PRIME Africa Initiative

Enabling remittances access in Senegal – Technical assistance and capacity building

October 2022
The purpose of this presentation is to share an overview of the Remittance Access and Initiative (RAI) programme to enhance remittance access in Africa, including highlighting key learnings from our partnerships with two remittances service providers (RSPs) in Senegal.

This will be achieved in the following sections:

Section 1
Journey to, and overview of, the RAI programme

Section 2
Our work in Senegal
About Cenfri

Cenfri is a leading economic impact agency based in Cape Town and Kigali

**Purpose:**
Empowering people to solve problems that matter – to create ideas and solutions that have lasting impact.

**Vision:**
People living their financial lives optimally to enhance welfare and grow the economy.

**Mission:**
Unlocking development outcomes through insights and technical support.

With strong expertise in the remittance and integrity space

**Where are the flows? Exploring barriers to remittances**

**Inclusive financial integrity toolkit**

**Biometrics and financial inclusion**

**KYC Innovations in selected AFI member Countries**

Capacitating regulators, policy makers and financial service providers on financial integrity issues

Financing Facility for Remittances

Investing in rural people
Journey to the RAI programme

2019
Launch of the Platform for Remittances, Investment and Migrants’ Entrepreneurship in Africa (PRIME) by IFAD’s Financing Facility for Remittances (FFR) and the European Commission

- Initiative aims to reduce inequality and enhance financial inclusion in Africa through the reduction of remittance costs and the maximization of their impact.

2020
Under PRIME, IFAD conducts remittance market diagnostic studies in seven African countries

Studies revealed that know your customer (KYC) and customer due diligence (CDD) requirements are key impediments to remittance access by low-income, rural households and women.

2021
IFAD’s Financing Facility for Remittances and Cenfri launch the two-year Remittance Access and Innovation (RAI) programme

Aims to provide support to RSPs to address KYC and CDD impediments and enhance remittance access by low-income, rural households and women (a key objective PRIME Africa).
RAI objectives

Main goal

Reduce barriers to remittance access opportunities for low-income, rural households, and particularly women, to support livelihoods, thereby enhancing financial inclusion and sustainable development.

Outcomes targeted for RSPs

- Interventions align with RSP strategic objectives of expanding customer base
- Reduce cost of compliance to lower costs borne by remittance receivers/sender
- Improve KYC, CDD and risk assessment frameworks to be better aligned with FATF framework and local regulations
- Strengthen RSP communication and connection with target groups/customer

RAI supports PRIME's objective of achieving improved access and usage to un(der)banked people (50% being women) sending or receiving remittances to formal financial services.
How do regulators and donors also benefit?

**Benefits for regulators**
- RSP KYC/CDD frameworks enhanced to better achieve inclusive financial integrity and sustainable development outcomes
- Strengthen implementation of a risk-based approach
- Enable innovation in the financial sector that supports financial inclusion
- To support and deepen financial market development

**Benefits for donors**
- Enhance livelihoods in line with SDG goals
- New project opportunities resulting from KYC and identity innovations
- Technical assistance opportunities to advance inclusive financial integrity
- Support in creating engagement opportunities between regulators and industry players
Our work in Senegal to date
Progress of the Remittance Access Initiative

In Senegal

Step 1: Conducted a regulatory synthesis to gain a comprehensive understanding of the regulatory environment

Step 2: Partnered with two remittance service providers to enhance remittance access in Senegal
Learnings from Senegal regulatory analysis
An overview of the Senegalese landscape

Relevant regulations

- The main AML-CFT framework developed by WAEMU is Directive No. 02/2015/CM/UEMOA
- Article 27 of both the WAEMU Directive and Senegal’s AML-CFT law outline CDD obligations which regulated entities are required to carry out
- Article 5 of BCEAO Instruction No. 007-09-2017 put in place internal procedures in terms of the identification and knowledge of customers as well as setting deadlines for verifying the identity of customers.

Financial inclusion and identity landscape

- **Strong growth in financial inclusion.** Financial inclusion has grown from 22.8% in 2009 to 70% in 2019, driven by the increasing uptake of electronic money (BCEAO, 2020).
- **Access to proof of identity documentation persists as a barrier to financial inclusion.** 13% of adults in Senegal cite a lack of documentation as a barrier for not having access to formal financial services (World Bank, 2017).
Findings from the regulatory synthesis
Areas for innovation within the existing regulatory landscape

- Senegalese law is accommodative of simplified CDD procedures.
- A tiered approach to identification is permitted for e-money.
- Opportunity to accept non-paper-based documents for proof of address.
- Potential for simplified CDD procedures to be applied to for-purpose remittances.
- Robust national ID card can be leveraged for higher-assurance identification and verification.
Partnerships to enhance remittance access
An overview of the progress with the onboarded RSPs

• **Cenfri partnered with two RSPs in Senegal** to enhance their KYC and CDD frameworks, through capacity building, to remove barriers preventing low-income, rural households and women from accessing their remittances. Specifically with a domestic bank and with an electronic money institution.

• To date, Cenfri has also engaged with the FIU / CENTIF to ensure that they have access to participate

**Technical assistance Cenfri provided to RSPs to date:**
• Interrogating risk management frameworks
• Providing AML/CFT and Risk Management training and helping RSPs to upgrade their risk assessment program
• Assisting RSPs in strengthening agent's network via enhancing due diligence processes
• Development of institutional due diligence program enabling RSPs to onboard remittance partners
Lessons identified from engagements with RSPs

Lesson 1
RSPs are open to innovation and to leverage opportunities in country regulatory frameworks.

Lesson 2
RSPs are eager to serve rural customers but at times struggle to communicate with them due to challenges with financial literacy.

Lesson 3
Relationships with MTOs are complex and require a long-term view.

Lesson 4
Data collection for FSPs requires investment in time, money and expertise.
Thank you

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About Cenfri
Cenfri is a global independent economic impact agency and non-profit enterprise that bridges the gap between insights and impact in the financial sector. It collaborates with its partners to foster economic growth and sustainable development in emerging and developing markets in Africa and beyond. Cenfri’s people are driven by a vision of a world where all people live their financial lives optimally to enhance welfare and grow the economy. Its core focus is on generating insights that can inform policymakers, market players and donors who seek to unlock development outcomes through inclusive financial services and the financial sector more broadly.

About IFAD’s Financing Facility for Remittances
Since 2006, IFAD’s multi-donor Financing Facility for Remittances (FFR) aims to maximise the impact of remittances on development, and to promote migrants’ engagement in their countries of origin. Through the financing of almost 70 projects in over 40 countries, the FFR is successfully increasing the impact of remittances on development by promoting innovative investments and transfer modalities; supporting financially inclusive mechanisms; enhancing competition; empowering migrants and their families through financial education and inclusion; and encouraging migrant investment and entrepreneurship. The FFR is cofinanced by IFAD, the European Union, the Grand-Duchy of Luxembourg, the Ministry of Foreign Affairs of Spain and the Swedish International Development Cooperation Agency (Sida).