Remittances from migrants abroad have become a viable means for developing countries to finance their development and reduce poverty. Remittance transfers to developing countries amounted to approximately US$325 billion in 2010—four times greater than in 2000 (World Bank 2011). Overall, remittances have become more significant than official development assistance (ODA) and, in certain developing countries, have outstripped foreign direct investment (FDI). This increase in remittances has led many authors to view them as potentially beneficial for development (Kapur 2004). The transfer of foreign currency through remittances also has a positive effect on national income, savings, and investment; by helping to finance imports, remittances reduce imbalances and thus similarly affect private and public capital flows (Russell 1986).

This chapter analyzes migrant remittances in Senegal, specifically their volume, methods of transfer, regulatory framework, environment, and operating procedures and costs. The study methodology included both primary sources (particularly, a survey of remittance service providers [RSPs]) and secondary sources (consultation of relevant documents).

The author wishes to thank Gaye Daffe for his contribution and useful comments.
Remittance Trends and Their Economic Significance

Remittances have become an important and growing source of external financing for Senegal, although the total amount is unknown because many of these flows are transferred through unidentifiable informal channels. The World Bank (2010) estimates that remittances sent through formal channels increased from US$344 million in 2002 to US$1,288 million in 2008—and that official remittances tripled in six years, as figure 8.1 illustrates. The remittance flows fell to US$1,191 million in 2009, registering an 8 percent decline between 2008 and 2009. The decline in remittances during the global financial crisis was modest compared to a 71 percent decline in FDI and an 11 percent decline in exports of goods and services between 2008 and 2009 (figure 8.1). Moreover, remittances accounted for 9 percent of gross domestic product (GDP) in 2009, compared to 6 percent in 2001 (figure 8.2).

This growth raised Senegal to fourth place among recipient countries in Sub-Saharan Africa (after Nigeria, Sudan, and Kenya) in the total volume of remittances and to fifth place (after Lesotho, Togo, Cape Verde, and Guinea-Bissau) in remittances as a percentage of GDP.

Figure 8.1 Volume of Migrant Workers’ Remittances to Senegal, 2001–10

Note: e = estimated. Figures do not include remittance flows through informal channels.
The total volume of migrant remittances is difficult to estimate because a large proportion does not pass through the official channels. To avoid the high costs, complexity, and red tape involved when sending money through formal channels, many migrants use the informal circuit—carrying cash themselves, sending it through intermediaries, or transferring funds using new techniques such as telephone or fax transfers.

When informal transfers are considered, however, the estimated totals soar even higher. A 2007 survey by the African Development Bank (AfDB), which covered both formal and informal transfers, estimated that remittances to Senegal totaled CFAF 823 billion in 2005 (or 19 percent of GDP). This figure included formal remittances of CFAF 444 billion (54 percent of the total) and informal remittances of CFAF 379 billion (46 percent of the total).

The AfDB estimate corresponds to an average annual transfer of more than CFAF 960,000 per migrant and more than CFAF 1.9 million per recipient household—exceeding per capita GDP (CFAF 397,000 in 2005) and per capita consumption (CFAF 365,000 in 2005). According to some studies, such payments may represent 90 percent of the household budget in certain villages of Senegal (Ammassari 2004).

**Figure 8.2  Share of GDP from Migrant Workers’ Remittances, 2001–09**

![Graph showing percentage of GDP from migrant remittances from 2001 to 2009.](image)

*Sources:* World Bank 2010, 2011.

*Note:* Figures do not include remittance flows through informal channels.
Even if one considers only those remittances flowing through the formal sector, several factors could explain the sharp increase in remittances to Senegal over the past decade (Shaw 2007):

• The 50 percent devaluation of the CFA franc against the French franc automatically doubled the value of all remittances made in foreign currencies.
• The emergence of new money transfer operators (MTOs) provided migrants with safer, faster, and more reliable channels.
• The new regulations imposed on the remittance service industry after the September 11, 2001, terrorist attacks in the United States also contributed to the development of the transfer process.

**Economic Impact**

Remittances have become the principal source of external financing for the Senegalese economy, far exceeding FDI; external borrowing; and, above all, ODA, which had long been the most reliable and stable source of financing.

The transfers thus hold a significant place in the satisfaction of the various needs for households. They are mainly assigned to the daily consumer expenditure of the recipient households (58.5 percent), followed by the expenditure of health and education (13.2 percent together) (table 8.1). The payment of the rent ranks third (12.6 percent).

The results from the second Senegalese Household Survey (ESAM II, July 2004) showed that remittances increased the average per capita expenditure of recipient households by almost 60 percent, thereby reducing nationwide poverty by almost one-third (30.7 percent) (DPEE

<table>
<thead>
<tr>
<th>Use of remittances</th>
<th>Number of households reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>58.51</td>
</tr>
<tr>
<td>Health</td>
<td>9.43</td>
</tr>
<tr>
<td>Education</td>
<td>3.59</td>
</tr>
<tr>
<td>Rent</td>
<td>12.57</td>
</tr>
<tr>
<td>Clothes</td>
<td>2.49</td>
</tr>
<tr>
<td>Car</td>
<td>0.15</td>
</tr>
<tr>
<td>Business</td>
<td>1.29</td>
</tr>
<tr>
<td>Others</td>
<td>11.98</td>
</tr>
<tr>
<td>Total</td>
<td>100.00</td>
</tr>
</tbody>
</table>

2008) (table 8.2). The European Union has the highest contribution to the transfers (52 percent) with Italy at the first place, follow to Spain and France. The West African Economic and Monetary Union contribution is marginal (7 percent), less than that of the United States (7.7 percent) (table 8.3).

A comparison with traditional financial flows from abroad gives an idea of the overall contribution of remittances to the national economy. Figure 8.3 shows the trends in exports, workers’ remittances, ODA, and FDI from 1995 through 2009. Of all these flows, migrant remittances have shown the most stable growth. In 2008, they were 2 and 1.22 times greater than FDI and ODA, respectively.

### Table 8.2  Impact of Remittances on Poverty Rates, by Location (percent)

<table>
<thead>
<tr>
<th>Location</th>
<th>Without remittances</th>
<th>With remittances</th>
<th>Poverty rate change</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>52.4</td>
<td>36.3</td>
<td>–30.7</td>
</tr>
<tr>
<td>Dakar</td>
<td>20.5</td>
<td>22.6</td>
<td>+10.0</td>
</tr>
<tr>
<td>Other towns</td>
<td>64.0</td>
<td>25.6</td>
<td>–60.0</td>
</tr>
<tr>
<td>Rural areas</td>
<td>71.8</td>
<td>52.7</td>
<td>–26.7</td>
</tr>
</tbody>
</table>


### Table 8.3  Sources of Remittances to Senegal, 2008, by Location

<table>
<thead>
<tr>
<th>Source</th>
<th>CFAF (millions)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAEMU</td>
<td>37,817</td>
<td>7</td>
</tr>
<tr>
<td>Benin</td>
<td>3,149</td>
<td>0.6</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>1,827</td>
<td>0.3</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>21,029</td>
<td>3.9</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>1,583</td>
<td>0.3</td>
</tr>
<tr>
<td>Mali</td>
<td>8,051</td>
<td>1.5</td>
</tr>
<tr>
<td>Niger</td>
<td>771</td>
<td>0.1</td>
</tr>
<tr>
<td>Togo</td>
<td>1,408</td>
<td>0.3</td>
</tr>
<tr>
<td>EU</td>
<td>281,793</td>
<td>51.8</td>
</tr>
<tr>
<td>France</td>
<td>64,749</td>
<td>11.9</td>
</tr>
<tr>
<td>Spain</td>
<td>69,728</td>
<td>12.8</td>
</tr>
<tr>
<td>Italy</td>
<td>142,763</td>
<td>26.2</td>
</tr>
<tr>
<td>United States</td>
<td>42,028</td>
<td>7.7</td>
</tr>
<tr>
<td>China</td>
<td>243</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>182,044</td>
<td>33.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>543,925</td>
<td>100</td>
</tr>
</tbody>
</table>


*Note:* WAEMU = West African Economic and Monetary Union. EU = European Union.
Moreover, the steady increase in the ratio of remittances to export earnings (from 10 percent in 1995 to 39 percent in 2009) illustrates the growing contribution of remittances to the national account balance. Similar trends have been observed in practically all developing countries (Ratha 2003; Ratha, Mohapatra, and Plaza 2008).

**Destinations of Migrants**

Senegal has long traditions of both immigration and emigration. For the past three decades, it has been losing ground as a host country and is becoming a country of origin. This trend, which dates back to the West African countries’ accession to independence, became more apparent in the early 1980s (Bruzzone and others 2006). However, Senegal remains one of the few countries in the region with stable immigration. According to the 2002 general census, international migrants totaled 276,454, or 3 percent of the total population. Almost 95 percent of these immigrants, most of whom live in the Dakar region, come from other West African countries, particularly Guinea. Only 3 percent come from non-African countries.

Since the colonial period, Senegalese emigration has been characterized by periods of both continuity and fluctuation. Long before the country achieved independence in 1960, some Senegalese emigrants settled in French-speaking West African countries. Others went to central and southern Africa (to what is now the Democratic Republic of Congo or Zambia), where they joined the gem mining and marketing industry.
Indeed, the success of these migrants resulted in major investments within Senegal in real estate and trade. This trend probably occurred when large-scale remittances from Senegalese emigrants were initially recorded in 1960–70 (Daffé 2008).

Although the West African countries still attract a large majority of Senegalese migrants, France's labor needs (for reconstruction and industrialization) established it as the main migration destination for Senegalese workers during the 1950s and 1960s. However, immigration restrictions imposed by France in the mid-1970s resulted in a shift to new destinations (table 8.3) such as Italy and Spain. Migration flows to the United States also showed a marked increase. The steady increase in Senegalese emigration can be attributed to several factors. Largely because of financial difficulties and the crisis of the groundnut, the center of international emigration moved from the Senegal River valley to the Groundnut Basin and involved groups that previously had no reason to emigrate, such as the large Sufi Islamic order—the Mouride brotherhood.

After initially focusing on France and the former French African colonies, Senegalese migration has since expanded in scope, occurring in three successive waves:

(1) Colonial migration linked to the need for construction workers in the other French colonies in Africa (Congo [now the Republic of Congo], Côte-d’Ivoire, Gabon, and Guinea)
(2) Migration to meet the demand for specialized workers in France after the World War II
(3) Modern migration, for economic reasons, to Italy, Spain, and other European destinations, as shown in table 8.3.

However, stricter border control, restrictions on movement, and national immigration laws have constrained official migration and increased the use of clandestine migration networks. The total estimated number of Senegalese emigrants varies from source to source. The attempts to document migration have not been helped by the emergence of illegal routes. According to the World Bank (2011), Senegalese emigrants numbered just over 636,200 in 2010 (5 percent of the total population). This is twice the average rate throughout Sub-Saharan Africa (2.5 percent).

West African countries remain the principal destinations for Senegalese migrants, attracting 53.4 percent of departures (table 8.4). However, France is still the preferred European country. According to
official statistics, France had almost 91,446 Senegalese immigrants in 2010—36 percent the population of Senegalese migrants in the Organization for Economic Cooperation and Development (OECD) countries.

Senegalese migrants choose their destinations no longer based only on economic, historic, or linguistic factors but also on the immigration policies of the host countries. Since the 1980s, the migrants’ regions of origin have also become more diverse, with the Dakar and Diourbel regions well represented (31 percent and 19 percent, respectively) and the Senegal River valley (historically, the main departure region) no longer dominant (Saint-Louis 4.7 percent).

The Senegalese Migration and Remittances Survey (World Bank and CRES 2010) showed that in more than half out of the households (52 percent), at least one member had emigrated.

### Internal Migration and Remittances

The third general population and housing census (Recensement General de la Population et de l’Habitat, RGPH-III 2002) conducted by the National Agency of Statistics and Demography described internal migration in Senegal as the most important form of migration because

<table>
<thead>
<tr>
<th>Countries of destination</th>
<th>Number of migrants</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>339,984.98</td>
<td>53.40</td>
</tr>
<tr>
<td>Gambia, The</td>
<td>177,306.41</td>
<td>27.85</td>
</tr>
<tr>
<td>Mauritania</td>
<td>64,556.94</td>
<td>10.14</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>33,250.24</td>
<td>5.22</td>
</tr>
<tr>
<td>Gabon</td>
<td>21,959.42</td>
<td>3.45</td>
</tr>
<tr>
<td>Mali</td>
<td>11,895.00</td>
<td>1.87</td>
</tr>
<tr>
<td>Guinea Bissau</td>
<td>9,806.73</td>
<td>1.54</td>
</tr>
<tr>
<td>Other Africa</td>
<td>21,210.24</td>
<td>3.33</td>
</tr>
<tr>
<td>OECD</td>
<td>255,463.39</td>
<td>40.13</td>
</tr>
<tr>
<td>France</td>
<td>91,446.44</td>
<td>14.36</td>
</tr>
<tr>
<td>Italy</td>
<td>81,423.63</td>
<td>12.79</td>
</tr>
<tr>
<td>Spain</td>
<td>51,671.57</td>
<td>8.12</td>
</tr>
<tr>
<td>United States</td>
<td>16,745.31</td>
<td>2.63</td>
</tr>
<tr>
<td>Other OECD</td>
<td>14,176.45</td>
<td>2.23</td>
</tr>
<tr>
<td>Other</td>
<td>41,184.79</td>
<td>6.47</td>
</tr>
</tbody>
</table>


Note: OECD = Organisation for Economic Co-operation and Development.
the exodus from rural to urban areas causes interregional imbalances. The census showed that 1.3 million (13 percent) of Senegal’s 9.9 million citizens live outside their birth regions. Between 1998 and 2002, internal migration increased by an annual average of 2.1 percent.

The Dakar region was the principal destination for most of these migrants (47 percent). It was followed by the Diourbel (13 percent) and Thiès (12 percent) regions. People migrate primarily to the regions of Dakar, Thiès, and Diourbel for economic development and employment opportunities. Others move because of a shortage of food in the rural areas or because of climatic reasons, such as inadequate rainfall.

However, relatives cannot continue to rely on migrants for help, and for many rural inhabitants, migration to urban areas is only a stopgap solution. Interviews with residents revealed that 78 percent of the heads of household had received no assistance from their relatives who migrated to other towns. The few transfers received in the village were typically sent by the younger relatives, particularly girls employed in domestic service in urban centers (Bruzzone and others 2006). As the crisis in rural areas worsens, there is increased migration to urban areas as people search for work and additional income.

Characteristics of the Remittance Industry in Senegal

In Senegal, remittances can be transferred either through formal money transfer services—such as the post office and banks—or through informal channels where the transfers are made directly by migrants or are sent through relatives, friends, or other intermediaries (Bruzzone and others 2006; AfDB 2007). The new money transfer models, whether formal or informal, have enhanced their operations through information and communication technologies.

The Formal Market

The most common formal channels are banks, MTOs, the post office, and microfinance institutions (MFIs). MTOs transfer money through consortiums with the other three.

Banks. The bancarization rate in Senegal’s remittance service industry is estimated to be only about 6 percent (Sander and Barro 2007). Transfers through the banking channels accounted for 10 percent of the total volume of remittances, or about CFAF 82 billion, as table 8.5 shows (AfDB 2007).
The small market share of remittance transfers for banks can be attributed to a number of factors other than cost, including the following:

- Distance of bank branches from residential areas (especially in rural areas)
- Long delays in the delivery of services
- Long wait times at branches
- Sometimes unexpected and arbitrary commission charges upon receipt.

As of December 31, 2008, Senegal had 17 banks, with a network of 214 branches, most of which (68 percent) were concentrated in the Dakar region, as figure 8.4 illustrates. The others can be found in medium-size towns such as Saint-Louis (9 percent), Thiès (7 percent), and Diourbel (6 percent). Rural areas have hardly any bank coverage.

**MTOs.** Partnerships between banks and MTOs are responsible for most of the international money transfers. MTOs became widespread in Africa in the mid-1990s, and they have been the principal beneficiaries of the growth in formal transfers over the past 10 years. They have also contributed to the decline in the number of informal channels by customizing their services to meet the needs of immigrants while ensuring proximity, speed, and safety in the context of low bancarization. Although they account for 36 percent of the remittance market, MTOs can afford to keep their costs high because of their monopoly status.

The MTO market in Senegal is dominated by Western Union, which accounted for 73 percent of remittance transfers between 2006 and 2007, as shown in figure 8.5. MoneyGram, which is relatively new in Africa, had a 22 percent share of the market. The others operate in very specific corridors, such as intra-African transfers or transfers with Arab countries, and they are Money Express, Telegiros, Ria Envia, Travelex and

### Table 8.5 Volume and Market Share of Remittance Transfers in Senegal, by Method

<table>
<thead>
<tr>
<th></th>
<th>Banks</th>
<th>MTOs</th>
<th>Postal money orders</th>
<th>Informal (cash)</th>
<th>Other informal methods (fax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (CFAF, billions)</td>
<td>82</td>
<td>296</td>
<td>66</td>
<td>312</td>
<td>66</td>
</tr>
<tr>
<td>Market share</td>
<td>10%</td>
<td>36%</td>
<td>8%</td>
<td>38%</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Source: AfDB 2007.*
Choice Money Transfer. However, these operators are limited by the high prices they charge.

**Post Office.** The post office has a market share of 8 percent of the remittance market in Senegal. This channel is highly competitive by virtue of its long-standing network and presence in rural areas with low bancarization. The post office uses its traditional products, particularly postal money orders, for local transfers. For international transfers, the post office uses the products of specialized operators such as Western Union.

**MFIs.** MFIs have become increasingly involved in the provision of remittance services. These institutions have been thriving since the early 1990s because of the restructuring in the banking and financial sector (Sander
Between 1988 and 2000, the number of MFIs quadrupled from 30 to 121, and the total number of service points increased from 233 to 324 (a 39 percent increase). These MFIs serve as intermediaries between the MTOs and the recipients, and they also have a share of 8 percent of the total market.

**The Informal Market**

Although informal channels are still prevalent, their share of remittance transfers has declined by comparison with the formal MTOs, which quadrupled their share of international transfers in the past five years. There were 14 informal channels in the Dakar region alone: 6 in public markets, 5 in offices, and 3 in individual homes (Bruzzone and others 2006).

The prevalence of informal channels makes it difficult to evaluate the actual amount of migrant remittances they facilitate into Senegal. However, AfDB estimated that, collectively, informal transfers accounted for an estimated CFAF 379 billion, or 46 percent of all remittances to Senegal in 2005 (AfDB 2007).

The informal sector developed because of strict banking regulations and offers many advantages, such as immediate delivery, simplicity, proximity to recipients, accessibility (especially for the uneducated), and low costs.
costs. For customers who do not meet formal-sector identification requirements or cannot provide proof of residence, the informal channel is often the only option. The reasons for use of informal channels include exchange rate fluctuations, bank branch inaccessibility, national coverage, time spent at branches, cost, safety, low rate of bancarization, and the number of unauthorized foreign residents (AfDB 2007).

**Partnerships and Exclusivity Contract Issues**

As specified in Article 2 of the regulations that guide the external financial relations of member states of the West African Economic and Monetary Union (WAEMU), money transfer services may be conducted only through the BCEAO (Banque Centrale des Etats de l’Afrique de l’Ouest), the postal administration, and licensed intermediaries—banks established in a WAEMU-member state that are licensed to engage in foreign exchange operations. To comply with this regulation, the remittance market in Senegal is therefore characterized by partnerships, either between MTOs and banks or between banks and MFIs.

To ply their trade, MTOs must rely on a licensed intermediary with whom they must sign a contract and confer on the intermediary status of agent or subagent.

MFIs operating under the Project for the Regulation of Credit Unions (Projet d’Appui à la Réglementation sur les Mutuelles d’Épargne et de Crédit, or PARMEC) law may also engage in money transfer operations. However, they must first obtain a license from the Ministry of Finance (through the unit that provides technical assistance for popular savings and credit banks) by submitting an application, stating their reasons, and providing supporting documentation. Banks also use MFIs to expand their coverage, by issuing a memorandum of understanding that confers the status of subagent on the MFI.

As the leading MTO in Senegal, Western Union established exclusive contracts with the banks, as did the other MTOs established later. The post office, however, avoided exclusivity contracts; as a result, it has been able to work with both Western Union and MoneyGram.

At one time, these contracts posed an entry barrier for new RSPs in view of the relatively small banking system. The resulting monopoly situation hindered competition and kept transfer costs high. Although the arrival of new banks changed the landscape, the increased competitiveness was short-lived because the issue of exclusivity contracts arose again as the Senegalese remittance market developed. The
Minister of Economy and Finance and the Currency and Credit Directorate eventually informed all licensed intermediaries that exclusivity contracts were no longer permitted under the existing rules. This directive was issued via a circular letter from the Minister of Economy and Finance addressed to managing directors of banks.

**Remittance Products**

In Senegal, remittances are transferred through several service providers that employ different types of products or instruments. MTOs, the post office, and banks provide formal transfers as well as payments to intermediaries for informal transfers. New information and communications technologies have spurred development of new money transfer methods in both the formal and the informal sectors, including the following:

- **International postal money orders.** This system is widely used, although it is often slow and sometimes expensive. The post office uses its own products in addition to the new products offered by the MTOs.
- **Account-to-account transfers.** A migrant with a bank account abroad can transfer money from that account to any other account in the home country through electronic transfers such as SWIFT or telexes. Such transfers are safe but not immediate. This method is also relatively expensive, particularly when the transactions involve two currency zones.
- **Transfers of funds via MTO networks.** These are reliable and fast but also expensive.

The post office is the medium for most domestic transfers, which are made via faxed money orders or traditional money orders. The RSP survey in Senegal shows that electronic money transfer is the main instrument used by almost all the formal operators. In addition to electronic transfers, commercial banks use other instruments such as prepaid usable cards, bank drafts, account-to-account transfers, and transfers by check. Only one of the seven banks interviewed reported using prepaid debit cards. Cell-phone transfers have not yet been introduced in Senegal.

The post office also provides a variety of financial products, particularly for domestic transfers. In addition to postal money orders, it offers electronic fund transfers, and users can also open savings, or “giro,” accounts. MFIs use only electronic fund transfers.
For their part, informal operators provide a variety of nonfinancial services in addition to in-person fund transfers. Informal RSPs in Senegal use three main products (AfDB 2007):

- **Transfer by courier**, which accounts for between 60 and 70 percent of the informal market, involves entrusting the remittances collected from a migrant community to a single carrier. This medium relies on strong social ties, and the transfer is made either by a member of the community traveling home on vacation or through specialized couriers, who can transport over €10,000 in cash.

- **Transfer by fax** accounts for 30 percent of the informal market. It is a popular option and involves the collection of transfers at a collection point (usually a tradesperson or a center). A tradesperson then distributes the sum almost instantaneously to the recipients back home. This system is similar to that used by MTOs and is less expensive, but it is riskier because the transactions are not documented.

- **Transfer in kind through a tradesperson** represents less than 5 percent of the informal market. It is particularly popular in rural areas and involves an agreement between the migrant and a tradesperson whereby the latter agrees to give credit to one or more recipients for staple goods (such as rice, sugar, or oil). This system was created by migrants who were concerned about misuse of their remittances.

### Access to Other Financial Services

In addition to remittance services, financial institutions also offer financial and nonfinancial products to both senders and recipients of funds. Of the surveyed RSPs, 42 percent of the firms reported that they provided additional services such as deposits and savings options to senders and recipients of funds (RSPs survey 2009). They also offer consumer loans; business loans; credit cards; auto loans; and, more recently, insurance products, mortgages, and education loans. On average, 14 percent of operators indicated that they offered these products in addition to their range of services.

### The Regulatory and Business Environment

The RSP industry is strictly governed by laws and regulations. These regulations restrict the emergence of new operators and limit the operational capacities of existing ones. Regulations preventing the establishment of...
private nonbank operators lead to an increase in the use of intermediaries, raise costs, and foster competition from the informal networks.

**Entry Barriers to the Remittance Service Business and Impediments to Remittance Operations**

Good governance plays a crucial role in the development process (World Bank 2005). The poor implementation and inconsistent enforcement of regulations have a considerable impact on RSP firms’ activity.

Figure 8.6 shows the percentage of RSP firms that perceive the laws and regulations to be a barrier to the exercise of their activity. More than half of the MTOs (57 percent) perceive the laws and regulations governing the transfer of funds in Senegal to be an obstruction to the exercise of money transfer activities: 14 percent as a major constraint and 43 percent as a moderate barrier. Another 43 percent did not think regulations were a barrier to the exercise of their activity.

The constraints perceived by MTOs differed depending on their status. Most banks agreed that the regulatory framework is not a major constraint, but 14 percent mentioned licensing as a major constraint. Another 14 percent perceived the minimum capital requirement imposed on banks as a constraint. MFIs perceived exchange controls and lack of access to clearing and settlement systems as major barriers to the exercise of their activities.

**Laws and Regulations that Encourage Use of the Informal Sector**

The regulations restricting the establishment of nonbank private operators result in the establishment of more bank partnerships. The fact that such operations are restricted to banking institutions—which are few—
increases costs because such institutions are forced to supplement their networks with subagents with whom they share commissions (Sander and Barro 2007).

In addition, the ceilings on transfers and the minimum capital requirement encourage the use of informal networks, which are more difficult to monitor. Naturally, such informal transfers are not monitored by the central bank, and transfers are therefore not guaranteed. Even in cases where these requirements pose no problem for senders, particularly for domestic and WAEMU transfers, MTOs still perceive the ceiling on transfers outside the zone to be a problem. Migrants also consider the ceiling too low because they sometimes have to make large transfers to friends or partners living outside the WAEMU zone and are thus forced by the system to split the transfers to stay below the ceiling. This can be very costly.

The expansion of remittance services to meet demand has changed the relationship that customers have with their banks. Almost all MTOs (86 percent) have established branches to serve more customers. Any delay in the receipt of remittances is reported to the customer service department, and the time taken to resolve customer grievances is quite short—usually not more than one week (RSP survey).

Formal RSPs face competition from the informal operators because the informal sector has many advantages—proximity to recipients, simplicity of operations, lack of overhead, and freedom from regulatory constraints—and offers low-cost products. Of the firms interviewed, 29 percent acknowledged that competition from informal operators is a major obstacle.

**Remittance Costs and Identification Requirements**

Fund transfers through formal networks (banks or specialized agents) are fast, reliable, and convenient. For example, a transfer sent by Western Union can take as little as 10 minutes to reach the recipient. In addition, neither the recipient nor the sender has to open a bank account to transfer money, and the sender does not need to provide identification, which could be an advantage for illegal immigrants who would rather remain anonymous (Sander and Barro 2007).

However, these services are expensive. The RSP survey revealed that the commission charged on an international transfer of US$200 is 13 percent by banks and 15 percent by the post office. The commission charged by Western Union on a domestic transfer of US$96 is 9.75 percent, the commission charged on a transfer of US$435 within the
WAEMU subregion is 7.36 percent, and the commission charged on an international transfer of US$483 is 10 percent (Sander and Barro 2007).

MTOs require both senders and recipients to provide proof of identification. Commonly accepted documents are the national identity card, national passport, and driver’s license. Business cards and certificates of residence are not an acceptable form of identification.

The study makes specific recommendations on data collection, regulation of the market remittances services, and the cost of remittances.

To improve data collection on remittance flows, it recommends establishing an elaborate system for formal remittance data collection; designing a regular study on informal remittance flows to improve understanding of informal remittance networks; and designing period household surveys on migration and remittances.

To facilitate the access to the market of transfer of money, it recommends reducing the constraints of the regulation of the IMF in such areas as minimum capital requirements and the ceiling of transfers.

To lower transaction costs, it recommends stimulating competition among banks and other nonfinancial institutions to help reduce overall transaction fees, as well as increasing the usage of new technologies for money transfer.

**Conclusion**

According to this analysis of migrant remittances, some conclusions can be drawn:

- The remittance market in Senegal consists of both formal and informal operators, providing a wide range of services in the various partnership arrangements.
- Of the many diversified origin countries of remittances, the European Union ranks highest, with more than half of the total amount of transfers.
- The remittance flows received by Senegal have increased considerably in the past five years, becoming the principal source of external financing for the Senegalese economy—far exceeding FDI, external borrowing, and, above all, ODA.
- As the principal source of external financing, remittances help in adjusting the current account balance and play an important role in the financing of household budgets and poverty reduction.
• Informal remittances occupy an important place in the remittance market and have many advantages for the population, particularly the poor, because of the proximity to recipients, simplicity of operations, lack of overhead costs, freedom from regulatory constraints, and low-cost products.

Notes

1. The International Monetary Fund Balance of Payments Manual (which covers only official channels) defines and measures remittances as the total of “workers’ remittances” abroad, “compensation of employees,” and “migrants’ transfers” (World Bank 2008). “Workers’ remittances” are transfers by migrants considered to be residents (for at least one year) in the host country. “Compensation of employees” includes all earnings of migrants who have been in the host country for less than one year. “Migrants’ transfers” correspond to the net value of migrants’ assets transferred from the host country to the country of origin.


3. Bancarization is defined as the proportion of the population with a bank account. It is measured by an index called the rate of bancarization.


5. Twenty-nine percent of operators interviewed offer auto loans.

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