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## SENEGAL COUNTRY ASSESSMENT

REPORT ON INCLUSIVE  
INNOVATION STRATEGIES  
IN MIGRANT REMITTANCES  
AND FINANCIAL SERVICES

October 2022

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# Acronyms

<b>AML/CFT</b>	Anti-Money Laundering /Combating the Financing of Terrorism
<b>ANSD</b>	Agence Nationale de Statistique et de la Démographie (National agency for statistics and demography)
<b>BCEAO</b>	Central Bank of West African States
<b>DFS</b>	Digital Financial Service
<b>ECOWAS</b>	Economic Community of West African States
<b>EIB</b>	European Investment Bank
<b>EMI</b>	Electronic Money Issuance
<b>FSP</b>	Financial Service Provider
<b>GCM</b>	Global Compact for Safe, Orderly, and Regular Migration
<b>GDP</b>	Gross Domestic Product
<b>GSMA</b>	Global System for Mobile Communications
<b>ICT</b>	Information and Communication Technology
<b>IDE</b>	Inclusive Digital Economy
<b>IDRC</b>	International Development Research Centre
<b>IGAD</b>	Intergovernmental Authority on Development
<b>IOM</b>	International Organization for Migration
<b>IRSD</b>	International Remittance Services Directive
<b>LDC</b>	Least Developed Country
<b>KII</b>	Key Informant Interviews
<b>KYC</b>	Know Your Customer
<b>MFI</b>	Microfinance Institution
<b>MFS</b>	Mobile Financial Service
<b>MNO</b>	Mobile Network Operator
<b>MoU</b>	Memorandum of Understanding
<b>NBFI</b>	Non-Banking Financial Institution
<b>NFC</b>	Near-Field Communication
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>R&amp;D</b>	Research & Development
<b>RSP</b>	Remittance Service Provider
<b>UNDESA</b>	United Nations Department of Economic and Social Affairs
<b>WAEMU</b>	West African Economic and Monetary Union
<b>XOF</b>	West African CFA franc

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# Executive Summary

Remittances serve as crucial catalysts in the financial and economic inclusion of households in developing countries. A staggering one billion people (1 in 7 people) are involved with remittances (sending and receiving).<sup>1</sup> As per UNCDF's mandate of driving financial inclusion in the world's 46 least developed countries (LDCs), supporting increased access to and usage of inclusive remittance and financial products is critical to driving financial resilience for migrants and their families.

To pilot its approach to inclusive innovation, UNCDF has drafted four Inclusive Innovation Country Assessments to highlight potential gaps and solutions to make remittance products more inclusive in a specific country. The assessments provide an overview of the level of inclusive innovation at the product, institution, and ecosystem levels. They also provide recommendations for key stakeholders – banks, money transfer operators, mobile money providers, mobile network operators, fintech, insurers and pension funds, policymakers and regulators, venture capitalists and angel investors – to make the digital finance ecosystem for migrants and their families, through remittances as the gateway product, innovative and inclusive. This assessment focuses on the remittance and financial markets for migrants and their families in Senegal.

Remittances play a crucial role in the Senegalese economy, representing about US\$2.6 billion or 10.5 percent of the country's Gross Domestic Product (GDP) and benefiting about a quarter of Senegalese households.<sup>2</sup> The total value of cross-border person-to-person transfers received through formal channels has increased steadily to about 6 percent per year since 2010, including during the COVID-19 crisis.<sup>3</sup>

The top 3 destinations for Senegalese migrants are France, The Gambia (the France-Senegal and The Gambia-Senegal corridors being chosen as focus corridors in this study), and Italy.<sup>4</sup> While many Senegalese women migrate to African countries, particularly in the West Africa sub-region, most men seek to resettle in European nations.

At least 23 Remittance Service Providers (RSPs) offer remittance transfers to Senegal, and 41 market players and correspondent agents provide cashing-out facilities for migrants' families in the country.<sup>5</sup> This includes five mobile money providers that also offer international remittance services. Women have lower access to sending and receiving remittance services than men, which aligns with broader issues relating to financial inclusion for women in Senegal.

UNCDF's analysis demonstrates that mobile money accounts help increase access to remittances to unbanked populations and narrow the gender gaps in financial inclusion at the product level. However, delivery challenges persist. For example, with few women agents, and communication strategies tailored predominantly to young urban audiences, targeted access can often be hampered. Although RSPs express a willingness to include underserved segments (e.g., women users, rural areas population, or lower-income groups), the absence of incentives, capital to innovate and pilot, and limited like-minded banking partners may act as significant barriers.

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<sup>1</sup> UNDESA International Migrant Stock, 2019

<sup>2</sup> World Bank, 2020

<sup>3</sup> World Bank, 2020

<sup>4</sup> UNDESA International Migrant Stock, 2020

<sup>5</sup> UNCDF Research, 2022

At the institutional level, the assessment found that traditionally RSPs invest relatively little in Research and Development (R&D), which leads to the limited focus on low-income segments. In addition, constrained organizational capabilities, primarily linked to siloed governance structures and lack of diversity in the leadership teams of RSPs, limit meaningful conversations about the commercial viability of migrant-centric remittance products and financial services.

As far as the enabling policy and regulatory environment are concerned, the Senegalese innovation ecosystem is promising and flourishing, but a lack of incubators and accelerators hampers it. On the regulatory front, while the regulations by the Central Bank of West African States (BCEAO) provide an increasingly enabling framework for innovation to be tested and scaled, challenges to payment interoperability, access to payment systems for non-banking financial institutions (NBFIs), and little clarity on risk-based regulations for NBFIs continue to form a critical barrier that needs to be addressed.

This assessment highlights six key thematic areas across three levels of intervention (Ecosystem, Institutions, and Products) that require further attention to ensure migrant remittances are accessible and affordable and help drive financial inclusion for underserved populations in Senegal. Those thematic areas include:

#### Ecosystem

- Supporting digital payment infrastructure, given the friction in customer onboarding, especially for rural populations, and the limited use case for digital services
- Expanding the scope of remittance service provision, given Mobile Network Operators' (MNOs) ability to attract unbanked populations to use digital financial services.

#### Institutions

- Kickstarting a financial service-focused innovation ecosystem, given the lack of an in-depth support system for fintech to improve innovation and inclusion in digital services
- Incentivizing investment into R&D for RSPs, given RSPs' insufficient capacity for R&D activities

#### Product

- Driving product uptake for underserved segments through financial interventions: given the need for working capital among RSPs to test and scale innovations with limited short-term returns
- Building institutional capacity and knowledge to service underserved or unserved segments: given the significant volume of remittances flowing through informal channels, the gaps in the agent (including women agents) network in rural areas, and the need to adapt product marketing and after-sale support for people with low literacy

# Introduction

## ABOUT THIS REPORT

**The United Nations Capital Development Fund (UNCDF) aims to make public and private finance work for the poor in the world's 46 least developed countries (LDCs).** With its capital mandate and instruments, UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. This last mile is where available resources for development are scarcest, market failures are most pronounced, and benefits from national growth tend to leave people excluded.

**One of UNCDF’s key ambitions is to improve the functioning of the remittance market to increase the financial resilience of migrant families while strengthening the economic development efforts of the origin and destination countries.** UNCDF supports moving away from dominant cash-based models and toward digital channels – in other words, the end-to-end digitisation of remittances – as this holds the key to driving down costs, increasing convenience, and promoting transparency. Remittances are also seen as the gateway product for additional financial services, both because remittances are such a universal feature of the migrant experience and due to their extensive last-mile distribution networks creating opportunities for service-aggregation at the last mile. UNCDF efforts to facilitate access to and usage of remittances toward the financial resilience of migrants and their families are enabled through four workstreams: (i) enabling policy and regulations; (ii) empowered customers; (iii) open digital payment ecosystems; and (iv) inclusive innovation. A systemic gender mainstreaming strategy<sup>6</sup> is at the heart of all workstreams. UNCDF believes that the remittance ecosystem will never achieve its full potential unless gender dimensions are considered.

**Under the Inclusive Innovation Workstream, UNCDF supports Remittance Service Providers (RSPs) to enhance their innovation strategies and make them more inclusive.** The aim is to equip RSPs with the necessary tools to develop innovative products, inclusive of migrants, that drive usage and are commercially viable. This would also help create opportunities for tailored financial products and services that can be offered through digital channels, in turn supporting financial resilience and well-being.

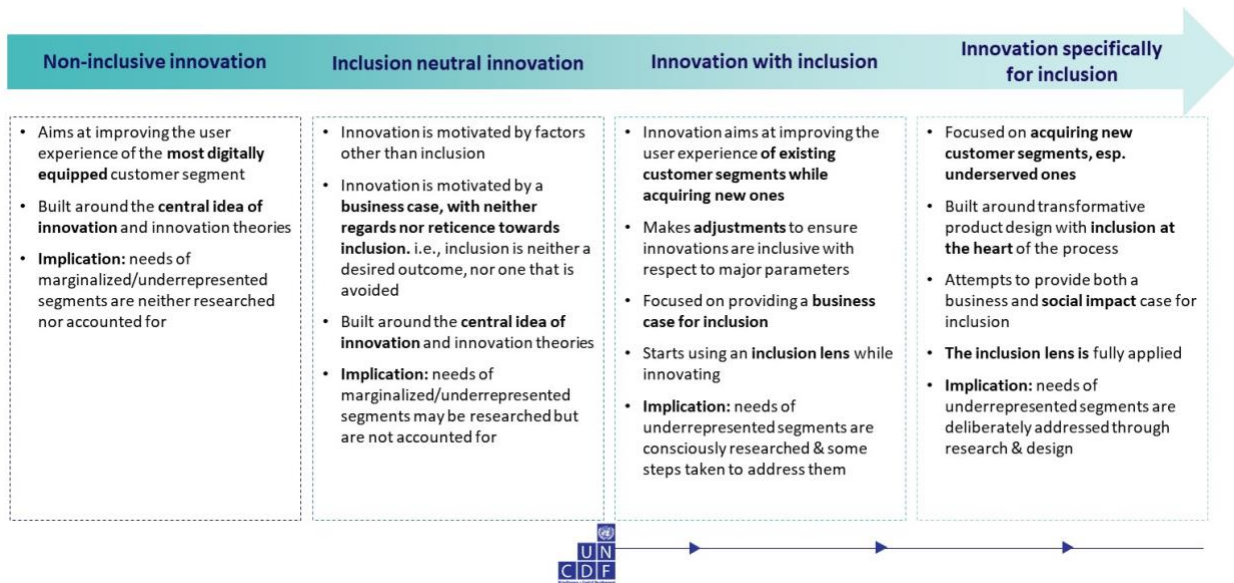
**UNCDF uses Country Assessments to understand the existing remittance market and where there may be opportunities to further remittance services’ access and usage, and subsequently, migrants and their families’ financial resilience.** This readiness and potential can be mapped on an Inclusive Innovation Spectrum, as shown in Figure 1. The continuum depicts a spectrum of scenarios and situations where a country – including its RSPs and the wider ecosystem – is positioned with respect to its readiness and inclination toward a customer-focused market. The various players involved in the remittance system, including consumers (on the sending and receiving end), RSPs, other Financial Service Providers (FSPs), including but not limited to fintech companies, Mobile Network Operators (MNOs), banks, insurance companies, digital credit lenders, microfinance institutions, and regulators play distinct roles in driving, achieving, and supporting inclusive innovation.

**In an ideal inclusive innovation ecosystem, customers, both men and women, express their realized and latent needs, which guide RSPs and other FSPs in the definition, development, and provision of remittance and linked financial services.** The regulator plays the role of facilitator and catalyst for innovation and inclusion – for instance, the state might support innovation in the remittance space, call on stakeholders to mobilize resources, or subsidize services for specific underserved segments. The government can also create a conducive regulatory environment for innovation through strong policy enablers. Therefore, each of these players can contribute to innovation and inclusion or a lack thereof.

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<sup>6</sup> UNCDF's Migrant Money – Gender Mainstreaming Strategy

Figure 1 Elements and characteristics of the inclusive innovation continuum



**This country assessment provides an overview of the level of inclusive innovation practised at the product, institution, and ecosystem levels in Senegal.** The report provides a background on the remittances sector in Senegal and across key corridors (Chapter II). On the innovation spectrum, it then assesses the inclusiveness of (i) remittance products, (ii) RSPs as institutions, and (iii) the broader ecosystem through a series of assessment parameters (Chapter III).

**Further, the country assessment provides options for consideration by regulators and market players to facilitate gender-smart and migrant-centric innovation in the country.** The report spells out pathways for RSPs to become increasingly gender-smart and migrant-centric; it also proposes options for the regulator and investors to support such shifts toward inclusive innovation.

**Country assessment closely studies two key remittances corridors. In Senegal, those are corridors between France and Senegal and The Gambia and Senegal.** This Assessment looks at Senegal as a remittance-receiving state (or the migrants' country of origin). The two corridors were identified using various selection criteria, including transaction volume and migration flow, geographical coverage, gender diversity, and ecosystem readiness (see Annexe 1).

## KEY METHODOLOGICAL ELEMENTS

**The methodology underlying the planning and execution of country assessments has been detailed in the Inclusive Innovation Assessment Guide.**<sup>7</sup> This section provides a high-level overview of the key methodological elements. The Guidelines enable different UNCDF players and development organisations, RSPs, Investors, Regulators, and other market players to conduct a similar assessment in other countries. These Guidelines are open source and include tools and templates for the standardized assessment of the application.

**The Guidelines are based on the fundamental principles of making remittance products more migrant-centric and gender-smart.** UNCDF recognizes the importance of addressing the gender dimensions of

<sup>7</sup> UNCDF, 2022



remittance access even as remittance and financial products for migrants globally tend to often take a gender-blind approach. Women often experience financial inclusion differently from men, and this experience is further exacerbated as a migrant. Additionally, a migrant-centric and gender-smart approach recognizes that migrants' challenges in access to formal financial systems are different from other customers. To support RSPs in moving away from the current 'one-size-fits-all' approach to designing digital remittances, UNCDF is proposing this novel, migrant-centric and gender-smart approach. While the concepts of 'customer centricity' and 'gender smartness' are not new and have been applied to other areas of inclusive finance, very little has been written on an approach that combines both concepts and applies them in the context of remittances and migrant product design.<sup>8</sup>

Such an approach can help drive better business and development outcomes. It leads to an increased customer base and cross-selling opportunities from a business perspective while strengthening local economies and the financial well-being of migrant households.

Table 1 provides some concrete examples of how certain product features can influence the inclusive reach of formal remittances.

*Table 1 Example of how certain product features can influence inclusion*

RSPs' INTRINSIC PARAMETERS		RELEVANCE TO RSPs' INCLUSIVE INNOVATION
Product level	Product offering	<ul style="list-style-type: none"> <li>• The presence of a product design process that incorporates the voice, choice, decisions, control and skills of diverse subgroups of customers to strengthen product offering is indicative of companies practising inclusive innovation.</li> <li>• Direct costs (transaction fee, forex spread, compliance costs, limited financial market infrastructure) and indirect costs (financial capability, fraud, dispute resolution, transport, opportunity costs, etc.) incurred by the sender and recipient are critical factors for inclusiveness, given that underserved communities generally have limited financial means and often must face high indirect costs.</li> <li>• Low frequency of IT incidents and complaints and the presence of transparent information systems and data protection drive inclusion as they help drive trust in digital technologies and platforms among underserved segments.</li> <li>• Bundling additional value-added services (e.g., utilities and payments) on top of remittance products helps drive usage and ensure liquidity within the formal financial ecosystem.</li> <li>• Enabling a downstream digital ecosystem to incentivize migrants and their families to adopt financial products and services – deposits, savings, credit, insurance, pensions, investments – through digital platforms rather than cashing out.</li> </ul>
	Delivery of service	<ul style="list-style-type: none"> <li>• Delivery channels drive geographical and demographic penetration of services for more inclusion, as access to digital channels is low among women and other underserved groups in many countries.</li> <li>• Agencies staffed and set up with an intentional focus on inclusion, ensuring that customers are comfortable interacting with the distribution</li> </ul>

<sup>8</sup> (UNCDF, 2021)

		<p>mechanism and interface, whether physical, digital, or a mix of the two, are more inclusive.</p> <ul style="list-style-type: none"> <li>• Availability of an agency network that makes it easy to cash out. This significantly impacts inclusion as the recipient’s ability to access and use remittances easily is often the key deciding factor for the sender in his/her choice of RSP.</li> <li>• Accessibility to customer care support (including non-digital methods) positively impacts inclusion as it helps less financially/digitally literate segments to have their complaints heard and addressed.</li> <li>• Including customers’ feedback in the next cycle of product refinement or development – especially that of under-represented customers – can lead to increased levels of inclusion.</li> </ul>
	<p>Communication and marketing</p>	<ul style="list-style-type: none"> <li>• Communication and marketing that use the channels and mediums most frequently employed – and most trusted – by different population segments (incl. word of mouth/flat networks for women) help ensure equitable distribution of information, avoid information asymmetry, and increase access and usage, especially by underserved segments.</li> <li>• Communication and marketing that address underserved segments’ specific concerns regarding formal channels around costs, reliability, and access lead to increased inclusion by supporting behaviour changes among these segments.</li> </ul>

**Different RSP characteristics can impact their ability to innovate, as well as their capacity to reach out to underserved customers.** [Table 2](#) provides some concrete examples of how certain RSP features can influence their ability to innovate in an inclusive way.

*Table 2 Examples of how RSP's characteristics can influence their ability to innovate in an inclusive way*

RSPS INTRINSIC PARAMETERS		RELEVANCE TO RSPS' INCLUSIVE INNOVATION
Institutional level	Innovation strategy	<ul style="list-style-type: none"> <li>• Active data analytics of uptake trends help drive customer-centric innovation by tailoring product offerings to evolving customer preferences.</li> <li>• Lean business models are better suited for inclusive innovation as they allow tweaking core business processes in response to market demands.</li> <li>• Ensuring the diversity of focus groups testing new products (gender-balanced, diversity of age, rural and urban dwellers, income levels, etc.).</li> <li>• The existence of an innovation culture within the organisation, ensuring that skills and mindsets are being nurtured to fuel innovative projects, is crucial to stimulate innovation.</li> </ul>
	Organizational capabilities	<ul style="list-style-type: none"> <li>• Agility in organisational structure is critical to support strategy shifts and innovation.</li> <li>• Capacity and (market research) systems are in place for continuous customer engagement and gender-disaggregated data collection.</li> <li>• The capacity to mobilize internal or external financial and human capital resources for innovation is critical to successful innovative product development.</li> <li>• The capacity to engage in and leverage partnerships (e.g., correspondent partnerships, distribution channels, investors, and market players) can be critical to support innovation and strengthening RSPs' understanding and use of an inclusivity lens.</li> <li>• Gender-focused strategies to ensure diverse and gender-balanced workspaces within RSPs are critical to achieving inclusive innovation.</li> </ul>

Table 3 provides some concrete examples of how the ecosystem can influence RSP’s ability to innovate in an inclusive way.

*Table 3 Examples of how the ecosystem can support or detract from inclusive innovation in remittances*

		RELEVANCE TO RSPS’ INCLUSIVE INNOVATION
<b>Ecosystem level</b>	Innovation stimulus	<ul style="list-style-type: none"> <li>• Active innovation communities (including universities, incubators, etc.) help foster innovation by identifying areas for new product research based on critical market gaps. They also further innovation by providing technical and financial support to inclusive and innovative products at the ideation stage.</li> <li>• The availability of VC/debt for financing helps new ideas flourish in the remittance ecosystem by acting as a clear financial incentive and innovation.</li> <li>• Robust and active industry associations lead to favourable environments for innovation and inclusion by better representing the industry's interests to regulators.</li> </ul>
	Policy and Regulatory	<ul style="list-style-type: none"> <li>• The presence of enabling regulations like those supporting the establishment of remittance legal and regulatory frameworks, clear partnership guidelines between MTOs and agents, risk-based Know Your Customer (KYC) requirements and effective customer complaint procedures foster inclusion by enabling RSPs to service a larger proportion of the population.</li> <li>• The appetite for providing subsidies (by government or other donors) greatly enhances inclusion as it helps de-risk harder-to-reach underserved segments for RSPs.</li> </ul>

The present report is building on UNCDF’s knowledge captured in interlinked workstreams, namely: the enabling policy and regulation, the empowered customer and the open digital payment ecosystem workstreams. Thus, it capitalizes on strong synergies among UNCDF Frameworks and Assessment Guides.

**This report was informed by both secondary research and a series of interviews.** Annexe 2 provides an overview of key stakeholders interviewed for this Senegal Country Assessment.

# Background

## THE IMPORTANCE OF INCLUSIVE FORMAL REMITTANCE CHANNELS IN SENEGAL

**Remittances play a crucial role in the socio-economic development of recipient countries.** In low- and middle-income countries, migrants' remittance inflows represent a total of \$540 billion or an average of 1.75 percent of their total GDP and up to 40 percent of households' income.<sup>9</sup> In Senegal, remittance inflows account for about \$2.6 billion or 10.5 percent of the country's GDP <sup>10</sup><sub>[OBJ]</sub>.

The provision of formal digital financial services tailored to the migrants' needs may positively affect the lives of migrants and their families in developing countries. Globally, remittances are a crucial source of funds for migrants' families, with 75 percent of remittance flows used for essential household expenditures, including food, medical expenditure, housing, and education.<sup>11</sup> In addition, households in rural areas receive over 50 percent of remittances collected by migrant countries of origin, where 75 percent of the food-insecure population lives; many rural households, therefore, rely on remittances for improved livelihoods and increased resilience.<sup>12</sup> Hence, providing affordable and accessible remittance channels to underserved segments presents a vast social impact opportunity. In most developing countries, receiving remittances may be the only form of access to formal financial services,<sup>13</sup> indicating the potential for formal digital remittance services to drive broader financial inclusion for underserved segments.

Beyond positive societal outcomes, inclusive innovation in the remittance space may lead to positive business outcomes for RSPs in several ways. First, inclusive innovation could significantly enhance the diversity of the customer base and help the organization grow. For example, access to affordable remittances for women offers a huge business opportunity for RSPs around the globe, especially given that almost half of the 281 million migrants worldwide are women<sup>14</sup> and that the percentage of income remitted for women migrants tends to be higher than migrant men. Yet, many women remain underserved, with limited access to digital channels and higher transfer fees.<sup>15</sup> The inclusion of underserved segments also represents a solid cross-selling opportunity. In Sub-Saharan Africa, on average, 42 percent of the population received remittances,<sup>16</sup> while access to savings at a financial institution and borrowing from a financial institution is much lower,<sup>17</sup> with 16 percent and 10 percent of the population having access to such services, respectively. Strengthening access to formal remittances for underserved segments represents a massive cross-selling opportunity for RSPs to onboard customers through formal remittance products and subsequently offer essential banking services like savings and credit. Similarly, South Asia's share of the population receiving remittances is 14 percent, while access to credit is as low as 11 percent.<sup>18</sup>

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<sup>9</sup> World Bank, 2020

<sup>10</sup> World Bank, 2020

<sup>11</sup> Migration and Development Brief, World Bank Group, 2021 and 2022

<sup>12</sup> Migration and Development Brief, World Bank Group, 2021 and 2022

<sup>13</sup> ACP-EU Migration Action, 2017

<sup>14</sup> UNDESA, International Migrant Stock, 2020

<sup>15</sup> UN Women, 2022

<sup>16</sup> Due to data limitations in the Findex 2021 data, here access to remittances data is equated to having received domestic remittances in the past year. The analysis assumes that domestic and international remittances use similar channels, and access to them is proportional.

<sup>17</sup> (World Bank, Global Findex Database, 2022)

<sup>18</sup> (World Bank, Global Findex Database, 2022)

**In Senegal, the cross-sell opportunity is even bigger**, given that 48 percent of the population has access to remittance services, but only nine percent of the population has access to savings services, and 10<sup>19</sup> percent of the population, to credit services. In Sub-Saharan Africa and South Asia, for example, at least 16 percent and 11 percent of the population have access to savings, and 10 percent and 11 percent have access to credit services, respectively.<sup>20</sup>

However, costs, digital literacy, and trust concerns mean that not all remittance user groups have adopted formal remittance products. Unfortunately, there is limited data to estimate informal remittance flows to Senegal.

## OVERVIEW OF THE REMITTANCE SECTOR IN SENEGAL

### Emigration and remittance

The flow of Senegalese migrants has increased steadily over the last 20 years, at a slightly higher rate for men, who form the bulk of the Senegalese diaspora.<sup>21</sup> In 2020, Senegalese migrants were estimated at 690,000 worldwide (4 percent of the national population), 33 percent of which were women.<sup>22</sup> The average growth rate of women migrating over the past two decades (2.75 percent) has been slightly lower than that of men (2.92 percent).<sup>23</sup>

While Senegalese migrants are present the world over – with a majority in France, The Gambia and Italy – their destination countries are highly gendered.<sup>24</sup> Forty-seven percent of Senegalese women migrants are concentrated in African countries, particularly in the West Africa sub-region.<sup>25</sup> Women are primarily present in The Gambia (51 percent of Senegalese migrants being women), followed by France (45 percent) and the United States (51 percent).<sup>26</sup> As far as men are concerned, European countries (France, Italy and Spain) comprise the most frequent destination countries among Senegalese migrants, accounting for 50 percent of Senegalese migrant men.<sup>27</sup>

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<sup>19</sup> The percentage of the population that had access to credit is greater than the percentage of the population that had access to savings in 2021. This is likely due to the discrepancy between the year of loan application and the year of obtaining it

<sup>20</sup> (World Bank, Global Findex Database, 2022)

<sup>21</sup> In absolute number, 390,000 Senegalese worked abroad in 2000, increasing to 690,000 in 2020 (UNDESA, International Migrant Stock, 2020)

<sup>22</sup> UNDESA, International Migrant Stock, 2020

<sup>23</sup> The average annual increase for both men and women sit at 2,84 percent (UNDESA, International Migrant Stock, 2020)

<sup>24</sup> UNDESA, International Migrant Stock, 2020

<sup>25</sup> UNDESA, International Migrant Stock, 2020

<sup>26</sup> UNDESA, International Migrant Stock, 2020

<sup>27</sup> UNDESA, International Migrant Stock, 2020

Figure 2 Estimated Senegal emigrant population by destination country, 2020

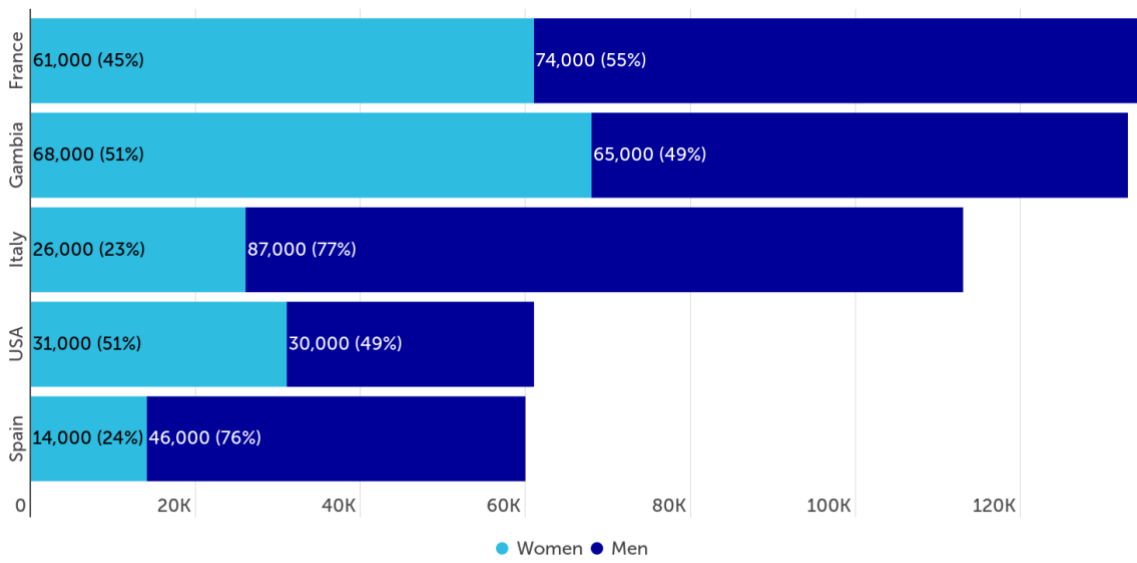
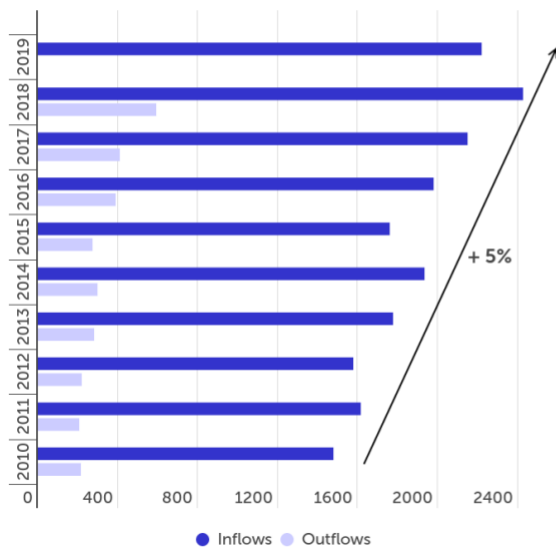
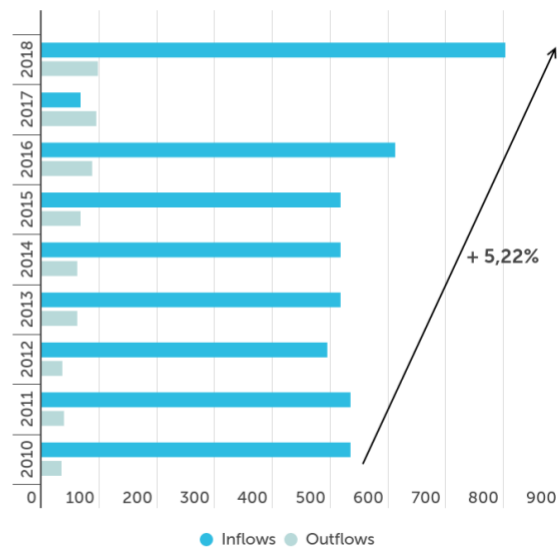


Figure 3 Senegal remittances

Global remittance inflows and outflows, 2020 (in million US\$)



Inter-Africa remittance inflows and outflows, 2020 (in million US\$)



Sources: UNDESA (2019), World Bank (2020)

# THE FORMAL REMITTANCE VALUE CHAIN: OVERVIEW, DYNAMICS, AND KEY TRENDS

## Overall landscape

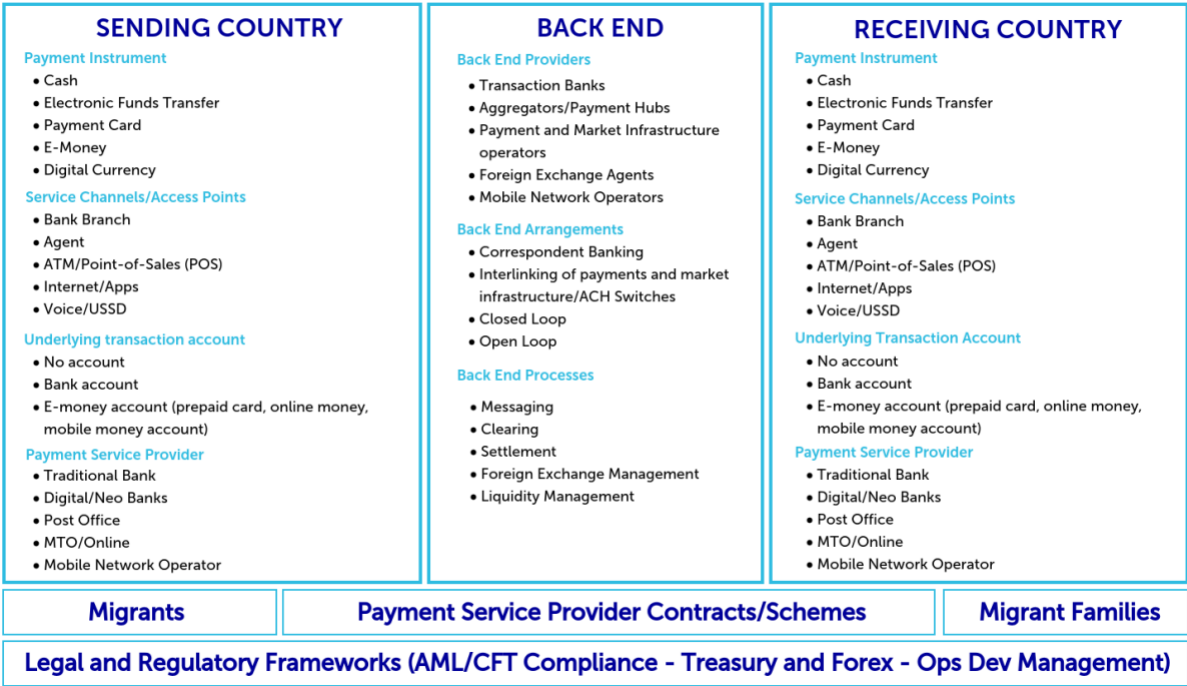
There are currently 23 RSPs that enable migrants to send money to Senegal and 41 RSPs providing cashing-out facilities for migrant families in Senegal. These include four mobile money providers that also offer international remittance services. The RSPs operating in our two focus corridors are discussed in the next section.

## Channels

The formal remittance value chain involves physical and digital channels, payment methods on both sending and receiving sides, and a rule-based clearing and settlement system between the sending and receiving end. The formal remittance value chain integrates channels such as in-person/agency, internet/mobile applications, and ATMs, while payment methods include cash, bank/postal account, payment card and E-money. The remittance processing phase that bridges the sending and receiving side integrates a computer-based processing system and physical and digital devices for sending remittances to the final recipient. The clearing and settlement systems include banking network systems (e.g., SWIFT or IBAN) or payment networks affiliated with banks (e.g., VISA/Mastercard), mobile money issuers systems (Orange money, Free money), and other internal systems specific to RSPs.

Figure 4 below shows the movement of a unit of account from Point A to Point B.<sup>28</sup>

Figure 4 Flow of remittance movements

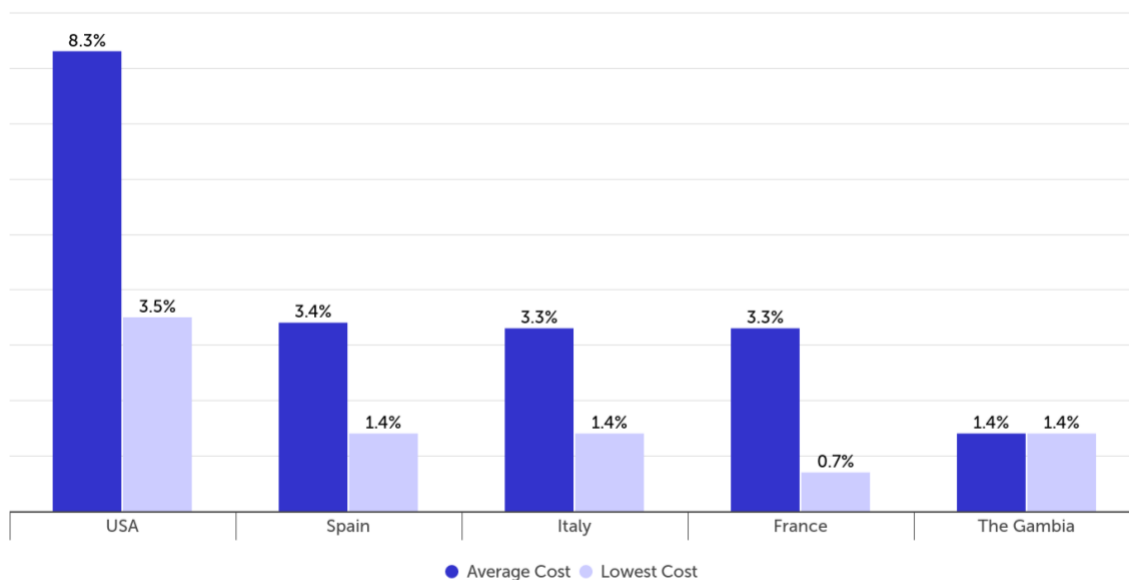




## Pricing

As per World Bank Remittance Prices Worldwide, Senegal is one of the cheapest places to send remittances compared to the global and African average. Sending money to Senegal from its top five sending corridors is about 4.6 percent of the principal amount of \$200, lower than the world average (6.7 percent) and the African average (8.1 percent).<sup>29</sup> This low cost is primarily driven by the pegging of Senegal's currency, the CFA franc (XOF),<sup>30</sup> to the Euro (EUR), leading to relatively low currency exchange costs for remittances sent from France and other European countries. This is apparent in Figure 6, which shows that the cost of sending remittances to Senegal from France, Italy, and Spain is significantly lower than from other high-income countries using another currency, like the USA. Additionally, in those three European countries, the cost of sending remittances directly via the internet is 2 percent lower than when using an agent.<sup>31</sup> The cost of the remittance corridor between The Gambia and Senegal is even lower. The low cost of sending to Senegal from The Gambia is likely explained by an attempt of formal channels to capture and retain customers, given the prevalence of the informal market. According to a World Bank survey conducted in 2020, about one-third of The Gambia's total remittances were transferred through informal channels compared to 6.9 percent for Senegal.<sup>32</sup>

Figure 5 Cost of sending remittances to Senegal (percent of principal amount)



## Gendered patterns: overview, dynamic and key trends

While gender-disaggregated data on formal remittances does not exist, qualitative research suggests that remittances sent by women migrants are increasing steadily in line with the women migrant population growth itself. The number of women migrants has been steadily increasing by 2.75 percent per year over the last 20 years, thereby increasing the remittances they send back to Senegal. Studies cite multiple reasons for the increasing share of women's remittance volumes, including destination countries favouring family reunification, a higher proportion of young women among students than in the past, and

<sup>29</sup> World Bank, 2021

<sup>30</sup> In French, the CFA stands for « Communauté financière en Afrique »

<sup>31</sup> Worldbank, 2019

<sup>32</sup> World Bank, 2021

the rising number of bi-national marriages. In addition, research suggests that women also tend to receive more remittances in slightly higher amounts than men.<sup>33</sup>

**More broadly, however, women in Senegal experience a lower rate of financial inclusion than men.**

While 52 percent of adults have accounts at banks or microfinance institutions (MFIs),<sup>34</sup> only 38.4 percent of those accounts are owned by women.<sup>35</sup> This is higher than the Sub-Saharan Africa average of 36.9 percent,<sup>36</sup> but still shows scope for improvement. Women's low financial inclusion could be due to a crisis of women's confidence mainly driven by the low representation of women in the financial services industry, including remittance services. The industry is predominantly staffed by men, with women accounting for 43 percent of total employment.<sup>37</sup> At formal financial institutions (especially banks) in Senegal, documentation requirements may also hinder women, many of whom work in the informal economy and may face difficulty providing proof of income. Proof of address is also challenging if the document is in their husband's name, which is customary.<sup>38</sup> There is also a lack of gender-disaggregated data as the collection of such data is not mandated by the Central Bank, which hinders an accurate understanding of women's exact needs and requisite interventions to meet those needs, as well as the formation of a business case to serve this population segment.

## OVERVIEW OF THE FRANCE-SENEGAL & THE GAMBIA-SENEGAL CORRIDORS

### France-Senegal corridor

#### Demographics of migrants

Forty-eight percent of all migrants from Senegal reside in the European Union (EU), mainly in France,<sup>39</sup> and most Senegalese migrants in France are men. In 2020, about 135,000 Senegalese migrants were in France, of which 45 percent were women, making France the primary destination country of Senegalese migrants and the second destination country of Senegalese women migrants.<sup>40</sup> Common characteristics of Senegalese migrants in France are their relatively young age (the majority being between 10 and 39 years old), their urban origin (mostly from the Dakar region), and their coming from large households (eight members on average).<sup>41</sup> To remit earnings to family and other relatives, Senegalese migrants in France value contact with agents and report relying heavily on their networks for advice on remittance channels.<sup>42</sup>

Analysis of migrant permits in the EU shows that family reunification, education, and remunerated activities (mostly low-skilled) are the major reasons for migrating from Senegal to France.<sup>43</sup> According to an International Organization for Migration (IOM) study, 50 percent of Senegalese migrants in the EU cite family reunification as their primary reason for migrating. In comparison, 20 percent mention education and 13.5 percent cite remunerated activities. Senegalese migrants tend to be low-skilled, and only 19.2

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<sup>33</sup> Findex, 2017

<sup>34</sup> BCEAO, 2019

<sup>35</sup> WorldBank, Global Findex Database, 2018

<sup>36</sup> WorldBank, Global Findex Database, 2018

<sup>37</sup> ANSD, ERI-ESI, 2019

<sup>38</sup> IDRC, 2020

<sup>39</sup> UNDESA, International Migrant Stock, 2020

<sup>40</sup> UNDESA, International Migrant Stock, 2020

<sup>41</sup> UNCDF, Senegal Market scan , 2021

<sup>42</sup> UNCDF, Senegal Market scan , 2021

<sup>43</sup> European Commission, 2017

percent of Senegalese migrants in the Organization for Economic Co-operation and Development (OECD) Member States have a tertiary education.<sup>44</sup>

### RSPs (top players) and products mapping

Along the France-Senegal corridor, there is strong competition between traditional and digital money transfer companies, especially for their online remittance offerings. This ensures competitive pricing and relatively low remittance costs. Traditional RSPs in these corridors include non-banking financial institutions (NBFIs) and the postal system (La Poste).

**The NBFI landscape is largely occupied by three key global Money Transfer Operators (MTOs): Western Union, MoneyGram, and Ria.** These companies offer online remittances directly into banks and electronic accounts. These three institutions are the most competitive in the market, implementing aggressive pricing to capture and retain market share across cash and digital payment mechanisms.

**Key digital MTOs emerging in the last decade include fintech companies such as WorldRemit, Azimo, & TransferWise.** Some of these companies also offer end-to-end digital products such as Taptap Send, a smartphone app allowing users to send money back to Senegal at low prices from France and other countries (UK, US, Canada, etc.). The money is transferred at high speed and low costs into mobile money wallets.

Banks also offer remittance services on the corridor either through their subsidiaries or through partnerships with other banks in the origin country and/or with NBFIs and MTOs. Banks legally established in France and Senegal can provide transfer services and additional services related to their core business (savings, credit, merchant payment, among others) through a correspondent bank<sup>45</sup> or their international identification code (SWIFT/BIC). Some key banking institutions operating on the corridor are Société Générale (based in France with its subsidiary in Senegal), Bank of Africa, Ecobank and CBAO (based in Africa with subsidiaries/representations in France). [Figure 7](#) below shows RSPs according to their legal affiliation.

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<sup>44</sup> IOM, 2015

<sup>45</sup> The definition of correspondent banking is an arrangement where one bank (correspondent) hold deposits on behalf of the other bank (respondent bank) and offers payment and other services to the respondent banks.

Figure 6 Example of RSPs operating in the France-Senegal corridor<sup>46</sup>



\*Non-Banking Financial Institutions usually provide only peer-to-peer transfers,

\*\* Digital Money Transfer Operators usually provide on top of the peer-to-peer transfers, mobile top-ups, bill payments, and online/offline retail payments. Note that some digital MTOs have started offering savings and loans.

\*\*\*Banks usually provide a wide array of value-added remittance services such as peer-to-peer transfers, bill payments, online/offline retail payments, investments, savings, loans, and insurance.

## The Gambia-Senegal corridor

### Demographics of migrants

In 2020, about 133,000 Senegalese migrants lived in The Gambia, of which 51 percent were women. This makes The Gambia the second most common destination country for Senegalese migrants and the first most common destination for Senegalese women migrants. Migrants from Senegal represent 61 percent of the total migrant population in The Gambia. This is driven by free movement across the ECOWAS region, particularly along the porous border Senegal shares with The Gambia, indicating most Senegalese migrants in The Gambia reside in the country formally.<sup>47</sup> In addition to being a destination for Senegalese immigrants, The Gambia is also a transit country for some irregular migrants travelling to Europe through northern Africa.

While remittance flows from The Gambia to Senegal are significant, some of this is also propelled by trade receipts, adding to personal cross-border remittances. Most of The Gambia's outbound remittances market caters to money sent to Senegal. However, a large percentage of this money is sent through informal channels. The formal market exists and is served by international MTOs and local MTOs, which are licensed as foreign exchanges. However, it is unclear what proportion of the "formal remittances"<sup>48</sup> through these channels are personal remittances as opposed to trade-related cross-border payments.

<sup>46</sup> Dalberg, Remittance value-added services stack, 2021

<sup>47</sup> UNDESA, 2019

<sup>48</sup> As per the definition by the World Bank "personal transfers" include all current transfers regardless of the relationship between the households, and hence also includes cross border payments for trade.

## RSPs (top players) and products mapping

Limited remittance services are available along the corridor between The Gambia and Senegal, and informal remittance channels are commonly used. Services are provided by traditional RSPs (Western Union, MoneyGram and RIA), some digital MTOs (WorldRemit and Xoom), and banks (BSIC and Ecobank). Like in the France-Senegal corridor, RSPs offer online remittances directly into banks and electronic accounts. In the corridor, informal channels compete with formal RSPs and are particularly well developed, given that the two countries are neighbours and have a fairly porous border.

The outbound remittance market from The Gambia is primarily informal, but international and local MTOs serve the formal market. These are licensed as foreign exchange (forex) bureaux as there is no MTO license in The Gambia. The provision of international remittances in the country is framed through partnerships between international MTOs licensed in their origin countries and authorized entities in The Gambia (including these forex bureaux). Between Senegal and The Gambia, most transfers are business-to-business (B2B), but MTOs do not generally differentiate between trade and remittances, and their services are often used to settle trade receipts.

Although in its early stages, The Gambia has a growing fintech sector to drive digital payments to several countries, including Senegal. This sector is not growing at tremendous speed given the market's small size, resulting in a less attractive business case than some other markets, but promising players still exist.

Figure 7 Example of RSPs operating in The Gambia-Senegal corridor with most common value-added services provided<sup>49</sup>



*\*Banks provide a wide array of value-added remittance services, except mobile top-ups."*

<sup>49</sup> (Dalberg, Remittance value-added services stack, 2021)

# Inclusive Innovation in the Remittances Sector in Senegal

This chapter considers the inclusive innovation spectrum through the review of (i) remittance products, (ii) RSPs as institutions, and (iii) the ecosystem supporting or hindering inclusive innovation in Senegal.

## INCLUSIVE INNOVATION LANDSCAPE ASSESSMENT AT THE PRODUCT LEVEL

This section investigates the level of innovation of remittance products in the Senegalese market (focusing on the corridors between France-Senegal and The Gambia-Senegal). It also investigates how products stimulate or deter access to formal remittances for all population segments regardless of their skills, gender, status, education level, age, or geographic location.

### Product offering

Multiple aspects inform the inclusiveness of products in Senegal: technology, user-friendliness, pricing, and bundling of products to receive remittances.

### Product technology

**In Senegal, accounts in traditional financial institutions, mainly banks, are less common than mobile money accounts.** Specifically, 21 percent of Senegalese adults have opened at least one account at a traditional financial institution such as banks,<sup>50</sup> MFIs or the post office, whereas active mobile money account owners represent 43 percent of the same adult population.<sup>51</sup> Mobile money is the most used financial service, with 42 percent in volume transacted.<sup>52</sup> Its utilization rate stands at 31 percent, which brings the overall financial services access rate to 42 percent.<sup>53</sup> Moreover, mobile phones have a 114 percent penetration rate in Senegal, further demonstrating the potential of mobile money.<sup>54</sup>

**Mobile money accounts are helping narrow the gender gap in financial inclusion.** GSMA research shows that in Senegal, 59 percent of financially included women own only a mobile money account, indicating the potential of mobile money to advance financial inclusion where other financial instruments are lagging behind.<sup>55</sup> However, digital money transfer is constrained by a lack of internet access on the receiving end, especially in remote areas, which might drive rural populations' low uptake of digital remittance services. According to GSMA data, 33 percent of Senegalese people, mostly in rural areas, do not use the internet. Women likely have lower access, as studies show a 19 percent gender gap in internet usage.<sup>56</sup> Limited internet access is linked to connectivity, data affordability, and digital literacy challenges.<sup>57</sup>

To deal with the low uptake of digital remittance services due to internet accessibility, some RSPs have developed innovative products:

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<sup>50</sup> Government Of Senegal, 2022

<sup>51</sup> IMF, 2019

<sup>52</sup> BCEAO, 2019

<sup>53</sup> Government Of Senegal, 2022

<sup>54</sup> Government Of Senegal, 2022

<sup>55</sup> GSMA, The promise of mobile money for further advancing women's financial inclusion, 2019

<sup>56</sup> GSMA, The Mobile Gender Gap Report, 2020

- **Withdrawal/payment cards to receive remittances do not require internet access to receive funds.** For instance, Wave introduced a QR code card that enables users to receive remittances without a smartphone or internet access. Remittances received on a mobile money account (via a telecom network) can be stored or withdrawn at authorized merchants by scanning the QR code card. Similarly, Wizall introduced Near-Field Communication (NFC) cards, which enable users to receive remittances directly on the card without Internet access. These solutions also allow users to make payments to merchants who have partnerships with these electronic money issuers, such as supermarkets, restaurants, water and electricity providers, etc. These physical transfer solutions address the obstacles of rural populations around internet and smartphone access by transferring those access requirements to remittance senders, cash-in/cash-out agents, and merchants.
- **“Bank-to-mobile-money” remittance services.** Through partnerships with mobile money operators who use USSD technology for fund transfers, the potential of mobile money has been tapped by WorldRemit, Taptap Send, and Yonema. The underlying funds from the mobile money accounts are typically held in secure electronic accounts linked to a mobile number<sup>58</sup> or banks in dedicated stored value accounts or linked current accounts.<sup>59</sup>

### *Product user-friendliness for recipients*

The interfaces of mobile money applications are user-friendly, driving uptake levels even among those with limited digital literacy. Mobile money operators reported designing their applications to improve their user experience, following three key design principles detailed below. Following the design principles stated below, the apps were made accessible to those with at least a primary level education (52 percent of the population) and a basic understanding of French:

- Design simplicity: “less is more” design principle to make the product as simple as possible to cash out<sup>60</sup> the remittance transfer
- Intuitive interface: with existing mental models to reduce the cognitive load to a minimum, and a visual link to each command<sup>61</sup>
- Appealing aesthetics: attractive interface with customer appeal

However, mobile money applications are currently available exclusively in French, thus excluding people with limited or no knowledge of the language, highlighting insufficient customer input in the product design process. Making applications available in Wolof or Pular would increase access to another 10 percent of the adult population who are literate in either language (7 percent of the rural population, 6 percent of the elderly, and 8 percent of women).<sup>62</sup>

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<sup>58</sup> WorldRemit

<sup>59</sup> McKinsey, 2017

<sup>60</sup> Cash out is limited to (i) logging in the app and (ii) entering the mobile money account code

<sup>61</sup> Word to click to execute a function within an app

<sup>62</sup> ANSD, ERI-ESI, 2019

## Product pricing

**The price of digital remittances is among the lowest in sub-Saharan Africa.** The average cost borne by the customer is 4.6 percent of the sent amount, which is cheaper than the Sub-Saharan Africa average of 8.2 percent. In the France-Senegal corridor, this is even lower (at 3.3 percent of the send amount), driven by the presence of digital remittance products; this is close to the SDG objective of 3 percent.<sup>63</sup> The least expensive remittance service options are the ones that mix cash and digital at either end. These cost less than the average price of sending money to Senegal (below 4.6 percent of the sent amount) and are even less expensive than end-to-end digital. For example, while Western Union's end-to-end digital remittance services cost up to 3.8 percent of the transaction, a mixed digital-cash transaction can cost up to 2 percent, and an end-to-end cash transaction of 5.8 percent.<sup>64</sup> The lower cost of digital-cash transactions is likely explained by the fact that RSPs must support higher costs when partnering with other RSPs to use their digital channel to make remittances available for recipients.

**Furthermore, RSPs increasingly communicate transparently about transaction costs.** This is the case of RSPs such as Wave or Orange Money, which disclose the exact fees of the transaction and/or the amount the remittance recipient will receive prior to the consumer clicking “send”. This practice can also be seen within RSPs’ agent networks. For example, at the counter, Western Union’s agents inform their customers of the transaction's exact price and provide the option of who – sender or recipient – bears the cost of the transaction.

However, receiving remittances remains costly for the less digitally literate segments of the population, especially in rural areas, due to high indirect costs. Rural remittance recipients bear several indirect costs, including the time spent in identifying cash-out points in rural areas (which tend to be sparsely distributed), the cost of transport to reach these points/counters, and the opportunity cost of the wages or remuneration they would have received by working or trading during this time. To this can be added the direct cost of higher user fees for physical/cash out remittances on the cash received compared to the pricing of digital options.

## Product bundling

While some initiatives mentioned above make remittance products accessible to a more extensive user base, bundling remittance services with other services is an efficient way to “deepen” the financial inclusion of underserved segments. Specifically, bundling enables remittances to act as a gateway product to initiate and encourage the uptake of a wide array of other financial services. By providing added services, RSPs can become more attractive to consumers. Financial transfers can be bundled with a variety of financial inclusion aspects. Successful examples are detailed below:<sup>65</sup>

- Savings: UBA proposes a savings service at preferential rates (3 to 4 percent) to incentivize unbanked populations (e.g., students) receiving cash remittances to enter the banking system.
- Credit: SympliFi proposes eased access to credit for small businesses by setting up a guarantee mechanism where the remittance sender becomes a guarantor for money lent by a local bank or an MFI. Once the investment fructifies, repayment is recorded, and credit history is established, the financial institution repeats credit services to the recipients without the guarantor’s backing.

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<sup>63</sup> SDG 10.c.1, (SDG)

<sup>64</sup> Western Union, (2021); Cost simulation for \$56.5 transaction

<sup>65</sup> To note, other bundling services found globally include remittances-insurance bundling.



**However, despite their merits, the uptake of such bundled services remains low due to awareness issues and access barriers.**<sup>66</sup> The low uptake is primarily due to low awareness of the value added by bundling services and a lack of interest in such services, given that the remittances are mainly used for consumption. In addition, the lack of bank accounts on the customer side hinders the application of remittances as a gateway to other financial instruments such as savings accounts. However, it is worth noting that some of the bundled services mentioned above are very new in the Senegalese market, such as SympliFi, which only entered the Senegalese market on 2 December 2021, and might be met by a successful large-scale uptake once awareness of the service builds.

This limited uptake to date has not created much appetite within financial institutions to further innovate with bundled offerings. Financial institutions (such as banks and MFIs) have a limited understanding of the business case to partner with RSPs in providing bundled services. The business case lies in reaching a broader customer base or deepening/diversifying the relationship with the same customers, leading to higher, more consistent revenue potential accessible through bundled services.

## Delivery of services

### *Hybrid infrastructure*

Adopting a hybrid approach (a mix of digital and physical) in the provision of transfer services in Senegal enables the inclusion of populations that are less comfortable or ill-equipped to use the digital tool. Although RSPs operating in Senegal (e.g., Wave, Wizall, and Western Union) offer end-to-end digital user journeys, they also provide mixed user journeys integrating their application system with an agent network and even withdrawal cards such as Wave's QR card or Wi'all's NFC card. RSPs are increasingly adopting this hybrid approach to make their services accessible to populations that do not use smartphones. Despite a mobile phone penetration rate of 114 percent of the population,<sup>67</sup> a considerable proportion (especially within rural settings and among many women in the informal sector) lacks a smartphone and is inexperienced in using digital tools to carry out financial transactions.<sup>68</sup> A mixed approach is therefore essential to integrate or gradually include underserved segments of the population in digital transfer services.

### *Agent network*

Despite a relatively high “financial ecosystem density” nation-wide compared to neighbouring countries,<sup>69</sup> access to services in some rural regions remains challenging. The geographical expansion of financial institutions is limited by cost factors associated with the transport of liquidity to service points or agencies, which can be associated with high-security expenditure.<sup>70</sup> These cost considerations lead financial institutions to prioritize urban areas at the expense of rural areas to establish such points or agencies. Given that 52 percent<sup>71</sup> of the Senegalese population lives in rural areas and that 75 percent<sup>72</sup> of migrants' remittances are intended for rural households' consumption, access to financial service points is a real issue for the inclusion of the rural population. However, the postal system and some MFIs in rural regions help mitigate the gap.

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<sup>66</sup> Dalberg, Stakeholder engagements in Senegal , 2022

<sup>67</sup> Government Of Senegal, 2022

<sup>68</sup> Dalberg, Stakeholder engagements in Senegal , 2022

<sup>69</sup> Senegal has a dense financial ecosystem compared to other WAEMU countries, by the diversity and number of financial institutions; the geographical penetration rate of financial services amounts to 546 points of service per 1000 Km<sup>2</sup>, positioning Senegal well above the average of the WAEMU sub-region (194points per Km<sup>2</sup>). BCEAO, 2020

<sup>70</sup> RSPs', 2021

<sup>71</sup> World Bank , Senegal rural population, 2020

<sup>72</sup> ILO, Study on emigrants' remittances in Senegal and remittance services in MFIs, 2005

**Specifically, women’s uptake of financial services is impacted by the setup and staffing of agent networks.** Women account for 43 percent<sup>73</sup> of employment in the financial services sector in Senegal. In branches where women agents are absent, women's access to financial services, including receiving remittances, could be limited because of their reluctance to operate with agents who are men. The World Bank’s studies in the Democratic Republic of Congo<sup>74</sup> and Bangladesh<sup>75</sup> have shown that women are more likely to transact when interfacing with women agents than with men agents, transact higher amounts when working with an agent of their own gender, and consistently indicate a preference toward women agents. It is crucial to perform further research into the existence and distribution of women agents in Senegal to deepen our understanding of the uniformity of financial inclusion for women across the country.

### *After-Sale support*

The variety of customer service channels (email, conversational robot, and phone lines) made available by most RSPs operating in the two investigated corridors is a positive step toward inclusion. This enables different customer profiles to select the most convenient and comfortable channel for remitting or receiving money. Some RSPs (e.g., Wave and Free Money) provide 24/7 support, accommodating different work schedules. While having email accounts and chatbots means that RSPs can quickly address the concerns of highly digitally literate customers, phone lines or physical stores are invaluable in addressing the queries of the less digitally literate segments, particularly as these segments often place high trust in human interactions. In Senegal, the free phonenumber service is particularly inclusive and accessible, given the high mobile phone penetration rate (114 percent<sup>76</sup>). The uptake of hybrid interfaces by RSPs demonstrates an intent to innovate and inclusively support various customers.

Furthermore, hiring support-sale agents operating out of Senegal is a decisive inclusion factor, given their ability to converse in local languages and understand contextual nuances. For example, Wave has local support agents who can converse in French, Wolof, and Pular. The ability of support-sale agents to speak in local languages enables customers to clearly express their needs or challenges in the language they are comfortable with and to receive clear support and guidance from the support-sale agents. This benefits part of the 58 percent of the population illiterate in French.<sup>77</sup>

However, Senegalese users generally perceived RSPs’ customer services as unsatisfactory, which is a challenge for customer acquisition and retention, especially for segments primarily influenced by word-of-mouth marketing.<sup>78</sup> The analysis of complaints on the product and services review website Trustpilot and RSPs’ social network pages reveals a high level of dissatisfaction with the after-sale support of several RSPs operating in Senegal, indicating room for further innovation and inclusion in this aspect of the customer journey.<sup>79</sup> Furthermore, some customers reported that the complaint support is only available in English, which significantly impacts the inclusion of non-anglophone communities in a country where only a small part of the population – mostly educated, urban people – can converse in English. A lack of

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<sup>73</sup> ANSD, ERI-ESI, 2019

<sup>74</sup> WorldBank, Does agent gender matter for women’s financial inclusion?, 2020

<sup>75</sup> WorldBank, Closing the Gender Gap : Opportunities for the Women's Mobile Financial Services Market in Bangladesh, 2018

<sup>76</sup> Government Of Senegal, 2022

<sup>77</sup> ANSD, ERI-ESI, 2019

<sup>78</sup> Trustpilot, 2019; (RSPs Facebook pages , 2021)

<sup>79</sup> Most customers who reported issues to the customer support on RPS services declared either that: “Customer service seems inexistent, no one answers the phone” or that “customer service is disrespectful or threatens to end the call”.

satisfaction with after-sale support can deepen consumers’ mistrust of formal remittance services and reinforce the use of informal channels.

### Communication and marketing

**RSPs operating in Senegal use mainly three channels to advertise their products:** (i) the internet, which is used heavily by digital money transfer operators (Wizall, World remit and Orange); (ii) mobile networks, television, or radio, used mainly by money transfer operators affiliated to telecommunication companies (Orange and Free); and (iii) offline channels such as billboards or posters used mainly by NBFIs, the postal system and banks. Traditional RSPs (Western Union, MoneyGram, etc.) are known for their offline communication (posters) organized with partners such as banks and other financial institutions’ network channels operating across Senegal. Mobile money operators (Orange Money and Free Money) communicate heavily via the internet (social networks and website advertisements), mobile networks,<sup>80</sup> and offline channels (posters, personal selling, etc.).

*Figure 8 Use of various marketing and communication channels by different types of RSPs*

	Non-banking Financial Institutions	Digital Money Transfer Operators	Non-Financial Organizations	Banks
Internet	Example: Western Union, Moneygram	Example: Worldremit, Wizall, Tap Tap Send, Wise, Orange, Free, Expresso	Example: The postal system	Example: Société Générale, UBA
Mobile Network, TV or Radio	Example: Western Union, Moneygram	Example: Orange, Free, Expresso	Example: The postal system	Example: Société Générale, UBA, Ecobank
Office channels (billboards, advertising, sponsorship, etc.)	Example: Western Union, Moneygram	Example: Wizall, Orange, Free	Example: The postal system	Example: Société Générale, UBA, Ecobank

High
  Medium
  Low

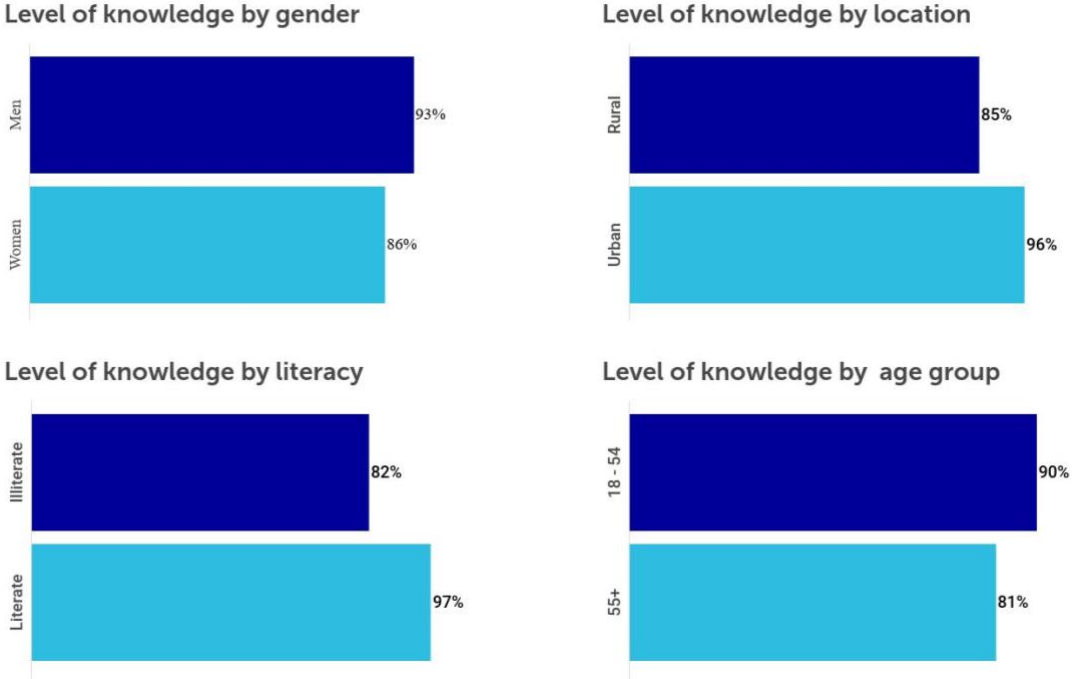
Remittance services seem well known by the general population, demonstrating sustained communication initiatives and/or strong anchoring of essential transfer services in Senegal. However, there remains a knowledge gap between the served and underserved segments of the population, including women, rural populations, the elderly and people with lower literacy levels. According to a study carried out by the Ministry of Finance and Planning in 2016 on remittances and broader financial services, including 1,500 households, about 89 percent of the adult Senegalese population knows at least one transfer service operator. This relatively high rate is explained by a good anchoring of traditional RSPs such as Western Union, which have relied on banking networks and other authorized agents.<sup>81</sup> However, gender and rural-urban gaps remain. For example, the study mentioned above shows that 86 percent of women know at least one RSP (93 percent of men) and 85 percent of the rural population (96 percent of the urban population). RSP consultations revealed that communication initiatives in rural areas are not prioritized and very limited because of the high costs associated with communication for rural groups.

<sup>80</sup> Benefiting from 116 percent of mobile phone penetration within Senegalese population (some subscribers using 2 or more mobile networks)

<sup>81</sup> Stakeholder consultation

Eighty-two percent of illiterate people know at least one RSP (compared to 97 percent amongst literate people) – the highest knowledge gap – and 81 percent of elderly people (90 percent amongst the younger segments).<sup>82</sup>

Figure 9 Knowledge of RSPs of different segments of the population

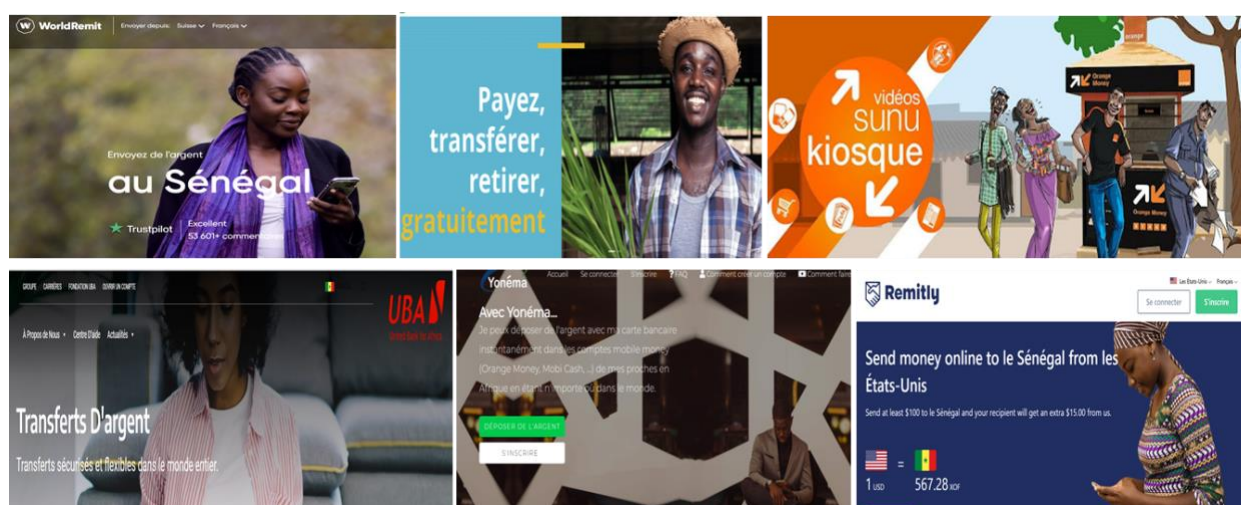


A study of marketing material and channels used by RSPs shows that their primary target customers are young urban professionals (both men and women). This group is overrepresented in marketing imagery, as shown in Figure 12. Further, RSPs also make substantial use of social networks, which are widely used by the youth, and work with local influencers (e.g., Orange Money is collaborating with Senegalese comedian Cheikh Gueye, alias Sanex). While targeting young professionals may effectively reach many migrants on the sending side (the average age of Senegalese migrants is around 26 years old),<sup>83</sup> it may be less effective in generating awareness among many recipients, who tend to be more diverse in age and demographics.

<sup>82</sup> Ministry of Economy, Finance and Planning, 2017

<sup>83</sup> UNDESA data indicates that the average age of Senegalese migrants in 2020 was 26.2, significantly below the global average of 39.1. (UNDESA, International Migrant Stock, 2020)

Figure 10 Sample of remittance services advertisement



**Language barriers in communication and marketing are a factor of exclusion.** Many RSPs create marketing collateral mostly in French and/or English, which has significant implications in a country where Wolof is the most widely spoken language, followed by French. Only a small part of the population, primarily educated and urban, can converse in English. The review of RSPs' communication channels and marketing materials, such as applications and websites, show that most RSPs operating in Senegal communicate in French or English exclusively,<sup>84</sup> excluding the 9.5 percent<sup>85</sup> of the population literate in local languages such as Pular and Wolof. For other communication platforms such as social networks (e.g., Facebook and Twitter), less than 22 percent contain advertisements in local languages.<sup>86</sup> Those who occasionally do so are mainly mobile money operators located in Senegal (e.g., Orange Money, Free money, Wizall, and Yonema).

### Key takeaways on inclusive innovation at the product level



**Product offering** – In Senegal, mobile money accounts are more common than bank accounts and help increase access to remittances and narrow the gender gap in financial inclusion. To take advantage of the popularity of mobile money and overcome the difficulties of access to the internet, some RSPs have developed innovative products such as a) offline withdrawal/payment cards to receive remittance and b) “bank to mobile money” remittance services.

The interfaces of mobile money applications are user-friendly, driving uptake levels even among those with limited digital literacy. However, mobile money applications are exclusively in French, thus excluding people with limited or no knowledge of the language. The price of digital remittances in the two focus corridors is amongst the lowest in the sub-Saharan Africa region, and RSPs increasingly communicate transparently about transaction costs. However, due to high indirect costs, remittance receipts remain costly for the less digitally literate segments of the population, especially in rural areas.

<sup>84</sup> Dalberg, Review of RSP applications and websites, 2021

<sup>85</sup> ANSD, ERI-ESI, 2019

<sup>86</sup> Dalberg, Review of RSP's applications and websites, 2021

Finally, some remittance services are bundled with other services. While bundling is essential to “deepen” the financial inclusion of underserved segments, the uptake of bundled products remains low due to access barriers and limited awareness. Consequently, the appetite within financial institutions to further innovate with bundled offerings appears limited.



**Delivery of services** – The uptake of a hybrid approach in the provision of transfer services in Senegal enables the inclusion of populations that are less comfortable or ill-equipped to use digital tools. However, access to services in some rural regions remains a challenge. Besides, women users’ access is impacted by the setup and staffing of agent networks, which may limit their level of comfort in agent interactions.

From a customer service perspective, the variety of channels available is a positive step toward inclusion. Furthermore, the presence of support-sale agents in Senegal can also be a decisive inclusion factor, given their ability to converse in local languages and understand local challenges. Finally, the general perception of unsatisfactory RSP customer services by Senegalese users is a challenge for acquiring and retaining customers, especially for segments primarily influenced by word-of-mouth marketing.



**Communication and marketing** – Remittance services seem well known by the general population, demonstrating sustained communication initiatives and/or strong anchoring of key transfer services in Senegal. However, there remains a knowledge gap between served and underserved segments of the population, namely women, rural populations, the elderly, and people with lower literacy levels, thereby highlighting that the target of most RSPs’ marketing strategies seems to be young urban professionals. Language barriers in communication and marketing are another factor of exclusion.

## INCLUSIVE INNOVATION LANDSCAPE ASSESSMENT AT THE LEVEL OF RSPS AS INSTITUTIONS

This section investigates the level of innovation of RSPs in the Senegalese market (with a focus on those operating in the France-Senegal and The Gambia-Senegal corridors).

### Innovation strategy

#### *Research & Development (R&D)*

**In Senegal, traditional RSPs have invested minimally into R&D, including through data analytics.** According to a representative of a major service provider operating in Sub-Saharan Africa, this lack of investment in innovation by RSPs is linked to a “weak culture of innovation among traditional RSPs in an environment which for long has been an oligopoly.” Many RSPs foresee weak business opportunities linked to innovation for underserved segments of the Senegalese population. In addition, RSPs seem to have little interest in collecting customer data and rarely collect disaggregated data to analyse their customer base, resulting in minimal tailoring of RSPs’ products and services to the needs of underserved consumers.

**On the other hand, digital RSPs have anchored their service offering on R&D, leading to innovative and inclusive products.** Mobile money operators like Wave and Wizall state that their products, such as the NFC or QR code card, stem from significant R&D investments. Such products allow the inclusion of populations with low digital literacy and low access to the internet in receiving and using remittances (withdrawal or merchant payments, as discussed above). Furthermore, international digital RSPs like WorldRemit, Taptap Send and Yonema have also invested in R&D to develop inclusive value propositions in different countries, including “bank-to-mobile-money-account” remittance services as previously discussed.

#### *Business/Pricing Model*

In 2021, Wave pioneered a new pricing strategy that was adopted by Orange, the market leader, resulting in greater accessibility and inclusivity for lower-income groups. This pricing model capitalizes on partnerships between RSPs (WorldRemit, Taptap send, and Yonema) and mobile money providers, thereby furthering financial inclusion for the 43 percent of the adult population with an active mobile money account.<sup>87</sup> The approach is based on free remittance deposit and withdrawal after a one-time invoicing of one percent of the transmitted amount for national transactions and 1.5 percent for international transactions. This major change provides better access for low-income populations to receive and withdraw remittances without paying a cash-out fee. This new business model helps increase access to formal remittances for lower-income populations by removing the direct cost of receiving and using remittances.

Hence, digital RSPs operating in Senegal have demonstrated skill in adapting their business models, which is less evident for RSPs operating in Senegal for a longer period. For example, Wave and Orange Money's skill enabled them to turn to a one-off invoicing model. However, RSPs such as Western Union have kept their variable taxation model, which depends on the amount sent, the sending channel, and the receiving channel. Western Union applies transfer costs per palliation ranging from \$1 to \$25 for online and cash transactions.<sup>88</sup> This taxation also varies according to the mode of payment (credit card, bank account or cash) and the reception (in cash or via a bank account, for example). This complex and cumbersome

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<sup>87</sup> IMF, 2019

<sup>88</sup> Western Union, 2022

business model does not respond adequately to consumer preferences, especially when most transactions are of smaller sizes.

## Organizational capabilities

### *Structure & processes*

The hierarchical and siloed organizational structure of traditional RSPs in Senegal affects their ability to innovate and implement transformational change. Traditional RSPs, the postal system, banks, and telecommunication companies issuing mobile money operate in a top-down pyramid structure (CEO or director, managers and the base of employees). Although this provides a clear definition of responsibilities, research shows that this type of hierarchical structure (i) slows down innovation or major transformations because of administrative burden and (ii) reduces opportunities for bottom-up innovation by curtailing creativity and comfort to express new ideas among employees. This reflects the position of “follower” of ‘older’ RSPs in Senegal rather than that of “innovator” or “trailblazer”.

By contrast, the agile structure of newer digital MTOs operating in Senegal helps to develop and implement new ideas. International digital MTOs (WorldRemit, Taptap send, Yonema, etc.) group employees in teams (e.g., business development, engineering, field operations, growth distribution, and sales). Such team-based organizational structures are more linear and focus on problem-solving, cooperation, and employee empowerment. This allows more agility and flexibility to adapt to market trends and supports emerging new ideas and transforming ideas into concrete products. It also provides staff with a greater sense of purpose, being involved in achieving a common goal. This reflects the “innovator” position and the disruptive nature of digital MTOs in the remittance market and has led digital MTOs to introduce innovative products and more inclusive business models into the Senegalese remittance market.

**However, the lack of diversity within RSPs limits their ability to innovate inclusively.** Across the spectrum, most RSPs have not yet adopted a diversity, equity and inclusion lens in the way they undertake recruitment. While most report “valuing cultural diversity” and highlight the diversity of their staff in terms of nationalities, very few have applied a gender-inclusive lens to recruiting, resulting in a low representation of women in these organizations' top management. Some organizations like WorldRemit or Western Union have incorporated inclusion and/or gender representation in their values, with up to 45 percent of women’s representation in their ranks.<sup>89</sup> This could help foster innovation within these organizations as research shows that firms with more women in senior positions (i) provide safer, higher-quality customer experiences, (ii) generally invest more in R&D and (iii) tend to adopt an approach to product development that is more collaborative and focuses on knowledge-building.<sup>90</sup>

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<sup>89</sup> Worldremit, 2021 and Westernunion, 2021

<sup>90</sup> HBR, 2021



## Financial capital

The limited availability of working capital within digital MTOs reduces their ability to meet customer needs regarding remittance volumes, which might lead some customers to turn to informal channels. To provide remittance services, RSPs must have electronic money and hence working capital to acquire this electronic money, according to BCEAO laws. However, consultations with various stakeholders in the remittance system (RSPs and venture capitalists) revealed that RSPs severely lack the working capital to purchase electronic currency and thus meet demand. This gap stems from the lack of a working capital financing instrument in the Senegalese ecosystem and banks' "value date" policy which delays the availability of their funds to RSPs. This results in the unreliability of mobile money-based remittance services, which might lead some customers to turn to traditional channels and, for those without access, to riskier informal remittance channels.

## Partnerships

Partnerships between RSPs and FSPs can strengthen organizational capabilities through pulled resources for more efficient delivery of remittance services. Still, organizational process incompatibility and the lack of a shared vision can be obstacles to inclusive innovation. Traditional and new RSPs partner with local banks, mobile money providers, and independent agents to facilitate fund withdrawals in Senegal. While these collaborations enable them to broaden their geographical footprint and effectively serve the Senegalese market without a physical or legal presence, some RSPs struggle to enhance their product offerings due to the restricted capacity or lack of motivation among some FSPs to innovate. Consultations with RSPs operating in Senegal revealed that the partnerships which sought to make services more accessible to a larger customer base are limited by:

- **Lack of IT system compatibility:** Linking systems between the RSPs and partners are frequently unachievable owing to limited computerisation of internal processes or the absence of Application Programme Interface (API) in some financial institutions' IT systems.
- **A lack of shared vision toward innovation or inclusion:** It was reported that many local partners fail to see the business opportunities linked to the inclusion of underserved segments.

### Key takeaways on inclusive innovation within RSPs



**Innovation strategy** – In Senegal, while 'older generation' RSPs have invested minimally in R&D, including through data analytics, digital RSPs have anchored their service offering on R&D, leading to innovative and inclusive products. In terms of business and pricing models, Wave recently innovated on a new model, which was subsequently replicated by the traditional market leader, leading to more accessibility and inclusivity for lower-income groups. Hence, digital RSPs operating in Senegal have demonstrated the skill to adapt their business model, which is less evident for more established RSPs.



**Organizational capabilities** – The hierarchical, siloed structure of more established RSPs in Senegal affects their ability to innovate. By contrast, the agile structure of newer digital MTOs accelerates the development and implementation of new ideas. However, the lack of diversity within RSPs limits their ability to innovate inclusively. In terms of financial capital, another key element of organizational capabilities, the limited availability of working capital within digital

MTOs reduces their ability to meet customers' remittance volume needs, which might compel some customers to turn to informal channels. Finally, partnerships between RSPs and FSPs can strengthen organizational capabilities through pulled resources and are essential for the efficient delivery of remittance services. However, the lack of shared vision and process incompatibility can hinder inclusive innovation.

## INCLUSIVE INNOVATION LANDSCAPE ASSESSMENT AT THE ECOSYSTEM LEVEL

Beyond RSPs, other remittance system stakeholders play a key role in fostering or slowing down inclusive innovations in remittance services in Senegal, as this section investigates. Major bottlenecks on both the regulatory and customer sides inhibit inclusive innovation.

### Innovation ecosystem

**While still in an early stage of growth, Senegal's innovation community is among the most developed in sub-Saharan Africa.**<sup>91</sup> Over the last decade, incubators and accelerators such as CTIC Dakar,<sup>92</sup> Impact Hub Dakar, and Concree have emerged, positioning Senegal's entrepreneurship and innovation ecosystem as one of the most dynamic in Africa. The Global Innovation Index<sup>93</sup> ranked Senegal as the eighth most innovative country among the 27 economies in Sub-Saharan Africa and the second in the West Africa sub-region, right after Cabo Verde. Today, approximately 15 accelerators and incubators support the ecosystem, 30 percent hosted by universities.<sup>94</sup> They provide services around networking, training, capacity building, testing of prototype products and services, marketing and communication, access to funding, coworking space and equipment (internet, computers etc.), legal or tax assistance, partnership building, and access to service delivery platforms for the deployment of products and services in the West Africa sub-region and beyond.

Support organizations specializing in financial services are rare, and the few fintech incubators and accelerators in Senegal provide limited support at the ideation stage. A sector scan performed by Dalberg shows that 66 percent<sup>95</sup> of organizations supporting the innovation and entrepreneurship ecosystem operate across sectors (e.g., education, health, agriculture, digital, etc.). Only 34 percent<sup>96</sup> of incubators and accelerators in Senegal are sector-specific, focusing on information and communication technology (ICT) (13 percent), ICT for agriculture (seven percent) and fintech (seven percent). The few entities focusing on fintech seem to exclusively support start-ups with existing products or services, thus limiting the impetus of new ideas and the materialization of innovations in financial services and remittances.

**Finally, the innovation community in Senegal rarely applies the inclusion lens for product design.** While incubators and accelerators generally foster gender inclusion in selecting participants for their

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<sup>91</sup> Global Innovation Index, 2021

<sup>92</sup> CTIC is the oldest incubator in French-speaking Africa.

<sup>93</sup> Global Innovation Index, 2021

<sup>94</sup> Dalberg, Review of incubators and accelerators operating in Senegal, (2021) It is interesting to note that the limited collaboration between universities and incubators or RSPs is a missed opportunity for the development of inclusive, innovative products. Senegalese universities – including those specialising in digital products and finance – attract talents and innovative minds across French-speaking Africa. Despite this human capital, and the technical knowledge gathered in universities, there is limited collaboration between the private sector and universities. Senegal ranks 34<sup>th</sup> on the tertiary inbound mobility in the Global Innovation Index and with the higher rate in French-speaking sub-Saharan Africa.

<sup>95</sup> Dalberg, Review of incubators and accelerators operating in Senegal, 2021

<sup>96</sup> Dalberg, Review of incubators and accelerators operating in Senegal, 2021

programmes to boost women's entrepreneurship, the inclusivity of products is not often a focus area. In terms of product, while incubators typically incorporate design-thinking and human-centred design (two approaches that might lead to more inclusive innovation), no support programmes centred on inclusivity have been identified in Senegal.

## Regulatory landscape for innovation

### *BCEAO legislations impacting price and the provision of remittance services*

Within the West African Economic and Monetary Union (WAEMU) region, a shared currency and central bank help drive low transfer costs and are thus key enabling factors for price-inclusive remittances. BCEAO ensures harmonized regulations and services for the WAEMU Member States and outlines procedures and conditions for the Member States to conduct financial transactions with foreign counterparts. This facilitates cross-border remittance transactions between the Member States. Furthermore, the lack of currency exchange costs (all countries using the XOF) also reduces transaction costs, lowering the financial burden on migrants within the area. For instance, intra-WAEMU remittance services provided by some RSPs like Société Générale are free or cost a standard XOF10,000, while non-WAEMU remittances are associated with an additional two percent cost accounting for the exchange commission on the transferred amount.

BCEAO regulations lead to bureaucratic challenges and the *de facto* inability of institutions other than banks and MFIs to provide remittance services, curtailing potential innovation by other players. BCEAO banking laws define the requirements for banks and bank-like financial institutions to be set up and operate in Senegal. BCEAO also specifies rules and procedures for MFIs, defining types of institutions as well as authorized services and restrictions. However, under these rules, MFIs can provide remittance services as distributors but cannot manage forex, meaning that MFIs must partner with banks for forex settlements, which impacts their potential to innovate. All other financial players must act as sub-agents to banks or MFIs. As discussed in the Partnership section, misalignment between different entities' ambitions can slow innovation.

Some gaps and challenges hinder the provision of inclusive and interoperable financial services in Senegal, while the BCEAO's interoperability framework is being developed and yet to be finalized.<sup>97</sup> When a fintech company aims to provide an interoperable service, the BCEAO regulation requires the fintech to submit a file and obtain authorization to proceed. The investigation process lasts between three and seven months, depending on the compliance of the file submitted with BCEAO requirements. BCEAO reports that stakeholders lack understanding of the information made available to guide the application process, making the process longer than it should be.

Finally, fintech companies can only provide remittance services through a partnership or Electronic Money Issuance (EMI) licence. Before proceeding with a technical partner in the form of a fintech to provide remittance services, banks must notify, and MFIs must obtain a licence from BCEAO. Fintechs that want to provide remittance services on their own are required to obtain an EMI license to provide their service. There appears to be no regulation tailored to fintech companies wishing to provide transfer services without issuing mobile money.<sup>98</sup>

### *Barriers to entry*

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<sup>97</sup> Dalberg, Stakeholder engagements in Senegal , 2022

<sup>98</sup> Dalberg, Stakeholder engagements in Senegal , 2022

**There are also perceived legal barriers to entry for MTOs in Senegal around licensing and minimum capital requirements.** The remittance market exhibits low competition in Africa and has a limited pay-out presence, especially in rural areas. In Senegal, regulations are perceived to prevent the establishment of private non-bank operators, thus leading to increased intermediary usage, higher costs, and increased competition from informal remittance networks.

### Key takeaways on inclusive innovation within the ecosystem



**Innovation ecosystem** – While still in an early stage of growth, Senegal's innovation community is among the most developed in sub-Saharan Africa. However, support organizations specialising in financial services are rare, and the few fintech incubators and accelerators in Senegal do not support the ideation stage of innovative product development. Finally, the innovation community in Senegal rarely applies the inclusion lens for product design.

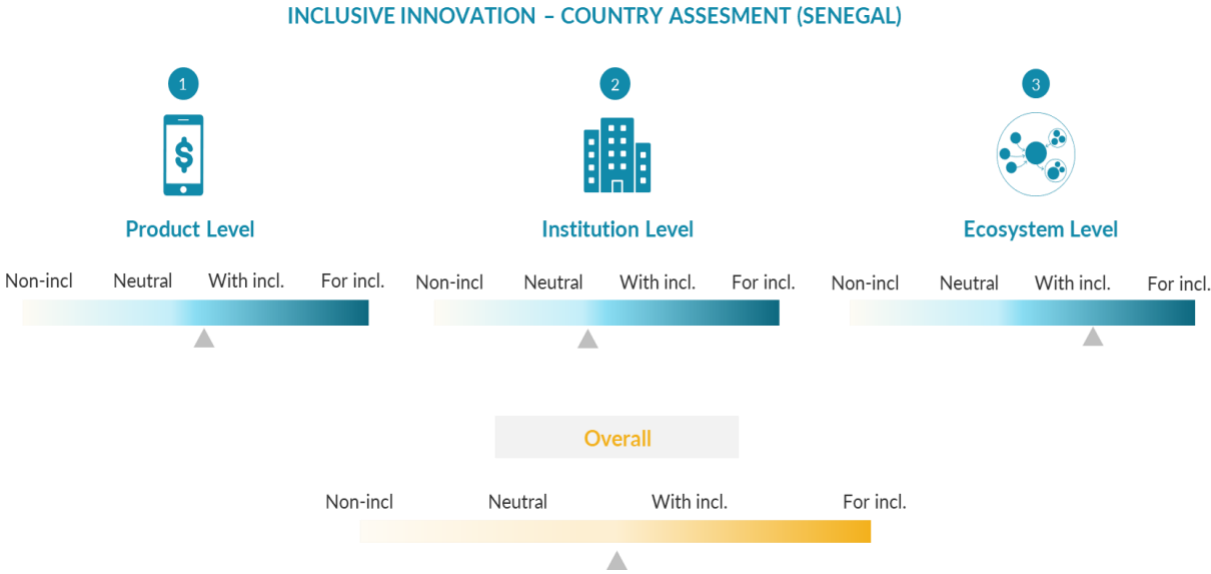


**Regulatory landscape for innovation** – A key enabling player for price-inclusive remittances is the existence of a shared currency and central bank, which drives low transfer costs. BCEAO regulations lead to bureaucratic challenges and the *de facto* inability of institutions other than banks and MFIs to provide remittance services, curtailing potential innovation by other players. Furthermore, in the absence of a BCEAO interoperability regulatory framework, some gaps and challenges impact the provision of inclusive and interoperable financial services. RSPs poorly understand the licensing process, and there is a lack of regulation for fintechs wishing to provide transfer services only. Finally, in market openness, while comparatively less inhibitory than in many other countries, there are perceived legal barriers to entry into the remittances market for MTOs in Senegal, mostly around licensing and minimum capital requirements.

**CONCLUSIONS ON THE STATUS OF INCLUSIVE INNOVATION IN SENEGAL**

Figure 11 rates the state of inclusive innovation in Senegal at all three levels – product, institution, and ecosystem – on a three-point scale (low, medium, high). The ratings are informed by a qualitative assessment of the sub-parameters linked to each level and were validated through stakeholder interviews. Figure 11 summarizes the overall assessment for Senegal.

*Figure 11 Inclusive Assessment Summary for Senegal*



# Pathways to leverage inclusive innovation

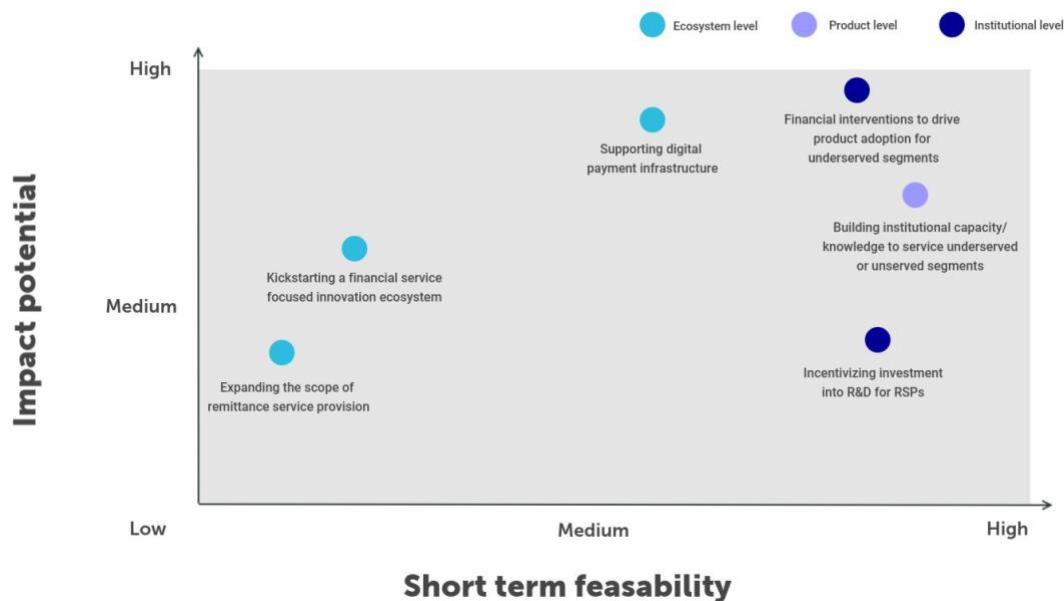
This chapter provides recommendations to leverage inclusive innovation in Senegal, spelling out pathways for RSPs to become increasingly innovative and inclusive. It also proposes options for consideration for the regulator and other players of the broader remittances and innovation ecosystem to support such shifts toward inclusive innovation. Beginning with an overview, the chapter then details recommendations, emerging opportunities, and global learnings.

## THE WAY FORWARD

To make digital remittance channels and linked financial services more inclusive, interventions should aim to increase the accessibility of affordable products for underserved segments. These interventions should seek to complement transparent and open regulations and recent progress on reducing the cost of sending remittances in Senegal. This section of the report aims to support and enhance inclusive innovation by providing recommendations along two dimensions, i.e., accelerating enabling trends and filling in existing gaps at the three levels analysed above (product, institution, and ecosystem).

As a next step, this assessment on inclusive innovation highlights six key thematic areas that need to be strengthened to ensure migrant remittances are accessible and affordable and help drive financial inclusion for underserved segments in Senegal. [Figure 3](#) analyses these thematic areas, placing them on two axes. On the horizontal axis, thematic areas are rated according to the estimated feasibility of key interventions in the short term, linking to the implementation timeframe (short-, medium- or long-term), the complexity of the intervention, the agility and resources of stakeholders involved, and willingness/inertia to change, among other things. On the vertical axis, thematic areas are placed according to the potential impact of the interventions. This classification helps prioritize specific areas and interventions to support inclusive innovation in remittance in Senegal.

Figure 12 Thematic Intervention Areas



## DETAILED RECOMMENDATIONS & EMERGING OPPORTUNITIES FOR RSPs TO DRIVE INCLUSION

Based on the gaps and opportunity areas identified in the assessment in the previous section, the report lays down a set of key recommendations at the ecosystem, institution, and product-level in [Table 4](#). While the recommendations are broken down at these different levels, the table highlights how certain recommendations, while relevant for a particular level, will also have implications for others (see icons and table key). The report also identifies an indicative list of stakeholders that should be consulted for implementing each recommendation to make the recommendations more actionable.

As opposed to the previous chapter, the recommendations are structured to go from the ecosystem down to the product level, ensuring that macro concerns are addressed before zooming into product-specific challenges.

*Table 4 Key recommendations linked to each thematic area*

THEMATIC AREA	KEY RECOMMENDATIONS	RELEVANT STAKEHOLDER
<i>Product Level</i>		
Building institutional capacity/knowledge to service underserved or unserved segments	<ul style="list-style-type: none"> <li>Conduct Central Bank surveys to assess the <a href="#">remittance flows through informal channels</a> and share knowledge with the broader ecosystem to assess emerging opportunities.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li>Conduct geospatial analytics regarding access points to identify the most underserved rural areas.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li><a href="#">Increase the share of women agents</a> to drive increased comfort for women to access remittance services.</li> </ul>	Private Sector
	<ul style="list-style-type: none"> <li>Make product interface, marketing and after-sale support <a href="#">available in local languages</a>.</li> </ul>	Private Sector
<i>Institution Level</i>		
Incentivizing investment into R&D for RSPs	<ul style="list-style-type: none"> <li>Demonstrate a clear and sustainable business case for inclusion, potentially drawing on successful efforts in other geographies, and support RSPs to build research and innovation capacity through data analytics support.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li>Consider a “secondments approach” where experts from partner/donor agencies, financial institutions, and think tanks can be seconded to RSPs to embed innovation and inclusion elements into product design from within the RSPs.</li> </ul>	Public Sector
Financial interventions to drive product uptake for underserved segments	<ul style="list-style-type: none"> <li>Implement <a href="#">differentiated pricing based on customers’ ability to pay</a>, driving mass uptake of products and high transaction volumes.</li> </ul>	Private Sector

THEMATIC AREA	KEY RECOMMENDATIONS	RELEVANT STAKEHOLDER
	<ul style="list-style-type: none"> <li>Explore catalytic grants and results-based financing support to de-risk business initiatives and improve the provision of formal remittance channels for harder-to-service segments.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li>Address issues around working capital and concerns linked to limited capability for geographic expansion to underserved regions by providing credit lines dedicated to RSPs through banks</li> </ul>	Public Sector
<i>Ecosystem Level</i>		
Supporting digital payment infrastructure	<ul style="list-style-type: none"> <li>Reduce friction in customer onboarding, especially for rural populations, by opening low-risk electronic accounts to receive remittances digitally through behaviour change programmes<sup>99</sup> and simplifying KYC processes.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li>Drive penetration of digital payments for merchants in peri-urban/rural areas to increase use cases for digital remittances.</li> </ul>	Private Sector
Kickstarting a financial service-focused innovation ecosystem	<ul style="list-style-type: none"> <li>Focus on partnering with accelerators, and incubators specifically focused on FSPs, and incorporate a deep inclusion lens in the support offered through training workshops and other readily available collateral like guideline documents, existing frameworks etc.</li> </ul>	Public Sector
	<ul style="list-style-type: none"> <li>Provide additional platforms like industry-academia conferences and innovation challenge contests for R&amp;D departments of universities to engage with FSPs, and support pilot partnerships between these institutions.</li> </ul>	Public Sector
Expanding the scope of remittance service provision	<ul style="list-style-type: none"> <li>Consider reforming BCEAO provisions to allow financial institutions apart from banks/MFIs to deliver remittance services independently with a focus on inclusion (rural households, low-income urban households).</li> </ul>	Public Sector

UNCDF acknowledges constraints and opportunities for inclusive innovation in Senegal and will continue to support RSPs and other ecosystem players to further strengthen the country's remittance market and push for more innovative and inclusive products, with a specific focus on gender responsiveness and migrant-centricity.

<sup>99</sup> Informed by the demand research work being carried out by UNCDF



## GLOBAL LEARNINGS & APPLICABILITY IN SENEGAL

The key recommendations leverage research around best practices globally to drive inclusion for remittance products. Below are a few case studies where similar interventions have worked in the context of global remittances or the broader financial services ecosystem. These can be valuable reference points while implementing the key recommendations in Senegal. While the context may differ, the key learnings are still applicable and will provide a blueprint for implementing some of the main recommendations.

### Product intervention case studies

The following two case studies concern the product-level recommendation: “Increase the share of women agents to drive increased comfort for women to access remittance services.” These case studies from two regions (South Asia and Africa) show that women prefer to transact with women agents and transact higher amounts when interfacing with an agent of their own gender.

Table 5 Product Case Study 1

#### Learnings from Bangladesh: World Bank: Opportunities for the Women’s FS Market<sup>100</sup>

In 2018, the World Bank conducted in-depth research to understand the needs of women mobile financial service (MFS) users to catalyse the financial inclusion of underserved women. In doing so, they segmented women MFS users into four distinct archetypes and noted the product preferences of each along five dimensions (security of funds, transaction velocity, convenience, agent dependency, and low charges). Finally, they perform a market assessment and provide a roadmap for increasing the share of women agents. While they identified four archetypes, this learning focuses on the two most agent-dependent ones, detailed below:

<b>Fameeda, informal sector worker</b>	
	<ul style="list-style-type: none"><li>• Finds MFS a <b>convenient alternative to less accessible formal financial services</b></li><li>• Most important product needs: <b>security, convenience, agent dependency</b></li></ul>
<b>Razia Begum, homemaker</b>	
	<ul style="list-style-type: none"><li>• <b>Dependent on an agent for MFS use, but wants to learn how to use it herself</b></li><li>• Most important product needs: <b>security, agent dependency, low cost</b></li></ul>

<sup>100</sup> WorldBank, Closing the Gender Gap : Opportunities for the Women's Mobile Financial Services Market in Bangladesh, 2018

### Key Learnings:

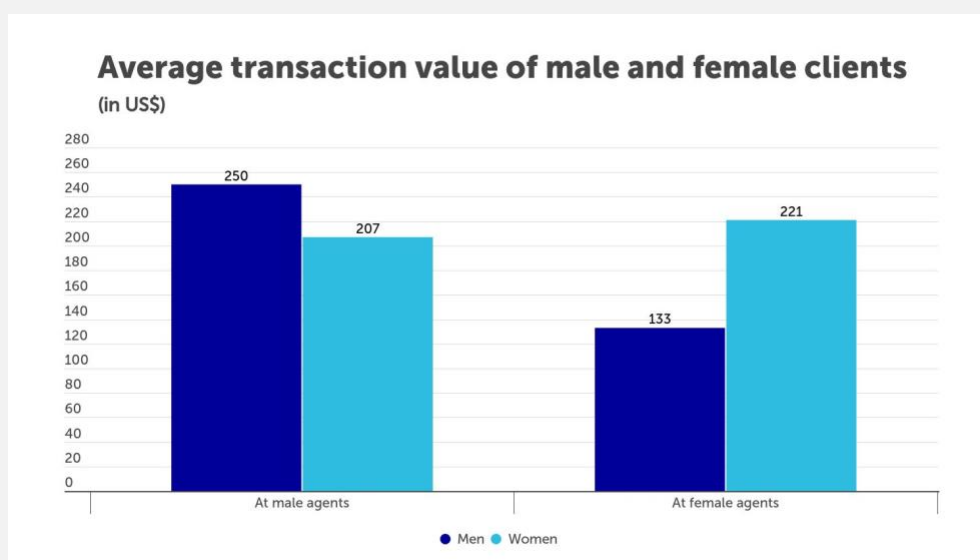
- Both archetypes fully depend **on the agent** for information and trial and **completely trust the agent** to offer support with transactions despite minor issues. They require the agent's help due to **low digital literacy, language barriers, or low confidence**.
- **Women showed a clear preference for agents of their own gender**, with 52 percent of respondents indicating such a preference. Respondents believe women agents would **behave better and provide a better service**. In addition, customers who visited women agents reported a **higher median number of transactions** than those who visited agents who were men.
- However, 97 percent of respondents have little choice but to visit men agents as **fewer than 1 percent of all MFS agents are women**, highlighting the need to recruit women agents proactively.
- Women agents face barriers in terms of **societal norms** preventing their entry, initial working capital shortage, risks associated with owning an MFS agency, and poor customer support from the provider, among other issues.

### Learnings from DRC: World Bank: The Role of Gender in Agent Banking<sup>101</sup>

In 2020, the World Bank used a unique dataset of 1.1 million customer transactions in DRC from 2017-2018 to study the effect of gender matching in agent banking transactions. This was done in collaboration with FINCA DRC, a microfinance institution in the Democratic Republic of Congo, to study if women prefer to transact with women agents, if gender influences their transaction amounts, and whether they'd travel further to transact with a woman agent. These findings were replicated with a smaller dataset in a randomized controlled trial in Senegal, and the same trends detailed below were found. This study suggested that women's uptake and usage of financial services may be accelerated by giving them the option to visit a woman agent, making gender part of agent rollout strategies, and designing products to accommodate women's needs and challenges. It showed that agent gender influences digital financial services (DFS) transaction behaviour.

#### Key Learnings:

- Customers **prefer agents of their own gender**. Women customers are, on average 7.5, percentage points more likely to transact with a woman agent than an agent who is a man. This effect is stable irrespective of the representation of women agents (if high or low).
- Customers transact **higher value amounts** with agents of their own gender. Women customers' transactions are, on average, **66 percent greater with women agents** than agents who are men.



- Women customers are more likely to go to women agents when they have higher balances.

<sup>101</sup> WorldBank, Does agent gender matter for women's financial inclusion?, 2020

## Institution intervention case studies

The role of geospatial analytics in mapping financial access points to improve product tweaking to fit their target audience better is widely recognized. The following pilot project in Uganda offers key insights into the distributional challenges to financial inclusion that can help service providers adapt their products and distribution channels better to serve the needs of existing and potential customers.

*Table 7 Institution Case Study 1*

### Learnings from Uganda: Humanitarian OpenStreetMap for financial services<sup>102</sup>

In 2015, The Bill & Melinda Gates Foundation partnered with the Humanitarian OpenStreetMap (OSM) Team to develop participatory, local community-based crowdsourced maps. Residents (e.g., university students and community members) are asked to map critical financial access points that are not currently captured to increase access to critical financial services. This purely volunteer-based geospatial data collection methodology is inexpensive, accurate, allows for frequent collection, and integrates seamlessly into existing processes. The project has helped service providers analyse gaps in coverage and identify financial access points that were officially registered but had ceased operations.



BILL & MELINDA  
GATES foundation

HOT  
Humanitarian  
OpenStreetMap  
Team

#### Key Learnings:

- Mapping real-time access to financial access points can significantly help providers tailor their products to a community's needs.
- Leveraging communities for data collection leads to an inexpensive process, as **costs for data collection by participatory approaches are lower than private sector-led data collection.** However, buy-in from the community is critical for the success of this approach

The following case study relates to a positive example of price-related financial inclusion within Senegal, specifically surrounding differential price models to accommodate different customers' income levels.

<sup>102</sup> Humanitarian OpenStreet Map Team, 2016) and (Bill and Melinda Gates Foundation, 2016

## Table 8 Institution Case Study 2

### Learnings from Senegal: Wave's business model innovation for greater inclusion<sup>103</sup>

In 2021, Wave introduced a pricing model based on the billing of transfers between individuals at a relatively low (percentage) price in Senegal. This business model is based on three key principles namely, (i) free money withdrawal, (ii) no costs associated with payments, and (iii) democratizing access to the service. This innovation has led Wave to acquire different customer segments, including small traders (especially women) and fishermen in rural areas, to build a solid and loyal customer base, and it has also had an industry-wide impact on the alignment of the mobile money leader on the same business model base. Wave has benefited from several venture capital firms' investments, including Sequoia, Stripe and Partech, the latter having valued the start-up at \$1.7 billion.



#### Key Learnings:

- There are business opportunities in adopting an impact-based profitability model and servicing lower-income communities, and disregarding such opportunities can open the door to competition.
- Leveraging a low-cost model for onboarding new users could significantly reduce customer acquisition costs and can help drive increased uptake of the platform for financial service needs.

### Ecosystem intervention case studies

Access to working capital for RSPs is a major challenge. Recent developments have seen finance institutions supporting innovative digital solutions with debt financing to fund their expansion plans and R&D efforts. One example is European Investment Bank's investment in Azimo (Table 9).

<sup>103</sup> Wave Mobile Money, 2021; It should also be noted that the business model alone did not allow the inclusion of populations. Innovation in UI/UX design and the introduction of the QR card have also contributed to this.

Table 9: Ecosystem Case Study 1

### Learnings from Europe: European Investment Bank \$22M venture debt for Azimo<sup>104</sup>

In 2020, the European Investment Bank (EIB) announced a \$22M debt investment for Azimo to boost its geographical expansion and R&D efforts into its proprietary automated payments platform. Traditional retail providers still dominate most remittance markets, but digital players are shaking up the market. This loan will enable Azimo to rapidly increase capacity and improve the experience of millions of customers. It also confirms the EIB's commitment to Azimo's mission of making remittances more affordable by decreasing the transaction time and cost of remittances across Europe and in other countries of operation.

#### Key Learnings:

- While fintech companies are largely equity funded, **access to working capital is a legitimate challenge**, and hence there is space for international donors to provide access to debt that can help scale geographical expansion.
- R&D efforts can sometimes be inhibited by limited capacity, and hence international donors can **drive innovation in the market by supporting new-age digital financial technologies** through financing instruments like venture debt, unconditional grants, and other patient forms of capital that can help start-ups scale up R&D efforts

In Senegal, given that banks and MFIs are the only institutions licensed to pay remittances and all other providers act as sub-agents, there is a need to study whether extending such licenses to other institutions has a positive impact on financial inclusion. Specifically, since mobile money has such a high penetration rate in Senegal, the following case study highlights the benefits of licensing mobile money providers to provide remittance services in Tanzania.

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<sup>104</sup> European Investment Bank, 2020

Table 10: Ecosystem Case Study 2

**Learnings from Tanzania: GSMA: Licensing mobile money remittance providers – early lessons<sup>105</sup> & Dalberg: AgriFin Accelerate – Tanzania Ecosystem Assessment<sup>106</sup>**

In 2017, the international mobile phone association GSMA reviewed early learnings from various licensing models, including mobile money remittance providers. GSMA found that the Tanzania model, where licensed electronic money providers are authorized to provide inward and outward remittance services, has several advantages.

In addition, strategy consulting company Dalberg conducted a study in Tanzania for Mercy Corps to assess the ecosystem for digital financial and informational services for farmers and the role of such services in smallholder financial inclusion in Tanzania.

**Key Learnings from Both Studies:**

- A regulatory system that licenses international remittances and mobile money has several advantages, including **greater process efficiency**, the potential to increase competition and reduce remittance transaction costs, and improving market efficiencies.
- Further, GSMA also shows that mobile money can play a key role in creating a price revolution in remittances and achieving the remittance price objective set in the SDGs. Using mobile money is, on average, **more than 50 percent cheaper<sup>107</sup>** than using the services of global MTOs, is particularly **competitive for low-value transactions and is increasing global competition, driving down the price** of remittance services. Thus, mobile money-enabled remittances are helping broaden financial inclusion objectives.
- The Dalberg ecosystem study of Tanzania showed that mobile money is improving the historically limited financial inclusion situation in Tanzania, as 80 percent of the population has access to a mobile phone, and 36 percent of farmers use mobile FSPs, compared to five percent who use banks and 24 percent who use informal financing mechanisms. However, the high cost of mobile money transfers can be prohibitive, particularly for those who transact small amounts.

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<sup>105</sup> GSMA, Licensing mobile money remittance providers: Early Lessons, 2017 and GSMA, Driving a price revolution: Mobile Money in International Remittances, 2016

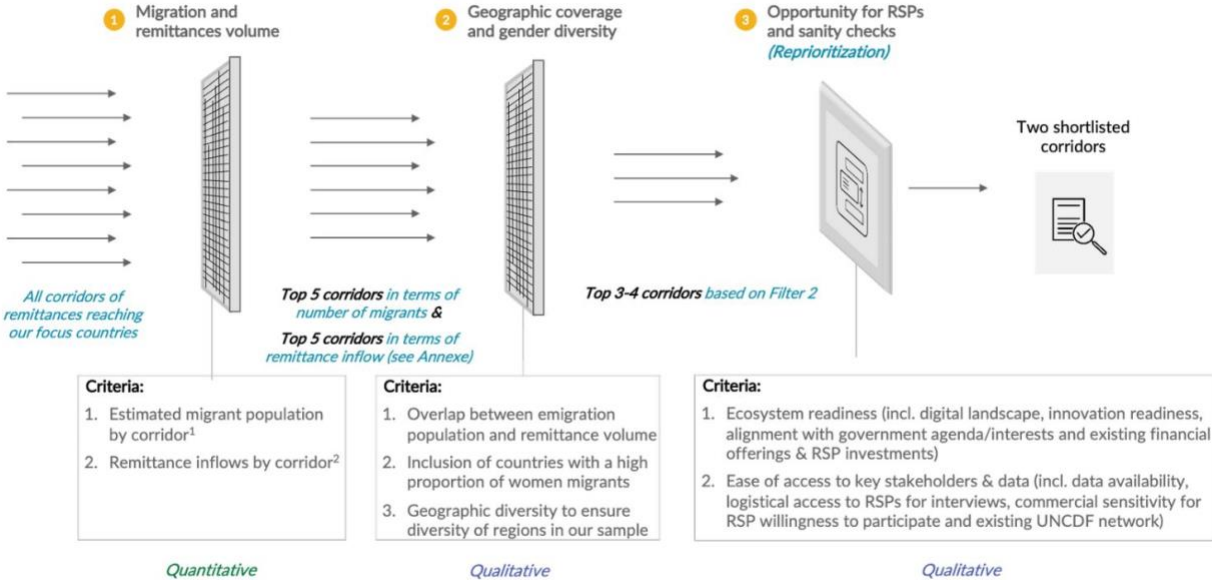
<sup>106</sup> Dalberg, Tanzania ecosystem study refresh, 2017

<sup>107</sup> This rate does not include the cash-out fee

# ANNEXE 1: Corridor selection process

To select our two focus corridors (The Gambia-Senegal and France-Senegal), a combination of quantitative and qualitative filters were used (Figure 13) based on key data (Figure 14).

Figure 13 Filters for corridor selection



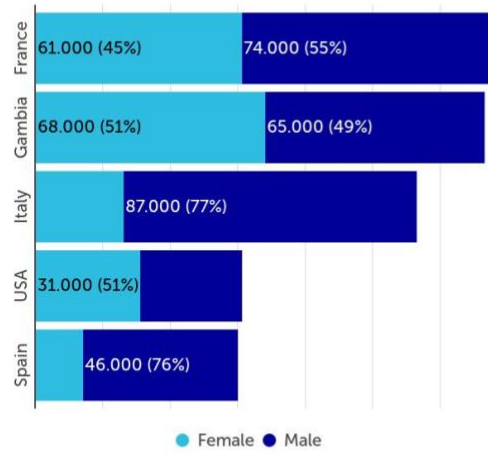
Notes: (1) UNDESA International Migrant Stock 2020; (2) World Bank Bilateral Remittance Matrix, 2017

	FILTER 1	FILTER 2	FINAL SELECTION
 Senegal	<b>Host country</b> 1. France 2. The Gambia 3. Italy 4. USA 5. Spain	<b>Remittance volume</b> 1. France 2. Italy 3. Spain 4. The Gambia 5. Mauritania	1. <b>France - Senegal:</b> Highest number of migrants and highest remittance inflow  2. <b>The Gambia - Senegal:</b> Relevant corridor for both inflows and outflows. Strategic alignment with UNCDF operations and networks in the region



Figure 14 Senegal corridors data

Estimated migrant population (originating from Senegal) by destination and gender (2020)

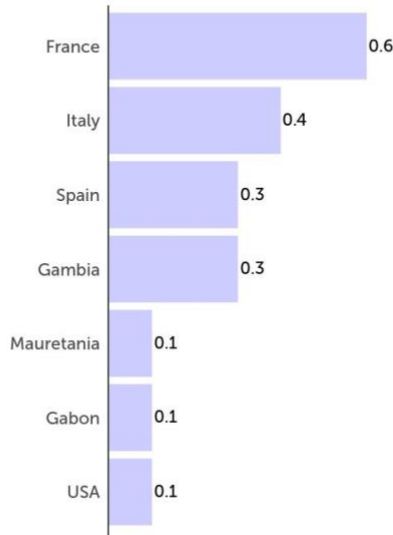


**Proposition:**

- France (highest migrant numbers & remittances volume)
- Gambia (for high migrant number, top 5 volume, and for S-S corridor working both ways)

Remittance inflows to Senegal - by country (2017)

(in billion USD)



Average remittance per migrant (yearly)

France	USD 4,797
Italy	USD 3,744
Spain	USD 5,075
Gambia	USD 1,990
Mauretania	USD 6,757
Gabon	USD 3,792
USA	USD 1,381

# ANNEXE 2: Stakeholders consulted

Several RSPs operating in Senegal have been consulted to gather data on inclusive innovation in the remittances space. Regarding gender dynamics, the interviews were conducted together by male and female interviewers, and 25 percent of the interviewees were women.

Table 11: List of institutions consulted

Banks	Digital MTOS	NBFIs
<ul style="list-style-type: none"> <li>• UBA</li> <li>• Société Générale</li> </ul>	<ul style="list-style-type: none"> <li>• Paydunya</li> <li>• SimpliFi</li> <li>• Wave</li> <li>• Wizall</li> <li>• Yonema</li> </ul>	<ul style="list-style-type: none"> <li>• Western Union</li> <li>• Poste Finance</li> </ul>
INGOs	Regulators	Venture Capital
<ul style="list-style-type: none"> <li>• IOM Senegal</li> </ul>	<ul style="list-style-type: none"> <li>• BCEAO</li> </ul>	<ul style="list-style-type: none"> <li>• Brightmore</li> <li>• Orange Venture</li> <li>• Partech</li> </ul>

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