PART III

Remittance Markets in Remittance-Source Countries
In 1962, only 20,000 immigrants from Sub-Saharan Africa were living in France. This number increased to more than 580,000 by 2005. In just six years, from 1999 to 2005, the number of migrants to France from Sub-Saharan Africa increased by more than 50 percent. Despite this rapid growth, however, Sub-Saharan immigrants remain a minority, representing only 12 percent of the immigrant population in France. As of 2005, the number of immigrants to France from Sub-Saharan Africa was approximately three times less than the number from European or North African countries, as figure 10.1 illustrates.

Remittance and Migration Trends

Money transfers from France increased by about 6 percent a year on average from 1999–2007, balance of payment data show. However, remittance volumes may have declined over the past two to three years because of the global economic crisis since 2009. The crisis has affected the labor market in France, much as it has in the United States and the rest of Europe, although its effect on immigration has not been well documented. An impact on African migrant workers is likely, however, because they are widely employed in the building and other industries within the most vulnerable sectors of the French economy.
Anecdotal evidence indicates that potential immigrants from Senegal are delaying emigration to Europe because of the crisis. However, migration flows from neighboring Mali (particularly from the Kayes and Yelimene regions, where migration flows are part of the risk mitigation strategy and embedded in the culture and because Bamako, the capital, is becoming another migration center for international flows) are not likely to diminish over the medium to long term. Nor is migration expected to slow appreciably through other corridors where flows are due to poverty and political instability.

As the crisis affects the labor market, migrants’ savings capacities and the amounts they send home (including savings at home) could decrease in the medium term (figure 10.2). Interviews with migrants in France suggest that they are concentrating their help on basic family needs and are postponing their own long-term projects. Remittance declines could have long-term negative effects on developing countries. For example, as migrants’ ability to invest and save diminishes, the urban real estate and banking sectors could suffer. However, once the post-election troubles

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**Figure 10.1 Migrants in France, 2007, by Region of Origin**

- **Europe** 39%
- **North Africa** 31%
- **Sub-Saharan Africa** 12%
- **Asia** 14%
- **North America and others** 4%

**Source:** INSEE 2007; INED database: http://www.ined.fr/fr/pop_chiffres/france/immigres_etrangers/pays_naisance_1999/

**Note:** North Africa = Algeria, Morocco, and Tunisia.
economic stabilization in Côte d’Ivoire could have a positive impact on the western region.

The French social-welfare model, given its social shock absorbers, should help to limit return migration (French statistics do not measure return migration from France). The French government’s investment in unemployment benefits, universal health care, and a proportional tax system should help low-income earners to maintain consumption in the short term. After favorable fiscal and public policies begin to relieve economic pressures, long-term growth and a surge in immigration can be expected, especially from neighboring European countries. In the long term, demographic changes in France, with an aging population, might be another driver of migration because the country will require migration flows (including workers from Sub-Saharan Africa) to ensure economic growth. Overall, the number of African migrants should continue to increase in the medium term, but their living and working conditions will be harder than in the past in the short term. Remittances could decrease in the short term but can be expected to increase in the long term as the migrants’ stock increases.

Sources of Migrants
This chapter considers those who send money or goods home to family or friends regularly, using the official categories in the census and annual
surveys conducted by the French National Institute for Statistics and Economic Studies (Institut National de la Statistique et des Études Économiques, or INSEE).  

INSEE defines *immigrants* as people born abroad who currently live in France. The category does not include people who may have family members abroad but are of French nationality (binational), nor does it include second and subsequent generations who may still send money home. The definition also excludes illegal immigrants because they are not well documented in any sources. Table 10.1 shows the growth rate in the number of immigrants from each region.

In addition to the immigrant population totals shown in table 10.1, the French government estimates that the country has 400,000 illegal migrants from all origins. In 1999, 30,000 illegal immigrants obtained a residence permit (*permis de séjour*) out of an estimated 42,000 who applied. If 12 percent of the entire migrant population is from Sub-Saharan Africa, the number of illegal immigrants from that region would be 48,000—clearly an underestimation.

### Volume of Remittance Outflows

The Sub-Saharan remitters market includes at least the official estimate of 631,654 immigrants living in France (INSEE 2007), and the market expands greatly if the count also includes binational. Lacking information about the number of illegal immigrants, we can assume that the official data underestimate the size of the remittance market.

The ratio of the official estimated number of immigrants (INSEE 2005) to the sum of immigrants and binational from Sub-Saharan Africa varies

<table>
<thead>
<tr>
<th>Region of origin</th>
<th>1999 (thousands)</th>
<th>2007 (thousands)</th>
<th>Growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-Saharan Africa</td>
<td>376</td>
<td>632</td>
<td>68</td>
</tr>
<tr>
<td>Maghreb*</td>
<td>1,298</td>
<td>1,578</td>
<td>22</td>
</tr>
<tr>
<td>Europe</td>
<td>1,935</td>
<td>2,013</td>
<td>4</td>
</tr>
<tr>
<td>Asia and Pacific</td>
<td>554</td>
<td>696</td>
<td>26</td>
</tr>
<tr>
<td>America</td>
<td>127</td>
<td>187</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,290</strong></td>
<td><strong>5,106</strong></td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>


**Note:** These numbers exclude illegal immigrants.

* = Algeria, Morocco, Tunisia.
between 21 percent (for Côte d’Ivoire) and 51 percent (for Madagascar) (table 10.2). Consequently, if the number of immigrants who are potentially sending money home is two to five times more than the number of immigrants as defined by INSEE, the remittance market is much larger than the INSEE estimates suggest (figure 10.3). Adding binational and illegal immigrants would bring the market of potential remitters to Sub-Saharan Africa to about 1 million. We will use this hypothesis to estimate the size of the remittance market in the next section.

Table 10.2 Remittance Market from France to Selected North African and Sub-Saharan Countries

<table>
<thead>
<tr>
<th>Remittance destination</th>
<th>Immigrants (a)</th>
<th>Immigrants + binational (b)</th>
<th>Remitters, extrapolated from AfDB study 2007</th>
<th>Ratio of immigrants to size of remittance market (a/b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>North Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Algeria</td>
<td>679</td>
<td>1,500</td>
<td>—</td>
<td>45%</td>
</tr>
<tr>
<td>Morocco</td>
<td>625</td>
<td>1,100</td>
<td>1,219</td>
<td>57%</td>
</tr>
<tr>
<td>Tunisia</td>
<td>222</td>
<td>550</td>
<td>—</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Total North Africa</strong></td>
<td>1,526</td>
<td>3,150</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cameroon</td>
<td>50</td>
<td>100</td>
<td>—</td>
<td>50%</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>52</td>
<td>250</td>
<td>—</td>
<td>21%</td>
</tr>
<tr>
<td>Comoros</td>
<td>250d</td>
<td>—</td>
<td>57</td>
<td>n.a.</td>
</tr>
<tr>
<td>Congo, Dem. Rep., +</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>93</td>
<td>—</td>
<td>—</td>
<td>n.a.</td>
</tr>
<tr>
<td>Madagascar</td>
<td>41</td>
<td>80</td>
<td>154</td>
<td>n.a.</td>
</tr>
<tr>
<td>Mali</td>
<td>54</td>
<td>—</td>
<td>154</td>
<td>n.a.</td>
</tr>
<tr>
<td>Mauritius</td>
<td>30</td>
<td>—</td>
<td>—</td>
<td>n.a.</td>
</tr>
<tr>
<td>Senegal</td>
<td>67</td>
<td>300</td>
<td>307</td>
<td>22%</td>
</tr>
<tr>
<td>Other Africa</td>
<td>195</td>
<td>—</td>
<td>—</td>
<td>n.a.</td>
</tr>
<tr>
<td><strong>Total Sub-Saharan Africa</strong></td>
<td>582</td>
<td>730</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: INSEE 2005 (all but Comoros); AfDB 2007 (Morocco, Senegal, Mali, Comoros); embassies and chambers of commerce (Algeria, Morocco, Tunisia, Senegal, Ivory Coast, Cameroon, Côte d’Ivoire). 
Note: Figures exclude illegal immigrants for lack of data.
a. Immigrants are people born abroad who live in France (INSEE 2005).
b. Binational are people of French nationality with family members abroad and another nationality, registered in their embassy in France.
c. Estimates of the people sending money home using the following equation: Total flows divided by the average amount sent from France to the designated country’s remittance corridor (AfDB 2007).
d. Source: Central Bank of Comoros.
This section reviews the different groups of remittance service providers (RSPs) and, for each, provides insights on their payment structures, instruments, and mechanism and business models. The analysis is based largely on a survey of RSPs in France. From a catalog of more than 60 RSPs (primarily banks), 18 were interviewed, covering the full spectrum of RSP types. Some potential RSPs—such as domestic Internet person-to-person services or domestic mobile-phone payment pilots—were excluded because they were not considered relevant to this study. The survey questionnaires were administered in face-to-face interviews, except for a few conducted by phone and one done electronically. The questionnaire for the informal RSPs was customized to capture specific aspects of the informal sector and to ensure accuracy of data. For more specific information about the survey sample and the informal RSP questionnaire, see annex 10.1.

**Methodological Issues**

The methodological issues encountered during this process included the unwillingness of some of the key players, such as Western Union and MoneyGram, along with the other money transfer operators (MTOs), to disclose their figures (even with a confidentiality agreement). The informal
RSPs were more likely to disclose business information, although they were also harder to identify.

Informal flows dominate the remittance market but are not quantifiable on the basis of only a small sample of RSPs. The leaders of the migrant associations are far from the grassroots members or were reluctant to risk their reputation or that of their intermediaries by sharing their knowledge of the sector or of the main informal RSPs.

Moreover, major money transfer operators and certain banks cannot, by law, publicly disclose their figures because of the confidentiality clauses in their contracts with their partners. And specific details on flows, amounts by corridors, and very small amounts are not captured in the balance of payments of the central bank.

**Types and Coverage of Remittance Firms**

About 50 percent of the formal sector RSPs was interviewed, including the primary MTOs and some newcomers (figure 10.4). Informal channels were found mostly in the Burkina Faso, Côte d’Ivoire, Guinea, Mali, Mauritania, and Senegal corridors.

The industry is shaped by a bank-led model with a narrow array of services, with MTOs registered as financial institutions leading the cash-to-cash market and retail banks providing cash-to-account or account-to-account services. The sector has been evolving recently, thanks to a global awareness of the potential market by an increasing number of actors (notably the retail banks already covering mature migrant markets like Morocco) as well as regulatory evolution toward greater flexibility and a new type of financial intermediary: the payment establishment (PE) operator, described in more detail in the “Regulatory and Business Environment” section.

In terms of penetration and outward remittance flows, the market is dominated by the Société Financière de Paiement (SFDP), a product of the consortium between La Banque Postale and Western Union. On the receiving side, the corridors in Africa are marked by a weak financial infrastructure, although the emergence of microfinance institutions (MFIs) and retail card-based payment systems (with the help of monetary authorities and international donors) has brought improvements.

At the end of the Sub-Saharan corridors (the receiving side), formal remittances have conquered substantial shares of the informal market, thanks to MTOs’ partnerships with banks and MFIs as their subagents, which enlarged the network in the suburbs and secondary rural towns.
MNOs (mobile network operators) launched mobile-banking pilots in the domestic market, and leapfrogging technologies are addressing cross-border niche markets through an experimental project. With national spread networks, notably in rural areas, the postal service (La Poste) affiliated networks are, nevertheless, not working efficiently in every African country.

The informal sector dominates the market in rural areas and is strong in urban areas as well, making it the main channel for several corridors from France to Africa and opening doors for innovative, technology-based business models to cover some segments of the market.

Table 10.3 lists the primary remittance channels, formal and informal, used by Senegalese migrants in France and shows that channels used vary according to the characteristics of migrants, especially the age and the home town location.

The predominance of the informal channels in Africa for international remittances is also revealed by the study led by the African Development Bank (AfDB 2007) (table 10.4).

Figure 10.4  Distribution of Interviewed RSPs, by Type

Source: Survey of RSPs 2009.
### Table 10.3 Remittance Channels Used by Senegalese Migrants in France

<table>
<thead>
<tr>
<th>Channel</th>
<th>Categories</th>
<th>Young generations &lt;35 years old</th>
<th>Older generations Graduates (high school and higher)</th>
<th>Nongraduates</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Western Union</td>
<td></td>
<td>+++</td>
<td>+++</td>
<td>++</td>
<td>+++</td>
<td>+</td>
</tr>
<tr>
<td>MoneyGram</td>
<td></td>
<td>+++</td>
<td>+</td>
<td></td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Other MTOs</td>
<td></td>
<td>+++</td>
<td>**</td>
<td></td>
<td>++</td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td></td>
<td>+</td>
<td>**</td>
<td></td>
<td>++</td>
<td></td>
</tr>
<tr>
<td><strong>Informal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriers (professional carrying money home with suitcase)</td>
<td></td>
<td>++</td>
<td>**</td>
<td></td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>Wholesalers merchants (compensation)</td>
<td></td>
<td></td>
<td>+++</td>
<td></td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>Vacations (individuals bringing money home when they return for vacations)</td>
<td></td>
<td>+++</td>
<td>+++</td>
<td></td>
<td>++</td>
<td>+++</td>
</tr>
<tr>
<td>In form of goods sent from abroad</td>
<td></td>
<td>++</td>
<td>**</td>
<td></td>
<td>++</td>
<td>+++</td>
</tr>
</tbody>
</table>

**Source:** Survey interview. Informal commercial RSP based in Paris and sending money home to the Kaolack region of Senegal. The manager rated the preference of its clients and nonclients as well, on the basis of knowledge of the Senegalese community.

+ marginally used
++ sometimes used
+++ mainly used
++++ most preferred

**Note:** RSP = remittance service provider. MTO = money transfer operator.

### Table 10.4 Transfer Channels from France to Mali, Senegal, and Comoros

**percentage of transfers, by RSP type**

<table>
<thead>
<tr>
<th>RSP Type</th>
<th>Comoros</th>
<th>Mali</th>
<th>Senegal</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Informal</strong></td>
<td>82</td>
<td>73</td>
<td>46</td>
</tr>
<tr>
<td><strong>Banks</strong></td>
<td>1</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>MTOs</strong></td>
<td>16</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td><strong>Post</strong></td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

**Source:** AfDB 2007.

**Note:** RSP = remittance service provider. MTO = money transfer operator.
Formal sector RSPs and partnerships. The formal French remittance industry is led by financial intermediaries registered as bank or financial establishments providing cash-to-cash services for international MTOs, cash-to-account services for African banks registered in France or partnering with French banks, and account-to-account for French banks with African subsidiaries. The retail French banks with African subsidiaries have a client-focused approach and are reluctant to serve nonclients, especially in cash operations. The segmentation and the small size of the Sub-Saharan African migrant markets are another hindrance to the establishment of French retail banks, and partnerships seem to be the only alternative for those with no subsidiaries in African countries and vice versa for the African banks (box 10.1).

Société Générale (SG), one of the leading retail banks in France with subsidiaries in Africa, developed its own package of products and has dedicated three agencies to African migrants. Even though this package

Box 10.1

French Banks and Sub-Saharan Migrants

As a whole, French banks are beginning to consider the migrants as a mass market. For instance, low-cost transfers and a package of services for Moroccans are now close to being standard offerings, and partnerships between French banks and Moroccan banks are becoming ever more frequent.

For Sub-Saharan migrants, however, the market is not yet mature, and French banks still face constraints such as the following:

- A migrant remittance market that is segmented among several countries, each with its own specific financial regulation, infrastructure, and culture
- Reluctance to communicate aggressively like MTOs to capture migrant clients
- Desire to avoid the “reputation risk” of being considered by existing customers as the “bank of the migrants” (migrants still perceived as being poor in France)
- Migrants’ preference for cash operations and a convivial atmosphere (staff speaking their language)
- Migrants’ high illiteracy rates and a poor banking culture, which limits their understanding of the benefit of using formal services
- The existence of a population of undocumented migrants not registered by a French administration.

Source: Author, based on AfDB 2007.
is available at all SG branches in France, the potential market is not completely tapped into.

The anti-money-laundering (AML) regulations and regulations combating the financing of terrorism (CFT) impose additional constraints on the occasional client who wants to deal in cash, especially when the immigrant’s identity is not formally established with French administration identifying papers, which is the standard of identification usually required by banks. Money-laundering risks are also perceived to be higher with cash transactions. As a result, instruments offered to immigrants are mainly traditional wire transfers from an open account in the bank books. SG is the only French bank that offers a low-cost transfer product for small transactions within its own large network, which includes subsidiaries in Africa.

Banque d’Escompte (BdE), with only a few branches in France, developed a commission-based money transfer business model, thanks to partnerships with African banks and regional MTOs. This bank is unique in the formal sector because it has developed a money transfer instrument especially for migrants, called “BdE Cash” (box 10.2). BdE also seeks to develop loyalty among the remitters and add value to its remittances services by linking remittances services to financial products offered by its African partners, including savings accounts and mortgages loans. Caisse d’Epargne Ile-de-France also recently launched a new, low-cost money transfer service in partnership with Ecobank.

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Box 10.2

The BdE Experience: Developing Agent Networks

BdE recently introduced an automatic cash transfer machine (collecting cash) for direct transfers and is developing a program to hire 50 agents in France. Through the program, agents in migrant communities can be provided with a cash transfer machine and a specific identification and fidelization process providing the migrants an identification smart card to facilitate its transfers. With its card, a migrant can designate up to three preferred beneficiaries, and the money (up to €3,000) deposited at a cash machine or by debit card is transferred directly into a selected beneficiary’s account or remit in cash. Migrants must be registered by the BdE but do not need bank accounts with BdE.

Source: Author.
Among the MTOs, which offer only cash-to-cash instruments, Western Union is the market leader because of its partnership with La Banque Postale, which has more than 6,600 branches. The French postal service, La Poste, exclusively delivers its own electronic money transfer products (Mandat Express and Mandat Express International) as well as Western Union’s product. Western Union’s network of 50 branches includes SFDP and other partnerships, notably since the PE directive transposition with change operators and callshops.

Other MTOs’ networks are small by comparison. MoneyGram now has only 47 branches since its partnership with Caisse d’Epargne Rhône-Alpes ended, and its main partner is a financial subsidiary of Carrefour (the leading supermarket company), which has 17 branches. Crédit Agricole du Nord Est and MoneyGram are working on a pilot branch. Coinstar has 16 branches throughout France and is partnering with African MTOs such as Money Express. Ria Money Transfer has even fewer branches (six), and they are concentrated in Paris although its payment partners are mainly MFIs in Africa. Ria (especially) developed its agent networks thanks to the new PE directive and a more aggressive strategy to address African corridors.

Regional MTOs—relatively minor players in this market—operate by forming partnerships with Coinstar and BdE. They include Money Express (which partners are La Banque Postale in Côte d’Ivoire and Senegal, MFIs, La Poste, and several other small banks throughout francophone Africa) and Express Union (a leader in Cameroon that is also established in other Economic and Monetary Community of Central African States [Communauté Économique et Monétaire de l’Afrique Centrale, or CEMAC] countries).

African banks, despite their limited number of branches, are more integrated into the market than are the French banks with African subsidiaries because of the simplicity of their products and because they accept foreign identity papers from their clients. Some African banks have representative offices in France—either under the umbrella of a French partner bank (such as CBIP) with capital from the African bank or by establishing their own bank in France (for example, Attijariwafa Bank and the Bank of Africa [BOA]). Through these representative offices, migrants can open accounts in their home countries and deposit funds into them from France. CBIP’s African partners usually pay a yearly fee and share a part of the commissions. Long-term or stable resources are the banks’ main objective, and a presence in Paris is a decisive factor in creating a relationship with migrants and international wholesalers from the home country. Certain Moroccan banks have a global strategy that
encompasses the migrant market, with subsidiaries in France and throughout the African markets. (Attijariwafa Bank has subsidiaries in Africa, and Banque Marocaine du Commerce Extérieur recently established subsidiaries in France by investing in the BOA group.) In particular, Attijariwafa bank bought the Senegalese Compagnie Bancaire de l’Afrique Occidentale (CBAO)—CBIP’s main stakeholder—as well as the Banque Internationale pour le Mali (BIM), the second-largest bank in Mali, with a presence in eight Sub-Saharan African countries.13

Informal sector RSPs. The informal sector includes diverse providers and individuals for whom money transfer is not necessarily the main activity. Three types of models dominate, often in combination or even including formal channels for efficiency:

- Individual (carrying money and goods on trips home)
- Community-based
- Business-oriented.

In the individual model, when a migrant worker returns home on vacation, he or she carries remittance money, not only for his or her own family but also on behalf of fellow migrants or close friends. The name of the sender, the receiver, and the amount are pasted on the bank notes. Costs are not formally fixed, but senders typically pay to the transportation carrier 3 to 10 percent of the amount carried.

The community-based model involves a group of individuals (typically 15 to 20 people) living in the same village or the same building who create an “association” (formal or not) to send money home and manage a small shop in the village.14 This model is particularly prevalent among migrants from rural areas, where community ties are still strong. The money is collected within a small and close community group, and goods are purchased in France or from wholesalers in the home countries. Retail orders for individual money transfers or goods purchases (for the family) are made daily by mobile phone or fax (if the village has a regular phone connection). The group must ensure that it can always finance the collective village shop’s cash flow to remit money to relatives in the village and to buy goods for the community shop in bulk. The migrants’ regular visits to the village guarantee this minimum cash flow. Alternatively, bank wire transfers or cash advances from wholesalers in the home country can help to finance the cash flow. In turn, the revenue from sales and commissions also pay the group’s shopkeeper, a collector in charge of
gathering funds in France and routing them to their destination by its own means or by identifying a migrant going home, and accountant in France.\textsuperscript{15} Yearly remittances through these means could total €50,000 and require a monthly cash flow of about €4,500. Table 10.5 summarizes each actor’s role in a community-based informal RSP.

The business-oriented model is a variant of the community-based model, the main difference being that the money transfer activities are conducted by business-oriented individuals (such as wholesalers, retailers, or hostel collectors) instead of by the migrants themselves. Generally, these individuals have family members running the business in France, in the home country, or in other countries. The scale of operation (mostly informal but including formal elements) depends on the strength of the relationship between the partners (typically family members) and the ability to finance cash flows in a timely manner at different points of payment simultaneously. In the remittance recipient country, retailers are often found in the capital city and secondary towns. In France, funds are gathered through designated collectors or directly in retail shops or at wholesalers. The biggest retail players act as clearinghouses serving various small networks and can provide currencies for wholesalers. They have a strong reputation with the other players and help to ensure the viability of the system. Monthly cash flows can amount to more than €30,000, and annual flows can add up to €500,000 for 150 to 200 clients in one informal RSP. In the case of flexible exchange rates, speculation could affect revenue.\textsuperscript{16}

Profit maximization is not the sole objective of business-oriented informal providers. They are also interested in putting their capital to best use and increasing their business volume by building international networks of correspondents. Commissions and fees are flexible and do not always reflect the true costs of the transaction. (For example, the informal RSP generally does not pay the agent’s travel costs but compensates the traveler in other ways.)\textsuperscript{17} Desirable features of this kind of informal service include confidence, discretion, immediate delivery of cash, advance transfers for regular clients, and lower commissions if problems arise. Compared with the formal channels, this channel’s accessibility and cordiality are also big advantages—and often considered even more important than costs (which are sometimes not competitive with the formal sector’s, especially for transfers of small amounts).

Some of the interviewed providers cited embezzlement, robbery, or loss as risks of the business-oriented model.\textsuperscript{18} In such cases, there is no
<table>
<thead>
<tr>
<th>Actor</th>
<th>Originating and funding transfer orders</th>
<th>Clearing transfer orders</th>
<th>Receiving transfer orders</th>
<th>Changing money</th>
<th>Paying transfer orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Migrant</td>
<td>Brings remittances to collector</td>
<td></td>
<td></td>
<td></td>
<td>Remits money to beneficiaries (individuals and retailers)</td>
</tr>
<tr>
<td></td>
<td>Calls family to confirm transfer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small-scale collector</td>
<td>Collects funds and originates transfers for migrant group by phone, fax, or Internet</td>
<td>Maintains retail shop’s cash flow with cash advances from wholesalers and formal channels</td>
<td>Identifies migrants to carry money</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master of networks</td>
<td>Receives “gross” transfer orders in euros from wholesalers</td>
<td>Ensures settlement of transfers among stakeholders on time, arranges players, and guarantees efficiency</td>
<td></td>
<td>Provides euros for wholesalers for international purchases</td>
<td></td>
</tr>
<tr>
<td>Actor</td>
<td>Originating and funding transfer orders</td>
<td>Clearing transfer orders</td>
<td>Receiving transfer orders</td>
<td>Changing money</td>
<td>Paying transfer orders</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>----------------------------------------</td>
<td>--------------------------</td>
<td>---------------------------</td>
<td>----------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Wholesaler in urban centers</td>
<td>Receives transfer orders from master of networks</td>
<td>Provides CFA francs in exchange for euros</td>
<td>Pays master agents, small retailers, or migrant families</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master agents in capital cities</td>
<td>Receive transfer orders from master of networks</td>
<td>Remit money to families</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Village shopkeeper or retailer</td>
<td>Receives transfer orders from collectors or migrants</td>
<td>Remits money to families</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey data.*
attempt to recompense for the loss of one’s money. Specific operations could be formalized, especially the collection and transfer of funds, to avoid these risks. Payments made through mobile phones at a low cost per transaction could also be a convenient means of avoiding frequent calls or the use of fax machines. Some RSPs interviewed are interested in formalizing certain operations with the new PE regulations in mind, but they are concerned about potential fiscal losses from their inability to compete in a technologically advanced environment. Another constraint is posed by some wholesalers who have a strong interest in having access to cash currencies to finance their international purchases. User preference, origin of migrants, and financial literacy are strong determinants in the choice of channels and mechanisms used. 19

Remittance Volumes, Sources, and Destinations
Several hypotheses were used to estimate the size of the French remittance market. The formal flows were then separated from the data gathered through primary and secondary sources. Two scenarios were modeled for the entire market on the basis of estimated population of migrants. The data from the study were then aggregated to estimate the total formal market.

Model 1 was based on the average amount sent and the propensity to send. The model estimated a population of 1 million migrants, the propensity (62 percent of migrants) to send money home, and an average monthly transfer per capita. The estimate based on Model 1 is shown in table 10.6.

Model 2 was based on an African Development Bank (AfDB) study from 2007, from which partial data were extrapolated. The estimate based on Model 1 is shown in table 10.7.

Based on the estimates derived from both models, as shown in tables 10.6 and 10.7, the size of the French remittance market for Sub-Saharan Africa is between €1 billion (low hypothesis) and €1.8 billion.

Formal market estimates. The global formal market from the sample was extrapolated by use of several hypotheses and complementary sources, including the following:

- 2006 data from La Banque Postale (from an official source), which is the backbone of the market20
- Flows generated by MTOs, extrapolated from the volume of transactions of a typical Western Union branch
The global amount extrapolated from SG’s number of active clients, by corridor, considering an annual amount sent of €1,500 (a conservative hypothesis).

Finally, these extrapolated flows were added to the sample data using an assigned weight that corresponds to the size of the sample plus La Banque Postale’s figures (shown in table 10.A.1). The data are not fully homogeneous because they do not use the same year of reference (2008 for the sample and 2006 for La Banque Postale).

By this analysis, as table 10.8 shows, the overall formal remittance market is estimated at €800 million, which is consistent with the higher estimate above for the global (informal + formal) market given that informal flows represent at least 50 percent of total flows (Freund and Spatafora 2005).

### Table 10.6  Estimate of Total French Remittance Market from Average Transfer and Propensity Data (Model 1)

<table>
<thead>
<tr>
<th>Migrant population</th>
<th>1 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Propensity to send money</td>
<td>62%</td>
</tr>
<tr>
<td>Average monthly transfer</td>
<td>€150</td>
</tr>
<tr>
<td>Average annual amount sent</td>
<td>€1,650</td>
</tr>
<tr>
<td><strong>Total remittances</strong></td>
<td><strong>€1.02 billion</strong></td>
</tr>
</tbody>
</table>

*Sources: Milhaud 2006.*

*Note:* 
- b. Based on 11 monthly transfers a year.

### Table 10.7  Estimate of the French Remittance Market from AfDB Country Data (Model 2)

<table>
<thead>
<tr>
<th>Country</th>
<th>Transfers from formal + informal RSPs (€ millions)</th>
<th>Transfers through informal RSPs (%)</th>
<th>Migrants from country/total migrants from SSA (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mali</td>
<td>295</td>
<td>73</td>
<td>15</td>
</tr>
<tr>
<td>Senegal</td>
<td>449</td>
<td>46</td>
<td>30</td>
</tr>
<tr>
<td>Comoros</td>
<td>70</td>
<td>82</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>814</strong></td>
<td></td>
<td><strong>46</strong></td>
</tr>
</tbody>
</table>

*Market estimation (100% migrants Sub-Saharan Africa) 1,770*

*Source: AfDB 2007.*

*Note: SSA = Sub-Saharan Africa.*
The core remittance corridors are Cameroon, Côte d’Ivoire, Mali, and Senegal, with more than €100 million for each. The most important formal remittance channels are the MTOs, followed by the La Poste mandats and the banks, as figure 10.5 illustrates.

Unfortunately, the 2007 and 2008 data are insufficient to assess the impact of, and examine the trends set in motion by, the global financial crisis. The only variable available is the number of transactions, which has been stable although the amounts have somewhat declined.\(^21\) For the main CBIP partners in Mali and Senegal, the flows decreased between 2007 and 2008 by 10 percent (BIM) and 7.7 percent (CBAO), respectively. Informal RSPs confirmed an overall decrease in flows.

**New business models and remittance products.** Newcomers from the communications and technology sectors have developed new business models in France. In so doing, these providers have introduced instruments such as branchless banking, Internet-based services, cashless micropayment technology, and mobile-phone money transfer systems.

- **Branchless banking models.** These are card-based or multichannel MTOs. Flouss.com\(^22\) is an intermediary for Banque Accord (a bank with few branches, held by the supermarket Auchan group), which uses prepaid cards. Flouss is currently operating and has acquired a

<table>
<thead>
<tr>
<th>Country</th>
<th>Total remittances (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senegal</td>
<td>248,511,040</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>134,373,400</td>
</tr>
<tr>
<td>Mali</td>
<td>129,001,777</td>
</tr>
<tr>
<td>Cameroon</td>
<td>116,329,621</td>
</tr>
<tr>
<td>Madagascar</td>
<td>39,006,497</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>35,514,547</td>
</tr>
<tr>
<td>Congo, Rep.</td>
<td>31,853,565</td>
</tr>
<tr>
<td>Benin</td>
<td>28,745,029</td>
</tr>
<tr>
<td>Togo</td>
<td>26,991,495</td>
</tr>
<tr>
<td>Comoros(^b)</td>
<td>8,012,361</td>
</tr>
<tr>
<td>Ghana</td>
<td>2,693,515</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>801,032,847</strong></td>
</tr>
</tbody>
</table>

*Source: Author’s calculations.*
small share of the market since it started in 2008. Transcash, a Visa prepaid card, began its operations in late 2009. Transcash introduced three main innovations: no bank account required, reloadable tickets that are available at bars and retail shops, and acceptance of a national passport as identification. Two others (Woo-Group and MAÅTCARD) have raised capital on the stock exchange but have not yet begun operations. These models are limited to migrants whose families are close to point-of-sale (POS) or automated teller machine (ATM) networks and are familiar with electronic banking.

- **Internet-based services.** Another telecommunications company, Telemedia, offers a set of services for migrants (such as calling family, managing village shops from France, sending money, and prepaying for health services) through the Internet and prepaid arrangements. The model, described further in box 10.4, targets the migrant village associations to develop economies of scale and cover the connection fees

![Figure 10.5 Distribution of Formal Remittance Flows, by Channel](image)

*Source: Author’s calculations.*
in the village. It has a pilot in two rural villages in the Kayes region of Mali, which is partly financed with a €227,000 contribution from the French Ministry of National Identity, Immigration, Integration, and Development.

- **Micropayment operators.** Tagattitude\textsuperscript{27} has developed a technology that uses existing analog (voice) technology, as further described in box 10.4. Its pilot project in Mali, supported by the World Bank, involves a micropayment cashless system (for transactions of less than €150) built on an Internet platform that sells prepaid units to be transferred by mobile phone from France to Mali, where 25 Bamako retailers currently accept it. Tagattitude is not registered to operate as a payment establishment or as a bank; therefore, the money has to be spent only in shops or pharmacies (for example, as a gift transfer).

- **Orange.** One of the big three licensed telecommunications firms in France, Orange is considering the international remittance market. Cross-border transfers are complex from a regulatory point of view; however, through its BNP Paribas subsidiaries in Africa, the company launched a pilot for national money transfer by mobile (Orange Money) in Côte d’Ivoire and Senegal.\textsuperscript{28} Sending prepaid airtime from

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**Box 10.3**

**Loro/Nostro Accounts Enable African Banks to Collect Deposits in France**

French banking law does not allow the representative offices of African banks to collect cash deposits in France. To address this limitation, these banks have signed partnership agreements with some French banks to have their representative offices considered legally as partner branches of the French banks, which are thus able to collect deposits.

Under this arrangement, migrants’ deposits fund CFA franc accounts opened on their behalf on the African bank’s books. In turn, the African bank also opens a specific account, called a *loro*, that goes on the French bank’s books. This *loro* can be cleared through an international wire transfer or used by the African bank to fund its trade operations in euros.

*Source: Rouchy and Gourvez 2006.*
France to Africa and within Africa is already feasible, but Orange is also testing contactless payment in France.

- **Suncard Family.** Suncard Family is a telecommunications firm in the French Caribbean that has developed a subsidiary allowing the purchase and delivery of food to families of the Haitian diaspora. The company also recently set up a firm in France to cover the markets in Côte d’Ivoire, Mali, and Senegal. In addition to the purchase and delivery of goods, Suncard plans to offer money transfers and to establish partnerships with MTOs.
Other new remittance products have emerged from innovative diaspora initiatives. Hope Finance, an MFI, is developing a set of services (money transfer services, payment for goods, and payment for health care) dedicated to the African diaspora and their families. Formerly in partnership with Money Express, Hope Finance now has developed its own software for electronic cash-to-cash transfers, to be implemented throughout its proprietary network of MFIs in Africa. These money transfer services are used to attract migrants to other services, mainly health care programs.

La Mutuelle d’Epargne et de Crédit des Sénégalais de France (MECSEF) plans to offer money transfer services to Senegalese migrants. MECSEF has entered into a partnership with Poste Finance in Senegal, where it complies with the microfinance laws. Both institutions, however, need to meet additional requirements to develop their payment operations from France.

On the payment system side, there have been no solutions among major operators (Visa, MasterCard, and SWIFT) for microtransfers to Africa. However, Caisse d’Epargne is discussing plans to issue Visa cards with an African bank that has a large network in several African countries. MasterCard launched Money Send in the Asian corridors and could transpose it to the African corridors if there is market demand. Initiatives not yet linked to major card issuers in France include the Interbank Electronic Banking Group of the Economic and Monetary Union of West Africa. Integration of French banks in the Single Euro Payments Area (SEPA) remains slow, and it is too early to examine opportunities for microtransfers in this area.

The Regulatory and Business Environment

In France, only financial institutions (établissement de crédit) can engage in services involving means of payment, such as settlement of international person-to-person money transfers. The minimum capital requirement for creating a financial institution is €2.2 million—a constraint for MTOs that want to open branches in France, whether they are mobilizing funds to create the institution or maintaining the required capital after the institution is established. Alternatively, MTOs can partner with financial institutions to deliver person-to-person transfer products. Nonbank institutions (intermediary bank operations, or intermédiaire en operations de banque) can also manage means of payment on behalf of financial institutions by offering card-to-card money transfers.
**With a New Payment Services Directive, New Operators**

A new type of financial intermediary, called a payment establishment, is now allowed to implement means of payment within the SEPA countries. The new PE operators could become players in the African remittance market because operations outside SEPA are permitted and because the minimum capital requirement will be reduced to €20,000 for basic operations. This new regulatory environment will also bring some flexibility to the agent role because anyone can be a PE agent who complies with the required procedures.

Several RSPs interviewed during the study (Flouss.com, Telemedia, and Suncard Family) are considering becoming PEs, and some informal RSPs are interested in either creating a PE or becoming an agent for a PE or an existing MTO. African banks, African MFIs, and regional MTOs could also be interested in either creating PEs or collaborating with one as an alternative to the major MTOs and La Banque Postale (because of the latter’s exclusivity contract with Western Union and its own products).

Among the implications of the new payment services law are the following:

- It could present an opportunity for regional MTOs or African banks and MFIs to enter the market directly or through partnerships with the new PEs.
- It could allow newcomers such as mobile-phone or Internet-based niche market operators to create their own PEs and add money transfer operations to their core business services.
- It could enlarge the network of agents, especially through the establishment of more retail shops and associations of migrants.

However, the delivery of new agreements could be gradual. With the introduction of new types of operators in the market and greater competition in terms of remittance instruments and technologies, new types of risks may also emerge. However, points of sale and innovative alliances among nonbank operators should increase and will cover a wider array of specific needs (table 10.9).

**Entry and Coverage Limitations**

As previously mentioned, banks are reluctant to handle cash operations, especially for nonregistered clients. This aversion limits the coverage of basic electronic transfer services through their branch infrastructures.
## Table 10.9 Main RSP Types and Coverage of Selected Remittance Corridors

<table>
<thead>
<tr>
<th>Remittance corridor</th>
<th>Potential no. of remitters</th>
<th>Global MTOs&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Regional MTOs&lt;sup&gt;b&lt;/sup&gt;</th>
<th>French banks with African subsidiaries&lt;sup&gt;c&lt;/sup&gt;</th>
<th>African banks&lt;sup&gt;d&lt;/sup&gt;</th>
<th>Alternative operators&lt;sup&gt;e&lt;/sup&gt;</th>
<th>Card-based operators&lt;sup&gt;f&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senegal</td>
<td>300,000</td>
<td>WU, MG</td>
<td>Money Express</td>
<td>SG</td>
<td>CBIP (BHS&lt;sup&gt;*&lt;/sup&gt;)</td>
<td>Suncard Family&lt;sup&gt;*&lt;/sup&gt;</td>
<td>Flouss.com, TransCash</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>250,000</td>
<td>WU, MG</td>
<td>Money Express</td>
<td>SG</td>
<td>(Bq Atlantique&lt;sup&gt;*&lt;/sup&gt;, BHCI)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mali</td>
<td>153,646</td>
<td>WU, MG</td>
<td>Money Express</td>
<td>—</td>
<td>BOA (BIM, BDM, BHM,&lt;sup&gt;*&lt;/sup&gt; Bq Atlantique)</td>
<td>Telemedia, Tagattitude, Suncard Family&lt;sup&gt;*&lt;/sup&gt;</td>
<td>—</td>
</tr>
<tr>
<td>Cameroon</td>
<td>100,000</td>
<td>WU, MG</td>
<td>Express Union</td>
<td>SG</td>
<td>(Afriland First Bank)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Congo, Dem. Rep.</td>
<td>93,000</td>
<td>WU, MG</td>
<td>Express Union</td>
<td>—</td>
<td>(BIAC)</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

**Source:** Author’s compilation.


<sup>a</sup> Cash-to-cash providers.

<sup>b</sup> BdE or Coinstar partners; cash-to-cash providers.

<sup>c</sup> Double account and €10 transfers, burial and repatriation insurance, transnational mortgages, and insurance to maintain remittances.

<sup>d</sup> CBIP or BdE partners; mainly deposits; *mortgage, prepaid card.

<sup>e</sup> Potential to address rural areas.

<sup>f</sup> Depends on Visa’s (TransCash) and MasterCard’s (Flouss.com) ATM infrastructure in receiving countries.

— = negligible.

* = mortgage only.
For niche market operators like Telemedia, the major barriers are lack of broadband access, high energy costs, and local telecom monopolies. Telecom regulators need to provide open access to their networks because licenses are expensive for firms that serve migrants from remote rural communities. It is particularly difficult for smaller e-payment providers that lack their own telecom infrastructures. Wi-Max can be an alternative means of connectivity for the small subregions from which migrants originate, but there is little infrastructure to support this model. For example, energy costs for batteries can be up to 60 percent of the total cost of operating a dispensary and call shop. The lack of access to national telecom networks means the provider has to build its own infrastructure.

During the RSP survey interviews, many of both the formal and informal RSPs know their customers and their preferences but lack adequate information to help them better penetrate their markets because the ability to offer money transfer services depends on transaction volume and sufficient investment to build secure branches. In addition, retail banks with large networks seem unable to monitor small amounts of transfers in each corridor.

Ever since the launch of the Send Money Web site (http://www.envoidargent.fr), which lists money transfer charges, overall public policy has shifted toward reducing the cost of sending money home. This represents an important evolution from the original approach, which focused mainly on helping migrants leverage their savings toward development by investing in collective initiatives or local development and establishing small enterprises in their home countries. However, codevelopment—a strategy by which migrants contribute toward the development of their countries of origin—remains an important public policy issue. Supporting financial innovation and the migrants’ efforts to invest in their home countries or involving migrants in implementing social services (including education, capacity building, health, and access to water) is at the forefront of the French public strategy.

**Remittance Costs**

The cost to send €150 varies from €5 in the informal sector to €20 in the banking (formal) sector. This does not include the costs of receiving the transfer for the banks.

For both informal RSPs and MTOs, the fee to send money decreases as the amount sent increases, in percentage. In the informal sector, the fee is under €5 for any amount less than €150, increasing to €10 for any amount beyond that. Informal RSPs do not include the cost of international travel
when the cash is carried in luggage. The lowest fee to send money through Western Union is €8. The other MTOs (including informal RSPs) have kept their charges slightly above Western Union’s. In the banking sector, fees to send money are generally fixed and vary from €10 to €20.

The banks offer three general types of services and pricing:

- **French banks with African subsidiaries**: Transfers are done within the network, costs are lower and transparent, and the receiver bears no costs.
- **African bank representatives in France**: The average deposit fee is between €8 and €10, and the average withdrawal fee is €20.
- **Banks with correspondent agents**: Each transaction costs about €20, but the receiving banks’ fees were not disclosed (estimated to be also about €20).

Card-based providers generally charge three types of fees:

- **Registration**: €19
- **Loading a prepaid card**: €3 plus an additional 1.5 percent of the amount
- **Withdrawals**: €5.

Although the sender’s costs are not fully transparent (because of the different prepaid card solutions), this solution could be more competitive and produce greater economies of scale if the withdrawal fees in Africa were much lower. Similar services cost much less in Morocco because of a higher volume of transactions and revenue from better liquidity management. Overall, client preferences must be considered when comparing costs. Indeed, small cash-to-cash transfers through all channels remain the most used and the most expensive instrument, but alternative channels still exist. The banking channels are the most effective, charging a flat commission rate, considering the average amount sent, as shown in table 10.10.

Micropayment by mobile phone remains the dominant means of payment in rural remote areas. It is one of the cheapest instruments, and it holds potential for frequent microtransactions, even in remote areas, if there is a retailer and a GSM network. Prepaid cards are another convenient instrument because they allow the recipient to withdraw money at any time of the day. However, they require a large and efficient payment infrastructure, making this model expensive and unusual, especially
among unbanked people. Finally, in-person delivery can be a viable instrument for migrants who want more control over the effective use of their money.

Commission sharing among partners can increase the charges to clients. Hope Finance, an unpartnered MFI, charges the least—5 percent of the amount sent—and it can afford to, its commercial manager said. Because Hope Finance has its own branches in receiving countries, it has been able to develop its own platform. GCE Payment, the payments subsidiary of Caisse d’Epargne, charges €5 (or €16 in case an anomaly occurs). However, Caisse d’Epargne charges between €20 and €30 for each transfer—unappealing for sending small sums. Most of the transfers are sent to African countries that have fixed exchange rates and currencies that are backed by the euro. Foreign exchange fees are rarely imposed compared with other corridors. Table 10.11 displays a range of fees charged by selected RSPs in France.

Data from the most popular MTOs (Western Union and MoneyGram) show that charges for remittance transfers from France are quite high relative to other countries. Table 10.12 displays some sample differences in MTO charges to send €150.

### Identification Requirements

To ensure against fraud and to comply with AML-CFT reporting regulations, RSPs (particularly in the formal sector) usually require identification from senders and receivers of funds. The accepted forms of identification vary by RSP type but typically include the following:

- **MTOs** require an identification document with a picture and the name of the receiver. In the receiving country, the recipient usually must present an official document. On-site visits revealed that driver’s licenses are no longer accepted. French papers (*permis de séjour*), national ID cards, or passports are preferred.42

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**Table 10.10  Remittance Charges of African CBIP Partners, 2009**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Commission % of amount sent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senegal</td>
<td>15</td>
</tr>
<tr>
<td>Comoros</td>
<td>8</td>
</tr>
<tr>
<td>Mali, Côte d’Ivoire</td>
<td>8–10</td>
</tr>
</tbody>
</table>

41. Table 10.11 displays a range of fees charged by selected RSPs in France.

42. Identification requirements vary by country and RSP.
**Table 10.11** Charges to Send €150 through Selected RSPs

<table>
<thead>
<tr>
<th>RSP</th>
<th>RSP type</th>
<th>Cost (€)</th>
<th>(%) of remittance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flouss.com</td>
<td>prepaid-card RSP</td>
<td>13</td>
<td>8.7</td>
</tr>
<tr>
<td>Telemedia</td>
<td>micropayment RSP</td>
<td>9</td>
<td>6.0</td>
</tr>
<tr>
<td>Hope Finance</td>
<td>semiformal MTO</td>
<td>8</td>
<td>5.0</td>
</tr>
<tr>
<td>BIM</td>
<td>CBIP partner</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>BDM</td>
<td>CBIP partner</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>BHM</td>
<td>CBIP partner</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>BOA</td>
<td>CBIP partner</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td>CBIP</td>
<td>CBIP partner</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>Coinstar</td>
<td>MTO</td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td>Western Union</td>
<td>MTO</td>
<td>15</td>
<td>10.0</td>
</tr>
<tr>
<td>MoneyGram</td>
<td>MTO</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>Caisse d’Epargne PAC</td>
<td>cooperative bank</td>
<td>20</td>
<td>13.3</td>
</tr>
<tr>
<td>Caisse d’Epargne IDF</td>
<td>cooperative bank</td>
<td>30</td>
<td>20.0</td>
</tr>
<tr>
<td>BdE</td>
<td>bank</td>
<td>12</td>
<td>8.0</td>
</tr>
<tr>
<td>SG</td>
<td>bank</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>Crédit Agricole du Nord Est</td>
<td>bank</td>
<td>16</td>
<td>10.7</td>
</tr>
<tr>
<td>Banque postale</td>
<td>MTO</td>
<td>15</td>
<td>10.3</td>
</tr>
</tbody>
</table>

Source: Author’s calculations.


**Table 10.12** MTO Charges to Send €150 from Selected Countries

<table>
<thead>
<tr>
<th>MTO</th>
<th>% of amount sent</th>
<th>Charge (€)</th>
<th>% of amount sent</th>
<th>Charge (€)</th>
<th>% of amount sent</th>
<th>Charge (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Union</td>
<td>8</td>
<td>11.50</td>
<td>10</td>
<td>15.00</td>
<td>12</td>
<td>18.00</td>
</tr>
<tr>
<td>MoneyGram</td>
<td>7</td>
<td>11.00</td>
<td>7</td>
<td>10.00</td>
<td>9</td>
<td>13.90</td>
</tr>
</tbody>
</table>

Source: RSP survey Western Union and MoneyGram website, December 2009.

Note: MTO = money transfer operator.

- **French banks** require the senders to present, at least, proof of legal status and proof of residence in France. National papers from the country of origin, such as passports, are generally not accepted, although La Banque Postale and the Caisse d’Epargne sometimes make exceptions.43
- **African banks’ representative offices** in France require senders to present national identity cards and national passports from the home country.
• Card-based operators have the same requirements as the banks, except for TransCash, which accepts passports. The recipient, however, does not need any form of identification.
• Informal RSPs do not require identification papers from the senders. RSPs sometimes assign a code for first-time recipients, and this is to be presented along with other forms of identification.44

Some RSPs impose a ceiling on the amount transferred to avoid money laundering. Box 10.5 lists several examples of these remittance limits.

Conclusions and Recommendations

The recommendations fall under three categories: statistics and data, regulation, and policy (for the French government, banks, migrants and other clients, and global initiatives).

Box 10.5
RSP Remittance Ceilings

The ceilings are particularly restrictive for collective transfers and informal remittances. Informal RSPs admit they use banks to remit money and would like to use this secure channel more. Banks sometimes authorize representatives such as moral persons—registered associations—or association leaders (of informal community-based RSPs) to provide a comprehensive lists of group members or remitters, with addresses and phone numbers. However, the migrant association leaders are often reluctant to provide members’ names because some of them are illegal immigrants.

Informal RSPs prefer not to handle amounts of more than €1,000 from an individual, and they seek information to check whether the remitters are part of a social network and whether the amounts sent are consistent with the levels of incomes of the remitters.

MTOs have no official ceilings, but MTOs do require bills, proof of payment, justification of the origin of funds from €8,000 sent yearly or quarterly, and proof of identity of both the sender and the receiver.

Banks are particularly vigilant since amounts of €3,000 in one day and have specific policies to detect or declare suspicious operations.

Source: Author’s compilation.
Statistics and Data
Statistics are the entry point for policy makers as well as market operators. Knowing the amount of remittances by corridor is a prerequisite to leveraging their impact on development and encouraging formal operators to enter the market with lower costs than major MTOs when affordable. Remittances are a key resource for African countries that are partners with France and can help to expand migrants’ access to finance. The following data and research activities would help policy makers better understand migrants’ preferences and remittance behaviors:

- Data on such should be reported by financial intermediaries to the Ministry of Economy, Industry, and Employment (which regularly meets with its peers from the French-speaking African countries) on a confidential basis. The aggregated figures should be disclosed by corridor, by channel, and by instrument used.
- A comprehensive survey also should be undertaken to assess and better understand the informal market, which is just as important as the formal market in certain corridors.
- Because formalizing flows is also a prerequisite to formulating policies, it may help policy makers to compare the repartition between formal and informal figures, in addition to the costs of sending money home with those from other European countries, and to assess the efforts to formalize the informal flows and to cut costs.
- Increased demographic and anthropologic research on migration and remittance patterns, by generation, could yield better understanding of migrants’ specific needs (if any) involving remittances to their families or their ability to invest in their countries of origin.
- Access to existing demographic data is currently not available from the National Commission for Informatics and Liberties (Commission Nationale de l’Informatique et des Libertés, or CNIL), but the release of such data could help complete the market picture for financial intermediaries that are studying their own client bases.
- The national Send Money Web site (http://www.envoidargent.fr) could be another viable informational resource for migrants, regulators, policy makers, market operators, and organizations that support money transfers from France. It should help to address relevant migrant issues by providing information on the costs charged by the leading RSPs. Migrants’ preferences and each instrument’s features should be highlighted as well as the services migrants could access from supporting organizations. The list of operators should include
African banks’ representative offices in France (those that have an important share of the market), and semestrial notes should be provided to mention the progress toward the objective to reduce costs.

**Regulation**

The introduction of the payment establishment in the financial landscape, and especially in the remittances industry, is a major innovation that will encourage diversification and competition. Remittance benchmarks, including the level of costs, the range of institutional status for RSPs and the diversity of channels and instruments, could be undertaken in countries where African diasporas are important, such as France, Italy, Spain, and the United Kingdom. They should be analyzed now that the regulatory framework is harmonized to find a balance between flexibility and risk control. In addition, the following steps would advance the development of a reliable, safe, and competitive remittance industry:

- A dialogue among central banks in France and Africa should be held regularly to encourage the development of services in a secure environment for both RSPs and clients.
- The entry of new players should be explored, and adherence to regulations should be enforced.
- Certain MFIs (with strong enough solvability ratios, supervised by the banking committee of their respective central banks) should be able to make cash-to-account, international money transfers directly without partnering with local banks and MTOs as subagents. This will help to increase competition, reduce costs, and contribute to the expansion of the payment infrastructure as a result of their branch networks. Furthermore, it would leverage the potential for the biggest MFIs in countries with high international migration profiles to link remittances with savings, loans, or insurance products in a development perspective.
- The regulations governing telecom operators that are already offering mobile banking in the domestic market but want to offer cross-border money transfers should be clarified.
- The contracts of MTOs in Africa should be scrutinized to assess and ensure their conformity with all the legal requirements, notably the competitive issues. In particular, exclusivity clauses should be canceled to ensure a safe competitive market environment.
- Communication and, when relevant, coordination among central banks should be improved to assure French financial intermediaries
that their African peers respect prudential measures, AML-CFT procedures, and consumer protection standards.

- In Africa, the central banks’ capacity to monitor financial intermediaries (especially the biggest MFIs) and to gather harmonized data on remittances should be improved.

**Policy**

*Recommendations for the French government.* Increasing the level of information among policy makers in both France and Africa is a core issue. Working groups that include policy makers and representatives in the private sector and diaspora should be set up with a concerted agenda. Key players from France and Africa also should be brought together for peer-to-peer meetings, where lessons from success stories such as Morocco could increase policy makers’ knowledge.

The enlargement and diversification of the infrastructure for remittance collection in cash (cash being the main instrument used for remittances) are the primary means of reducing costs in France. Implementation of the following proposals would start to improve the remittance infrastructure:

- The exclusivity contract between La Banque Postale and Western Union (which is not reciprocal; Western Union has other partners in France) should be canceled so that La Banque Postale (whose capital is mainly public) can open its remittance services to other brands.
- Overall, promotion of the PEs and multibrand MTOs also should be encouraged to help to increase the points of payment, volume of transactions, and finally competition among global and regional MTOs—ultimately reducing the fixed costs and commissions that clients pay.
- Incentives should be offered to migrants’ associations to open bank accounts—for instance, through systematic, facilitated access to public resources to finance collective projects and related technical support, leveraging migrant resources.

*Recommendations for banks.* Policy makers should consider the following recommendations:

- From a banking perspective, migrant associations’ collective transfers could be better handled using electronic banking devices (at points of sale or by mobile phone) and formal agent managing identification issues, thus avoiding in-cash operations at branches or the need for informal collectors as agents for the bank.
Partnerships between banks and information technology firms providing smart card, mobile banking, or Internet-based services that would enable migrants to send money home using convenient instruments and channels going to a non-bank-agent outlet (grocery, callshop) without having to go to a bank branch with cash should be encouraged (branchless banking approach).

Banks wanting to increase their market share with migrants could be involved in financial education campaigns for migrants to promote and explain their own products.

**Recommendations for migrants and clients.** Both migrants and clients would benefit from these recommendations:

- The new PE perspective is a pragmatic tool for motivating informal providers to increase their awareness of the regulatory and fiscal environment. Training modules could be conceived thanks to focus groups of informal RSPs, emphasizing regulation and technological innovations or simply the benefit of formalizing certain activities. Training would also include information about how to create or become an agent of a PE, negotiate commission sharing with banks as a representative agent, and finance individual or collective projects at home for home town associations involved in the informal money transfer business.
- Migrants in general (especially those living in hostels) could receive financial education from formal financial institutions. “Train the trainer” sessions for migrant leaders and major informal RSPs could disseminate information and make evident the advantages of using a formal channel or being a part of one.

**Recommendations for global initiatives.** Global organizations and other stakeholders also can make important contributions toward greater formalization of the remittance market. They are well positioned to act on the following recommendations:

- Payment infrastructure development—a fundamental challenge in African countries—is necessary to increase access and reduce marginal costs. Development agencies should support private-public partnerships to address the infrastructure challenge by implementing pilot projects in specific corridors (for instance, the France-Mali [Kayes] and France-Comoros corridors) that financial intermediaries cannot fully reach.
• Financial literacy among migrants’ families should be enhanced, and access to formal financial services and technologies should be promoted.

• Innovative financing for development, including securitization of future flow receivables, diaspora bonds, and GDP-indexed bonds, should be developed and implemented (Ketkar and Ratha 2008). Addressing migrants’ basic financial needs in a competitive and secure environment is a first step toward instilling confidence among the players and achieving the economies of scale that will lay the foundation for that development.
Annex 10.1

Formal Market Sample

The sample of interviewed RSPs was extracted from the initial catalog of 60 RSPs, including a large variety of institutions, such as promising RSPs. This variety is reflected in the sample of the firms interviewed, as shown in figures 10.A.1, 10.A.2 and 10.A.3. Institutions that do not offer money transfer services and those that are not currently operational did not respond to the questionnaire. However, the firms that responded covered all identified RSP types except for some of those in the “nonfinancial” category. The sample of institutions interviewed covered 86 percent of the estimated market. This was possible because most of the market is dominated by a handful of RSPs (MTOs licensed under the bank law, La Poste, and banks) with a few major stakeholders.

Overall, this sample is considered representative because it gives a complete picture of the actual remittance market, and it also gives a good idea of how the landscape could evolve with newcomers.

Figure 10.A.1 Formal Sector RSP Categories Identified in the Catalog

Source: Author’s compilation.

Note: “other” includes e-Card issues, online payments or transfers, and online purchases.
Informal Market Sample

The questionnaire was adapted for informal RSPs so that, in addition to providing answers to the key questions of the regular questionnaire, the following issues could be addressed:

- Identification of the most current instruments used in specific corridors
- Identification of the population distribution for each type of instrument
- Assessment of the volume of transactions for each type of operator
- Understanding of the RSP business model
- Assessment of the ability to convert some (or even all) of the operations to the formal model and according to the new regulatory environment.

In addition to targeting the informal RSPs directly, the study contacted intermediaries, such as migrant representatives, entrepreneurs familiar with the informal market, and researchers who understand the dynamics of the informal RSPs. This effort was quite ambitious, but these objectives helped to structure the interviews.
**Figure 10.A.3**  Formal Sector Market Shares, by RSP Type

![Pie chart showing market shares by RSP type](chart.png)

Source: Author's calculations.

**Table 10.A.1**  Extrapolated Data

<table>
<thead>
<tr>
<th>MTOs</th>
<th>Hypothesis, one branch 1 agence =</th>
<th>€2 million per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Union (y compris travelex)</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>MoneyGram</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Ria Money Transfer</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Hope Finance</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Total agence</td>
<td>106</td>
<td></td>
</tr>
<tr>
<td><strong>Total flux (1)</strong></td>
<td><strong>€212 million</strong></td>
<td></td>
</tr>
<tr>
<td><strong>SG (2)</strong></td>
<td><strong>€6,142,352</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total (1 + 2)</strong></td>
<td><strong>€218,142,352</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey data.

*Note:* MTO = money transfer operator. SG = Société Générale.

**Acknowledgments**

Frederic Ponsot led the survey team and authored the paper. Jean-Yves Rouchy, consultant on the formal RSPs, put to use his strong
background on the French banking and remittance sectors, based on years of experience working at the Caisse Nationale des Caisses d’Epargne. M. Benoit Hazard, PhD—consultant on the informal RSPs and a researcher at the Centre National de La Recherche Scientifique and formerly at the École des Hautes Études en Sciences Sociales—provided particularly relevant insight on the informal RSP approach, especially the methodology of the questionnaire.

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### Notes

1. Among Senegalese migrants in Italy, the reverse seems to have occurred. Since the crisis, those immigrants have reduced the amounts sent home but continue to seek credit to help finance investments in Senegal, either as alternative revenue sources or to enable them to return.
2. French gross national product was expected to decrease by 3.3 percent in 2009, compared with decreases of 4.1 percent in the European Union and 4 percent in the United States.

3. The French population renewal is quasi-insured with a fertility rate of 2.0 births per woman.

4. For the purposes of this analysis, remittances are broadly defined as cross-border or within-country “person-to-person” transfers of resources (including in-kind gifts). Typically they are recurrent payments of small value by migrant workers to their families and friends in their home countries.

5. Even if there is no scientific evidence regarding the behavior of first and subsequent generations of immigrants, empirical analysis tends to demonstrate that connections with family members in their home countries are less strong for second and subsequent generations. Second and subsequent generations’ tendency to send money home depends largely on their individual experiences and usually occurs when they are advised to do so by their first-generation parents.

6. Applying a gross regularization rate of 72 percent of the total number of applicants.

7. For instance, although INSEE estimates show that 53,000 immigrants are from Mali, the Compagnie de Banques Internationales de Paris (CBIP) has 100,000 accounts for Malian citizens. According to the CBIP director, 80 percent of the bank’s Malian clients are illegal immigrants or registered with national papers (interview, RSP review, 2009).

8. The banked population rate is less than 10 percent in the Sub-Saharan African receiving countries.

9. SG’s package of financial products for migrants includes double account and €10 transfers, burial and repatriation insurance, transnational mortgages, and insurance to maintain remittances.


11. Capital is shared as follows: 49 percent for La Banque Postale and 51 percent for Western Union Financial Services Inc.

12. Notably, Travelex (14 branches) and Banque Accord (with one pilot branch in its supermarket subsidiary, Auchan). Some banks also offer Western Union in only one branch: Attijariwafabank (only for registered clients), CBIP, and Crédit Municipal de Marseille. Finally, Western Union has other partnerships with French banks’ African subsidiaries.


14. These associations also have other purposes and can participate in other initiatives from the same villages or regions.
15. Other benefits, if any, can be allocated to collective initiatives such as investment in the shop.

16. By 3 percent, in the case of an informal RSP in Mauritania.

17. In Malian associations, for example, the suitcase carrier can be paid from the gains when he sells euros to wholesalers against the CFA francs in Bamako or Kayes. Indeed, banknotes of €200 and more are overvalued by wholesalers. These gains can represent 1 percent of the amount changed.

18. The riskiest operation of the informal remittances chain is the transportation of cash from the home-country airport to the final destination.

19. To get a good picture of the market, one should perform a corridor-by-corridor analysis to account for individual peculiarities and specificities regarding the following characteristics: generations or cohorts by migration waves or cycles; levels of education, financial infrastructure, and literacy in the home country; sectors of employment and nature of contracts; and geographical areas of settlement or origin.

20. These data include Western Union transfers delivered through La Banque Postale branches plus its proprietary Mandat Express service. These remittance channels represent 45 percent of the estimated formal market.


23. TransCash cards are distributed by Raphael Bank and MFTEL in France, a leading firm specializing in selling prepaid airtime in supermarkets. TransCash is an American brand that has been particularly successful on the U.S.-Mexico corridor. MFTEL plans to sell 100,000 packs in 2010. See http://www.trans-cash.fr.


27. Tagattitude, created in 2005, is financed by Innovacom, a capital venture vehicle of France Telecom. Tagattitude won an Innovation Award in the “Consumer Application or Services” category at the World GSM de Barcelone in February 2008. It has facilitated domestic and international transfers in more than 25 countries, including South Africa (MobiCash) and Tunisia (CasyCash, which allows withdrawals from cell phones at distributors). It is currently exploring transfers to Pakistan (from the United Kingdom and the United States); to India, through a pilot with a small bank in Delhi; to Bangladesh; and to Kazakhstan. See http://www.tagattitude.fr and http://www.tagpay.fr/.

28. Orange wants to launch such a pilot in Cameroon with SG, but the CEMAC Central Bank requires a specific license. SG also plans to launch a pilot with MTN in Côte d’Ivoire called Mobile Money.
31. The Interbank Electronic Banking Group of the Economic and Monetary Union of West Africa is a regional platform promoted by the Central Bank of the States of West Africa (BCEAO) to support interoperability among banks in the West African Economic and Monetary Union (WAEMU) region using EMV norms at lower costs.
32. SEPA is an integrated retail payment market created in 2009 to enable consumers using the euro “to allow cashless payments throughout the euro area from a single account under the same basic conditions, regardless of location” (ECB 2009). SEPA comprises (a) 32 member states from the European Economic Area and the European Union (EU) in addition to Switzerland and Monaco and (b) several territories and jurisdictions considered to be part of the EU or that use the euro by agreement with the EU.
34. The European directive (Directive 2007/64/CE) was introduced in the National Regulatory Framework with the ordonnance n°2009-866 du 15 juillet 2009 relative aux conditions régissant la fourniture de services de paiement et portant création des établissements de paiement and the arrêté du 29 octobre 2009 relatif à la réglementation prudentielle des établissements de paiement («l’arrêté»), publié au JORF N°0253 du 31/10/2009, disponibles sur le site http://www.legifrance.gouv. PEs will be supervised by the central bank and agreed to by the Credit Institutions and Investment Firms Committee (Comité des Établissements de Crédit et des Entreprises d’investissement, or CECEI) under the same prudential regulations that enforce AML-CFT procedures and other reporting requirements.
35. One interviewed RSP mentioned that it needs 450,000 transactions a year, with a fixed cost of €125,000 per branch, to break even.
36. For Caisse d’Epargne, international transfers are handled by GCE Payment, which is part of the Caisse d’Epargne Group. GCE Payment has agreed to make some retreatments by country for the study on the major corridors covered.
37. Western Union’s transfer prices are higher in Poste Finance branches. Western Union has also the lowest offer (48-hour delay if the transaction is done over the Internet). Interestingly, commissions are lowest in the Moroccan and Senegalese corridors (December 2009), where competition is higher.
38. At Attijariwafa Bank in Morocco, loading the card costs €2.00, withdrawals cost €0.60, and annual fees are €4.00. Float is a significant source of revenue (interview with Attijariwafa Bank, June 30, 2009).
39. The average transfer amount for the only MTO that volunteered this information is €280. It is €180 for reloading operations with Flouss.com. The
AfDB study and other studies mention an average transfer of around €150 per transaction (among all instruments).

40. This channel is preferred for savings and for collective transfers, notably wholesalers’ payments for food purchases (interviews with CBIP and its partners).

41. For informal RSPs covering the Mauritanian corridor, exchange fees are around 3 percent.

42. Cases of fraud have been associated with false driver’s licenses in Côte d’Ivoire.

43. The COMOFI (Code Monétaire et Financier) does not require an official paper delivered by an administrative official (but an official paper with a picture from the French administration or another official administration). Because many illegal migrants use papers of others or false papers, banks do not consider foreign papers as reliable enough to identify the client.

44. The person must be introduced by a client well-known to the informal RSP, and the funds must not exceed the imposed limit.

References


