005,784	MoneyGram	\$10,813
Banque Régionale de Solidarité Sénégal (BRS)	Bank	1	\$39,947,629	Western Union	\$3,100
U-IMCEC	MFI	28	\$9,080,345	MoneyExpress, CashMoney	\$80
ASACASE CPS	MFI	?	\$6,193,639	Money Express, Coinstar, MoneyGram	N/A
DJOMEC	MFI	7	\$2,085,504	Money Express	N/A
Banque Atlantique	Bank	11	NA	MoneyGram, MoneyCash	N/A
DynaMicrofinance (part of l'UNACOIS)	MFI	20		Western Union, Money Express	N/A

Source: Interviews with financial institutions and data collected from financial reports.

From a policy and commercial standpoint, these institutions are well positioned to compete in the market to attract remittance recipient clients who are saving double the amount that non-recipients are. Competition for this clientele is thus important as it represents a minimum stock of savings worth US\$130 million, as well as a larger potential stock of assets and other saving methods.

Here we look at the extent to which these financial institutions (banks and MFIs) are servicing this market according to a) a business strategy that targets this particular population, b) designs and markets financial products aiming at getting their business, c) is reinvesting in the local communities where they reside, and d) tracks the success of their strategy.

The interviews carried out with executives of these financial institutions suggest that there are timid approaches, many of which focus on migrants rather than remittance recipients, and marketing is nonexistent, with some exceptions. In other words, despite the fact that remittance recipients are a loyal clientele that visit these institutions six to eight times a year to withdraw their remittance payment, the practice of actively and efficiently marketing or cross-selling products to them is very limited.

Financial services to remittance recipients among commercial banks

None of the nine banks interviewed and studied actively offers financial products to remittance recipients. Managers at two of the banks believe remittance recipients don't have the capacity to save and wouldn't be able to put up collateral for loans, and therefore see no reason to develop or market products for them. Three of the nine banks provided anecdotal evidence that cashiers or customer service representatives promote savings accounts to frequent remittance customers, but only one bank has conducted data analysis to measure the success of its ad-hoc efforts. Managers at the remaining four banks have no objection to selling financial products to remittance recipients, but said their institutions don't actively cross-sell to them. There is a general marketing approach, rather than a systematic strategy.

Several institutions have developed financial products specifically for migrants, such as body repatriation insurance, life insurance, and special savings and loan products. It seems that commercial promotion and outreach to migrants has been focused on a more upper-income group of migrants. Even in these cases there is little evidence to indicate the success of selling these products. The fieldwork visit showed many Senegalese banks to have established a presence in Europe and the United States through correspondent networks and offices. However, in these offices, they tend to offer proprietary or SWIFT wire transfer services for a relatively small volume of clients. Societe Generale Banque Senegal (SGBS), for example, processes about 20 SWIFT transfers per day as a product it markets as "i-transfert" from its office in Paris and partner banks in France, Spain and Italy. Other Senegalese banks are part of West African or other regional conglomerates, which gives them a presence in other African capital cities to conduct SWIFT transfers. The following section profiles each institution interviewed regarding their approach to remittance senders and recipients, with a focus on the extent of their cross-selling efforts and product design for this segment.

Banque Régionale de Solidarité Sénégal (BRS), a Western Union payer, is a relatively new bank in Senegal, having opened in 2005. According to a senior BRS executive, the bank doesn't cross-sell its financial products to migrants or recipients. The institution concedes that the bank's current product offering isn't adequate to these customers' needs. Loan products require a guarantee, "which poor clients don't have," he said. BRS understands that, in order to tap into this segment, developing new products would be "fundamental." However, microfinance institutions are better equipped than banks to loan

to this segment, BRS believes, because MFIs don't have the same collateral requirements. *Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC)* is a relatively important remittance payer, paying out some US\$31.4 million in international remittances last year. However, because the institution's mission is to focus on the corporate, not retail sector, BSIC makes no efforts to cross-sell financial products to remittance recipients. *Ecobank Sénégal*, founded in the 1980s by a trade association looking to facilitate intra-regional African commerce, has historically shown an interest in working with senders and recipients. As such, in Senegal the bank has a robust international account-to-account transfer system run through SWIFT, which is mostly targeted to corporate customers. The bank has actively worked with Western Union for nearly ten years, and is seeking to increase its market share in the migrant money transfer business. While Ecobank's products are primarily designed for the corporate segment, they are actively developing new products for the retail segment, with a strong focus on formally employed workers and offering them payroll accounts and loans. Remittance recipients are eligible open savings accounts and apply for loans, but it remains to be seen to what extent they have conducted successful cross-selling.

Banque de L'Habitat du Sénégal (BHS) is a mortgage lender and active in the money transfer business as an agent of MoneyGram, Money Express, and Coinstar. The bank has developed a host of innovative housing products, which it markets to the diaspora through its offices in New York and Paris. BHS's "Pack Diaspora" includes savings accounts, several loan products, and body repatriation insurance. According to a senior manager, on the remittance recipient side, the bank does not cross-sell financial products. *Compagnie Bancaire de l'Afrique Occidentale (CBAO)*, the largest remittance payer in Senegal, focuses cross-selling efforts on migrants, not recipients. Through a partnership with *Compagnie de Banques Internationales de Paris (CBIP)*, a West African banking association, CBAO offers body repatriation insurance to migrants.³² In this case, though the product offering exists, the success and performance of it is unknown. Senior executives explained that the bank does not cross-sell financial products to remittance recipients, but recipients, like any other person, can certainly choose to open a savings account. For the most part, the bank hasn't analyzed how many of their remittance clients have bank accounts, and suspects that very few would have credit products because "remittance recipients would have guarantee problems."

Banque Atlantique is an Ivory Coast-headquartered institution, which operates throughout the UEMOA monetary union, as well as Guinea and Cameroon, and opened its doors in Senegal in 2006. They are a MoneyGram payer. Their senior executives stated that they don't actively cross-sell to recipients, but they are developing marketing efforts among the diaspora through migrant associations. *Banque Atlantique* has an affiliate office in France where customers can make account-to-account and cash-to-account transfers. Their primary marketing tactic consists of mailing letters to migrants in Europe, primarily wealthier Senegalese and companies, and proposing that they open accounts. In addition to paying out MoneyGram transfers, the bank also offers a card-to-cash system through Switzerland-based MoneyCash and they are developing their own proprietary money transfer system. They have talked to MoneyGram about developing a cash to account product, but have not designed the product yet.

Banque Islamique du Sénégal (BIS), the only bank in Senegal authorized to offer financial products that adhere to Islamic banking principles, has a considerable presence in the remittances business for its size, working through Ria Envia and Money Express. BIS,

³² CBAO and CBIP websites.

which only has four branches and has about 5,000 savings account holders, has managed to build up a client base of 26,000 money transfer recipients, mostly through its sub-agent network. Executives working in the operations office reported that BIS has managed to cross-sell savings accounts to about 5 percent of its remittance recipients. They explained that this is partly due to a strategy whereby cashiers offer savings accounts to regular customers who receive large volumes of remittances. Cashiers are instructed that, when they recognize a client, they should check in the bank's database whether that person has a savings account. If the client does not, the cashier offers one to them. The bank doesn't have a systematic way to track on a regular basis which remittance recipients have opened accounts, but managers were able to get the 5 percent figure by cross-checking data from the money transfer platform with the bank's information system. Very recently BIS created a department devoted to the money transfer business, which will enable more sophisticated tracking, according to a senior executive. On the migrant side, BIS has contacted the *Ministère de Senegalese de l'Exterieur* in an attempt to get information to market to the diaspora, but as of yet they have not launched any major efforts.

Contrary to BIS, the *Banque Internationale pour le Commerce et l'Industrie du Senegal (BICIS)* does not do much strategic cross-selling to recipients. In some villages with high remittance volumes, branch managers have a "policy to connect all Western Union transfers to products," but they only provided anecdotal evidence that some people choose to deposit some of their remittance into a bank account. BICIS is just starting to develop an outreach program to migrants. On the recipient side, BICIS does not have any special products or marketing strategy for remittance recipients. The bank is starting to develop a product line for migrants, including an insurance product. They believe transnational loan products will not be successful because migrants won't be able to put up collateral. *Société Générale de Banques au Sénégal (SGBS)* explained that it offers special products for migrants through their branch office in Paris that targets the Senegalese diaspora. SGBS offers a range of standard products to migrants, plus several specially designed products, such as body repatriation insurance, two life insurance products (one covers childrens' education expenses), a migrant retirement plan, a home improvement loan, and savings accounts. They operate a proprietary "i-transfert" product for account-to-cash and account-to-account remittances (they do about 20 E-Transfers per day). Their target segment is migrants who already have bank accounts in Senegal and wish to make deposits to their accounts or conduct business transactions.³³ As for recipients, if a cashier notices someone who receives regularly, they try to sell them a bank account, but this is not systematic, according to a senior executive.

With their limited resources to launch international marketing efforts, most microfinance institutions have not targeted efforts to the diaspora. Of six MFIs interviewed, the two notable exceptions are large MFI Pamecas and small credit union U-IMCEC, which in the last year have developed financial products and marketing efforts with international donor support. Another MFI, CMS, advertises a suite of standard savings and loan products for migrants on its website, but efforts to promote these products among migrants are limited.

On the remittance receiving side only one institution actively cross-sells financial products to recipients. *DynaMicrofinance*, an association of 20 small mutual societies belonging to the UNACOIS industry group, reported that 20 percent of its remittance clients have acquired a savings or loan product, in part due to their efforts to systematically offer savings accounts to all recipients, invite them to sit down with a loan officer or

³³ Mystery shopping phone calls, interviews with correspondent network managers.

branch manager, and explain how loan products work. Twice a year, cashiers receive training in marketing and sales techniques, in which they are instructed how to promote financial products. To incentivize these efforts, cashiers receive a commission when one of their customers opens a savings account. After the customer opens an account, they are invited to sit down with a representative, who spends time with the client assessing their financial situation, recommending certain products, and explaining how they work. DynaMicrofinance knows that about 20 percent of remittance recipients have acquired another product based on some data analysis they have conducted, but the MFI doesn't have a systematic way to regularly track the number of their remittance recipient clients who have financial products at their institution. The MFI has about 29,000 savings accounts and 12,000 loans. Another MFI, *Microcred*, is just now planning to get into the remittances business after conducting a survey that found 50 percent of its savings and loan clients receive remittances. Microcred just signed an agreement with Western Union, as sub-agents of Bank of Africa, and should start offering transfers in 2010. Like UNACOIS, Microcred managers see remittances as an opportunity to attract new savings and loan clients.

In contrast with DynaMicrofinance's strong efforts, two of the largest MFIs (Pamecas and ACEP) both reported that they don't believe remittance recipients would make good savings or loan clients. *Pamecas*, the second-largest MFI in Senegal, focuses its marketing efforts on migrants, not recipients. In 2009, the MFI launched a special pilot program for migrants in Italy with funding from Luxembourg's Ministry of Foreign Affairs, through partnerships with diaspora associations and Money Express. As part of the project, Pamecas developed a special product line which includes cash-to-account savings, a range of home loans, and body repatriation insurance. They also offer migrants a health insurance product that was designed for local loan clients. According to a Pamecas executive, the most popular product has been a savings account designed to enable investment after return migration. Starting in April 2010, the MFI plans to cross-sell loan products to remittance senders who acquired savings products in 2009. These loan products will require family involvement in Senegal, because they require the migrant borrower to have a personal reference in Senegal. Apart from this involvement of a local reference, Pamecas does not reach out to remittance recipients to cross-sell financial products, because they believe recipients do not have the capacity to save or invest.

Like Pamecas, but on a much smaller scale, microfinance institution *U-IMCEC* developed a cash-to-account product for remittance senders through support from an international donor, the Catalan Fund for Cooperation and Development, and Money Express. So far, promotion of this product has been limited, according to U-IMCEC executives; 35 customers have acquired this product. Like UNACOIS, managers at U-IMCEC say they entered the remittance business not so much to earn commissions, but in order to cross-sell loan products, their primary mission. However, there is no evidence of successful cross-selling at the recipient level.

CMS, Senegal's largest MFI, has developed an extensive cross-selling technique among its savings and loan clients utilizing call centers.³⁴ However, this strategy has not been applied to the remittances segment. This cross-selling technique involves three call centers, each dedicated to selling a different product, which use telephone numbers from existing savings and loan client databases. The MFI is working to consolidate these call centers into a single operation with central customer relationship manager (CRM)

³⁴ Call centers are client support systems consisting of a network of telephone operators trained to answer client queries and cross-sell company products.

software, in order to enable greater cross-selling. The MFI boasts a cross-selling indicator in which its savings and loan customers have on average 1.5 products each. CMS doesn't know how many of its remittance recipient clients have other products in the institution. For now, the vision of a central call center and increased cross-selling does not contemplate the inclusion of remittance senders or recipients. If anything, CMS's cross-selling in the remittances segment has focused on migrants. The MFI's website advertises a suite of standard savings and loan products for migrants, and CMS has signed conventions with diaspora associations in Italy, with plans to enroll associations soon in Spain, France and Gambia. These conventions tend to focus on promoting the transfer product, and not strategically cross-selling other financial services.

Assessing the supply side among financial institution

The review and analysis of these institutions suggests a rather twofold contradictory practice. First, most institutions do not engage to actively service this community. Second, the few instances they do target this population and materialize such perspective through a product and its commercialization, they are focused on the emigrant community and/or do not have performance indicators to identify the level of success.

To understand their positioning as to whether they target this population and serve it, the institutions were scored according to two sets of scales relating to whether these businesses cater financial services to the remittance market. The table below shows the scores the degree to which institutions cross-sell financial products to their remittance clients (on a scale from 0 to 4, from no approach to an aggressive strategy) and the degree to which they have designed and market products specifically for migrants or remittance recipients (also on a score of 0 to 4, ranging from no products at all to products that are aggressively marketed to both migrants and remittance recipients).

Table 14: Bank and MFI scoring for financial product offering

Extent and depth of financial service offering to Institution	Cross-selling score*	Product and Marketing score**
Banque de L'Habitat du Sénégal (BHS)	3	2
Société Générale de Banques au Sénégal (SGBS)	3	3
DynaMicrofinance (Part of l'UNACOIS)	3	1
PAMECAS	3	3
U-IMCEC	3	3
Banque Islamique du Sénégal (BIS)	2	1
Banque Internationale pour le Commerce et l'Industrie du Senegal (BICIS)	2	0
Compagnie Bancaire de l'Afrique Occidentale (CBAO)	2	2
Banque Atlantique	2	0
Credit Mutuelle du Senegal (CMS)	1	0
Banque Régionale de Solidarité Sénégal (BRS)	0	0
Banque Sahélo-Saharienne pour l'Investissement et le Commerce (BSIC)	0	0
Ecobank Sénégal	0	1
ACEP Senegal	0	0

*Cross-selling score: To what degree does the institution promote financial products among migrants and remittance recipients?

**Product & marketing score: To what extent has the institution developed products and marketing efforts for remitters and recipients?

0	No strategy to sell to recipients
1	Sells to recipients, but not as a distinct segment
2	Management has anecdotal evidence of cross-selling to migrants or recipients (mostly rhetorical)
3	Actively markets products to either migrants or recipients
4	Aggressively markets products to both migrants and recipients

0	No products specifically designed for migrants or recipients, nor promotion of other product lines among migrants or recipients
1	No products specifically designed for migrants or recipients, but actively promotes other product
2	Has products specifically designed for either migrants or recipients, but promotion limited
3	Has products specifically designed for either migrants or recipients, and actively promotes them
4	Has products specifically designed for migrants and recipients, and actively promotes them

c. NGOs and diasporas role on financial intermediation

As Senegal becomes more integrated in its international relations through migration and remittances, diasporas are formed and civil society seeks to pursue efforts to provide input on policies that can intersect with development.

Migrant associations abroad

Many Senegalese migrant associations, especially those in France, engage in investment and philanthropic activities in their home villages. Some of these transnational village associations have members in more than one country abroad. These associations had begun as early as the 1950s as *caisses de solidarité*, with the purpose of providing mutual support to their members, such as helping to cover costs due to unemployment or illness, or to repatriate a member's remains back to their village. During the Sahelian droughts of the 1970s, families became increasingly dependent on migrant remittances, and this led to the development of savings institutions to provide insurance for migrants and provide a way to channel resources back home. Today, several Senegalese banks have formalized this practice with insurance products for body repatriation, but, as discussed above, it is unclear to what extent these products have been successful.

In France, by the 1980s, as association membership increased due to larger migration flows and France liberalized its association laws, these groups began expanding their activities into local development such as building schools, health centers, and in some cases small-scale agricultural development projects. Even by 1992, a survey of 100 associations from Senegal, Mali and Mauritania, found they had invested in 350 such projects amounting to 43.5 million French francs.³⁵

Many of these projects began to be partly financed through *codeveloppement* schemes with some combination of French national, regional or municipal authorities, NGOs, European Union agencies, and in Senegal local authorities, NGOs, and village associations. In the 1992 survey, about 10 percent of financing came from such outside support, with the remaining 90 percent from the association members. Similarly, by the 1990s some Italian regional and municipal authorities began to engage in *codeveloppement* initiatives with Senegalese migrants in Italy, but the number of projects have been much fewer than in France. Many of these projects have focused on vocational training and technical assistance to entrepreneurs to set up transnational business. The experience of implementing transnational entrepreneurship strategies has shown "that things are more complicated and ambivalent than wishful thinking suggests".³⁶

As a result, there are hundreds of associations in Spain, Italy and France, in particular engaged in various development related activities. In a survey conducted by the author to migrants in France, Senegalese included, in April 2010, showed that 25 percent of them belong to an hometown association or similar type of group.³⁷

Civil society in Senegal

Civil society in Senegal, which has been active in debates about international development aid, has also made its voice heard in migration policy debates. In October 2009, the Senegalese NGO umbrella organization CONGAD met with civil society groups from 12 countries in West Africa and North Africa, as well as France, Belgium and Germany. In a report³⁸ published by CONGAD after the meeting, the members affirmed

³⁵ Ibid.

³⁶ Grillo, Ralph and Bruno Riccio. "Translocal Development: Italy-Senegal," *Population, Space and Place*. Vol. 10, 2004.

³⁷ Orozco, Manuel. Remittance transfers in France: A survey of migrants. April 2010.

³⁸ Migrations et développement : dynamiques et réflexions euro-africaines, http://www.congad.sn/IMG/pdf/Migrations_et_developpement_article_colloque.pdf

the right to migration and development, and argued for the inclusion of NGOs and migrants in defining states' migration policies and development policies. The report did not specifically mention the operational role of migrants in defining development policy, but advocated that they play a role.

A number of organizations in Senegal are involved in small business training, most of which have a component that helps small entrepreneurs gain access to finance. International financial institutions, development agencies, and foundations have sponsored many endeavors in the area of social entrepreneurship, training for small and medium-sized enterprises, such as business plan development³⁹

There have been several financial literacy outreach efforts in Senegal among children and youth. The World Savings Bank Institute, with La PosteFinances and the Education Ministry's "La Case des Tout Petits" agency, provided savings accounts to children ages 0 to 6, and their benefactors committed to depositing the equivalent of US\$5 per month. At age 6, the money could be withdrawn to cover education costs.⁴⁰ Plan International, an international development NGO, runs savings and loan associations for youth ages 15 to 25. It recently announced it would scale up its program with funding from the MasterCard Foundation and offer financial literacy training to 70,000 youth, and plans to connect 10 percent of these youth with formal financial institutions.⁴¹

One important effort that links or triangulates migrant led financial access through financial advising is the Senegalese associations formed in Spain, CAFs. The Self-Managed Financing Communities (CAF) are an important case illustrating how financial advising to migrants and families leads to investment opportunities. The CAFs are small groupings formed by migrants in Spain who collectively invest small Euro amounts to create funds managed by the groups with the purpose to invest in particular activities. There are at least 30 CAFs with more than 500 members operating in Spain, some of which working and investing in Senegal providing small dollar loans. The exercise has proven successful in creating social capital within the diaspora, forming migrants about financial management skills and generating small investment ventures.

³⁹ It is important to note that many groups speak of working on making remittances more productive or improving the uses of remittances, yet operationally there is no clear approach. Along these lines, it is however important to problematize this statement and assumption for two important empirical reasons. First, remittances are part of a pool of income received by households, and for the most part they represent 50 to 60% of all income earned in that household. Therefore, these flows are fungible and reference to their 'use' is thus inaccurate because households do not make physical divisions between remittances and all other income. Second, the term 'productive use' is highly problematic, as it assumes that these foreign savings are better served for investment options, and simultaneously reflect a value judgement about what people 'should do' with that earning. Empirical evidence not only shows that remittances are fungible, but that they do have an effect in creating a stock of savings that is typically greater as a percent of all people in the group and in amount than those who don't receive money. More importantly, the propensity to save as well as the percent of one's income saved is generally higher: most societies are unable to save at all, and when they do, is less than 5% of their annual income. Empirical facts aside, the notion of a dichotomy between investment and consumption is rather a normative one that is also paradoxical: celebrating investments and castigating consumption, is contrasted with the fact that consumption is what drives investment and productivity (mostly in food) in the first place. To argue against the fact that the inflow of remittances at least doubles household income and therefore helps to improve spending in food, education, and leave disposable income for savings, may see rather a value judgement than an empirical assertion.

⁴⁰ World Savings Bank Institute,

http://www.wsbi.org/uploadedFiles/Publications_and_Research_%28WSBI_only%29/financialeducation%20wsbi%20screen.pdf

⁴¹ MasterCard foundation <http://www.themastercardfoundation.org/pc.htm>

4. Lessons learned and recommendations for next steps

a. Lessons learned in remittances to Senegal

The findings of this report confirm the official figures on remittances as estimated by government institutions and also as reported by the World Bank. These figures may still reflect missing statistics, particularly from migrants in Southern Africa, South Africa, Nigeria, and other West African countries in particular. More importantly, we find that the flow of money goes to a population estimated to be around half a million households. These households receive the money through a payment network of banking and microfinance institutions operating as agents and subagents respectively, as well as through the postal system.

The key finding identified through the analysis of the market, is one of a lack of competition among remittance service providers, though at least ten institutions are engaged in the payout of these transfers. The lack of competition proves to be problematic on various accounts. First, in the prevailing control of the market, one company may control over 70 percent of payments. In turn, costs and network coverage is dependent on this monopoly. Second, the participation of microfinance institutions as subagents may constitute another challenge to competition as their bargaining ability is subordinated to that of the main authorized agents. Third, these institutions, MFIs, may play a greater role enhancing competition but they need to demonstrate a capacity to compete in the market.

The findings on the intersection between remittances and financial practices show a positive relationship: recipients tend to save more than non-recipients. However, as the section above suggests, most of their stock of savings, estimated to be at least US\$128 million, is informal. Such a presence of informality stems in large part from the lack of financial product offering by remittance agents, banks, and MFIs.

We introduce several recommendations that can enhance the impact of migrant remittance transfers.

b. Enhancing competition: RSPs and MFIs

Strengthening competition for money transfers in Senegal is important. Although the market may be larger, and thus the sending and recipient populations are larger, the presence of monopolies and regulations against MFIs do not contribute to an efficient servicing of this market. Promoting competition is a key strategic approach as it will open the territory to other players in the industry whose footprint is small or outside of Senegal. One approach to do so consists of holding international trade fairs where companies showcase their products and services. This kind of effort would not only open the door for traditional money transfer operators, but also open the door to other remittance service providers that are focused on technology innovation and use. Outreach and awareness of the Senegalese migrant community in France, Italy, Spain, and the United States, among other countries, should be strengthened through these efforts. The Foundation of Senegalese Migrants and the Council of the Migrants can also play an important role in identifying the right associations to connect with.

Moreover, it is important to support the role of microfinance institutions by strengthening their foreign currency payment capacity. This support can be done first in various forms of technical assistance to provide training on legal and regulatory compliance on foreign currency transfers, to design and market financial products, as well

as to better understand this market and its community. Second, authorization to perform foreign currency should be allowed but regulated under certain conditions. MFIs can be in the remittance market provided that they meet basic payment criteria, such as enjoying strong compliance systems, exhibiting trained staff on payments, and demonstrating robust liquidity to pay transfers. This latter point is important because some institutions are currently paying amounts that may exceed their total assets and at times have experienced liquidity problems as they have not had a financial cushion to draw on to pay clients. A revolving financial fund could be established among those established and fully functional MFIs in order for them to have a level playing field in money transfers. The fund could be used provided that the withdrawal of the amounts not exceed more than 20 percent of all daily payments to be performed, so that it functions as support rather than a substitute for the institution's obligation to pay the remittance on time.

Other considerations to support competition include explorations of expanding points of payment through retail networks connected to microfinance and banking institutions. Such an approach would contribute to increase financial access among merchants and clients, while helping reduce money in the street. A corollary to this approach is to adopt innovative technologies that can tap into the newly established networks.

c. Financial product design: diaspora vs. recipient

Development strategies succeed or fail depending on (tested) assumptions that individuals make about policy or business design. Untested assumptions often play out as simply inexact guessing efforts that can lead to failure. The case of Senegal is a telling example of this issue. The few remittance-related financial products offered in Senegal's context are aimed at the emigrant community, and demonstrate for the most part poor performance. The performance stems from several factors that relate to the assumptions made about the Senegalese community living abroad.

First, the products identified for migrants (insurance for example) seem to reflect an ad hoc assumption that there is a demand for each. However, such demand is untested. Moreover, it seems that the institutions working on this product design tested the concept, not the demand.

Second, the marketing strategy is rather a subsidiary approach to whatever else other institutions are doing, particularly the government and its consular offices. The presence of promotional material is rather limited and the expectation of government outreach and liaison work seems to be too dissociated to the real outreach and relationship capacities of the government offices themselves.

Third, the assumption that migrants are a target-market population is also untested. The approach reflects a belief that Senegalese migrants have greater purchasing power, not only a demand, and as a 'diaspora' are likely to get these products. The reality contradicts this assumption. Senegalese migrants are for the most part poor, if not among the poorest migrant population in Europe. This condition stems from the reality that they have relatively little time migrating and living in most European countries, that their legal status is more fragile (there is a higher number of undocumented Senegalese migrants in Europe for example), and their needs are rather concentrated in making it in the host country. To illustrate this issue the table below presents the income position of Senegalese migrants in Italy and Spain. The table is based on a survey of 1,000 migrants in Spain and Italy and shows that Senegalese and other African migrants earn less than most migrant groups. Similarly, it is found that the amount remitted and its frequency is lower than what other nationalities remit.

The significance of the fact that Senegalese migrants exhibit much lower incomes points to the consideration of commensurability between policy approach and need. Immigrants are more likely to need greater social attention than respond to marketing tools targeting products that are typically for higher income groups. This is also an important point. Research has shown that migrants respond to particular incentives given their demand for certain products and in most cases the demand for financial products reflects a hierarchy of needs, where insurance is not on top of the list, but rather follow transactional needs, budgeting, saving, and credit.⁴² Another consideration is that the percent of migrants who typically invest in their home country is relatively small, below 7 percent.⁴³ All of these issues point to the fact that migrants are for the most part a vulnerable group in most of the industrialized countries. Even in France, where the Senegalese community has a longer tradition of migration, their economic and financial status is also weak.

Table 15: Income among migrants in Italy, Spain and France (%)

	Up to €10,000	€10,001 - €15,000	€15,001 €20,000	€20,001- €25,000	€25,001- €30,000	€35,000
Latin America	48	39	9	2	1	-
Romania	59	30	6	1	2	3
Philippines	58	34	2	4	-	1
Morocco	38	35	15	7	4	1
Senegal	69	20	4	5	2	-

Source: Orozco, Manuel. Survey conducted by the author, July-December 2009. April 2010 for survey in Paris.

Table 16: Amount and frequency sent in remittances

	Amount €	Frequency
Latin America	267	10
Romania	257	10
Philippines	341	11
Morocco	166	8
Senegal	157	7

Source: Orozco, Manuel. Survey conducted by the author, July-December 2009.

⁴² Orozco, Manuel, Katy Jacob and Jennifer Tescher, *Card-Based Remittances: A Closer Look at Supply and Demand*, The Center for Financial Services Innovation, April 2007.

⁴³ Orozco, Manuel. *Asegurando futuros: el interés de inversión y estrategia de comercialización para los salvadoreños en el exterior*, Informe comisionado por Banco Multisectorial de Inversiones, May 2009.

Table 17: Migrants by occupation and origin (%)

Region	Latin America	Romania	Philippines	Morocco	Senegal
Service	35	26	78	30	29
Other occupations	18	19	9	12	26
Unemployed	25	14	2	31	21
Entrepreneur	3	6	3	11	8
Sales	4	6	-	7	8
Student	1	1	-	-	4
Professional	3	3	8	6	3
Construction	10		-	2	2
Homemaker	0	2	1	1	1

Source: Orozco, Manuel. Survey conducted by the author, July-December 2009.

Table 18: Immigrants legal status by origin

Region	Latin America	Romania	Philippines	Morocco	Senegal
Undocumented	17	19	4	4	28
Reunification card, but not working	12	0	8	1	6
Working permit	35	73	40	48	30
Residence	20	7	48	33	27
Citizen	16	1	0	13	9

Source: Orozco, Manuel. Survey conducted by the author, July-December 2009.

Thus, a focus on marketing to the diaspora, while interesting, provides limited results. To that effect, it is important to consider an emphasis on designing financial products. First, the market segment is larger, representing at least 60 percent of the entire remittance-receiving population, who already has savings but do it informally. Second, this population represents a more approachable and identifiable market given that it is in the same geographic concentration where financial institutions operate, as well as already being transactional clients of many financial institutions. Therefore, a focus can be stressed on the need to design products that reflect the needs of recipients. There are a range of products in place that have been tested to reflect the demand side; these include savings, credits, and some insurance. The main challenge is not in the design but in validating a particular product and then designing the right marketing tool. Below we recommend a twofold strategy that forms and informs clients, but also cross-sells financial products.

d. Financial literacy: public-private partnership approaches

There is a clear need and opportunity to expand access to financial services among Senegalese migrants and remittance recipients in order to help them build assets. An effective strategy to do this involves providing financial education to these groups through a partnership between NGOs and financial (banking and microfinance) institutions, where migrant associations and the ILO play a leadership role.

Financial literacy has turned out to be a proven strategy of success that forms and informs clients about better managing their resources but also mobilizes their savings at a formally established entity. This report recommends adopting a financial literacy and advising strategy that brings migrants and remittance recipients into financial institutions in order to capture their deposits and promote financial inclusion. The financial education program offered consists of education and counselling with a focus on the remittance recipient in Senegal who has a relative abroad. The counselling is carried out with financial institutions that offer useful products for recipients like savings accounts and credit options. The result is the conversion from remittance client to bank client through the cross sale of financial products.

On the remittance-receiving side in Senegal, selected financial (banking and microfinance) institutions that are already involved in remittance payments and have an unbanked remittance recipient clientele can work in partnership with diaspora associations that have partners on the ground in Senegal to implement education at the branches of the financial institutions, with direct management and operationalization by NGOs.⁴⁴

The strategy leverages on previously existing models that would incorporate the experience of successful financial advising methodologies to bring recipients into the financial system with similarly successful diaspora led initiatives in coordinating and implementing financial access schemes, such as those of the CAFs in Spain or BASUG in the Netherlands.⁴⁵

The partnership approach involves ILO and diaspora participation to recruit financial institutions in the remittance business as the vehicles where advising takes place, and is managed and implemented with local NGOs with experience on migration, remittances or financial literacy. This approach relies on an educational methodology that utilizes a one-on-one education format in participating financial institution branches and consists of three parts: 1) the counseling, education, or training on the adequate use of budgeting, saving, credit, and insurance; 2) presentation of financial products that the institution offers; and 3) the extension of those services and products through direct contact with the institutional staff. This method dedicates approximately 30 minutes to the client.

The resulting outcome of financial literacy is a conversion rate of 20 percent into bank deposit holder clients who bring their stock of savings, which typically represents 30 percent or more of a year's income. During a six-month period of financial literacy carried out by a team of 25 financial literacy trainers, over 20,000 people can receive advising and mobilize savings from four thousand people representing at least US\$1 million.

Such an exercise depends on the participation of a strong and motivated organization that coordinates and implements the advising program. Migrant associations in Europe, some of which have local partners in Senegal, are key candidates to perform this work. The migrant association or associations would assume a leadership role in approaching financial institutions to participate in the program, identifying NGOs partners to coordinate work at the local level, overseeing the development or adaptation of a financial education curriculum in local languages with local and culturally appropriate content, as well as coordinating the implementation of a financial literacy strategy among migrants.

⁴⁴ These could include BICIS, BIS, CBAO, CMS, and Pamecas

⁴⁵ For further discussion on the partnership strategy and model, see Orozco, Manuel, In search of options and solutions: Family remittances, diaspora partnerships and development opportunities in Africa. Madrid: FFIAPP, 2010.

On the migrant side, the proposed strategy for providing financial education to migrants includes intercepting migrants at the offices of remittance-sending agents and inviting them to receive financial counselling, or providing counselling at special events that attract migrants or places that migrants frequent. Partnerships with financial institutions that have correspondent offices abroad can also facilitate the conversion of remittance senders into clients with a formal financial relationship. The following table outlines the proposed strategy in several forms.

Table 19: Financial literacy strategy

	Format 1: Recipients in Senegal	Format 2: Recipients in Senegal	Additional format: Migrants
Number of educators per bank or MFI	5	5	2
Number of banks and MFIs	5	4	*2
Months	6	6	6
Weeks per month	4	4	4
Days per week	5	5	5
Educated per day	7	7	7
Expected educated total	21,000	16,800	4,200
Expected bancarization: 20%	4,200	3,360	840
Deposited amount (US\$300 each)	1,260,000	1,008,000	

* Here the institutions could be bank correspondent offices, remittance service provider agent locations, migrant association meetings, or other places that migrants frequent

e. A greater role for the postal office?

Working with the postal office as an entity where greater payment and financial access is provided is also an important approach. The post office currently has a good capacity to remit given its geographic spread, but can turn in to development node whereby they can provide some information to recipients about migration, receiving remittances and transnational engagement.

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