



Competition in Africa's Remittance Market: Weak Markets and High Costs

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This report presents the findings of research on the remittances market in 51 African countries, and offers analysis on the impact of low levels of competition among remittance service providers on the cost and access to remittances by Africans. As the world integrates foreign labor mobility into the global economy, the efficiency of immigrants' remittances to their home countries will vary depending on the extent of a competitive payment industry. When it comes to person-to-person money transfers, remittance service providers (RSPs) have grown in the past ten years and have sought to enable strong payment partnerships in the countries of the remittance destination. In analyzing the market competitiveness, critical issues to assess are the number and type of players in the outbound and inbound markets, their efficiency in operation, and the range of services they can provide.

Money transfers to Africa have yet to operate in a competitive environment both on the outbound and inbound markets. The marketplace for remittances to Africa is tied to regulations and to the participation of different types of players. This market is relatively new and faces the challenges that are typical in emerging markets: uncertainty about its volume or size, limited competition, costliness, and lack of innovation in technology. This report addresses Africa's constrained outbound market, characterized by few money transfer operators (MTOs) transferring to Africa, and an inbound market with dominated by banks with limited rural presence and poor participation by microfinance institutions (MFIs).¹

Following a brief overview of the role of competition in improving remittance transfer services, the report find that large MTOs dominate the outbound remittance market to Africa and have made partnerships with banks in Africa that effectively reduces opportunities for competitors and other RSPs, including MFIs, to enter the market. As a result, remittances to Africa are expensive, opportunities to access remittances and other financial services is low, and Africans may rely more on informal transfer mechanisms. The report concludes with policy recommendations to improve competition among remittance service providers in Africa.

I. Competition increases value for remitters and their families

Competition in a marketplace can stimulate increased financial access, technological innovation, and cost reduction. There are two moments when competition can affect the market for remittances: when a migrant sends money home and when his family receives that money. When a migrant sends money, known as an outbound [foreign currency or remittance] transfer, he or she chooses a company through which to transfer a remittance from the host country to a destination in his or her country of origin. For example, a Moroccan immigrant living in Spain remitting to his/her relatives in Morocco completes an outbound transfer. Many types of companies may enter the outbound transfer market, including MTOs, banks, and post offices. High levels of competition in the outbound transfer market tend to increase efficiencies as, for example, transfer costs drop, payment point coverage increases, or new sending products are introduced.

¹ This article is based on an analysis of paying institutions in 51 African countries. The unit of analysis employed for data collection and research is the payout locations that belong to an authorized financial institution in Africa that has a payment partnership with an RSP. Thus, assessments of a company's position and/or relative dominance in the marketplace is based on payout locations rather than on the volume or number of transfers, information that is proprietary to each business. The data utilized in this study include information on financial institutions paying through a total of nearly 21,402 branch locations authorized and enabled to pay money transfers; that is, one out of two branches of a financial institution pays money. These are numbers about the relative position or participation of RSPs or payers with control of the actual branches paying remittances from a given institution rather than about all the branches of that entity.

When a household receives a remittance, known as an inbound [foreign currency or remittance] transfer, someone in the household travels to a remittance payout site to receive an inflow of money coming from the migrant's host country. For example, a Nigerian citizen would receive an inbound transfer from a relative living in England. The recipient would receive his or her transfer from a location that has a contractual agreement with the company that initially accepted the migrant's outbound transfer. While the location of the payout is dependent on the transfer agency the migrant chooses, greater competition would allow him to choose a location closer to his family's home, thus reducing travel and time costs associated with obtaining a remittance. Competition may also increase pressure among remittance payout agents to cross-sell other financial products and services to the remittance recipient, or increase partnerships with companies in the outbound market. Increased product diversity and selection could improve the options that migrants and their families have when choosing how to send money home and how to invest that money.

II. Competition in the inbound and outbound African markets is low

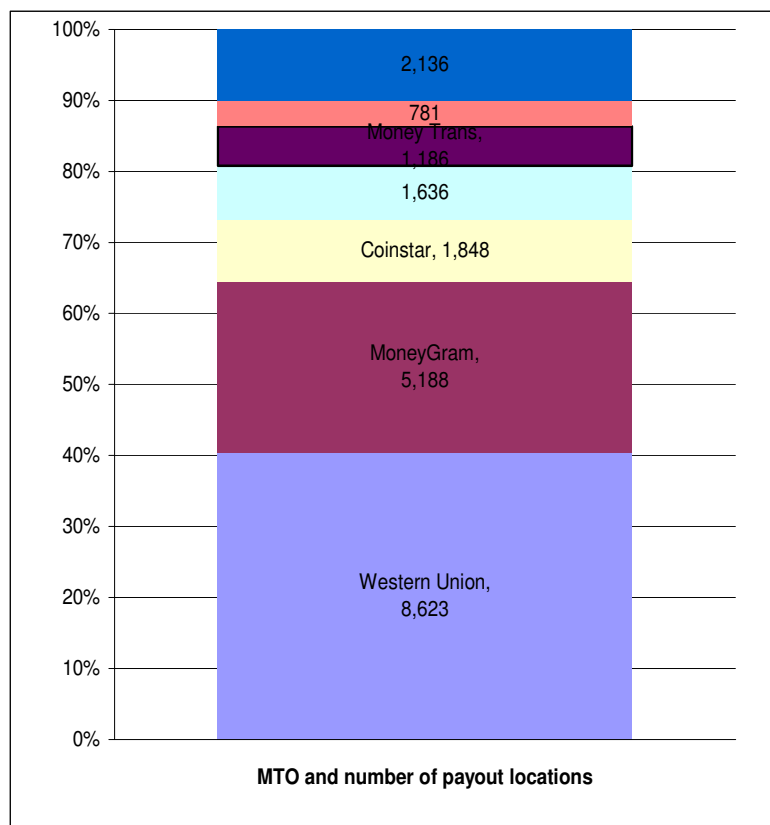
Competition at both ends of the remittance transfer process, then, is an important component to raising the value and lowering the cost of remittances to migrants. Unfortunately, as is explored below, competition remains very low in African remittance markets, with high entry barriers for start-up agencies.

A. MTOs dominate the outbound and inbound remittance market

As is the case for many parts of the world, MTOs dominate the European and US outbound market for money transfers to Africa (see Figure 1). Research on RSPs found fewer than 70 companies operating in the market in Africa. The data, collected for RSPs paying in the United States, Europe, and Africa, show that over 90% of competitors are MTOs. Western Union and MoneyGram are the two largest companies that process remittance transfers to Africa. Post offices in European countries (e.g., France and Spain) are an important exception, and serve as originators of remittance payments particularly to North African destinations such as Algeria and Morocco. As Table 1 demonstrates, when Algerian RSPs are excluded from the data, 97% of RSPs in the outbound market to Africa are MTOs.

In the inbound market, MTOs continue to have an overwhelming presence, as seen in Figure 2. Western Union and Moneygram represent 40% and 24% of payout locations in the African remittance market. Western Union is stronger in countries such as Rwanda and Uganda, but less so in Algeria or Morocco, and its presence is even smaller in countries like Djibouti and Liberia. Nevertheless, it maintains plurality control over the entire African market.

Figure 1: Western Union and MoneyGram dominate the outbound market to Africa



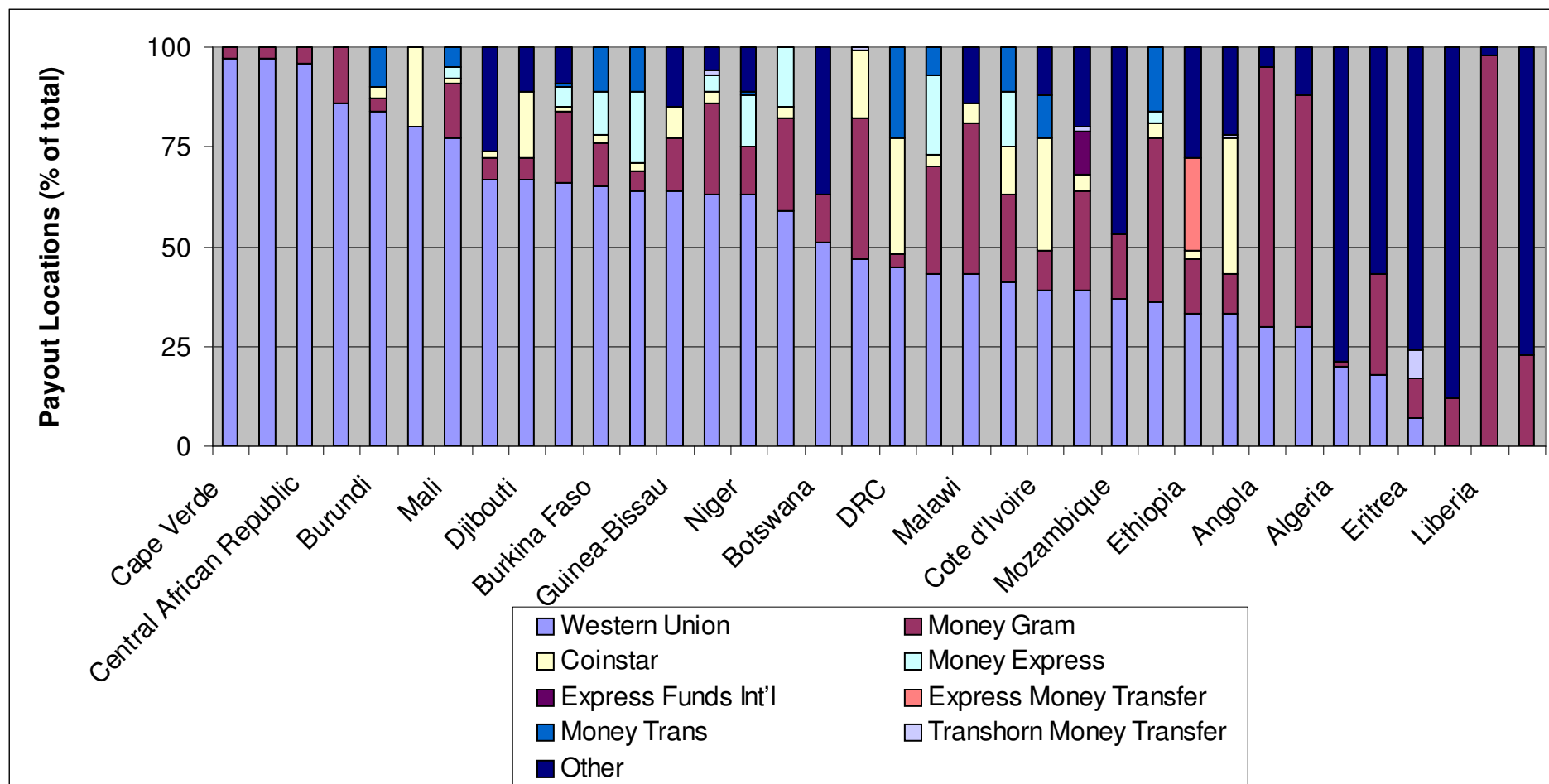
Source: Author's calculations based on survey results.

Table 1: Remittance Service Providers to Africa by Type

RSP Type	Africa (%)	Excluding Algeria (%)
MTO	89	97
Bank	2	3
Post Office	8	
Credit Union	0.3	
Other	0.3	

Source: Author's calculations based on survey results.

Figure 2: Western Union and MoneyGram represent 75% of the payout locations in 20 African countries



B. High entry barriers exclude non-bank institutions from the inbound market

As discussed in a companion paper on regulations in the African money transfer market, most African countries only allow banks to pay out remittances.² As a result, banks are the primary institution for transferring money into an African country (see Table 2). Banks benefit from their participation in remittance markets through increased access to foreign currency markets, revenue, and clients. When financial service providers such as microfinance institutions (MFIs) are denied access to the remittance market, they cannot offer competition to banks or reap the benefits of access to the remittance market.

Even in places where other non-banking financial institutions are allowed entry, the participation of microfinance is relatively small, totaling 3% for the continent, though in countries such as in the Central African Republic, microfinance amounts to 29% of the market.³ The 3% of MFIs paying remittances operate in 17 countries and are managed by 72 institutions, and most of which operate as subagents of MTOs.⁴ Half of these MFIs are concentrated in three countries: Comoros (24%), Senegal (17%) and Uganda (14%) and have an average of six payment points each. The remaining MFIs in other countries have on average four payment points. It is important to point out that this average number of payment points among all these institutions is only two-thirds that of banks. In countries where MFIs are granted some role in the remittance market, they are often relatively unaware or untrained to participate in it. Moreover, they often operate as subagents of banks, which curtails their independence and revenue options. As sub-agents, MFIs lose bargaining power vis-à-vis MTOs and obtain much lower commissions, equivalent to only 50% of what they would have received otherwise.

Table 2: Inbound Payment of Remittances by Institution (%)

Payer Type	Payment Points	Percent distribution
Bank	11,432	53
Forex	525	2
MFI	595	3
Other	2,784	13
Post	4,848	23
Retail	1,214	6
Total	21,398	100

Source: Data collected for this project

1. Post offices as remittance payout locations: the exception that makes the rule

Post offices have a growing presence in the remittance market in Africa, but great strides still need to be made in improving their technical capabilities and modernizing the savings products they offer. Post offices participate in the remittance market in many countries either on their own, through bilateral partnerships with other offices (as is the case between France and Algeria), as agents of MTOs (particularly of Western Union), or in a multilateral effort with the Universal Postal Union.⁵ Postal unions

² CITATION

³ See both Central African Republic and Rwanda. In Rwanda specifically, the percentage is higher for MFIs because a major MFI was a payer but has recently become a commercial bank.

⁴ The exception is in Comoros

⁵ The Universal Postal Union is seeking to network all postal unions through their own software platform for money transfers.

represent 23% of all payout networks in Africa (see Table 3). Currently, most post offices work as agents or subagents of Western Union.

Though the presence of post offices in the remittance market, as measured in number of payout locations, is greater than that of MFIs, post offices in most countries still do not have a significant role.⁶ While they have a strong geographic presence, not all of them are capable of paying money transfers. The establishment of a paying agent depends on various factors, such as cash flow availability to pay the transaction, effective Internet and intranet connectivity, and trained staff, among others. Many post offices are not suited to pay because they lack some of these elements. In total, about 20% of all post offices pay remittances, a percentage far lower than that of banks or foreign exchange bureaus. Post offices are very important in rural areas: 74% of all post office locations paying remittances are outside the country capital. However, 36% of all post offices paying remittances (excluding those in Algeria) are agents of Western Union and limited by exclusivity agreements with the company (see discussion below). The potential for post offices to pay money is significant and they are gaining increasing attention as governments and their post office administrations seek to modernize. More research and capacity-building for post offices and their networks could do much to increase competition in the remittance market in Africa.

Table 3: Post Offices in Africa Paying Remittances

	Africa	Excluding Algeria
Share of post offices as percent of all payers in Africa	23%	15%
Share of Western Union payers that are post offices	20%	17%
Number of paying post offices	4848	2884
Number of all post offices in Africa	22707	19333
Paying post offices as share of all post offices	21%	15%

Source: Data collected for this project

C. Partnerships at both ends of the market further reduce competition

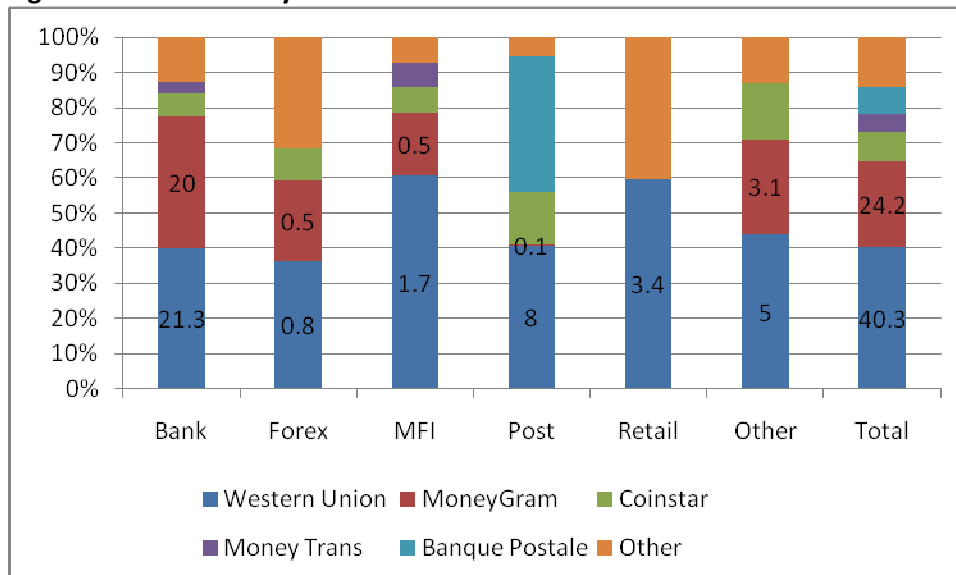
Another reason that competition in the African remittances market is low is due to the prevalence of exclusivity agreements between banks and MTOs. An exclusivity agreement prevents a bank or other financial service provider from partnering with more than one RSP to transmit remittances. When such exclusive partnerships dominate the market, as they do in Africa, one or two large MTOs can quickly capture the market and inhibit competition. For example, the high rate of exclusivity agreements means that 41% of remittance payments handled by banks are in partnership with Western Union and MoneyGram.⁷ Overall, this situation locks up more than half of all available payout locations (Figure 3). Because the exclusivity agreements apply to all agents—banks, foreign exchange bureaus, and post offices, among others—there exists effective control of the authorized payout markets. Anyone wishing to partner with these companies has to sign these agreements, thus restricting other competitors from expanding their network beyond those institutions that are: a) not agents of the two largest companies, or b) not in the market, as is the case of most MFIs.

⁶ One exception is in Algeria, where the postal system has partnered with the French postal system and is one of the main mechanisms for remitting by Algerians in France.

⁷ If Algeria is excluded, the participation of Western Union and MoneyGram with banks goes to 46%, and in relation to all payout locations, the percentage increases from 64% to 69%.

It is important to note that Western Union and MoneyGram have taken on risk in entering the African market by establishing payout networks in Africa, facilitating global transfers in real time, and making it easier and more effective for individuals to send money home. However, they have also made competition more difficult because their reliance on exclusivity agreements with paying institutions decreases the likelihood that new partners will be able to enter a particular country corridor.

Figure 3: MTOs and Payers in Africa



Source: Author's data

Another factor that may explain the large presence of these two companies is the lack of knowledge about the money transfer market among authorized payers. For example, in many African countries, banks believe that Western Union and MoneyGram are the only competitors, and thus are prepared to sign exclusivity agreements with one of them in return for guaranteed volume. This understanding may further inhibit competitor MTOs from entering the market and competing with the largest MTOs.

III. Low Levels of Competition Increases Costs for African Households

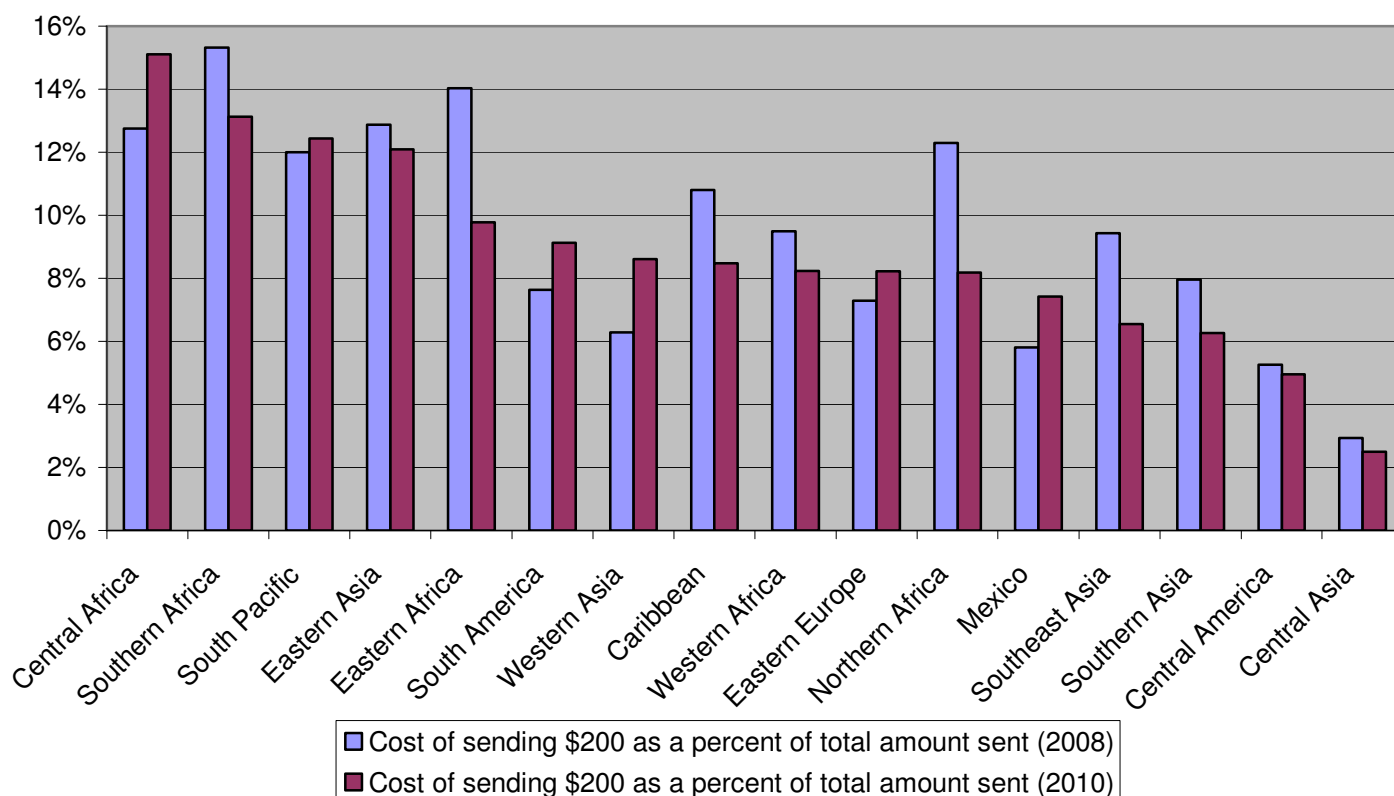
A regulatory environment that limits participation in the remittance market and the predominance of exclusivity agreements between banks and MTOs contribute to MTO's capture of the remittance market. Low levels of competition contributes to a remittance marketplace in Africa where remittances are expensive, financial access outside urban areas is low, and remitters may turn to informal means of sending money home. Each of these outcomes is explored further below.

A. Remittance costs are expensive

Data collected in 2008 and 2010 show that remitting to Africa is expensive compared to the worldwide average. In fact, while transfer costs have dropped in many countries, costs to remit to Africa remain relatively the same, averaging 10.16% for \$200 in remittances, and 6.27% for \$500 in remittances (see Figures 4 and 5). Figure 6 provides some support for the theory that countries with a

higher number of RSPs experience low remittance transfer costs.⁸ Moreover, a multiple ordinary least squares regression on the average remittance cost shows that costs increase when banks are the only authorized payers and when the number of payment points in the urban population is higher (see Table 5).

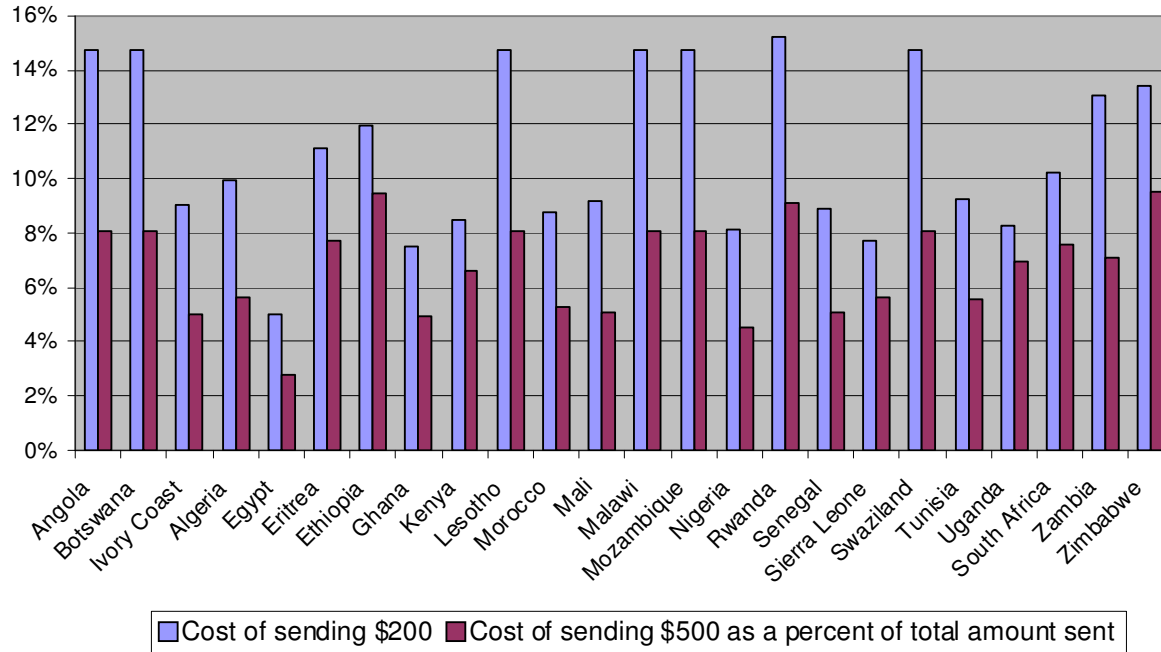
Figure 4. Remittances to African countries are among the most expensive



Source: data compiled by the author in collaboration with Developing Markets Associates, May 2010. The data represent a sample of 76 countries receiving remittances from twelve migrant host countries.

⁸ While the correlation between number of RSPs and cost of sending a remittance may not appear very strong, it is important to recall that Western Union and Moneygram dominate most of the remittance market through their use of exclusivity agreements. A greater number of RSPs does not necessarily mean that the marketplace is more competitive, as in the case of Ghana, for example, where Western Union and MoneyGram control more than 60% of the market (as measured in payout locations) and the remaining 40% is left for a number of smaller RSPs.

Figure 5: The cost of sending \$200 averaged over 10% of the total remittance in 2010



Source: data compiled by the author in collaboration with Developing Markets Associates, May 2010.

Figure 6: Remittance costs decline slightly as RSPs increase

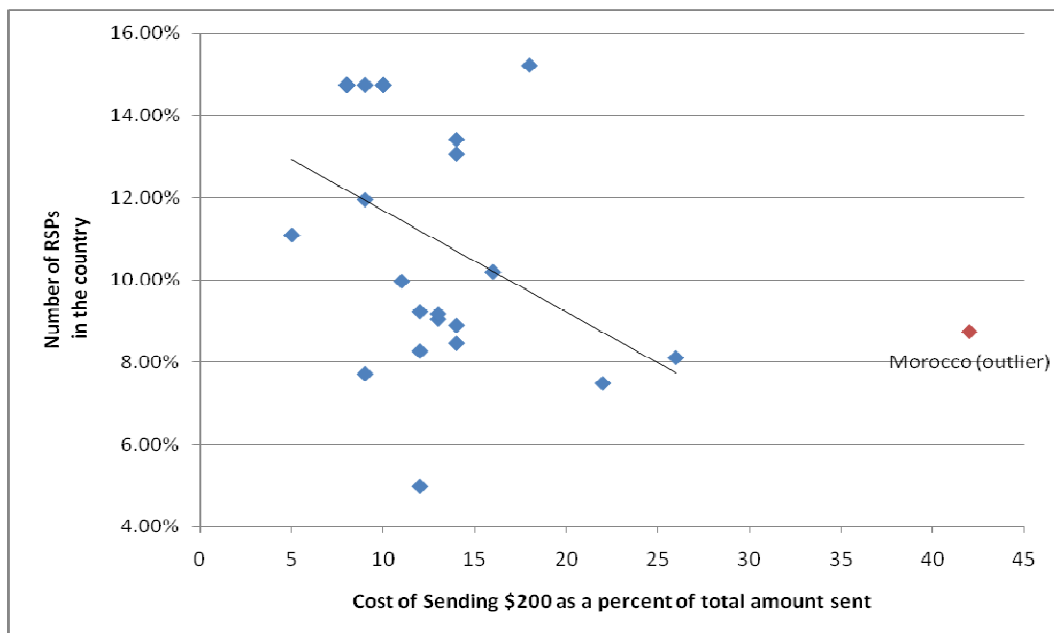


Table 5: Regression Results of Determinants of Remittance Levels

Dependent Variable:	
Remittances cost to send US\$200	Standardized Coefficient
Urban population	-.0001*
Banks as only authorized payer (dummy)	-1.79*

* $p < 0.01$; $r^2 = 0.33$

B. Financial access outside urban areas is very low

The competitiveness of a payment network also depends on their ability to cover areas where demand exists. Coverage in rural areas is essential to understanding policies related to remittances and financial access. Only 27% of the African population is urban; therefore, rural payment networks are key foundations to advance development in these countries. In the context of payment transfers in rural Africa, the findings show that there is still a need to increase payment networks beyond the cities. For this report, urban is defined as being located inside the city limits of the capital city and any city with more than 100,000 inhabitants. The report uses this urban definition for populations and remittance payout locations.⁹

Banking institutions paying mostly through Western Union and MoneyGram has implications on financial access. First, allowing only one kind of institution to payout remittances restricts people from accessing other financial institutions, such as credit unions or MFIs. Second, banks are disproportionately located in the urban areas or within the capital city in most countries and most remittance-paying branches are located in urban areas. Meanwhile, African countries continue to have predominantly rural populations and recipients. For example, Table 6 shows that Moroccan, Nigerian and other African migrants in Paris, Madrid and Rome mostly send to locations outside their country capitals.

Table 6: Regional receipts of Remittances

Percent Sending to:	In Morocco:
Tanger	28
Casablanca	13
Tetuan	13
Marrakesh	12
Rabat	6
Other cities	28
Percent Sending to:	In Nigeria:
Lagos	42
Other	58

Source: Survey of migrants in Paris, 2010, Madrid and Rome, 2009. Data collected by the author.

⁹ Defining an “urban area” in a way that aligns with the available information on populations and payout locations is particularly challenging. Population data are available for cities with more than 100,000 people in nearly every country. Additional information is available for many major cities on the size of the population in the city proper and the suburban fringe. Data on remittance payout locations, by contrast, are only available by the name of the city where the paying institution is located. This report, therefore, used the definition of urban to maximize the information available by both definitions: including cities of more than 100,000 people and limiting spatial boundaries to the city proper.

Table 7 shows that the concentration of banks paying remittances in the capital as a percentage of the bank's total branches is higher than the concentration of people living in the capital. The ratio of payout networks in urban areas is greater than the ratio of the urban population in these countries, therefore rural areas are underserved. For the most part, the geographic distribution of remittance transfers often reflects the urban–rural distribution of a country's population and often a greater distribution into rural areas than is at first apparent. As a result of the urban concentration of remittance-payment options, people living outside the capital have limited access to money transfer services. Not only is this a problem of proximity but also one of cost, as these rural residents have to spend money on transportation and other expenses to get to these financial institutions. In contrast, MFIs are less concentrated in the capital than banks, but as discussed above, MFIs represent a very small share of the market and are subordinate to banks, operating as subagents in the marketplace for currency payments. The greater prevalence of MFIs in rural markets provides an opportunity to increase financial access to rural populations by allowing MFIs to pay remittances.

Table 7: Concentration of Financial Institutions in the Capital

Payer Type	Urban Payment Points	Total Payment Points	Urban Payment Points (%)	Urban Population (%)¹⁰
Bank	7,324	11,432	64	42
Forex	346	525	66	
MFI	330	595	55	
Other	1,562	2,784	56	
Post Office	1,304	4,848	27	
Retail	548	1,214	45	
Total	11,414	21,398	53	

Source: Data collected for this project

C. Informality and remittance transfers

There is little evidence in the literature indicating that Africa's remittance market is primarily an informal one, despite perceptions to the contrary. Informality is defined by the use of unlicensed or unauthorized foreign currency transfer mechanisms, entities, or networks. Survey research and fieldwork for this study found that the use of informal channels in rural areas in Africa averaged 27% of transfers received (See Figure 7).¹¹ The respondents received money predominantly from MTOs, with a smaller percentage receiving through friends or acquaintances. Only 6% are account-to-account transfers. Informal fund transfers may comprise as much as 40% of all remittance flows,¹² but in 2006 the World Bank acknowledged that informality could be as high as 50% of all flows.¹³ Although the World Bank's report did not provide specific country estimates, it pointed to household surveys showing the relationship between informality, well-developed formal financial systems, and transfer costs. The World Bank found a positive relationship between the high cost of remitting and the use of informal channels.

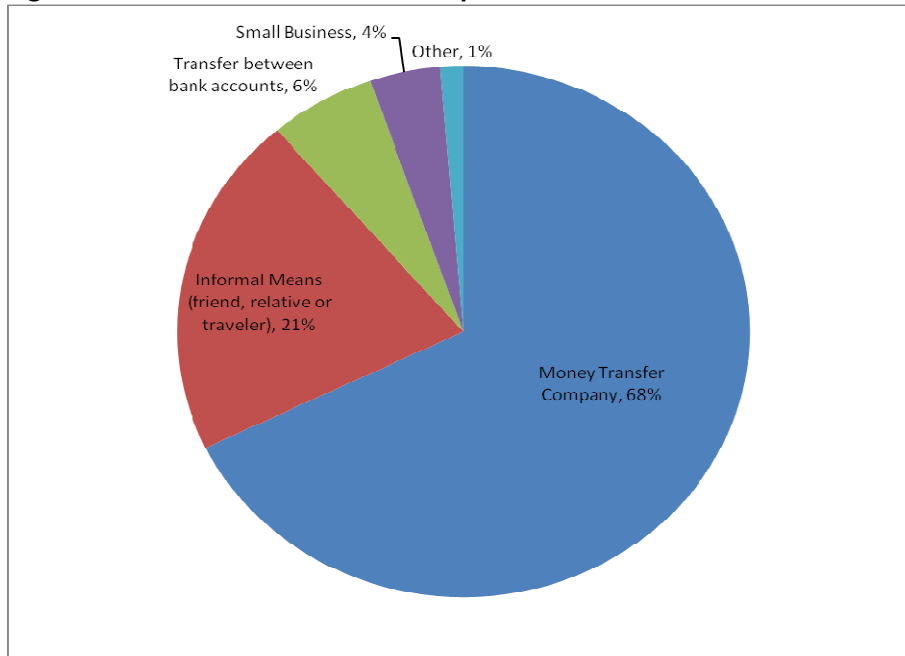
¹⁰ Per the definition employed for this report. Note that the World Bank's statistic on percent of the urban population is 27. World Bank Development Indicators

¹¹ See for example our work on Nigeria, Rwanda, Uganda, and West Africa. The figure 27% includes transfers sent through small business and other, since most businesses in Africa and other mechanisms for sending tend to be informal.

¹² See the appendix for an explanation of the source of this data and its methodology.

¹³ See the *Global Economic Prospects 2006* report, Chapter 4, pages 85 and 91.

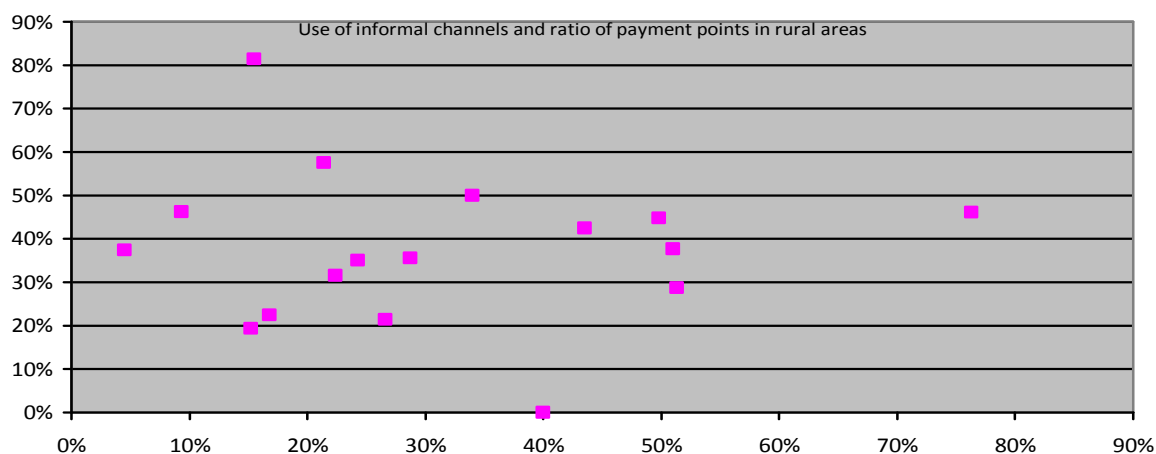
Figure 7: Method of Remittance Reception



Source: Survey of clients and neighbors of MFIs

It is possible that increased competition that lowers costs and improves access to financial services could lower African's reliance on informal means to send money home. We find a slight decrease in the reliance on informality as the number of payment points in each country increases (see Figure 8). As more RSP payment points become available to Africans, opportunities to reliably send remittances increase. It is very likely that migrants and their family members would prefer to send money formally, ensuring its arrival, when possible. The fact that we see only a slight decrease in the use of informal transfer methods at higher levels of payment points is likely indicative of the concentration of those payment points in urban areas; despite more payment points, if those points are located in urban areas, rural remittance recipients may still tend to rely on transfers sent informally.

Figure 8: With greater access to formal financial services, Africans tend to rely less on informal transfer mechanisms



IV. Case Studies

A. The Market in Uganda

The remittance landscape in Uganda is not competitive either in outbound or inbound channels. Competition is relatively limited and under control of the two largest companies, Western Union and MoneyGram, which currently pay through banks in mostly urban settings. The two MTOs also collaborate with some MFIs as subagents, as well as foreign exchange bureaus (as agents and subagents). Four major banks are direct agents for Western Union (Diamond Trust Bank, Barclays Bank, Centenary Bank, Crane Bank) and three for MoneyGram (Bank of Africa Uganda, DFCU Bank, Stanbic Bank). In turn, these banks have relationships with various banks and MFIs that operate as subagents to expand the payout network. In addition to banks operating as agents there is a network of foreign exchange bureaus that act as agents of Western Union, MoneyGram, and other companies.¹⁴ The bureaus perform at least as many payments as banks do. Some officials argue that the bureaus also operate informal fund transfers.

One of the largest payers is Diamond Trust Bank (DTB), an agent of Western Union, which holds over 30% of the market for this company. Similar to the entire country, about 85% of DTB's transfers are inbound flows. Barclays Bank, which makes about 9,000 transactions per month for Western Union, has observed a 30% annual growth in value of transfers. Centenary Bank, a former MFI, is another Western Union agent. The bank was a subagent from 1998 until 2007, and now is a direct agent that processes about 6,000 Western Union transactions per month. Bank of Africa is a MoneyGram agent with eight branches. In inbound transfers, the bank processed 70,000 transfers in 2008 and currently is doing about 6,200 per month, at an average value of US\$350 per transfer.

MFIs have also been active in the remittance business, though mostly as subagents. As such, they usually receive 75% or less of the full commission a typical agent gets. Finca International, for example, has been offering Western Union money transfers at its thirteen branches throughout the country since 2003. Currently, the company processes about 5,000 transactions per month, both

¹⁴ There are other, smaller competitors such as DahabShill, SimbaCash, and Salabed International.

inbound (90%) and outbound (10%) transfers. Another MFI working in remittances is Uganda Microfinance Limited, which performs 1,500 transfers per month. Pride Uganda has been a Western Union subagent (under Crane Bank) for five years, and processes 3,000 transactions per month. The cost of remitting to Uganda through licensed companies is relatively high, partly because the market is controlled by a few companies.

B. The Market in Senegal

The outbound money transfer market in Senegal is relatively small, constituted by less than 10 remittance service providers, in their majority money transfer operators. In the inbound market, interviews with RSP agents in Senegal suggest a total of 395,000 transfers a month, nearly half of which originate from Western Union. This figure would mean that most transfers (78 percent) to Senegal take place within the formal system.¹⁵

Table 8: Market share of remittance service providers

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

Source: data collected from interviews with remittance agents in Senegal

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

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

One important change in the market is growing competition as banks work with more RSPs (predominantly MTOs) and expand payment networks by contracting with MFIs as subagents. Although

¹⁵ Using the median amount sent at €200 ten times a year, as per our April 2010 survey in Paris, and September 2009 in Rome and Madrid.

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

One challenge associated with exclusivity takes place in the country of remittance origination. In France, where Western Union, for example, holds a monopoly through its exclusive relationship with that country's post office, informality in the remittance market is higher than in Spain, where market competition is more robust. A survey of Senegalese immigrants in Spain showed that over 80 percent used money transfer operators to send money home.¹⁶

C. The Market in Morocco

A little more than \$5 billion (U.S.) in remittances are sent to Morocco each year, with immigrants to France and Spain sending the highest amounts home, totaling \$3 billion (U.S.). The Moroccan remittance market is well-networked. Western Union and Le Mandat Express International have the most branches in Morocco. Remitting to any of Western Union's branches is accessible to anyone within the European Union while Le Mandat Express International is limited to senders in France. As a result of the relatively strong competition in money transfers in the country, Moroccan remittance corridors are varied and the price is competitive. The lowest base sending price is 0€ (PostBank – Germany) while the highest is 34€ (Western Union- The United Kingdom).

Table 9: Number of branches in Morocco arranged by MTO.

	Western Union	Money Gram	Coin Star	Suri-Change	Money Trans	Ria Envia	Total
SPAIN	2359	485	2	0	-	-	2846
NETHERLANDS	2359	485	0	-	-	0	2844
UNITED KINGDOM	2359	485	2	0	0	-	2846
FRANCE	2359	485	2	0	-	0	2846
BELGIUM	2359	485	2	0	-	-	2846

¹⁶ Orozco, Manuel. "Hacia un optimismo cauteloso: el impacto de la crisis global sobre los inmigrantes y las remesas," December 2009, survey release of 900 migrants in Italy and Spain.

GERMANY	2359	485	0	0	0	-	2844
ITALY	2359	485	2	0	-	-	2846

Table 10: The Price, in Euros, to Remit to Morocco via MTOs

	Western Union	Money Gram	Money Trans	Average
SPAIN	20€	8.99€	10€	13€
	Western Union	Money Gram	Money Trans	Average
NETHERLANDS	20€	16€	10€	15.33€
UNITED KINGDOM	34€	30€	-	32€
FRANCE	20€	18€	-	19€
BELGIUM	20€	8€	10€	12.67€
GERMANY	20€	21€	-	20.5€
ITALY	20€	17€	10€	15.67€

V. Policy Recommendations

A. Encourage competition through foreign currency market promotion

As explored in a companion report,¹⁷ regulatory reform would encourage greater competition in the remittances market. Other measures can also be used to promote it, in addition to necessary reforms. One mechanism that can address competition in the outbound and inbound markets is to establish trade fairs in Africa that bring together RSPs to offer their services to various countries. Trade fairs have proven to be successful and inexpensive methods of increasing competition by making competitors aware of the market and potential partnerships. The remittance transfer market to Africa is officially US\$40 billion (but is acknowledged to be at least 30% larger), yet very few MTOs are aware of such potential.¹⁸ Trade fairs will have a twofold effect: they will contribute to getting more players in the market and will subsequently reduce to cost of remitting.

¹⁷ CITATION

¹⁸ Our survey results show that the size of the informal market is at an average 30% .

B. Technological development

Financial access benefits from technological development—adopting new hardware, adapting and integrating existing technologies with innovations, and expanding or extending technologies to other areas of trade. In the case of remittances, the key to technological development lies in strengthening payment networks. There are three methods that can be used to strengthen payment networks: adopting innovative software platforms that allow financial institutions to pay foreign currency, integrating advanced technologies such as card, internet, or mobile-based transfers, and expanding payment networks to small merchants.

Back-end software platforms

Efficient payment of remittances depends on software platforms that integrate information seamlessly and safely without delays. Payment networks have been successful through the adoption of platforms that are flexible and that provide a comprehensive array of available methods of accepting foreign currency. These platforms also allow for module creation aimed at developing specialized financial cross-selling for the remittance clientele.

New front-end payment technologies

Technology that relies on the internet, cards, or mobile phones is becoming increasingly popular in the money transfer market. Although these are technologically innovative tools and a key development advance, their use and applicability are not always successful when it comes to reaching out to the consumer. Kenya has tried to implement mobile payment technology and is reporting increasing traction among users, yet at a notably slow pace. Learning to understand the applicability, operating costs, risks, and opportunities can offer important advantages.

Bancarizing merchants

One key competitive strategy for financial institutions which also has development implications is the expansion of payment networks through point-of-sale terminals (POSTs) established among small commercial entities: business clients of banks and MFIs. “Bancarizing” merchants is the bringing of people into financial institutions while adding value to their money through electronic payment instruments (card- or mobile-based). The strategy targets the distribution of POSTs to several participating merchants (clients of banks or MFIs paying remittances) and market payment instruments (such as debit cards) to recipients of remittances. What makes this approach a success is the distribution of these devices to merchants who regularly cater their business to remittance recipients. Therefore, effective market research on these retailers becomes a prerequisite in order to successfully complete the second step of integrating them into an electronic payment network.

Appendix A: Data on Competition in the Remittance Market in Africa

Table A1: MTO participation in the remittance market in Africa (%)

Country	WU	MG	Coinstar	Money Express	Express Funds Int'l	Express Money Transfer	Money Trans	Transhorn Money Transfer	Other
Algeria	20	1	0	0	0	0	0	0	79
Angola	30	65	0	0	0	0	0	0	5
Benin	64	5	2	18	0	0	11	0	0
Botswana	51	12	0	0	0	0	0	0	37
Burkina Faso	65	11	2	12	0	0	11	0	0
Burundi	85	3	3	0	0	0	10	0	0
Cameroon	41	22	12	14	0	0	11	0	0
Cape Verde	97	3	0	0	0	0	0	0	0
Central African Republic	96	4	0	0	0	0	0	0	0
Chad	59	23	3	15	0	0	0	0	0
Comoros	67	5	2	0	0	0	0	0	26
Congo	43	27	3	20	0	0	7	0	0
Cote d'Ivoire	39	10	28	0	0	0	12	0	12
Djibouti	67	6	17	0	0	0	0	0	11
DRC	45	3	29	0	0	0	23	0	0
Egypt	30	58	0	0	0	0	0	0	12
Equatorial Guinea	80	0	20	0	0	0	0	0	0
Eritrea	7	10	0	0	0	0	0	7	76
Ethiopia	33	14	2	0	0	24	0	0	28
Gabon	97	3	0	0	0	0	0	0	0
Gambia	63	23	3	4	0	0	0	1	7
Ghana	39	24	4	0	11	0	0	1	20
Guinea	66	18	1	5	0	0	1	0	9
Guinea-Bissau	64	13	8	0	0	0	0	0	15
Kenya	33	10	34	0	0	0	0	1	22
Lesotho	0	12	0	0	0	0	0	0	88
Liberia	0	98	0	0	0	0	0	0	2
Libya	18	26	0	0	0	0	0	0	57
Madagascar	86	14	0	0	0	0	0	0	0
Malawi	43	38	5	0	0	0	0	0	14
Mali	77	14	1	3	0	0	5	0	0
Morocco	36	41	4	3	0	0	16	0	0
Mozambique	37	17	0	0	0	0	0	0	47
Namibia	0	23	0	0	0	0	0	0	77

Niger	63	12	0	13	0	0	1	0	11
Nigeria	47	35	17	0	0	0	0	1	0
Rwanda	79	3	0	0	0	0	18	0	0
Sao Tome e Principe	50	50	0	0	0	0	0	0	0
Senegal	38	9	21	15	0	0	17	0	0
Sierra Leone	32	36	1	0	0	0	4	6	21
Somalia	0	0	0	0	0	0	0	0	100
Somaliland	0	0	0	0	0	0	0	0	100
South Africa	1	99	0	0	0	0	0	0	0
Sudan	41	0	54	0	0	0	0	2	2
Swaziland	0	24	0	0	0	0	0	0	76
Tanzania	44	9	0	0	0	0	0	0	47
Togo	50	7	1	26	0	0	16	0	0
Tunisia	69	31	0	0	0	0	0	0	0
Uganda	50	32	3	0	0	0	0	0	15
Zambia	39	61	0	0	0	0	0	0	0
Zimbabwe	52	44	4	0	0	0	0	0	0

Source: Data collected for this project

Table A2: Inbound payment of remittances by institution (%)

Country	Bank	Forex	MFI	Other	Post	Retail
Algeria	2	0	0	0	95	3
Angola	100	0	0	0	0	0
Benin	52	0	0	6	36	6
Botswana	41	6	0	11	29	13
Burkina Faso	32	2	1	15	36	13
Burundi	75	0	10	15	0	0
Cameroon	38	5	12	42	3	0
Cape Verde	29	3	0	52	16	0
Central African Republic	67	0	29	0	0	4
Chad	69	0	0	31	0	0
Comoros	9	0	26	0	63	2
Congo	35	0	14	24	27	0
Cote d'Ivoire	21	30	3	8	36	2
Djibouti	17	0	0	22	56	6
DRC	31	0	0	54	0	16
Egypt	83	0	0	17	0	0
Equatorial Guinea	70	0	0	10	20	0
Eritrea	84	16	0	0	0	0
Ethiopia	94	0	0	5	1	0
Gabon	33	7	0	7	53	0
Gambia	36	42	0	11	6	6
Ghana	88	0	4	0	8	0
Guinea	45	3	0	40	0	11
Guinea-Bissau	38	23	0	38	0	0
Kenya	53	0	3	3	42	0

Lesotho	100	0	0	0	0	0
Liberia	79	0	0	19	0	2
Libya	95	0	0	5	0	0
Madagascar	62	4	0	17	17	0
Malawi	74	7	1	13	2	3
Mali	64	0	18	9	9	0
Morocco	52	0	0	35	8	5
Mozambique	100	0	0	0	0	0
Namibia	97	2	0	1	0	0
Niger	40	0	6	22	22	10
Nigeria	89	0	0	1	1	9
Rwanda	63	0	26	8	3	0
Sao Tome e Principe	100	0	0	0	0	0
Senegal	18	0	17	18	47	0
Sierra Leone	71	16	0	10	0	3
Somalia	0	0	0	0	0	100
Somaliland	64	36	0	0	0	0
South Africa	100	0	0	0	0	0
Sudan	20	56	5	20	0	0
Swaziland	100	0	0	0	0	0
Tanzania	68	0	0	8	24	0
Togo	37	0	8	38	17	0
Tunisia	56	0	0	6	39	0
Uganda	65	0	16	18	1	0
Zambia	65	0	0	16	19	0
Zimbabwe	66	0	0	19	15	0

Table A3: Post offices in Africa paying remittances

Country	Post Office	Western Union	Number of paying posts	Number of all post offices
Algeria	95	79	1964	3287
Angola				57
Benin	6		21	171
Botswana	29		26	186
Burkina Faso	25	6	91	91
Burundi				45
Cameroon	3		25	232
Cape Verde	16		11	36
Central African Republic				24
Chad				42
Comoros	63		27	24
Congo	27	27	23	46
Cote d'Ivoire	36	28	372	196
Djibouti	56	56	1	11
DRC				126
Egypt				4602
Equatorial Guinea	2	2	2	7
Eritrea				70
Ethiopia	28	28	54	846
Gabon	53		47	
Gambia	6	6	9	
Ghana	8		65	688
Guinea				85
Guinea-Bissau				12
Kenya	42	42	435	735
Lesotho				
Liberia				20
Libya				335
Madagascar	17		19	586
Mauritius				333
Malawi				97
Mali	5	1	13	30

Country	Post Office	Western Union	Number of paying posts	Number of all post offices
Mauritania				128
Mayotte				
Morocco	8		263	
Mozambique				
Namibia				118
Niger	22	22	28	44
Nigeria	1		24	3755
Rwanda	3		2	22
Sao Tome e Principe				4
Senegal	39	29	498	139
Seychelles				5
Sierra Leone				45
Somalia				
South Africa				2638
Sudan				177
Swaziland				43
Tanzania	24	8	66	422
Togo	27		75	57
Tunisia	39		458	1294
Uganda	1	1	2	303
Zambia	19		28	165
Zimbabwe	15		15	328
Number of PO Payers (#)			4673	
			Total post office branches (#)	22707

Source: Data collected for this project

Table A4: Urban payout concentration in Africa

Country	Bank	Forex	MFI	Other	Post	Retail	UrbanPop	Urban Payout Ratio
Algeria	44			75	89	33	64	7
Angola	42						54	83
Benin	11			0	44	14	40	78
Botswana	57	0		100	69	67	58	37
Burkina Faso	41	0	100	14	66	17	19	57
Burundi	63		75	17			10	43
Cameroon	81	78	87	80	92		55	19
Cape Verde	55	100		33	73		58	52
Central African Republic	19		0			0	38	88
Chad	52			33			26	54
Comoros	50		36		81	0	38	35
Congo	40		58	52	65		61	74
Cote d'Ivoire	49	50	75	46	68	60	45	62
Djibouti	0			0	50	0	86	72
DRC	3			34		14	33	79
Egypt	26			3			43	78
Equatorial Guinea	57			0	0		39	80
Eritrea	88	69					20	41
Ethiopia	29			20	0		16	71
Gabon	14	50		50	77		84	58
Gambia	60	69		41	0	20	55	74
Ghana	50		15		43		49	52
Guinea	39	33		13		55	33	84
Guinea-Bissau	20	44		53			30	62
Kenya	43		23	0	63		21	50
Lesotho	68						19	32
Liberia	42			50		0	59	57
Libya	77			36			85	87
Madagascar	48	60		74	58		27	56
Malawi	82	90	0	78	100	40	31	58
Mali	34		41	33	8		41	67
Morocco	26			48	39	38	59	65
Mozambique	51						35	80
Namibia	80	50		0			36	22
Niger	42		71	19	86	23	17	73
Nigeria	33			43	79	57	49	64
Rwanda	31		40	17	0		20	68
Sao Tome e Principe	0						59	100
Senegal	21		34	40	63		42	54
Seychelles						53		78
Sierra Leone	41	61		25		0	41	26
Somalia						85	36	36
South Africa	54						60	46
Sudan	0	30	0	0			42	83
Swaziland	81						24	22
Tanzania	18			0	30		25	81

Country	Bank	Forex	MFI	Other	Post	Retail	UrbanPop	Urban Payout Ratio
Togo	11		45	56	75		41	56
Tunisia	75			93	88		66	38
Uganda	47		57	26	0		13	55
Zambia	46			13	29		35	63
Zimbabwe	24			42	93		36	62

Table A5: Characteristics of African Banking institutions

<i>Country</i>	<i>Banks (#)</i>	<i>Branches (#)</i>	<i>Branches per bank (#)</i>	<i>Branches outside the capital (%)</i>
Algeria	21	721	34	79
Angola	16	448	28	54
Botswana	6	87	15	67
Burkina Faso	11	112	10	60
Cape Verde	6	74	12	73
Central African Republic	4	16	4	13
Comoros	3	8	3	63
Congo	5	36	7	56
Cote d'Ivoire	18	250	14	39
Equatorial Guinea	4	12	3	33
Eritrea	2	27	14	93
Ethiopia	24	638	27	68
Gabon	6	29	5	55
Gambia	10	45	5	44
Ghana	37	1674	45	72
Guinea	6	47	8	49
Guinea-Bissau	4	15	4	20
Kenya	44	850	19	66
Lesotho	4	28	7	75
Liberia	8	42	5	31
Libya	11	379	34	85
Madagascar	8	140	18	62
Malawi	9	137	15	82
Mali	11	144	13	58
Morocco	15	2067	138	49
Mozambique	7	206	29	62
Namibia	4	112	28	81
Niger	9	67	7	46
Nigeria	21	3688	176	69
Rwanda	9	98	11	58
Sao Tome e Principe	7	16	2	6
Senegal	15	206	14	38
Sierra Leone	17	66	4	45
Somalia	N/A	N/A	N/A	N/A
Swaziland	4	37	9	76
Tanzania	29	222	8	66
Tunisia	20	1214	61	64
Uganda	17	200	12	70
Zimbabwe	11	190	17	63
Grand Total	463	14348	31	64

Appendix B: Methodologies on Data Collection

Methodology on competition among Remittance Service Providers and their payout agents

Data collection on the plethora of locations where money is retrieved (bank branches, post offices, foreign exchange bureaus, etc.) by the recipient through authorized entities was obtained by using primary sources based on a review of all institutions authorized to carry out foreign currency payments. The process included three steps: a) identification of active Remittance Service Providers (RSPs) in each country; b) data collection on the operational locations of each RSP; c) identification of all authorized banks and data collection on their branch locations.

To find the active RSPs in a given country, government sponsored websites such as Central Bank Websites, development websites (sendingmoneyhome.org, etc) were used as a starting point. Information from bank websites, news articles, etc. was used to find less familiar RSPs (outside of Western Union and MoneyGram). A total of 61 remittance service providers were found and researched.

List of active RSPs in Africa in order by the number of payout locations

Western Union
MoneyGram
Coinstar
Banque Postale
MoneyTrans
Money Express
Dahabshiil
Moneybookers
Liberty International Money Transfer
Money Trans
Ria
Standard Bank
Express Funds International
Post Bank
Transhorn Money Transfer
Qaran Express
First National Bank
The Cooperative and Rural Development Bank
ABSA
World Travel Fare
Kenwan Global
National Microfinance Bank
Express Money Transfer
Nedbank
Remit2Home
Kaah Express
Samsos Express Money Transfer

Maniflo
Simba Cash
PostBank
Tanzania Post Bank
Sahloul & Kamar Money Transfer Services
U-Transfer
Fundex Money Transfer
Vigo
Bidvest
World Money Move
Money Systems Intl. Ltd.
Bank of Baroda
Fundex
Sendforme
Afro International Ltd. Inc.
Samsos
Money Systems International
United Ethiopia Money Exchange
Amal Money Transfer
Sahloul & Kamar Money Transfer Sercives
Salabad International
Double Crown Enterprises
Mustaqbal Express
Choice Money Transfer
Deutsche Bank
Citibank
Amal Express

MoneySystems International
BCC via Banque Centrale de France
Money Systems Cash Transfer
Speedie (Postbank)
BirrituExpress
Bank of Somaliland
Bicco

When searching for payout locations for various RSPs, three main approaches were used to gather the necessary information. For many RSPs, including MoneyGram, the cities where services are offered are listed on the RSP website. By clicking on the name of the city, a list of payout locations appears. These locations were put into an excel file, noting the RSP, the city, the name of the payout location, the payout type (Bank, MFI, Forex, Other), and how many of each payer there are in each city. If the type of payer could not be determined (it was the name of a geographic location, an acronym, etc that could not be elucidated through further research) it was classified as “other.”

The second approach primarily regards Western Union, which does not list the city names where services are available, but offers a search engine that requires the user to enter the desired city. For this case, an extensive list of city names was developed for each country and the map function on the Western Union site was used to identify other locations nearby. For the third approach, several RSPs do not list their branches online, but only provide information on their paying institution partners. In this case, the branches of the paying institutions were collected and the locations that pay remittances were confirmed with the institution. Additional variables were created into this data set that include information about the type of payout institution and the costs of remitting.

Variables in payer data set

Variable	Label	Measurement Level
CoID	Country id	Scale
Country	Country	Nominal
City	Name of city	Nominal
RSP	Remittance service provider	Nominal
MTOs	Money Transfer Operators	Scale
FinancialInst	Financial Inst. paying remittances (banking or NBFi)	Nominal
Payer	Payer type (banking or NBFi)	Scale
Type	Type (same as above, string)	Nominal
Number	Number of locations of the institution	Nominal
POST	Post office locations	Scale
Capital	Locations paying in the capital	Nominal
UrbanTotalPayoutPresence	Urban/Total Payout Presence	Scale
UrbanTotalPop	Urban/TotalPop	Scale
WUCost	Cost of remitting by Western Union (fee only)	Nominal
MGCost	Cost of remitting by MoneyGram (fee only)	Nominal
UrbanPop	Urban Pop	Scale
TotalPop	Total Pop	Scale
AuthorizedPayers1B	Institutions authorized to pay	Nominal
Urbpart	Number of locations in the capital	Scale
WUNION	Western Union agent	Scale
Banks	Number of bank branches paying	Scale
Western	Number of WU paying locations	Scale

The identification of authorized banks provided further information on the landscape of paying institutions in each country. Each authorized institution was researched as to whether it paid transfers or not, who their RSP partner was, and where and which of their branch locations pay remittances. Other information was also collected on each bank, including the total amount of the bank’s assets,

deposits, and loans, where available. Bank branch locations were also collected based on their location inside or outside the capital city, as a slight proxy for urban-rural. In the majority of countries, the capital city is the largest city in the country and also contains significant shares of all bank branches. Comparing capital and non-capital concentrations of population and bank branches, therefore, can offer important insights into the ability to access financial institutions in areas outside the capital.

The competition data collected the concentration of the population and payout branches in urban areas. For the competition section, urban is defined as being located inside the city limits of the capital city and any city with more than 100,000 inhabitants.¹⁹ The report uses this urban definition for populations and remittance payout locations. Defining an “urban area” in a way that aligns with the available information on populations and payout locations is particularly challenging. Population data is available for cities with more than 100,000 people in nearly every country.²⁰ Additional information is available for many major cities on the size of the population in the city proper and the suburban fringe. Data on remittance payout locations, by contrast, are only available by the name of the city where the paying institution is located. This report, therefore, used the definition of urban to maximize the allowance of the information available by both definitions: including cities of more than 100,000 people and limiting spatial boundaries to the city proper.

To obtain the population information for each country, this report used the Gazetteer²¹, a widely cited source of population data, which regularly updates information from recognized sources, including the UN Population Division and United States Bureau of International Program Center, along with official in-country sources and local survey data. The remittance payout location information was gathered from the respective websites of remittance service provider and their payout institutions.

¹⁹ For a discussion of defining urban areas, see: Salvatore, M. et al. “Mapping Global Urban and Rural Population Distributions.” FAO. 2005.

²⁰ The UN Statistics Division provides information on the population of capital cities and cities of 100,000 and more inhabitants for the latest available year for the urban population and suburban fringes.

²¹ World Gazetteer. Data accessed June 10, 2009. <http://www.world-gazetteer.com/>