



PERCEPTIONS

Policy Brief

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Using remittances to boost household resilience in Senegal and The Gambia

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Executive Summary

Remittances, defined as the portion of wages that migrant workers send home, are faced with several obstacles in the maximisation of their full potential in both Senegal and The Gambia (SeneGambia) as well as in Europe. In SeneGambia, remittance utilisation is hindered by negative economic conditions such as extreme poverty, corruption, inflation, poor infrastructure, technological underdevelopment and family mismanagement. In Europe too, remittances are highly taxed, face administrative hurdles and the irregular and exploitative conditions that most SeneGambian migrants live and work under lower the flow, amount and potential of remittances being sent to millions of households abroad.

This brief is based on a case study on the relationship between SeneGambian remittances and the “back way” (irregular migration) to Europe, coupled with insights from the PERCEPTIONS findings with migrants from Sub-Saharan Africa. It outlines evidenced-based and context specific recommendations to boost the potential of remittances and household resilience in order to discourage irregular migration inspired by remittances.

Introduction

European and Senegambian governments have both recognised the increased importance of remittances as well as the urgent need to administer irregular migration. However, to boost sustainable development, there is a need to cooperate for tangible humanitarian means in order to reduce the threats of irregular migration (human traffickers, people smugglers, deaths, brain and labour drainage, labour exploitation, painful separations, etc.) and use of remittances. In Senegambia, a pattern of rapid population growth, an increase in fragile socio-political and economic systems, and rise in urbanisation call for stronger infrastructure that could not be met by the available political and economic resources (Jinkang, 2020). Consequently, this largely unplanned development continuously shapes extreme poverty and inequality patterns which result in unexpected, unsustainable and painful “back way” migration to Europe. For most, remittances bring socio-economic development otherwise impossible to attain. For these extremely poor and vulnerable households, ‘stable’ remittances especially during difficult times (artificial draughts, floods, fires, famine, sickness, etc.) in the absence of government or international aid, are considered as a kind of life insurance (Jinkang, 2020). In addition, Senegambians in Europe gain high social prestige compared to their underprivileged companions left back. As such, until a just and tangible international (sustainable economic and political) cooperation is reached in this area, the desperate unemployed and prospectless youths continue to see the “back way” as another “way”. European-funded information campaigns alone have proved inefficient to combat the phenomenon. At the same time, European and international development plans and aid directed at Senegambia usually misunderstand the role of remittances and historical heritage and the embeddedness of the “back way” phenomenon (Jinkang, 2020).

Efficient remittance and irregular migration management: The idea to manage irregular migration from Senegambia through remittances is coherent with the current three core components of the comprehensive EU-27’s approach to migration management. These are: *(a) actions with partners from outside the Union; (b) actions at the external borders and (c) actions inside the Union.* An international cooperation on these issues will directly complement the EU-27’s current effort aimed at “*moving from ad hoc responses to durable solutions*”. This approach is potentially more relevant particularly in the face of failure and highly criticized EU border externalization policies and as well as ineffective information campaigns.

Furthermore, sustainable, efficient and humanitarian migration management (as a goal to be reached) is represented under the Sustainable Development Goal (SDG) 10 – ‘*To reduce inequality within and among countries*’. While

Key Issues:

- Senegambia’s population growth, rapid urbanisation, fragile socio-political and economic systems call for stronger infrastructure that is not met by the available resources.
- Unplanned development continuously shapes extreme poverty and inequality patterns resulting in unexpected, unsustainable and painful “back way” migration to Europe.
- Remittances bring socio-economic development otherwise impossible to attain for many poor and vulnerable Senegambian households.
- European and international development plans and aid directed at Senegambia usually misunderstand the role of remittances and the embeddedness of the “back way” phenomenon.
- Efficient remittance management is more relevant not least because EU-funded information campaigns and border externalization are highly contested.

Target 10.7 stands for the *'facilitation of orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies'*, Target 10.c is to *'reduce to less than 3 percent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 percent'*. Globally, Sub-Saharan Africa, one of the world's poorest regions according to the United Nations 1-2 dollar a day threshold, has the highest average cost of 7.8 percent of transaction costs. In comparison to cash-to-cash services and digital channels, bank to bank transfers have the highest costs (Ratha, et. al., 2022; 2021). Therefore, supporting the remittance infrastructure and reducing remittance charges is fundamental for the development of low income- and middle-income countries (World Bank, 2021, 2022). This is because supporting the infrastructure and reducing the transfer costs will facilitate more transfers. When considered from these perspectives, international cooperation (SDG Target no. 17) will be more beneficial for both sending and receiving countries. Therefore, this brief answers the question: **to what extent do remittances provide sustainable resilience for SeneGambian households in discouraging irregular migration?**

Despite their increased flows and developmental impact, remittances need stronger socio-political institutions in SeneGambia to be efficiently absorbed. Many analyses on the patterns and extent of SeneGambian "back way" migration to Europe do not address: (a) quantifications of the determinants of the phenomenon; (b) the relative consequence of fragile political conflicts, socio-economic factors and climate change, and; (c) evaluations of the degree to which remittances provide household resilience. Therefore, this brief highlights how the EU-27 can sustainably maximise the developmental potential of remittances in SeneGambia as a way to boost poor households' resilience to discourage irregular migration. There is needed for policy actions that enhance sustainable mobility measures and sustainable development patterns. One of these is through remittances when we consider its close relation to the "back way" migration. The findings presented in this brief will be important for EU-funded information campaigns.

- Sub-Saharan Africa has the highest remittance cost of average of 7.8 percent.
- Supporting the remittance infrastructure and reducing remittance charges will facilitate more transfers.
- International cooperation will be more beneficial for both sending and receiving countries.
- EU-27 can sustainably maximise developmental potential of remittances in SeneGambia to boost poor households' resilience and discourage irregular migration to Europe.
- These findings are important for EU-funded information campaigns.

Direct connections between irregular migration and remittances

Remittance comprises 9.6% (from 9.5% in 2021) of Senegal's GDP and up to 27 % (from 33.8 % in 2021) for The Gambia (Ratha, et. al., 2022; 2021). SeneGambian remittances are much more stable than other sources of external financial flows, including aid. And more than any other area of financial earnings, SeneGambian remittances are the single biggest source of direct investment for millions of households practicing the "back way" as a survival technique – in the absence of a better alternative or knowledge to

Key Findings:

- SeneGambian remittances are the single biggest source of direct investment
- "Back way" remittances positively help the lives of

create one. Again, this stresses the importance of SeneGambian migrants as a source of financial security.

The following are some key insights on the connections between irregular migration, remittances and household resilience according to previous research conducted in SeneGambia (Jinkang, 2020):

- Remittances do not rise (nor decline) because of a rise (or fall) in the “back way”. However, “back way” remittances are considered to positively change the lives of millions of SeneGambian households. While agriculture is the most important stable source of income for the majority, households receiving stable remittances have a better income status, food security, shelter and education, than those households who do not receive remittances.
- Remittances are used to supplement subsistence agriculture and serve as direct investment for entrepreneurships and startups, and thus serve as a livelihood strategy among households.
- A rise in remittances does not directly correspond to socio-economic growth. However, a fall in remittances directly results in more poverty, less household resilience and increased sense of (economic) insecurity. While, households who efficiently manage their remittances seem to be more resilient (encourage entrepreneurships, quality education, regular migration channels, etc.) than those who mismanage or poorly invest remittances. The latter witness rises in the “back way” phenomenon, and are educationally poorer.
- The volume of remittances SeneGambia receives (as gross national income per capita) determine both the short and long-term economic resilience. Amidst a fragile and corrupt political climate and poor economic conditions, there is little evidence to suggest that greater aid will replace what remittances bring to SeneGambia. The devastating impact of COVID-19 also increases the importance of remittances as a critical lifeline for the poor and vulnerable households (Ratha, et. al., 2022; ILO, 2020).
- The “back way” can be observed as a direct result of the ‘inhabitable conditions’ for millions of SeneGambians who lose their traditional livelihoods (fishing, farming, arts, etc.) to multinational companies and Western economic hegemony (structural policies, plundering of resources, unfair global trade rules, etc.) and the majority are left with few alternatives.

Structural and institutional challenges facing remittances

Literature on remittances and development is largely positive (de Hass, 2010; Ratha, 2022; 2021). In SeneGambia, remittances are: (a) a significant contribution to the Gross Domestic Product (GDP) which exceeds all

millions of SeneGambian households.

- Households receiving stable remittances have better income status, food security, shelter and education.
- Remittances are used to supplement subsistence agriculture and serve as direct investment.
- Fall in remittances directly results in more poverty, less household resilience and increased sense of insecurity.
- Households who efficiently manage remittances are more resilient and encourage regular migration.
- There is little evidence to suggest that greater aid will replace what remittances bring to SeneGambia.
- COVID-19 increases the importance of remittances as a critical lifeline for poor and vulnerable households.

- Remittances could harness significant development, increase household

international/external aid to SeneGambia; (b) a critical lifeline support for the resilience of poor vulnerable families, and; (c) opportunities for direct investment that are otherwise unavailable through their governments. As such, remittances could potentially harness a significant part of SeneGambia's development needs and increase household resilience, provided the ideal climate is created and sustained (Jinkang, 2020). However, there are also challenges associated with:

Economically, while SeneGambia fails to attract highly skilled immigrants, it continues to lose a significant percentage of both its skilled and unskilled labour force through the “back way” to Europe. Furthermore, while the phenomenon is widely inspired by the hope to send remittances, many Senegambians in Europe are unemployed or work under exploitative conditions (Jinkang, 2020; 2021).

The findings from the PERCEPTIONS project which includes migrants from West Africa (including SeneGambia) found several mismatches between their perceptions of an ideal Europe and their economic reality (of not being able to send remittances) (Bermejo, et. al. 2021). For EU-27, while this young brain and vulnerable labour force revives European economies (agriculture, construction, caring, etc.), it might be equally under-developing SeneGambia in both the short and long-term. Because labour exploitation reduced migrants' economic contributions and increased security threats (violence, ghettorisation, poverty, illness, etc.). This suggests that more decent jobs and regularisation would directly increase remittances and potentially enhance development. Meanwhile, SeneGambian households' management of remittances is highly contestable. While a large part of these remittances is spent on basic necessities (food, housing, health, education, agriculture), a significant part also goes on luxurious one-time risky spendings (fancy cars, expensive ceremonies, investment in another “back way”, polygamous relationships, etc.). Family mismanagement of remittances is evident not least because of limited business culture, negative economic conditions and educational poverty (Jinkang, 2020). In this regard, the creation of positive conditions in SeneGambia and the reduction of taxes on remittances (SDGs) will significantly reduce (unnecessary and painful) migration from some villages – sites which are usually disengaged from national politics and by international trade. The positive impact of remittances to SeneGambia will be enhanced through developing its financial system as well as through the creation of better employment security. Meanwhile, crises of longer duration such as the Russian-Ukraine crises, COVID-19 and the Casamance decades long conflicts, will lead to reductions in employment. Furthermore, continuous unemployment represses the development of SeneGambian banking sectors, long-term economic crises in Europe and globally and the failure to reduce the uncertainty of migrant workers, all impact negatively on remittances and household resilience.

resilience, provided the ideal climate is created and sustained.

- More decent jobs and regularisation would increase remittances and potentially enhance development.
- While a large part of these remittances is spent on basic necessities, a significant part also goes on luxurious one-time risky spendings.
- Creation of positive conditions and reduction of taxes on remittances will significantly reduce constrained and painful migration from some villages.

Politically, while the EU-27 approaches the “back way” with ‘zero tolerance’, SeneGambian governments and households benefit more from those remittances than the cumulative international aid it receives. But that is an undercut, given that SeneGambian remittances are heavily taxed and a large percentage flows through informal channels –officially unrecorded. Notwithstanding the risky, time consuming and expensive nature of informal channels of remittance (most SeneGambians in Europe are irregular and cannot use regular channels of money transfers) informal channels are being increasingly used. Meanwhile, the migration of SeneGambia’s potential revolutionaries provides temporary political relief for governments in power, which escape potential riots, protests, and political unrest that could arise from destitution and political corruption. As a result, despite the threats of irregular migration, remittances are a convenient source of political power for poor ex-colonial economies such as Senegambia (Jinkang, 2020).

Technologically, the speed, reach, access, level of transparency, convenience and choice of remittance corridors and channels has positively increased. But barriers still exist. In Senegambia, members of migrant households have to travel to far out locations to cash out remittances. SeneGambia also has one of the highest internet/data costs in the sub-region, suffer from the poor network (limited digital or smartphone payments systems) and unreliable power supply. Meanwhile, there is little transparency in foreign exchange rates, particularly in the informal markets characterised by limited consumer data rights and choices for recipients in terms of channels. When put together, the problem is technological and infrastructural underdevelopment which is decreasing logistic efficiency, increasing cost and time spent on receiving remittances.

Cost of transactions & administrative hurdles remain as barriers. Sub-Saharan Africans pay the highest charges in the world. They pay up to 7-8% as taxes (far exceeding the SDG target of 3%) compared to other parts of the world (Ratha, et al., 2021). As a result, SeneGambian households’ development is negatively impacted by high taxes imposed on remittances. Policy-makers in Europe and Africa should cooperate to lower costs of remittances by working towards negotiating exclusive partnerships, allowing new channels to operate through banks, telecommunication companies as well as national post offices to increase competition among transactors.

Enhancing the Rule of law is highly needed. The maximisation of the developmental potential of remittances will largely depend on the protection of property rights, strong judicial independence, well-organized and functioning labour markets, low levels of corruption and a sound macroeconomic environment. Meanwhile, natural disasters and the gradual depletion of its ecology (fauna and flora) are significant drivers of SeneGambian migrations and internal displacements. While more research is needed in this area, there is growing concern of environmentally triggered

- SeneGambian governments and households benefit more from remittances than the cumulative international aid it receives.

- Despite threats of irregular migration, remittances are a convenient source of political power to SeneGambian governments.

- Migrant households still have to travel to far out locations to cash out remittances.

- Remittances face technological and infrastructural barriers which decrease logistic efficiency, increase cost and time spent on receiving remittances.

- Households’ development is negatively impacted by high taxes imposed on remittances.

- Efficient remittance management needs protection of property rights, strong judicial independence, well-organized and functioning labour markets.

political conflicts within Senegambia. Accordingly, peace building to protect persons and personal property in the conflict-stricken region of Casamance is needed to guarantee political stability and democracy. More peace and stable political climate in the sub-region would mean less outward migration and potentially more economic prosperity. Therefore, put together, a relative increase in economic growth (GDP) and sub-regional peace and protection of the ecology (land, forest, sea) will potentially help provide real alternatives to the “back way” in the long run. Indeed, enhancing poor households’ resilience is even more appealing considering that the EU-27 visa threshold remains very high for most Senegambians. To make matters worse, the EU single asylum policy considered Senegambia (with the exception of Casamance) as a “safe” region. Therefore, Senegambian asylum claims or those constrained to present themselves as such, are rejected at first go (Jinkang, 2020). However, the reliance on remittance increases and the limited alternatives for many youths to realise their visions directly inspires irregular migration to Europe with the hope of “make it”.

In conclusion, migration plays a pivotal role in both local and regional development of Senegambia through various ways, and remittances serve as the main catalyst. Remittances at both micro and individual level improve household income and spending on education, health and consumption of domestic goods. Macro level investments of remittances on public facilities such as the provision of potable water, hospitals, markets, gardening, common stores, roads and in the construction of social amenities impact direct development. Moreover, remittances help to overcome natural disasters such as floods, droughts or accidents that cause loss of lives and properties. In cases of chronic droughts, remittances support local development and serve as insurance against risks faced by households running micro agricultural enterprises. Due to the lack of resources, their governments’ machinery can neither prevent some of those calamities (like artificial droughts, bush fires and floods) nor can they predict them.

- More peace and stable political climate in the sub-region would mean less outward migration and potentially more economic prosperity.

- Enhancing poor households’ resilience is more realistic than EU-27’s border externalisation policies.

- Migration plays a pivotal role in both local and regional development of Senegambia and remittances are the main catalyst.

- Macro level investments of remittances on public facilities (potable water, hospitals, markets, gardening, common stores, roads, social amenities) impact direct development.

Recommendations for Senegambian governments

Recommendation 1. There is an urgent need to create strong institutions, and find methods to increase the direct contribution of remittances to socio-economic, political as well as educational development in Senegambia. Its efficient management of both remittances and irregular migration will largely depend on **the quality of governance, the Rule of law and genuine humanitarian cooperation with the EU-27, diaspora, financial institutions, NGOs and CSOs.**

Recommendation 2. Senegambian policy-makers should **attract its diaspora to invest in the region by creating avenues, tax reduction and**

Key recommendations:

- Create strong institutions to accelerate contribution of remittances to Senegambia’s development.

- Attract diaspora to invest, create avenues, tax reduction

by offering incentives such as funding opportunities (bank loans) and accelerating documentation for investment.

Recommendation 3. It is necessary to **raise awareness and require institutions, organizations and companies (public and private) that contribute significantly to the increase in inequalities caused by solely profit-driven activities and environmentally damaging behaviors (such as intensive extraction of natural resources), to take responsibility and pay compensations to SeneGambian victims.**

Recommendations for EU policymakers

Recommendation 1. EU policy-makers should work on how to **reduce the costs and facilitate faster remittances flows** in order to enhance socio-economic development in SeneGambia. Policy actions should **promote and create formal channels to keep better and timely records of remittances' data.**

Recommendation 2. **There is need for tangible regulation through legal reviews and reforms that enforce norms to benefit remittance receiving communities.** European policy-makers should **create supportive policy responses to provide humanitarian protection for migrant workers, create decent job opportunities and open up inclusive job markets and financial systems to increase the benefit of migration.**

Recommendation 3. Information campaigns should pay particular focus on how to engage a policy community; **increase households' resilience through financial education (needed skills of senders and investors) and reliable data on sustainable avenues for investment in SeneGambia.** Increase policy dialogue (research, workshops, meetings, visits) with all key actors of the migration ecosystem to **promote a multi-sectoral approach, with different types of long-term (not short-term) projects on the barriers faced by remittances and how to provide sustainable solutions.**

Recommendation 4. **There is need for better management of migration with the goal of facilitating labor mobility and promoting and achieving less painful, risky and traumatic migration, especially for people from regions suffering from structural poverty.** Facilitate, incentivise and enable fairer and more equal policies to trade between more and less industrialised countries. In the case of SeneGambia, this would also mean 'producing enough of what they eat', and less of that they export that they do not consume.

Recommendation 5. **More developed nations must contribute to the redistribution of global wealth by investing, interest-free, in developing**

schemes, and accelerate documentation of businesses.

- Reduce the cost and facilitate faster flows.

- Increase households' resilience and boost the positive impacts of remittances by providing reliable information and guidance on sustainable avenues for investments.

- Provide humanitarian protection and create decent job opportunities and open up inclusive job markets and financial systems to increase the benefit of migration.

- Increase financial education and reliable data on sustainable avenues for investment in SeneGambia.

- There is need for better management of migration with the goal of facilitating labor mobility

- More developed nations must contribute to the redistribution of global wealth by investing, interest-free, in developing countries.

countries in terms of environmental sustainability, health, education, telecommunications, agriculture, fishing, sustainable tourism and manufacturing infrastructure to boost local development and remittances.

Recommendation 6. Recognise the skills and qualifications of Senegambians nationals by providing opportunities for retraining, re-learning and skills upgrading from the moment of arrival. This can be accomplished through: employment guidance, vocational education, and internship opportunities. This should go hand in hand with providing migrants financial inclusion through education, entrepreneurships and decent job opportunities as well as by preventing their labour exploitation.

- Recognise the skills and qualifications of migrants by providing opportunities for retraining, re-learning and skills upgrading from the moment of arrival.

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Deliverables

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