MIGRANT REMITTANCES
A DEVELOPMENT CHALLENGE

Comoros
Morocco
Senegal
Mali

African Development Bank

African Development Bank
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This report presents the major outcomes and conclusions of the study conducted by the African Development Bank on migrant remittances in 2007, at the request of France's Inter-ministerial Committee for International Cooperation and Development.

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Ideas and views expressed in this document do not necessarily reflect the position of the African Development Bank or that of other institutions associated with the conduct of this study.

Acknowledgments
### Abbreviations

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<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>AFD</td>
<td>Agence Française de Développement</td>
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<tr>
<td>BCEAO</td>
<td>Banque Centrale des États de l’Afrique de l’Ouest</td>
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<tr>
<td>CCI</td>
<td>Chamber of Commerce and Industry</td>
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<tr>
<td>CEEAC</td>
<td>Communauté Économique des États de l’Afrique Centrale</td>
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<tr>
<td>CFSI</td>
<td>Comité Français pour la Solidarité Internationale</td>
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<tr>
<td>CIDR</td>
<td>Centre for International Research and Development</td>
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<td>CSA</td>
<td>Center for Study Abroad</td>
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<td>EUR</td>
<td>Euros</td>
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<td>FATF</td>
<td>Financial Action Task Force</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GRDR</td>
<td>Research Group and Achievements for Rural Development</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<tr>
<td>ICT</td>
<td>Information Communications Technology</td>
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<tr>
<td>INSEE</td>
<td>Institut National de la Statistique et des Études Économiques</td>
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<tr>
<td>M-banking</td>
<td>Mobile Banking</td>
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<tr>
<td>MTC</td>
<td>Money Transfer Company</td>
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<td>MFI</td>
<td>Microfinance Institution</td>
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<td>NGO</td>
<td>Non-Government Organization</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>SMEs</td>
<td>Small and Medium Sized Enterprises</td>
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<td>WAEMU</td>
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Introduction

The African Development Bank (AfDB) gives high priority to promoting remittances by migrant workers, in view of its impact on poverty alleviation in countries of origin. Indeed, several studies conclude that migrant remittances play an increasing role in the economies of high-migration countries. However, despite their importance, several gray areas persist regarding the market structure and the utilization of these resources.

The purpose of the study conducted by the African Development Bank is to take stock of the overall financial flows from the Diaspora. It seeks to identify the mechanisms governing the remittances market, the supply and demand determinants, the volume of the flows, as well as the formal and informal channels that exist, their distribution and utilization. It puts into perspective the strategies employed by various actors involved – the migrants, beneficiary households, and other financial operators. The study focuses on 4 target countries, namely Morocco, Senegal, Mali, and the Comoros. These countries present sharply contrasting economic and sociological characteristics, while sharing strong historic links with the same developed country – France.

The methodology followed is based on (i) a series of questionnaire surveys completed by transfer beneficiaries in countries of origin and by migrants living in France, and (ii) interviews with transfer bodies and agencies that control financial flows. In total, more than 2,000 households were interviewed in the course of the study.

The study highlights the social, economic and financial importance of migrant remittances in recipient countries, which represent on average between 9 and 24% of GDP, i.e. between 80 and 750% of the official development assistance (ODA) received by such countries.

The study underscores considerable differences in the volume of remittances via informal channels, which represent between 25 and 80%, depending on the country. Migrant behavior is mostly determined by the diversity of services on offer, ranging from formal banks and money transfer companies (MTCs) on the one hand, to individual couriers, on the other. Prices and behavior specific to each region are only secondary decision factors. Indeed, the more competitive the market, and the denser the agency network, the more remittances tend to take the formal channel.

Money transfer companies were set up in Africa in the late 1990s and soon came to absorb the bulk of informal flows, thereby meeting the needs of the largely underbanked beneficiaries. This market segment is dominated by two major players (Western Union and MoneyGram), which between them control 85-100% of the total formal transfer volume. These two players have successfully negotiated mutual arrangements with banking agencies, post offices, and microfinance institutions, thereby affording them access to a vast network of collection and distribution agencies. At the same time, this has helped to shore up the high profit margins shared by the various stakeholders. MTCs are largely characterized by the high cost of their money transfers (average 5-20% commission charge).
The formal channel for remittances is represented by banks, which tend to be more competitive in terms of tariffs. However, the major constraint to the growth of the formal channel is the under-banking of the beneficiaries. This is mainly due to the fact that the income level for 75-80% of beneficiary households in the 4 target countries is close to the poverty threshold. The study confirms the strong correlation between migration-transfer volume and the economic fragility of beneficiary families. Whereas the percentage of bank account holders among beneficiaries is low, the level among migrants is comparable to the average in the host country (France). However, the savings capacity of the migrant population falls below the average in the host country. This reflects the lower income level of migrants in general, as well as the volume and frequency of remittances to countries of origin.

Remittances can be classified under two main categories: (i) individual savings or investments in a productive activity or real estate; (ii) funds destined for the household consumption of the beneficiaries, especially food, health, education, and expenses related to religious or community ceremonies (“emergency assistance”). The second category of assistance covers 60-85% of beneficiary households. However, remittances earmarked for real estate investment (individual or family) and to a lesser extent productive investments, are considerable in all countries studied, accounting for 25-60% of transfers. Furthermore, the study highlights the strong correlation between the migrant’s level of qualifications and the utilization of funds transferred. Migrants who hold low-skilled or unskilled jobs (75%) transfer 10-15% of their income (i.e. EUR 100-160 per month per migrant) as consumption support to beneficiary households; whereas better qualified or higher-paid migrants allocate most of their remittances to longer-term investment in their countries of origin. The second factor involves migrants’ age and the utilization of the transferred funds. The portion of migrant funds earmarked for real estate and the productive sector increases over 40 years of age.

It is worth highlighting the role of investment in the real estate sector in the country of origin. This is a very attractive market segment for the banking sector in terms of volume. Its development will, in the short and medium term, help to drive down the cost of remittances. Simultaneously, it will encourage banks to expand their collection and distribution networks, thus resulting in more of the beneficiary population opening bank accounts (or, to put it another way, increasing the bankarization of beneficiaries). However, such investments could force up real estate prices and exacerbate the already high demand for land in major urban centers such as Casablanca, Dakar, and Bamako. Another risk is that the rising cost of land could lead to the

1Bankarization1 in the context of this report refers to take-up by beneficiaries of banking services, such as holding a current account.
exclusion of certain poorer segments of the local population from the housing market. Lastly, it could lead to an increase in the cost of construction materials, creating a snowball effect on both the local and national economy. The issue of remittances and resources mobilization can be approached from three angles. The Anglophone approach favors the free flow of services. It seeks to encourage competition, to introduce flexible regulations, to widely disseminate information on the transfer services available, and to diversify rapid transfer systems (especially via technological innovations). The Hispanic approach – prevalent in Latin America and adopted by Morocco – favors the migrant bankarization strategy geared toward capturing savings resources. Migrants are offered a vast array of banking products tailored to their needs; thus, remittances become a very low-cost, key value item. This approach is spreading, thanks to an ongoing collaboration between Moroccan banks and their counterparts in other African countries. Lastly, the Francophone approach strives to channel migrant resources toward community investments in health and education infrastructure, or productive projects that fall within the co-development program framework.

This study recommends a tripartite integrated approach:

- Putting in place conditions for enhanced competition among fund transfer operators. This should result in a wider range of services, reduced transfer costs, and lead to a gradual absorption of the informal sector.

Actions to promote this would consist in:

- Informing the potential customer about the diversity of services on offer (in line with AFD initiative);
- Sensitizing financial operators on the market potential;
- Softening transfer regulations at both ends of the chain (France and the destination countries); and
- Supporting the launch of innovatory products.

- Supporting migrants’ efforts to cover the health and education needs of their families in countries of origin. This could take the form of cofinancing and technical support, making health and education the priority sectors for ODA. This would ease pressure on migrants, and would increase their savings and investment capacity.

- Promoting savings and investment among the migrant population resident in France by:
  - Providing banking services geared to the real estate sector (targeting all migrants over 35 years of age);
- Financial and non-financial support mechanisms for sponsors of micro, small and medium sized enterprises (MSMEs) (targeting skilled migrants over 35 years of age).

In this integrated strategy, the approach selected would depend on the target country and locality. It should help to cut the cost of remittances, reduce the use of informal channels, and enhance the value of migrant savings.
1. General Profile of the Four Corridors

Country selection for the study was based on: (i) the high level of overall migratory flows; (ii) the relative importance of the targeted corridor vis-à-vis France, allowing for comparisons based on the same historic host country; and (iii) the representativeness of their specific model for remittances:

Morocco: A Mediterranean country with one of the highest levels of migrant remittances in the world. Morocco has an efficient banking system with good national coverage, together with a longstanding banka- rization policy. The banking sector qualifies this country as a mature and highly competitive market. Furthermore, it lent itself perfectly to the standardization of the questionnaire and the fine-tuning of the methodology due to the precision of available information.

Senegal: A West African country characterized by longstanding migratory flows, a highly developed trade network, and a very high growth rate for informal money transfers. It represents a significant Diaspora present in several countries. The banking sector qualifies Senegal as an emerging market.

Mali: Senegal’s neighbor, albeit landlocked and poorer. Its Diaspora is more concentrated and migration is mostly of rural origin. Informal transfer systems are highly developed and well organized. The banking sector qualifies this market as slightly competitive.

The Comoros: A high-migration Indian Ocean country, the economy of the Comoros is heavily supported by migrant remittances. However, the country suffers from very limited a banking service which qualifies this country as an oligopolistic market, due to the limited number of financial actors.

These 4 contrasting case studies shed light on the range of fund transfer behaviors of the Diaspora. They are also assisting when making comparisons for analysis. The following table summarizes the key data on the transfer profile per country concerned.
Several conclusions can be drawn from the table above:

- The overall volumes are not directly comparable due to the heterogeneity of the countries in terms of size and economic development. The larger the market, the more diversified and efficient the supply of transfer services. Conversely, the narrower the market, the more monopolistic the supply situation. A simple illustration is to compare Morocco with the Comoros in terms of GDP and transfer volume. Morocco has 25 commercial banks and 5 major MTCs, whereas the Comoros has only one commercial bank and one MTC, which enjoy a quasi-monopoly.

- Each of the 4 target countries recorded significant remittances from the Diaspora (ranging from 9-24% of GDP). Indirectly, this makes migrants the foremost fund providers to these countries.

- The overall volume of remittances is equivalent to or above ODA levels. However, this is a relative comparison since most remittances are sent directly to families for subsistence, health, and education. The proportion actually invested or saved in the country of origin remains low.

- Remittance methods differ from country to country. Remittances to Mali and the Comoros are mostly informal and based on social and solidarity networks, whereas such methods are in net decline in Morocco and Senegal to the profit of banks and MTCs, respectively. This reflects not only the service delivery performance of the 4 countries, but also the economic development of the countries concerned.

- Migrant remittances average EUR 100-160 per month, with very little variation (10-15% of migrant income).

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<table>
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<tr>
<th>Comparative Synthesis</th>
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<th>Senegal</th>
<th>Mali</th>
<th>Comoros</th>
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<tr>
<td>GDP</td>
<td>43,083,000,000</td>
<td>6,635,000,000</td>
<td>4,082,000,000</td>
<td>307,000,000</td>
</tr>
<tr>
<td>Official Development Assistance</td>
<td>543,333,333</td>
<td>574,166,667</td>
<td>575,833,333</td>
<td>20,833,333</td>
</tr>
<tr>
<td>Total transfers (2005)</td>
<td>4,074,000,000</td>
<td>1,254,000,000</td>
<td>456,000,000</td>
<td>72,000,000</td>
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<tr>
<td>Including the France Corridor</td>
<td>1,507,000,000</td>
<td>449,000,000</td>
<td>295,000,000</td>
<td>70,000,000</td>
</tr>
<tr>
<td>GDP %</td>
<td>9</td>
<td>19 %</td>
<td>11</td>
<td>24 %</td>
</tr>
<tr>
<td>% of official development assistance</td>
<td>750</td>
<td>218 %</td>
<td>79</td>
<td>346 %</td>
</tr>
<tr>
<td>% of informal transfer</td>
<td>27 %</td>
<td>46 %</td>
<td>73</td>
<td>82 %</td>
</tr>
<tr>
<td>Average received yearly/household</td>
<td>2,470</td>
<td>2,925</td>
<td>7,700</td>
<td>2,460</td>
</tr>
<tr>
<td>Annual frequency</td>
<td>8</td>
<td>10</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Number of remitters/household</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Average amount per transfer</td>
<td>309</td>
<td>293</td>
<td>1,283</td>
<td>351</td>
</tr>
<tr>
<td>Average monthly remittance/migrant</td>
<td>103</td>
<td>122</td>
<td>160</td>
<td>103</td>
</tr>
<tr>
<td>Number of children/household</td>
<td>5</td>
<td>5</td>
<td>9</td>
<td>4</td>
</tr>
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</table>

*Source: Data for 2005

Data provided by central banks and the banking sector are for 2005.
Most senders of funds belong to the first generation of migrants (80%), but there has been a renewal of generations in older corridors (e.g. France), and this trend is manifesting in the newer corridors too (see below).

Figure 1.1 Remittance Volumes Received by Country

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Methodological note: With respect to monitoring migrant-originated funds, we noted a sharp contrast from one country to another:
- In Morocco and the Comoros, the statistical data give details of the share of bank or postal transfers per MTC, plus an informal estimate based on banknotes changed. Morocco conducts an annual review of the ratio of banknotes changed (tourism/migrants), thanks to INSEE investigative follow-up. The Comoros Central Bank intends to introduce a statistical mechanism to correct the ratio that it mechanically applies every year.
- In Senegal and Mali, available data are mostly based on formal flows (MTCs and banks). Informal flows are clearly larger but difficult to evaluate. It should be noted that in Senegal, the BCEAO only takes into consideration flows through MTCS as official migrant transfers.
To quantify the overall volumes, we evaluated the market share of each transfer method based on surveys and extrapolated the ratios obtained to the known market share in terms of volume (MTC – Bank – the Post Office) as provided by the Central Bank (see market distribution chart).
New corridors

Information was gathered from (i) consulates and ministries in charge of migration, (ii) central and commercial banks with respect to transfer flows, and (iii) survey data. Although immigration routes have extended outside the historic and linguistic linkages to France, especially to Spain, Italy, and the United States, the French corridor remains the principal one for all 4 target countries. This trend toward newer corridors is very noticeable in Senegal and Morocco, but less so in Mali and the Comoros. It is also worth noting that the diversification of destinations is accompanied by broader emigration zones (e.g. the case of Casamance in Senegal, which has become a hub of emigration).

Moroccan and Senegalese corridors vary considerably in terms of the origin of funds, while the Malian and Comorian corridors each concentrate on 3 major fund sources (see Figures 1.3-1.6).

However, notwithstanding the increasing importance of the new corridors, the share in absolute terms of remittances from France has not declined. The renewal of generations (three generations in the French corridor) has guaranteed growth, albeit slow. Data from the central banks show sustained growth in the gross volume of remittances from the 3 new corridors, especially for Senegal and Morocco. A similar trend is emerging in the Mali–Spain corridor. This phenomenon of a growing number of first-generation migrants in new corridors largely explains the 15% annual transfer growth rates recorded.

\footnote{In Morocco, statistics on all transfers show a steady drop on the France-Morocco corridor (15% in 5 years). In Senegal, statistics on MTCs only (a less precise indicator) highlight a 10% decline in transfers from the France-Senegal corridor over 5 years. Italy has been ahead of France in MTC volume for 2 years now.}
Figures 1.3 Breakdown of Remittances via the Moroccan Corridor
Figures 1.4 Breakdown of Remittances via the Senegalese Corridor
The size of beneficiary households is much larger in Mali (9 children compared to 4-5 for other countries studied), especially in rural areas. This has direct consequences on the use of funds – reducing individual share and strongly limiting the capacity to save or make investments. To compensate for this, the number of migrants sending remittances is twice as high per family, as are the sums received per year.
Figures 1.6 Breakdown of Remittances via the Comorian Corridor
1.1 Profile of Migrants sending remittances

1.1.1 Geographical Distribution

Figure 1.7 shows the residential concentration of different nationalities of migrants along the French corridor. This information is mostly of interest to transfer operators and banks in terms of developing their agency networks. It would also help to better target the countries of origin with a view to promote a solidarly-based development.

Residential patterns differ according to country of origin: wide regional distribution for Morocco (requiring a higher number of collection agencies) compared to a very high concentration of Mali migrants in the Paris region. However, it is difficult to reach a precise estimate of the migrant stock, given the inaccuracy of official statistics on migrants. Indeed, there are no statistics on ethnicity (classified as illegal in France) and INSEE official statistics only consider as migrants persons born abroad and long-term legal residents in France, thus excluding persons with dual nationality, second-generation, and illegal migrants. Furthermore, estimates provided by the consulates of countries of origin only take into account persons who have voluntarily registered.

Figure 1.7: Subregional Concentration of Migrants on the French Corridor

6 Students are not included in the calculations, even though a CSA study states that this is the fastest-growing population, having increased by 70% in 15 years. According to the study, African origin students account for 5-6% of the total student population in France, with the overall number in excess of 25,000.
1.1.2 Bankarization of Migrants in France

Overall, the banking attitude of migrants differs little from that of the host population. Differences noted, especially vis-à-vis financial and savings products, are mostly due to the average lower incomes of migrants. In fact, utilization of the formal banking system for sending remittances seems to be more closely linked to the banking attitude and bankarization rate of the beneficiaries. At the same time, migrants show a high propensity to use the banking services in their host countries – which are more attractive in terms of cost and security than those in their countries of origin. Thus, in order to achieve a specific co-development objective such as promotion of the housing sector (see Annex 1), financial products to be developed in countries of origin need to be at least as attractive as investment products in the host countries.

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1.1.3 Demographic Profile of Migrants

Among the set of demographic variables explaining differences in attitude and behavior, two – age and socio-professional status – stand out clearly. They are strongly correlated to the levels of remittances and modalities for their use.

Age

The series of graphs below show the impact of the first variable – age of the migrant – on the volume of remittances received per household in the country of origin.
The graphs show that the amounts transferred are relatively stable for the 25-40 age cohort, but increase over the age of 40 (median ranging from 39-45 years, depending on the country). This is attributable to two factors: (i) rising income over time, (ii) migrants’ tendency to invest in real estate in their countries of origin once over the age of 40. However, this age-related increase is less striking for Morocco than for the other 3 countries.

**Socio-Professional Status**

The survey underscores a correlation between socio-professional status and the amount of remittances. The higher the migrant’s status, the larger the remittance amount in relative terms, although there is a fall in absolute terms and regularity. Migrants from higher socio-professional categories are more concerned with their individual well-being and are less responsive to social pressures from relatives in their countries of origin. Moreover, they invest more in real estate and the productive sector, which makes them the segment with the highest savings capacity. However, as figure 1.13 shows, professionals and persons in the liberal professions who remit funds account for only 15% of the total. Three-quarters of migrants remitting funds occupy low-skilled and insecure jobs.

**Figure 1.13 Socio-professional status of Migrants Remitting Funds**

*Liberal professions* describe those occupations requiring specialist training, such as lawyers, engineers, architects, accountants, and doctors.
1.1.4 Investment projects supported by migrants

Figure 1.15 shows the level of ongoing or future projects supported by migrants. Of the total migrant sample, 30% reported having an ongoing investment project in their country of origin (a productive or commercial unit, or real estate for rent or sale). On average, amounts remitted by this category are far higher than the individual average sent as emergency or food assistance. However, the majority of migrant remittances are in response to emergency or subsistence needs in beneficiary countries.

A noteworthy finding of the survey is the differing rate of formal remittances among the target countries. In Morocco, just 40% of remittances are through informal channels, but this rises to 70-80% of total volumes for the other 3 countries.

It is also worth noting the strong potential demand for specialized products and services (additional insurance, body repatriation, real estate loans, etc.). The results of the survey suggest these as key value items, which could increase the transfer of funds via banks.

It is important to appreciate the broader function of remittances. Not only do they serve as a source of income for beneficiary households, but they also serve a social function, cementing links with relatives over time and fostering social cohesion.
On the whole, beneficiaries tend to control the utilization of remittances, without interference from migrants. In 80% of cases surveyed, beneficiary households were living on the poverty threshold (less than Euro 1 per day per person, excluding transfers). Therefore, the volume of remittances and the proportion allocated to food and health (emergency subsistence) are highly indicative of the social fragility and poverty that exist within the emigration basins. However, remittances sent as emergency assistance reduce the amount of investment and savings capacity of the migrants.

1.2 Profile of the beneficiaries

The average monthly income of beneficiary households is similar in the 4 target countries and quite homogeneous in terms of the overall population, despite the diverse characteristics of each country. The contribution of remittances to beneficiary household budgets (averaging 50-75%) raises broader issues relating to the degree of dependence on the Diaspora. Indeed, the survival of whole segments of the population, perhaps entire geographic regions (e.g. Kayes region in Mali and Ngazidja in the Comoros) is highly dependent on migrant assistance. The beneficiary populations have structured their social reproduction around these transfers. Remittances have become a de facto substitute for the almost non-existent or largely non-operational social welfare. For that reason, points of view from the Diaspora are increasingly taken into account by the decision-makers in these countries. Furthermore, remittances directly impact the poorest segments of the population, and are channeled primarily into meeting basic subsistence and social needs.
Figure 1.16 Socioeconomic Profile of Beneficiaries
Figure 1.16 reveals a relatively homogeneous beneficiary profile. In all 4 target countries, 75% of beneficiary households belong to socially underprivileged categories, characterized by low family income (approx. EUR 240 per month), the vast majority without a bank account. The socio-professional category of the beneficiaries appears to have no impact whatsoever on the utilization of the remittances.

Two factors are worth mentioning: the status of retirees, on the one hand, who receive higher remittances (which correspond to their pension); and the fact that retiree transfers are often through formal channels (banks or the post office).

Lastly, Mali’s singularity should be highlighted in the higher level of beneficiaries occupying insecure agricultural jobs. Their income is limited and largely contingent on crop cycles and climatic conditions. For these beneficiaries, remittances are an essential factor for securing their subsistence.

1.2.1 Bankarization/Savings Attitude of Beneficiaries

As shown in Figure 1.17, the beneficiary bankarization rates fall largely below the savings rates. The exception is the Comoros, where the similarity of levels is attributable to the high level of informal remittances and an even higher volume of remittances. It should also be noted that in Mali, the savings of the vast majority of the rural-based beneficiaries take the form of livestock acquisition – hence the gap between the bankarization rate and the savings rate.

Figure 1.17 Bankarization and Savings Rates of Beneficiaries
2. Transfer Operators

The formal remittances market has recorded a 15% annual increase in recent times. This trend is largely due to the surge in MTCs, whose growth ranges between 35-70% per annum.

Figure 2.1 Remittances Market Breakdown by Mode of Transfer
2.1 Formal transfer Operators

2.1.1 Money Transfer Companies (MTCs)

Emerging in Africa in the mid-1990s, MTC operators have benefited the most from the growth in formal remittances in the last decade. The MTCs have responded to the growing market by tailoring their services to the needs of immigrants, with the emphasis on rapidity and security, within a context of low bankarization. In many countries, MTCs have gradually absorbed other more informal modes of transfer (such as sending money home via a courier). However, the quality of this service comes at a high price due to the monopolistic position of these agents.

The market coverage rate by MTCs varies considerably, 100% in Senegal with a dense, diversified and competitive network; 75% in Morocco where the MTCs compete with banks; and just 29% in Mali where MTC operations are more recent and the vast territory seems to complicate the extension of their networks.

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9 Mali is particularly conducive to the development of MTC micro-initiatives on a few regional corridors, provided the cost is controlled or the system resorts to transfers by mobile telephone based on the M-Pesa model in Kenya (see article in Annex 4).
Figure 2.2 Breakdown of the MTC Market \(^{(10)}\)

\(^{(10)}\) Based on percentage of families using MTCs at least once per annum.
The MTC market is dominated by the historic leader, Western Union, which commands 65-100% of market share, depending on the corridor. However, other operators are gaining ground, especially MoneyGram (5-25% market share), as well as others specializing in niche markets, for instance inter-African remittances or remittances with Arab countries (e.g. Money Express).

The quality of service provided by these companies is generally appreciated by users who see it either as the principal mode of transfer (where beneficiaries do not have a bank account) or as a back-up for another formal or informal mechanism. However, the high cost of the service limits its growth. As experience shows, only policies promoting a play of competition at both ends of the corridor can help to significantly reduce costs and engender the gradual absorption of informal remittances by MTCs.

In the Anglophone corridors, especially that of the UK, the number of specialized transfer companies has grown tenfold, thanks to a simplification in licensing laws. This has created a wide range of products, and has led to a dedicated website (www.sendmoneyhome.org) to inform migrants about available transfer options (some 50 on the major corridors, about 1,000 in all, compared to fewer than 10 in France). Such a website in France would have less impact due to less competitive price margins.

The Italy–Senegal corridor offers another example. The simplification of the licensing laws in Italy has also encouraged competition. On this corridor, tariffs charged by MTCs are half those charged in France, resulting in 30% greater take-up, to the detriment of the informal channels. The challenge in France relates more to networking than pricing. Western Union, maintains a de facto monopoly over the French corridor through its partnership with Banque Postale (who operate 6,000 collection points between them). Therefore, to reduce costs, measures that favor competition need to be introduced, especially in specific zones where migrants are concentrated (see Figure 1.7).

2.1.2 The Banks

Of all 4 countries, Morocco records the largest take-up of the banking system for migrant remittances. Thanks to the traditional role of Banques Populaires (People’s Banks), the banking sector in Morocco has long catered for the needs of the Diaspora. Currently, out of some 20 banks, 4 (all Moroccan) share 85% of the migrant market. The key reason for their success is their representation in the major host countries, which other African banks lack (although there is indirect representation in some French banks in the case of Mali). Foreign banks (especially those in the migrants’ host countries) tend to employ a different strategy, which consists in setting up “specialized” agencies in some countries, depending on the origin and areas of concentration of the Diaspora. The second reason for the success of Moroccan banks is the diversity of services offered to migrants, which goes beyond money transfer and includes insurance, real estate, investment, etc.

11 Competition from other emerging corridors, especially England, is higher.
In respect of Mali and Senegal, there are a number of reasons for the low utilization of banks when sending money: (i) low bankarization on the part of beneficiaries, (ii) the poor quality of services, and (iii) the cost of the service. A major constraint is the quality of the banking services; often the network is inadequate, particularly for those living in rural areas; there is generally a long delay (1-3 weeks) for the transfer to be made; the waiting time at the agencies is considerable; and unexpected and arbitrary commissions are sometimes deducted.

Surveys indicate that the use of bank transfers is quite similar in the 3 major European corridors studied (France, Italy, and Spain). They also reveal a major network of alliances between various European banks to manage remittances. Furthermore, the innovative marketing offensive launched by the Attijariwafa-Santander Group (no commission, package of services offered, large representation network in Europe) is too recent (January to April 2007) to have produced measurable results. The strategy will likely pay off (according to feedback received from most respondents) by not only capturing migrant transfer flows, but above all, by securing their medium- and long-term deposits.

2.1.3 Microfinance Institutions

Senegal has a very low bankarization rate (5% national average). The MTC market is quite robust and the large MFIs play a specialist role by acting as intermediaries between the MTCs and the beneficiaries. Their involvement at the end of the payment chain accounts for 8% of the total MTC market. They contribute to the densification of the distribution network, thus increasing competition for money transfer services in the informal sector. Through MFIs, the beneficiary bankarization rate could rise, even though their intervention will have little impact on the cost of remittances.

Mali and the Comoros present another opportunity for MFIs. In these countries, the utilization of informal channels is still very high, banking competition is nonexistent, MTC coverage is relatively low, and the emigration basins are more condensed. Here MFIs have an exploitable potential, especially if they move closer to transfer platforms (Visa, MasterCard, etc.) and embark on the use of ICT (m-banking).

In order to reduce costs, some MFIs plan to develop their own rapid transfer platform by sidestepping an operator in the payment chain (an example is being developed between the Kayes region in Mali and the Paris region). However, there is a very high risk that MTCs may try to protect their market share and the de facto monopolies by lowering their charges, embarking on a media blitz, and signing exclusivity contracts. As was the case in the Philippines, it is probable that MTCs will not hesitate to
reduce their profit margins for some time to nip an emerging competitor in the bud.

2.1.4 The Postal Network

The conventional postal network (excluding Western Union) commands 8-15% of the market share in Senegal and Morocco. Postal orders are being used less frequently and mostly by older migrants and retirees. However, out of habit, some migrant families remain attached to this mode of transfer. In the other 2 countries, the postal order has lost all credibility due to past problems of liquidity, which led to payment defaults. Its market share in Mali and the Comoros is practically zero.

Electronic Postal Order: This new product which falls between the postal order and rapid transfer seems well adapted to the demands of the customer, since it combines moderate cost (close to that of informal channels) with a measure of rapidity (12 hours). It draws inspiration from the second semi-rapid product that Western Union already proposes on certain corridors (especially departing Great Britain). The Post Office Bank (Banque Postale) launched the product in March 2007, so it is too early to measure its impact. However, this product is not available in countries where the postal department is in dispute or does not have an agreement with the Banque Postale (viz. Mali and Comoros).
Informal Operators

Choice Determinants for Informal Channels

The use of informal channels presents a relatively high risk and so they tend to be used in the absence of more efficient formal solutions.

It is worth noting that the vast majority (90%) of beneficiaries are unaware of the cost of remittances. Such costs are solely the burden of migrants, who often have to meet the demand for urgency and rapidity. Most of the migrants themselves (70%) are unaware of the various costs. Hence, cost is not the principal factor in the choice of the mode of transfer.

There are two broad factors that determine whether a migrant opts for an informal or formal remittance channel. The first relates to the specificities of the beneficiary country (economics, history, policies, etc.); the second to the performance of the banking system and available products. The analysis below looks at the various criteria affecting choice, ranged according to importance.

- Exchange Rate Differential

This automatically generates extra cost to the beneficiary. Indeed, the wider the exchange gap between the parallel and the official markets, the more transfers opt for informal channels. That is the case with regard to Euro/Dirham transfer corridors (Europe–Morocco) where +/-10% gaps were recorded. The same situation also exists between the United States and the CFA Zone but not within the CFA Zone.

Table 2.1 Comparison of the Principal Non-banking Money Transfer Systems for EUR 300 Departing France

<table>
<thead>
<tr>
<th>Mode of Transfer</th>
<th>Cost</th>
<th>Duration</th>
<th>Identification/Access Requisites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Union*</td>
<td>29.00 €</td>
<td>10 min</td>
<td>Migrant with an ID</td>
</tr>
<tr>
<td>Money Gram</td>
<td>23.00 €</td>
<td>10 min</td>
<td>Migrant with an ID</td>
</tr>
<tr>
<td>I bank transfer**</td>
<td>10.00 €</td>
<td>2 days</td>
<td>Migrant and beneficiary with bank account</td>
</tr>
<tr>
<td>I cash transfer**</td>
<td>20.00 €</td>
<td>3 days</td>
<td>Migrant with bank account</td>
</tr>
<tr>
<td>Ordinary postal order</td>
<td>10.60 €</td>
<td>3 à 5 days</td>
<td>Migrant with an ID</td>
</tr>
<tr>
<td>Express postal order</td>
<td>16.70 €</td>
<td>12 hours</td>
<td>Migrant with an ID</td>
</tr>
</tbody>
</table>

* Recent inform indicate a slight reduction in the transfer costs.

* Société Générale m-banking
This issue also raises regional integration issues (e.g. between Senegal and the two Guineas). For instance, the Guinea Diaspora transits a proportion of its remittances through Senegal for conversion into CFA Francs and subsequent exchange on the parallel market in either of the two Guineas. This distorts the preparation of balance of payments and the reliability of statistical data.

- **Rapidity of Service/ Collection Times**

Most remittances (around 80%) are made in response to emergency needs of beneficiary households, to cover food etc., or because of an exceptional situation (illness, ceremonies, etc.). Thus, one of the principal factors in the choice of transfer operator is the speed of the transfer to respond to the emergency. The whole rapid transfer system is contingent on this, with quasi-instantaneity of remittance and reception operations. A timeframe above 24 hours is generally unacceptable for this type of transfer.

The higher the amount (>EUR 500), the greater the tendency to use more traditional banking transfers (especially SWIFT) or the informal circuit. Although there is a lesser degree of urgency in such cases, the period must be well within 7 days. In practice, many banks cannot accommodate this timeframe, which encourages recourse to informal channels.

Connected to the rapidity criterion, beneficiaries strongly complain about the waiting time at agencies. This can act as a disincentive when clients may lose a whole half-day as in Mali, Comoros, or Senegal.

- **Accessibility of Agencies/ Coverage**

The density of distribution points within the money transfer network contributes to strengthening the operator’s market share. However, this also contributes to a potential increase in the operating cost, since it multiplies the intermediaries to be remunerated, especially where MFIs are at the end of the payment chain (e.g. in Senegal). The key operators specializing in rapid transfers make that strategy the core of their development and keep 50% of the margin.

The poor coverage of agencies largely explains the high usage of informal channels in Mali and the Comoros. However, the gap is being rapidly addressed in all countries, thanks to alliances between money transfer companies, banks, and microfinance networks. Furthermore, MTCs tend to have their own independent distribution points (e.g. Senegal), to further densify the network.

The number of remittance deposit points in host countries is another factor. It is worth noting the de facto monopoly held by Western Union and Banque Postale in France (6,000 collection points between them), which leaves very little room for other operators.

A key measure that beneficiary countries could take would be to end the monopoly of MTCs by reducing or prohibiting exclusivity clauses which partner banks and MFIs...
have to sign. This would free up competition and have a snowball effect on prices and the quality of services.

- **The Cost**

Remittances average EUR 250-300 per rapid transfer operation – which appears to be the most profitable market segment for MTCs. Below that amount, migrants prefer less expensive informal circuits (8-10% on average for rapid transfer systems, with a proportionately higher cost for smaller amounts, up to 20%). A reduction in the transaction cost would bring this market share to formal channels, similar to what Western Union achieved on the Italy–Senegal corridor. Here, a 50% reduction in cost resulted in a sharp increase (+30%) in the use of the formal channel.

- **Security**

Although an important factor, the risk of loss is relatively low, with the various well-oiled circuits operating successfully over the years (see "Principal Modes" below). Of course, formal rapid or banking channels offer the best security. Moreover, in areas (especially major urban centers) partly spared from social pressure, the tendency would be to use the MTCs.

- **Low Bankarization Rate**

The low bankarization rate (5-40%, depending on location) among beneficiaries, attributable to accessibility, cost and low income, is another criterion that favors informal channels. However, bankarization has increased significantly in recent years, thanks to the microfinance networks, some of which have reached a size similar to banks (e.g. Crédit Mutuel of Senegal).

There is a very clear trend by the major MFI networks to position themselves in the transfer market, maximizing their extensive networks and broad geographic coverage. However, legislation in Senegal only authorizes them to subcontract these operations to commercial banks, which also subcontract operations from the MTCs. Since the relationship between multinational companies (limited company and commercial banks) and the MFIs is a highly unequal one, MFIs in Senegal can obtain only a very marginal profit from operations based on this model. In contrast, MFIs in Mali and the Comoros can establish direct relations with MTC operators and so derive greater profit.

- **Proportion of Unregistered/Illegal Foreign Workers**

Our estimates suggest the the number of unregistered/illegal foreign workers is probably quite high (30%) for certain corridors (Senegal and Mali). Our finding is based on the number of bank accounts held by these communities (more than 100,000 for each of the two countries), compared to the number of officially registered residents and the estimated volume of remittances.

Certainly, one of the reasons for the spectacular growth of Spain as a major transfer corridor is due to the recent raft

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12 This data should be kept in perspective, given the number of non-resident accounts opened in French banks.
of migrant "regularizations * undertaken in recent times. The size of the unregistered/illegal foreign population is difficult to assess and represents the most significant source of bias in a study seeking to quantify volumes. It renders the compilation of a reliable predetermined sample difficult and increases the complexity (due to the high rate of non-response from migrants). Hence, we reasoned more in terms of financial flow and the utilization ratio of various modes of transfer rather than number of migrant population.

2.2.2 Principal Modes of Informal Remittances

After identifying the reasons for using informal channels and assessing their utilization take-up through field surveys, we now examine the different modes of informal remittances and their scope. This will assist in determining appropriate strategies to be adopted in order to encourage formalization of the transfer market.

- **Carriers**: Approx. 60-70% of the Informal Channel

  The principal system for informal remittances consists in assigning a community's transfer to one carrier. It requires solid social relations and is effected when a member of the community returns home on vacation, or by professional carriers transporting more than EUR 10,000 in cash. This is the minimum amount for professional carriers, whose commission must cover travel expenses and yield a profit margin. This system is very widespread in Mali due to the large territory, which is inadequately covered by transfer agencies. However, it suffers from a bad reputation.

- **“Fax”**: Approx. 30% of the Informal Channel

  “Fax” is the name given to a system common in Mali, the Comoros, and Senegal, inspired from the traditional Hawala, which involves gathering transfers at one collection point (generally a store or home) and redistributing the sum to beneficiaries almost instantaneously through a trader in the country of origin, after identification by telephone (actually, the fax machine is hardly used). This is a rapid transfer system with similar characteristics to MTCs, but generally less expen-
sive (3-5% commission charged, compared to 8-20% for MTCs). The risk is also higher: After the remittance has been made, most of the amounts are compensated through a bank transfer from the collector to the distributing trader, or by sending merchandise.

In Mali, the system uses a distribution network within easy reach of the beneficiaries who are mainly rural dwellers, thereby offering considerable advantage over the formal sector. Due to inefficiencies and delays at bank agencies, this system is also used as substitute for internal bank transfers within the country. It too is strongly based on solid social relations. In Kayes, the number of informal distribution points under the “fax system” is 5 times that of the MTCs.

- **In Kind through a Trader (< 5%)**

This system is widespread in rural areas and involves entering into a contract with a trader who would open credit to one or several beneficiaries for the supply of consumer items (rice, sugar, cooking oil, etc.). This system was set up by migrants wary of seeing their remittances diverted for purposes other than those intended. It often reflects a relatively conflictual relationship between the migrant and the beneficiaries. Generally, it only concerns subsistence support to families and is of little interest to this study.

- **In Kind (<5%)**

This concerns consumer goods or merchandise sent by migrants. Often, these are second-hand items (vehicles, home appliances, etc.). This phenomenon mostly concerns Maghreb countries (due to their proximity to Europe) and the major port cities on the West African coast. Most of these countries try to reduce such informal trade by introducing customs duties or restrictive regulations (especially on the age of vehicles).

- **By Post (marginal)**

Mentioned several times by Moroccan respondents, this system involves transferring small amounts (generally EUR 50) in cash via mail. Risks are limited, given the amounts sent per unit.

Factors Conducive to the Growth of the Informal Circuit

The survey shows that “fax system” operators capture 20-30% of the informal market, while cash carriers account for more than 70%. Most “fax systems” could probably be formalized if licensing regulations were as flexible as the Anglophone model, transforming them into rapid transfer companies for niche markets (specific corridors to a given country or region).

With regard to the MTCs, which represent the main competition to informal channels, the principal hurdle comes from the de facto monopoly exercised by Western Union, which maintains high charges, especially on the French corridor. Vis-à-vis banks, the informal channels have a distinct advantage, due to the low bankarization of the beneficiaries.

In the case of Morocco, the exchange differential between

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1 Hawala works by transferring money without actually moving it. The components of hawala that distinguish it from other remittance systems are trust and the extensive use of connections such as family relationships or regional affiliations. For more details, see: http://www.interpol.int/Public/FinancialCrime/MoneyLaundering/hawala/default.asp
the official and parallel markets (notwithstanding partial coverage by the State via the authorization of non-resident foreign exchange accounts) as well as the proximity to Europe, partly explains the residual informal level. In any event (this was the main constraint of the surveys conducted in France), migrants working or residing clandestinely use informal channels, to avoid being detected by the banking network or having to justify the origin of funds. Migrants may also avoid MTC agencies because they lack the minimum identification documents required to complete

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13 This Western Union monopoly is a tacit fact in France and is based on the spread of the network set up through an agreement with Banque Postale (6,000 collection points, compared to a few hundred offered by the competition). It is further facilitated by the difficulties that small niche operators face in obtaining accreditation from the CECEI in Africa, in contrast, partner paying agents are bound by exclusivity clauses in their contracts with Western Union. The system is also based on the solid finances of the Western Union Group, which compensates its paying agents and collectors twice weekly, compared to once every other month for some banks and postal departments. Lastly, operators up- and downstream consider the margins as equitable, leading to an overall tacit understanding.
3. Modes of Transfer

It is important to understand why migrants choose particular modes of transfer, in order to formulate an action strategy to formalize the market, improve bankarization, and increase migrants’ savings capacity.

3.1 The Role of the Market

There is a clear and direct relationship between bankarization, the rate of population coverage by MTCs, and the rate of formal transfers. The higher the first two factors, the greater the formalization rate.

The market size directly affects competition among actors and has an effect on the overall quality of services. The bigger the market, the higher the use of formal channels for the proportionately bigger remittances. With more than EUR 4 billion in remittances received annually, Morocco is well served by the banking network (25 commercial banks) and offers competitive products adapted to migrants. On the contrary, the Comoros, which receives only EUR 72 million (2% of the volume of the Moroccan market), has just one commercial bank and offers the poorest service (3 weeks for account-to-account transfer).

Case studies highlight the net differences between countries regarding the modes of transfer used. Strategies needed to reduce the share of the informal channel and costs must be tailored specifically to each beneficiary country (or each corridor), as discussed below.

Figure 3.1 Morocco – a Mature, Highly Competitive Market

- Morocco is characterized by a relatively low usage of informal money channels. This is due to (i) the efficiency and good coverage of its banking services and the MTC network and (ii) to the more individualistic profile of the beneficiaries, who prefer to manage their own financial affairs rather than using

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16 Including accounts kept in the MFIs.
17 This involves measuring the number of households that use MTCs at least once per annum.
social transfer networks such as carriers.

- Mali and the Comoros by contrast, tend to rely on informal modes of transfer (70-80% of remittances) due to the poor availability of banking services and the quasi-monopoly of one MTC, which commands more than 95% of the market in both countries. The use of the informal channel is further consolidated by social and community relations, which encourage a broad pooling of efforts, selecting individuals to act as communal carriers and thereby ensuring the security of remittances (the carrier is generally a member of the community).

Figure 3.2  Mali – a Growing Market with High Development Potential for MFI Transfers

Mali

Figure 3.3  The Comoros – a New Oligopolistic Market

Figure 3.4  Senegal – a Fast Developing Market, Hampered by Low Bankarization

- Senegal reveals an intermediate profile since transfers are in the process of being formalized (the informal channel has declined from over 60% 5 years ago to about 45% currently). This change has been principally due to MTCs (67% annual growth in the past 5 years), but also results from the some banks targeting the migrant market. However, Senegal faces the problem of very low bankarization among its population generally, including microfinance. Nonetheless, it is worth noting that the bankarization rate among beneficiaries is higher than the national average, as these families can enjoy a higher purchasing power than other households. So migrant remittances clearly show a positive impact on ban-

\[\text{18 The high bankarization rate is mostly attributable to the cooperative network, which is not yet operational in the transfer sector.}\]
karization. In contrast, ethnic or regional factors have no impact on recourse to the informal system, as demonstrated in the cross-comparison within the Senegal River valley (in Mali and Senegal) or between various islands of the Comoros. Indeed, between Anjouan and the rest of the Comoros – despite different cultural attitudes – the same modes of transfer are employed. The informal channel is used either in the absence of more efficient formal systems or due to access or cost constraints; it is rarely a deliberate choice.

Yet, attitudes contrast sharply between the Kayes region and the Bakel region in Senegal, notwithstanding close cultural similarities. Therefore, it is not the sociological profile which impacts the choice of transfer mode – rather, it is the quality and diversity of services on offer.

3.2 Selection criteria for the mode of Transfer

The survey found that the mixed utilization of services (utilization of several modes of transfer) is relatively low (<10%). Each migrant prefers a principal mode of transfer and generally uses MTCs as a backup in case of emergency. It is striking to note the ignorance of the beneficiaries (90%) and, to some extent, migrants themselves (65-70%) in relation to costs, even though these significantly reduce the migrants’ usable budget (from 2-10%). As a result, operators who are market leaders can use price elasticity to their advantage, often through major advertising campaigns.

Evidence shows that the criteria determining the mode of transfer depend on constraints faced by both parties – beneficiaries and migrants. The beneficiary’s decision is predicated on: (i) rapidity and (ii) accessibility of funds (geographic coverage of the distribution network). The beneficiary informs the migrant about the options available. The migrant’s subsequent decision is principally contingent on: (i) accessibility, (ii) cost, and (iii) security of the remittance.

Since the cost is only the second or third factor influencing decision-making, operators generally do not highlight this factor. Instead, they emphasize the quality of services proposed (proximity, rapidity). The fewer the operators on a given corridor, the less information they are willing to share on prices and volumes, in order to maintain a certain profit level.

It should be noted that migrants are generally unaware of fees charged on transfers; however, they consider
such charges as reasonable. However, it was found that 80% of migrants who have never used bank transfers were unaware of the possibility of sending remittances in this way. This explains why Morocco opened banking
4. Utilization of Remittances

agencies in its consulates to promote the banking habit.

4.1 Breakdown by Budget Item

Table 4.1 below shows the amount of money spent by beneficiaries on each budget item; which indicates the importance attached to various budget items by households. The trends noted should help banks to formulate marketing strategies to promote new banking products.

The findings confirm that migrant remittances are not exclusively devoted to emergency assistance/the household subsistence budget (which comprise 80% on average). In light of resources at stake, there is a potential for

Table 4.1 Utilization Ratios per Budget Item

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Senegal</th>
<th>Mali</th>
<th>Morocco</th>
<th>Comoros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family expenses</td>
<td>98 %</td>
<td>94 %</td>
<td>69 %</td>
<td>96 %</td>
</tr>
<tr>
<td>Health</td>
<td>81 %</td>
<td>87 %</td>
<td>30 %</td>
<td>77 %</td>
</tr>
<tr>
<td>Education / Training</td>
<td>55 %</td>
<td>59 %</td>
<td>26 %</td>
<td>39 %</td>
</tr>
<tr>
<td>Family Construction</td>
<td>19 %</td>
<td>47 %</td>
<td>10 %</td>
<td>52 %</td>
</tr>
<tr>
<td>Individual</td>
<td>14 %</td>
<td>29 %</td>
<td>6 %</td>
<td>17 %</td>
</tr>
<tr>
<td>Productive Investments</td>
<td>11 %</td>
<td>46 %</td>
<td>13 %</td>
<td>28 %</td>
</tr>
<tr>
<td>Social Project</td>
<td>5 %</td>
<td>25 %</td>
<td>1 %</td>
<td>39 %</td>
</tr>
</tbody>
</table>

In all 4 target countries, the priority given to household consumption (essential goods and services) and health stems from the basic desire to improve the living standard of both the migrant and his/her household. This is often the motive behind remittances in kind too – to buoy up household incomes. The case of the Comoros merits particular attention. The importance given to social projects (39%) is manifest in a specific sociocultural practice: the “Society Wedding.” This sometimes take place after the marriage ceremony, and entails squandering considerable amounts of money – sometimes the savings of a lifetime.

Table 4.2 Breakdown of Remittances Utilization (Euro million)

<table>
<thead>
<tr>
<th>Country</th>
<th>Family Expenses</th>
<th>Real Estate</th>
<th>Productive Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>1,842 €</td>
<td>1,680 €</td>
<td>551 €</td>
</tr>
<tr>
<td>Senegal</td>
<td>764 €</td>
<td>424 €</td>
<td>66 €</td>
</tr>
<tr>
<td>Mali</td>
<td>185 €</td>
<td>188 €</td>
<td>82 €</td>
</tr>
<tr>
<td>Comoros</td>
<td>55 €</td>
<td>9 €</td>
<td>7 €</td>
</tr>
</tbody>
</table>
combining ODA with migrant remittances, with a view to co-development.

4.2 Criteria determining the utilization of remittances

A. Healthcare

This concerns a large number of families, particularly in the context of an inadequate or nonexistent social welfare system. The high utilization of remittances to address health-related issues points to the need for a pilot mutual health insurance system in countries with a poor primary healthcare system, using part of the funds from the Diaspora. Although an experiment underway in Mali has produced mixed results, the experience and lessons learned would be worth consolidating. Currently there are too few mutual health insurance operators and projects on which to base a consolidated strategy. Most pilot schemes come up against a weak primary healthcare system, which increases healthcare cost and accessibility, further undermining the potential for effective cooperation.

In Mali, the Comoros and, to a lesser extent, Senegal, the importance afforded to healthcare lies at the root of community health investments attributable to migrants. These generally take the form of health centers, maternity care, ambulances, etc.

It is worth noting the sporadic nature of a good proportion of health-related remittances. Remittances are linked to specific cases of illness and often become a social obligation for the migrant, directly impacting his or her capacity to save. At times, illnesses offer the ideal occasion to pressurize “recalcitrant” migrants, i.e., migrants who send little or no funds to the family. Periods of economic crisis offer similar possibilities.

B. Education

The relatively high level of remittances utilized for education reflects the beneficiaries’ predominantly low socio-demographic profile. By channeling funds to education, households seek to train and thereby secure a better future for the next generation.

Education ranks third in the utilization of remittances and appears to be inversely proportionate to the standard of education/training system development put in place by governments.

In addition to education expenses borne by each family, collective investment by migrants in their countries of ori-
gin, especially the Comoros and Mali, and to a lesser extent in Senegal, give priority to the education/training sector.

C. Real Estate

Family or individual real estate investment is considered a long-term project. It represents by far the main form of remittance savings and affects a considerable number of migrants. This investment is principally made by migrants aged 40 and above, after a minimum of 15 years abroad and generally before they return to their countries of origin. The vast number of responses obtained in the survey relating to real estate investment confirms the huge potential to develop “housing savings plans” as a new type of banking product in the countries of origin, among other special projects, to attract migrant savings.

Migrants increasingly use non-family structures to manage their individual real estate investments. It was found that banks work with migrants in each of the countries surveyed; moreover, networks of friends are often used for this type of investment. The general trend is a decline in family-owned housing in zones of origin in favor of individual construction in urban centers.

D. Productive Investments

Persons from higher socio-professional categories tend
to use funds for investment purposes, distributed between services, trading and (to a lesser degree) the processing industry. Such investments are driven by two strategies: (i) to reduce pressure on the migrant by enabling the family to generate its own income (although several failures were noted); (ii) to develop a company or business in African countries in preparation for the migrant’s return and to safeguard their financial security (numerous failures were recorded here, but a few spectacular success stories too, often in the SME sector). Higher socio-professional categories of migrants represent nearly 10% of the population concerned with remittances, which is large enough to justify the development of support projects for the sector.

The low proportion of remittances set aside for investment is due to two main factors: (i) beneficiaries’ limited capacity to set up and manage productive activities and (ii) migrants’ lack of confidence in intermediary structures. This explains the difficulties encountered by pilot projects seeking to promote productive investment by using resources from the Diaspora.

In order to develop the productive sector (which has the greatest development impact on countries of origin), the best strategy would be to separate funds from direct beneficiaries, anonymously channeling such resources toward the local private sector or the Diaspora’s best business promotion projects. This would require the intermediation of financial institutions (especially banks) and the gradual diversification of banking products. This trend is already underway in some African countries, especially Morocco, Cameroon, and Ghana. Some business federations and bilateral CCIs at both ends of

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20 The UCCIFE networks in France, the Francophone Consular Chambers (CPCCAF), or employers’ federations and entrepreneurs’ clubs.
transfer corridors could profit from such schemes. Banks could also support such projects by the injecting risk capital into the sector.

The study shows that remittances should not be considered solely as savings. Above all, they are a form of assistance to cover basic needs and emergency and social expenses in families in countries of origin. Such use absorbs around 80% of the transfer volumes. These funds issue mostly from migrants whose income level is often close to – if not below – the minimum wage in the host country (85% of cases). However, the volume set aside for investment is large enough (10-20%, depending on the country) to receive special attention. It could be mobilized to supplement ODA by incorporating it into country support programs.

Most migrants interviewed consider their remittances as a form of compensation for the unequal distribution of national income in their countries of origin and the ineffective social security systems. Thus, remittances may be seen as a form of group or individual income that does more to inhibit than encourage the spirit of initiative among beneficiaries. At the same time, remittances stimulate local consumption, representing between 50-75% of the income of beneficiary households. Hence, remittances play a major part not just in maintaining, but also in developing, economic activity of regions and beneficiary countries (especially the trade and services sectors).

The study shows that the volume of remittances is actually far higher than estimates arrived at in the case of Mali and Senegal. This is attributable to the dominance of the informal transfer channel, which is still poorly understood in many countries. The study helps to shed light on the background context for each of the 4 countries and to establish clear distinctions between corridors with regard to remittances and their utilization. This information will prove useful in the preparation of country programs.

Before outlining the types of action that could be taken
to maximize the impact of migrant remittances, it is worth recalling the 3 major historic approaches to the issue.

The three Major Approaches to the Issue of Migrant Remittances

1. The Anglophone Approach: This approach focuses on the modes and cost of remittances. The underlying logic is to free up the market by encouraging competition, and the development of technical and financial innovations. It takes it as axiomatic that reducing costs and removing barriers to free competition, would generate an increase in the overall volume of funds for beneficiaries. Moreover, the Anglophone approach reduces the use of the informal channel by considerably improving the quality/cost ratio of formal transfers. Recently adopted in Italy, this strategy led to the absorption of more than 30% of the share of the informal channel for outgoing remittances and a 50% reduction in costs charged by MTCs.

In this approach, public authorities facilitate the role of free market forces by: (i) relaxing regulatory constraints to legalization for non-bank operators, (ii) putting financial incentives in place to encourage operators to innovate and (iii) for the more specialized operators, encouraging them to collaborate in their activities (e.g. financing remittance-related pilot operations).

This approach contributed to the emergence of major operators in the sector (Western Union, MoneyGram) who had the foresight to position themselves on an industrial scale as complementary links to the traditional banking channel.

Furthermore, it recently has led to the emergence of highly promising experiments using M-Banking technology, which links telephone operators (e.g. Vodafone, MTN) with the banking sector.

2. The Hispanic Approach: This is also widely developed by Morocco and the Portuguese-speaking world. It emphasizes the scaling up of the bankarization of migrants themselves, and is based on the assumption that this niche market represents a major growth area in a context of overall banking market stagnation.

The prevailing logic is to propose a range of banking services utilizable in both the country of origin and the host country, under the same conditions as the host country’s market. It also proposes development of products of specific interest to this migrant segment (real estate, retirement supplement, health insurance, and body repatriation in case of death). The strategy is to charge as low a commission as possible on foreign transfers; whereby such transfers become a key value item (sometimes incurring losses) in a bid to attract migrant customers and their savings.

In that regard, the public authorities at either end of the corridor would facilitate the establishment of banks from the African country of origin in the host country (migrants always seem more attached to institutions and businesses from their countries of origin providing services are efficient). A more targeted action vis-à-vis parastatal financial institutions could be envisaged.

Through the Hispanic approach, migrants receive
increasingly efficient and diversified services from the banking sector in the form of savings packages combined with key value products. This enables migrants and their families to open bank accounts and use savings and insurance products. This approach pays off in the medium and long term, as Morocco’s example illustrates, where banks and the State have drawn much inspiration from the model (particularly Attijariwafa, BMCE, and the People’s Banks [Banques Populaires]). However, the impacts are only apparent in the long term (sometimes over several decades). In effect, this approach is based on a close monitoring of the behavioral trend of beneficiaries and migrants vis-à-vis remittances. All countries showing a high migrant banking and deposit performance index (>40%) have initiated such a voluntary policy in stages, over several decades (generally from the mid-1970s).

Constraints of Approaches (1) and (2) The size of the respective markets in several African countries, especially Francophone Africa, limits the impact of the two approaches above, taken separately. Both approaches produce full impact only in corridors where the volume of operations exceeds EUR 1 billion (corresponding to about 1 million expatriates). In the Anglophone model, the best examples are China, India, and Nigeria – countries where the minimum operating margins can be reached rapidly, thanks to the total flow of transfers. In contrast, these models quickly become constrained as soon as the overall market contracts, leaving little room for several operators (net saturation < EUR 100 million). In such a case (as shown in the Comoros example and, to a lesser degree, that of Mali), de facto monopolies set in, massively reducing the State’s role in encouraging competition. Due to the fragmentation of African money transfer markets between several States, the traditional banking network approach will remain limited – hence the need to act and promote the creation of integrated financial markets encompassing several states.

3. The Francophone Approach places more emphasis on project cofinancing, to address the issue of co-development. It encourages migrants and the beneficiaries to use a proportion of remittances to fund community or productive investments, with cofinancing provided in the form of public subvention (at times subject to conditions requiring migrants to return to their country of origin). The approach has been adopted in Mali (Kayes Region) since the early 1970s by specialized NGOs (particularly at the initiative of GRDR initially, then subsequently in the 1990s by the CFSI). The study shows that this approach has had a significant and sustainable impact. Thus, the number of families using remittances to finance community infrastructure is five times higher in Mali than in neighboring Senegal. However, the results have proved mixed when it comes to the effectiveness of productive investment and business creation.

Where this is the favored approach, health and education should be the two co-development priority intervention sectors (These two items affected between 30 and 95% of the beneficiary population, depending on the corridor). The lower the country of
origin’s HDI, the more these two items absorb a significant portion of migrant efforts, to the detriment of savings.

The survey leads us to propose an integrated tripartite strategy that could help to maximize the development impact of migrant remittances:

- Reduce the informal channel by encouraging competition (encouraging take-up of new technologies, better product information etc.);
- Improve the bank coverage rate, develop new banking products, and increase savings volume by migrants;
- Improve the use of funds for development via co-development assistance strategy (particularly for health, education, and productive sectors).

These are discussed below.

**Reduce the informal channel by encouraging competition**

In view of their underdeveloped financial markets, this type of action is central for the Comoros, Mali, and Senegal. The problem is less acute in Morocco (by extension, perhaps for most emerging economies).

Our proposed strategy is based on 3 key proposals, within a context marked by: (i) strong recourse to MTCs and weak competition among operators; (ii) weak banka- rization of the beneficiary population; and (iii) inadequate access to information:

- To strengthen money transfer mechanisms in the short term by creating conditions for greater competition between MTCs and to encourage the emergence of alternative solutions (especially M-banking).
- To promote an extension of services offered by banks and MFIs in the longer term, to persuade the beneficiaries to open bank accounts and migrants to increasingly use term deposit products. Countries such as Mali, Senegal and, to some extent, the Comoros have much to gain from consolidating the current establishment of banks, through mergers with or buyout of local groups (as is the case in Senegal with Attijariwafa and BST). These banks will contribute their expertise. These banking consolidations are presently underway in a number of countries and this should convince European banks, especially French, to review their strategies. It is worth noting that the role of MFIs is still contested (the core argument is that such activities fall outside their brief and immobilizes their cash resources). Consequently, MFIs have little impact on countries with a competitive banking network (e.g. Morocco and Senegal) where they have no more than a 8% penetration rate. However, MFIs play a bigger role in countries where banking competition is low or non-existent (Mali, the Comoros).
- Ensure better access to information for all: The cost of remittances (>20% of the remittance amount) is to some extent hidden by the very poor level of
information available to users. It is essential that migrants be better informed about the services offered by different operators – the costs, advantages and disadvantages of existing modes of transfer. Generally, migrants are poorly informed and only have vague ideas about the real costs. Given the influence of the beneficiary over the choice of transfer mode, it is important that an awareness campaign be conducted in zones where beneficiaries are concentrated.

Promoting Competition via MTCs and ICT

In the short term, this approach promotes competition in the money transfer market by supporting the emergence of niche operators and developing ICT, thereby reducing the cost of remittances. However, as we have seen, decisions on the mode of transfer is less contingent on costs than it is on the density of the collection and delivery networks at both ends of the corridors.

Consequently, similar to the British or Italian strategy, it is recommended that the establishment of niche operators be facilitated. This would expand current operators’ networks (thus reducing the informal channel) and reduce their transaction charges, whereby cost would become the prime choice determinant.

Expected short- to medium-term impact (2-5 years): a 10-30% reduction in use of the informal channel; transaction charges slashed by up to 50%

- Develop the Role of New Technologies in Money Transfers. In a context of low bankarization and a rapid transfer market dominated by one operator, it is very difficult to attract new players to establish MTCs outside their niche markets. In contrast, the old design of these MTC systems now faces competition in some countries, spurred by the use of new technologies based principally on mobile phones and debit cards.

M-Banking Several operators are working on this product (e.g. Euro Card, MasterCard, Visa Card). The success of pilot operations (Kenya, DRC, Zambia, Lesotho, Philippines) shows that such a product boosts bankarization at both ends of corridors. The market potential is
considerable, comparable in volume to at least 60% of MTCs’ share of regular transfers, in addition to taking a significant share of informal national transfers, as the M-PESA experiment in Kenya demonstrates (see Annex 3).

MoneySend: An Innovative Product for Mature Markets like Morocco

MasterCard operates a system in Europe called MoneySend P2P – card-to-card, cross-border money transfer by internet or mobile phone. The system uses the payment platform technology developed by Magex, now part of BankServ.

The objective of MoneySend (and that of its competitor VisaDirect, developed by Visa) is to deliver a hosting platform to member banks that provides superior functionality and benefits – in terms of delivery, cost, and quality of service – to alternative transfer modes. It also improves monitoring and traceability of fund transfer transactions and respects FATF recommendations on anti-money laundering.

The MoneySend system allows registered cardholders to transfer money from one MasterCard® or Maestro® card to another via ATMs, and can be expanded to include the Internet, bank branches, and mobile phones. Its marketing platform is its speed, convenience, reliability, and security. The MoneySend service is made available to cardholders by the participating bank or organization that issues their MasterCard or Maestro card. The beneficiary must identify him/herself by an e-mail address, a mobile phone number, a bank account, Maestro or MasterCard number. S/he can withdraw the money from an ATM.

To use the system, customers need to register on the central platform of the payments solution provider via the Internet site of their bank. During registration, customers also enter the mobile phone number or e-mail address of the person to be credited, as well as the Blue Card number on which they wish to be debited.

For his/her part, the beneficiary must also register on the platform. S/he receives an alert by e-mail or SMS. MoneySend costs are set by the individual participating banks but are generally far less than the percentage that banks and MTCs charge on transaction amounts on the Francophone corridors.

Better Information for Migrants and Beneficiaries

Surveys reveal that both migrants and beneficiaries have little knowledge of the cost of services. At the same time, advertisements emphasize rapidity and security rather than costs. An awareness campaign via the Internet and

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21 This operator was able to develop a winning strategy for all its partners at both ends of corridors, but to the detriment of its customers.
other media to inform users about relative costs and products is needed at both ends of the chain. The methodology should be tailored to suit the host country, as outlined below.

**France**

This would involve the development of a complete communications strategy to inform customers about available options, using various media (the Internet, newspapers, the radio). The Internet site set up by the AFD (www.envoidargent.fr) draws inspiration in principle from the British site (www.sendmoneyhome.org). However, unlike in Great Britain, the service is largely dominated by one operator whose high profit margin enables it to work with other local operators.

**Beneficiary Countries**

The study has shown a high level of ignorance as to costs and mechanisms on the part of beneficiaries, as well as migrants themselves. What is badly needed is to disseminate information on costs and alternative products in countries of origin also, especially given that beneficiaries often determine the mode of transfer.

**Expected Impact**

Halve the number of beneficiaries unaware of costs and products on offer. Increase the use of bank transfer products. Improvement in the quality of services. Decrease in MTC costs, subject to promoting beforehand a diversification of services offered.

**Improve Banking Coverage**

**Migrant Savings**

**Encourage Banks to Improve Services**

Surveys conducted among financial players reveal the level of market compartmentalization. Despite the insufficiency of data, all the financial institutions surveyed consider the transfer market as promising. The study allowed for measuring the share of the informal sector and its growth potential. Any action strategy must factor in constraints related to the market size and the bankarization level of the beneficiaries. The level of bank transfers is very unequally distributed from country to country and reflects national policies.

A wide dissemination of the results of the study (particularly the charts) could make a positive contribution to this process. This could include meetings of the various actors (including representatives from banks, governments, NGOs etc.) in the countries concerned. The outcome of the study
should help financial institutions to better define and fine-tune their strategies and technical analyses (especially risk management and profit potential), and to offer products that better match the expressed or potential demand.

It would also be useful to share Morocco’s experience more widely, since it stands as a regional exemplar of banking innovation and product development for migrants. In Morocco, new products led to a drastic reduction in the share of the informal channel (half of Diaspora transfers now transit through the formal banking channel). The country initiated its bankarization policy in the early 1970s. The State, for its part, encouraged banks to seek out Moroccans abroad and supported the establishment of a network of People’s Banks (Banques Populaires) abroad. Today, 4 Moroccan banks (Attijariwafa, Banque Marocaine du Commerce Extérieur, Banques Populaires et Crédit du Maroc) share 80-85% of the migrant transfer and deposit market. However, the market size needs to be taken into account, since this sort of program is only worthwhile with sizeable markets.

Morocco put in place an effective mechanism to permanently monitor financial flows (by identifying fairly precisely the share of the informal channel), based on regular INSEE statistics and financial flow statistics kept by the Foreign Exchange Office (l’Office des Changes). Market data are published and forwarded to the major banks concerned, to help them to adapt their strategies to their customers’ changing needs. This approach could usefully be adopted by other countries.

The study revealed the transfer market structure and the importance of the informal circuit. Unfortunately, the study only offers a snapshot image at a particular point in time (2005-2006). Given the rapid evolution of various market segments, it is important to set up an efficient market monitoring mechanism alongside the study.

**Development of Specific Banking Products for Migrants**

Most major banks are working on this issue. Active migrants above 35 years of age with bank accounts in France differ little from the rest of the host population (see INSEE survey on household assets in France). They have access to the same banking products (especially savings) as other customers, although their future plans may differ radically.

Migrants are interested primarily in two types of products: insurance products and products that fall within the framework of real estate or productive investments in their country of origin. However, the demand for insurance products appears to be far higher.

**Insurance Products**

One of the problems facing the aging migrant population relates to body repatriation and burial expenses in case of death in the host country. This issue was of concern to all migrants above 45 years of age. Some banks, in association with specialized insurers (especially Europe Assistance) have developed highly effective solutions (quality/price ratio). The banks should expand the coverage of such products (for now, they are being tested in the Maghreb), particularly by extending them to Sub-Saharan African countries.
Another potential product could target disability or unemployment insurance. The idea is to propose to active and working migrants insurance products that would kick in over a fixed period, in the event of physical disability or unemployment. No pilot scheme has been introduced so far. Nonetheless, banks, especially in the wake of this study, will assess the risks and the insurance premium levels that would be required. This could be done in collaboration with specialized insurers who already offer such products to independent entrepreneurs. Our surveys indicate that nearly 40% of the total migrant population that send remittances to their countries of origin would be interested in such products.

**Real Estate Investment Products**

The study confirms that the real estate market is of interest to 40-70% of migrants (population above 35 years of age). A vast number of banks propose real estate investment products in the country of origin; consequently the demand for such financial products is lower than the number of ongoing projects. The real estate market is the main savings niche that banks have developed with relative success over the past two decades. The major cases of failure are attributable to poor management of risks and responsibilities between the bank that collects the migrant’s savings and manages his/her account (in the host country), and another bank that grants the loan to a customer who is non-resident in the country of origin – with all the associated risks that play out in real life.

To reduce risk, the trend is for private banks and savings funds to open double accounts (one tied to the other) in the host country and the country of origin, possibly at agencies dealing exclusively with migrants in zones of concentration in their country of residence (the Paris region and suburbs have more than 30,000 migrants of a given origin).

To support and encourage this effort in the host country, the French government has launched the co-development savings account (see article in Annex 4). However, the implementation of this scheme has encountered various difficulties, especially: (i) the distortion of the credit rate within the banking market (average gap of 1 to 3) related to the more than 10% refinancing rate charged by central banks in most African countries; (ii) the difficulty that African banks encounter in obtaining guarantees for non-residents – a project is implemented in Africa but the bank domiciliation is in Europe (double accounts partly address this issue when the bank has agencies at both ends of the corridor).

The co-development savings account needs to be sufficiently attractive in terms of long-term remuneration and borrowing capacity to attract migrants’ interest. A
critical factor for its success would be the extent to which the bank would take ownership of the product and market it. The savings fund network covering real estate products would be the principal beneficiary, especially those operating in Maghreb countries.

**Choose Event-driven Media**

As part of the drive to develop real estate products for migrants, it is also necessary to publicize the availability of new products. According to surveys, there is high demand from migrants and their families for such products, which is currently not being met by the banks. Event-driven activities need to be developed, along the lines of the Moroccan model, which has annual real estate fairs for Moroccan Residents Abroad (Paris). In order to attract high attendance, such fairs could be promoted at the regional level by organizations such as WAEMU, CEEAC, etc.

**Develop Service Packages and Key Value Items**

All major banks, especially in mature and competitive markets (e.g. Morocco, Senegal), seek to develop full banking packages that integrate a range of special products (real estate, transfers, double accounts in foreign exchange, repatriation insurance, etc.) to migrants. Some of these products are highly attractive, key value items.

Thus, the Attijariwafa–Santander Group developed in early 2007 a highly successful product strategy targeting the migrant market on the Spain–Morocco corridor (see article in Annex 4). It offered a strong key value item: zero percent commission on remittances. In time, this strategy adopted by the leading operator should force other operators to considerably reduce their transaction charges, ushering in a radical realignment of the transfer market and boosting utilization of the formal channel. However, this stage can only be reached if the level of competition and the market volume become significant. Involve MFIs in Countries with High Level of Informal Transfers and Low Competition.

Several studies have been conducted on this subject. The largest microfinance networks are already either active or under development. Studies indicate that the bankarization level directly affects the role of MFIs: the higher the bankarization, the less apparent the role of MFIs. Indeed, transfers immobilize funds at profitability ratios lower than microfinance loans, and tend to distort the primary mission of these institutions.

For a country like Senegal, the formal transfer rates have increased by 8-10%, thanks to MFIs. This represents a key asset, given the low bank penetration rate in both urban and rural areas. The MFIs are at the end of the payment chain; they share their profit margins with banking operators with which they subcontract. This limits the financial profit margin of the MFIs.

In contrast, MFIs in Mali and the Comoros will soon launch direct transfer products. The specific characteristics of the corridors (highly concentrated corridors in

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22 [http://www.smapimmo.fr/](http://www.smapimmo.fr/); 48,000 visitors during the last fair
zones of departure, very broad zones in countries of origin) should give a comparative advantage to MFIs and enable them in time to push back the informal channel (probably 20-30%, based on the rate of network coverage in Mali and the Comoros).

Optimize the use of Funds for development

Health Subsector

Health

After daily subsistence, health support is the second largest budget item for migrant remittances (80-90% of households in Mali, the Comoros, and Senegal, compared to 30% in Morocco), with increased intensity where the health infrastructure level is weakest. Health support concerns practically all social categories of beneficiaries, with greatest volumes directed towards the most insecure segments of population.

Since this item represents a major expense and is a social obligation on the part of migrants, improving its effectiveness would free up resources for other uses, such as education or investment in real estate or productive projects.

To support migrant remittances in the area of health, 2 strategies are proposed: (i) to improve health infrastructure and (ii) to mutualize the cost of healthcare.

Improve Health Infrastructure

As a first step, health should be acknowledged as the focal sector for ODA to Sub-Saharan Africa, especially teaching and specialist hospitals. Although this goes beyond the scope of our study, substandard health infrastructure clearly increases the cost of healthcare, and can become a key driver behind emigration (a well-known phenomenon in South Africa). The gap between Morocco (30% of families concerned by the health item) and Sub-Saharan Africa (80%) is striking. It also demonstrates that co-development cannot be a substitute for general socioeconomic development and more generous and effective ODA. Co-development should be designed as an additional tool for international cooperation.

The co-development principle requires the strengthening of the general primary healthcare network (community health centers) through support from three sources, namely:

- Migrants from the locality (sometimes organized into associations, generally representing different territories) who participate voluntarily in funding infrastructure;
- Aid agencies that generally participate in setting up infrastructure, management methods, and staff training;
The State or regional authorities who should validate the relevance of infrastructure in relation to regional and national population densities (and avoid favoring high emigration villages, so as not to encourage departures); they should also cover some of the recurrent operating costs, especially for health staff. France has tested this co-development method in Mali over several years, with relative success, and recently introduced it in the Comoros (where, given the level of social investment by migrants, success is highly probable) and Senegal. Co-development projects are provided with a budget of EUR 2-3 million per country (covering all sectors besides health). That amount is relatively small compared to the absorptive capacity and needs expressed by migrants. France acts practically alone on this issue in the countries targeted by the study. Greater impact could probably be achieved if donors were to pool their efforts in co-development funds.

**Mutualize Cost Coverage**

This avenue is worth exploring, given the large number of households and migrants concerned, and the absence or weakness of social security systems in countries of origin. Two approaches are favored recommended: (i) setting up self-managed, mutual assistance systems (using the MFI model), or (ii) direct subvention to health center operations, combined with the contributions of migrants, which would entitle predesignated beneficiaries to partial healthcare cost coverage (East Africa, Anglophone model).

The Mutual Health Assistance Approach

This can be problematic, given the high cost of healthcare, attributable to: (i) the weak primary healthcare systems in beneficiary countries; and (ii) the high health risk that the target population faces. In addition, there are very few Francophone operators with real expertise in the field, except for CIDR (which operates schemes primarily in Guinea, the Comoros, and Mali), Mutualité Malienne, and Interaid.

It is hard to draw lessons from the isolated Mutualité Malienne example, even though it suggests a need for caution. Its lack of success in terms of membership (150 families in 6 years) is partly due to internal management problems and to restricted information within the migrant community. Another reason is the critical size of markets, which may be relatively too small for high-risk insurance products.

Other mutual assistance approaches consist in encouraging MFIs to offer health insurance products alongside their traditional credit products and in partnership with an insurance company. India provides the best example of success in that regard with Vimo Sewa. Its size (700,000 members) facilitated the prudent development of health insurance. In Africa, very few microfinance mutual institutions attain a membership of 100,000.

However, primary health experts consider that case stu-
dies to date have been too limited to draw any firm conclusions. They believe that it is possible, through a strong dose of social engineering, to set up mutual assistance systems that would partly cover risks at moderate cost (for example, the mutual health assistance project in the Comoros with CIDR). The participation of migrants in providing half-coverage per beneficiary would cost about EUR 10 monthly. Most migrants would be willing to pay that contribution if it reduced financial pressure on them in the event of illness in family back home.

The Health Center Approach

This approach is being developed in several Anglophone East African countries. It is driven by the logic that it is very difficult and takes time to build mutual assistance third party agencies, and even more difficult to break even and win migrant confidence in these bodies. Furthermore, such structures are weakened by low internal skills (the marketers are often volunteers rather than professionals); consequently they often fail as soon as external technical assistance is withdrawn. Moreover, this approach presupposes the upgrading of the general health care system in most countries of origin – which itself is a separate issue.

Therefore, a pragmatic concept has developed and consists in enabling migrants to take out a subscription at a well-managed health center and to clearly designate a limited number of beneficiaries to gain access to a range of care at reduced cost (shared between the migrants and aid agencies). The aid agencies offer specific support to the centers (equipment, operation), provided the centers meet set quality care standards and have accounts already set up for the beneficiaries. Given the diversity and complexity of approaches, together with a lack of knowledge/experience on this issue, it would be advisable to set up a think-tank with key actors in the field (NGOs, insurance companies, primary health-care experts, donors, aid agencies, etc.) before offering specific solutions.

Education Subsector

Education is the third ranked budget item (mostly school expenses). Although co-development approaches for school construction have been implemented in some localities, this sector requires and deserves deeper support – education needs to be a prime focus of ODA (along with health) and to be treated as a national priority.

Designed to raise the educational level of beneficiary households, some projects practice the “conditional cash transfer” approach. This involves supporting migrant remittances by undertaking direct social assistance, subject to regular school attendance. This highly expensive approach can only be undertaken by emerging countries who are already generating a sufficient
budgetary surplus (e.g. Mexico, India, Brazil). It could well be envisaged in a country like Morocco (with decreasing donor support), but would be difficult to implement in the least developed countries which first need to finance the primary healthcare system. Some economists are of the view that this direct social assistance, even in the least developed countries, has the effect of improving the system in general by strengthening demand solvency for the poorest.

It should be noted that some countries are now hesitant to allocate a large proportion of their national budget to tertiary education. We noted during surveys in the 4 target countries that younger migrants are increasingly better trained and that their departure (due to lack of capacity to absorb their skills locally) represents a considerable loss to their countries of origin. Migrants heading out to high-income countries are generally the best trained of all. Furthermore, several studies indicate that in terms of migration, the rapidly developing economies of Brazil, Russia, India, and China (the BRICs economies) are generally at an advantage since their brain-drain only affects 5-10% of their human resource pool. Moreover, through their expatriation, these BRIC migrants contribute to external trade with the host country. In contrast, least developed countries are the big losers, with 50% or more of the cream of their human resources living abroad and contributing little to the economic development of their countries of origin, save for individual remittances to households.

**The Productive Sector**

This is the weak link of co-development policies, characterized by a very high failure rate. This is mainly attributable to poor identification of project sponsors and inappropriate business support mechanisms. The design of the support is engineered in French and designed against a backdrop of French social practices which are not necessarily geared to migrant needs or practices. Most migrants – as indeed most of the population – may not be capable of running their own business. Clearly, it is even more difficult to remotely manage a business in a country which the migrant left 15 to 25 years earlier, and where the daily realities and constraints of business may have fundamentally changed. The worst failures to date originated in programs that sought to transform unemployed or highly insecure migrants (as well as students) into entrepreneurs. Moreover, too many approaches
Regarding entrepreneurship, elitist strategies generally pay off. We also note that some migrants have set up businesses with spectacular success in their country of origin. From the African economies’ point of view, there have been many well-managed and innovative businesses of this type, often in the SME sector.

Our analysis leads us to eschew any strategy that seeks to transform all migrants into potential entrepreneurs, with a highly diluted spread of efforts (a characteristic of previous projects). Instead, efforts should focus on individuals who show true entrepreneurial potential, with the necessary technical/management capacity, human qualities, plus a minimum of capital and a professional network.

Potential strategies could revolve around two axes:

1. Create identification and support mechanisms for project investors in the Diaspora, using structures dedicated to businesses in host countries and
countries of origin.

2. Develop capital investment initiatives in countries of origin and open investment products for the Diaspora.

Although increasingly important, migrant remittances are not a substitute for official development assistance or direct foreign investment in supporting the growth of beneficiary countries. The issue is more complex. Indeed, this considerable windfall, which should be reassessed upwards for several countries in the light of the considerable underestimate of informal flows, is primarily direct social assistance to families living close to the poverty thresholds, an investment project or real estate speculation, or to a lesser extent, a business project for the migrant or his family.

A large portion of remittances – those allocated for social assistance – does not represent savings but, on the contrary, hampers the savings capacity of the migrants concerned. Such remittances are often made during emergencies and form the core business of rapid money transfer companies. They have reached such high proportions in some migration basins to the point of becoming the main source of income for families, no longer considered as an alternative but as the central economic principle. This has had adverse effects on the economic dynamism of the beneficiaries (the rent syndrome), although it has also contributed to flourishing trade and services by improving the average purchasing power of that population category.

This part of remittances – concentrated on the “food”, health and education sectors – is revelatory of the level of human development in countries considered, and should encourage countries and partners concerned to improve their aid effectiveness and volume in the two last sectors mentioned.

For their part, resources allocated to real estate projects, which literally fuel land speculation, constitute potentially long-term resources for the banking sector. In high population countries (Morocco, Nigeria, DRC, Philippines, China, Mexico, etc.) with a large Diaspora, the market is so large that it has become a priority target for banks seeking to sustain their own growth. However, banks only massively collect and inject these resources back into the economy where States voluntary adopt secure and productive policies for their migrants, often over several decades. If not, real estate investments favor the informal market and fuel land pressure, without enhancing the capacity of banks by providing them with long-term resources useful to the economy.

Lastly, a smaller portion of transfers is invested in trade, SMEs or services. Although this portion is the smallest in volume, it has the best levers for sustaining growth in beneficiary countries. However, it is also the most complex and risky to support, given not only the individualistic nature of promoters and their mistrust – justified at times – of agencies or projects set up to support them,
but also risks associated with investing in their countries of origin.

Concerning the major issue of remittances channeled through informal transfer routes, the market is rapidly evolving following emerging competition in the sector, new technological advances and the interest manifested by banks in some countries whose sizes allow for the adoption of industrial approaches and limitation of risks. In contrast, the smallest markets in terms of the size of the
resident or migrant population, remain marginalized by the financial sector. This situation not only bolsters the argument in favor of regional economic communities that facilitate the free movement of goods and capital, but also more voluntary intervention by States to counter certain monopolies on either side of the corridors concerned.

Annex 1: Logical Framework of recommendations

To facilitate a better understanding of the proposed strategy, and depending on the constraints identified for each country, a logical framework is presented below, based on:

- The field of intervention, distinguishing areas of information, regulation and potential projects;
- The core target segment(s) among the migrant or beneficiary population;
- The set objectives;
- The methodology to adopt;
- The expected impact vis-à-vis the constraints iden-
- The priority target countries, depending on the maturity of markets and specific constraints;
- Risk factors or enablers that will act as constraints or levers, depending on different approaches or projects.

<table>
<thead>
<tr>
<th>Area</th>
<th>Core Target</th>
<th>Objective</th>
<th>Method</th>
<th>Expected impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information</td>
<td></td>
<td>Inform the financial sector about market potential</td>
<td>Provide an instant picture of the market by disseminating the study (maps)</td>
<td>Establishment of new diversified products</td>
</tr>
<tr>
<td></td>
<td>Migrants</td>
<td>Reduce customer under-inform and price elasticity</td>
<td>Disseminate information on the diversity of means used for press and radio in Europe</td>
<td>Behavioral changes, improved bankarizat</td>
</tr>
<tr>
<td></td>
<td>Beneficiaries</td>
<td></td>
<td>Regularly provide follow-up statistics to remittance operators</td>
<td>Gradual improve products</td>
</tr>
<tr>
<td>Regulations</td>
<td>Informal sector economic operators</td>
<td>Reduce the conditions required for establishing MTCs</td>
<td>Relax MTC regulations and European harmonization (ongoing)</td>
<td>Formalization of a net reduction</td>
</tr>
<tr>
<td></td>
<td>State - MTCs</td>
<td>Lift exclusivity clauses</td>
<td>Strengthen regulation (ban) and monitoring of exclusivity between the major MTCs and their partners</td>
<td>Densification of the market</td>
</tr>
<tr>
<td></td>
<td>Leading MFIs</td>
<td>Strengthen the involvement of MFI networks</td>
<td>Relax the regulation of leading MFIs to enable them to autonomously remittance solutions</td>
<td>Improved MTC district banking</td>
</tr>
<tr>
<td>Projects</td>
<td>Economic operators</td>
<td>Launch or disseminate technologies for innovation</td>
<td>Call for proposals for the launching of pilot operations (m-banking, bank cards)</td>
<td>Sper competition by profitability</td>
</tr>
<tr>
<td></td>
<td>Leading MFIs</td>
<td>Strengthen the involvement of MFIs</td>
<td>Call for proposals for the launching of pilot remittance operations</td>
<td>Densification of the market</td>
</tr>
<tr>
<td>Remittances</td>
<td></td>
<td>Co-finance health efforts</td>
<td>Call for proposal for the launching of pilot operations allowing globalization of health expenses and/or co-financing costs by migrants</td>
<td>Reduce social press</td>
</tr>
<tr>
<td>Health</td>
<td>Migrant families</td>
<td>Co-finance health efforts</td>
<td>Call for proposal for the launching of pilot operations allowing globalization of health expenses and/or co-financing costs by migrants</td>
<td>Reduce social press</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Migrants above 35 years of age</td>
<td>Fluidify the housing market for residents abroad</td>
<td>Promote housing fairs</td>
<td>Develop social housing for migrant age</td>
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<tr>
<td></td>
<td>Migrants and entrepreneurs</td>
<td>Support project sponsors</td>
<td>Strengthen migrant project sponsor support projects</td>
<td>Develop social housing for migrant age</td>
</tr>
<tr>
<td>Businesses</td>
<td>Migrants and entrepreneurs</td>
<td>Strengthen the investment capacity</td>
<td>Develop risk capital resources involving migrants</td>
<td>Develop social housing for migrant age</td>
</tr>
<tr>
<td>Priority Countries/Remark/Risk Factors</td>
<td>Country</td>
<td>Description</td>
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<tr>
<td>Cost reduction</td>
<td>All</td>
<td>Operators (banks and MTOs) cultivate client under-information competition, sharing of high price margins. These operators improve market transparency.</td>
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<tr>
<td>Ion of transfers and family beneficiaries</td>
<td>All</td>
<td>Operators have poor knowledge of the market (except Morocco). They hesitate to take risks. This action should have a very decision-making involving investments in pre-tailored for migrants, better match between reduction of informal remittances.</td>
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<tr>
<td>Vector on corridors, increased competition, reduced information and costs</td>
<td>Senegal</td>
<td>The impact will be limited since most de facto monopolies are lack of substantial share of margins. Above all, it will favor a MoneyGram-like product.</td>
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<tr>
<td>Number of informal operators, increased on of informal remittances and costs</td>
<td>France</td>
<td>Already tested in England and Italy, this method helps the major players (Monex, Moneygram) to evolve their strategy. However, all aimed at lifting otherwise small operators would result in a scalable network.</td>
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<tr>
<td>General network, increased price competition</td>
<td>Senegal</td>
<td>The impact will be limited since most de facto monopolies are lack of substantial share of margins. Above all, it will favor a MoneyGram-like product.</td>
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</tr>
<tr>
<td>Disclosure network, enhanced competition network inadequacy in some countries</td>
<td>Comoros, Mali</td>
<td>This is a delicate issue since the lower the requirement, the higher the customers. Several MFIs lack the required financial know-how.</td>
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<tr>
<td>Diversifying services supply, reducing the risk of projects in preparation, reduced informal remittances</td>
<td>Morocco, Senegal</td>
<td>All major operators have projects in the pipeline and will launch products in the short or medium term. Risk reduction will be in place.</td>
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</tr>
<tr>
<td>Network, enhanced attractiveness of sector, reduction of informal remittance</td>
<td>Cameroon, Senegal</td>
<td>MFIs are not very interested in direct remuneration of remittances as they are considered a questionable business, however, the largest institutions would like to develop this business.</td>
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<tr>
<td>Use on migrants, improve savings capacity</td>
<td>All</td>
<td>Complex methodology, few operators can boast of a successful experience. Migrants and beneficiaries have a highly individualistic comportment.</td>
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</tr>
<tr>
<td>Withdraws matching supply (banks, insurers) with demand (migrants)</td>
<td>France</td>
<td>High risk of increasing land pressure on non-migrants.</td>
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</tr>
<tr>
<td>For-fee basis</td>
<td>Morocco, Senegal</td>
<td>The approach requires a network of structures to counsel competitive non-migrants.</td>
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</tr>
</tbody>
</table>
Annex 2: Methodological note

The study combined various survey and information-gathering techniques. Documentary research was conducted to fine-tune the initial assumptions and facilitate the data analysis. This was followed by household surveys on the emigrant and beneficiary populations, based on random sampling techniques. Lastly, interviews were conducted with various financial players, in particular commercial banks and other financial institutions.

Overall, we obtained a high response rate to the questionnaire (>80%). The non-response rate was higher in the capital of the 4 target countries than in emigration zones. The situation was more difficult in France, where the pre-survey gave a foretaste of the problems we would confront, especially due to the size of the questionnaire. It is worth noting that the subgroup who generally resort to informal modes of transfer were less inclined to respond, especially on the key questions (volume remitted, modes of transfer, and utilization of funds). Only 25% of questionnaires from this subgroup answered the questions fully.

Sample Size

The validity of the survey results depends on the sample size. Surveys covered 400 households for each emigration country, with a minimum of 40 surveys per geographic location. In total, 2,200 persons were surveyed: 400 in each emigration country and 600 in France.

Composition of Teams

Team activities were administered and coordinated by a socioeconomist, assisted by a financial expert/specialist in migrant transfer issues (who was responsible for formulating the questionnaires and for validating the financial assumptions) and a statistician.

In each of the corridors concerned, a team comprising 5 experienced interviewers conducted interviews over a 4-week period. A rate of 2 to 8 surveys daily was set (4 on average), depending on the environment. The interviewers worked under the guidance of a local supervisor and a country coordinator. It is worth underscoring the intensity of training and supervision required for this type of survey.

Country coordinators, supported by a banking sector...
expert, conducted a series of interviews and gathered information from banks.

**Modalities for Selecting the Survey Sites**

In each of the countries concerned, we selected a sample of 5-8 migration zones considered by both experts and administrative authorities as the sources of the principal corridors. Our aim was to cover both the traditional and more recent sources of emigration.

**Morocco**: 50% of the surveys were conducted in Casablanca (transit and departure city), the rest in Marrakech, Kenitra, and Khouribga regions.

**Senegal**: 33.3% of surveys were conducted in Dakar (transit and departure city), 33.3% in the North (Touba and Louga), and 33.3% in the River Valley (Bakel–Tambacounda).

**Mali**: 80% in Kayes region spread over 2,500 km (Kayes–Kenieba, Yelimane, Bafoulabe–Kita, and Nior–Diema), and 20% in Bamako (transit and departure city).

**Comoros**: 75% of surveys concentrated on Grande Comore and 25% on the other two islands.

Surveys were first directed at the beneficiaries, which facilitated identification and fine-tuning of the destination sites in France.

**Major Difficulties Encountered**

The major difficulties were encountered in Casablanca, Dakar, and Bamako. In all three cases, urban beneficiaries were very reticent about answering questions during interviews, principally for the following reasons: (i) fear of local and foreign fiscal authorities; (ii) status of foreign residents; (iii) fear of seeing migrants tighten control over the utilization of funds.

Reason (iii) above is quite revealing of the tense relations that may exist between migrants and beneficiaries over the utilization of funds. Beneficiaries are keen to maintain transfer in monetary form, while migrants would often prefer to substitute income- and employment-generating activities in place of remittances. This is highly relevant with regard to the funding of co-development projects. It probably explains the high failure rate for several business creation schemes, as mentioned by the beneficiaries.

The greatest difficulty encountered was in quantifying volumes and modes of transfer for the informal remittances channel. Other data for this sector are known (bank transfers, MTCs, and postal orders) and are monitored closely by central banks, given the importance of such transfers in preparing balance sheets.

Very often, there is a methodological bias found in studies seeking to quantify the informal sector. This is due to the fact that information gathered often relates solely to the senders of funds and not to beneficiaries. Migrants can often be mistrustful, particularly those living an illegal situation (with regard to residence or

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work conditions) and who use informal modes of transfer (80% of those who make extra-legal transfers to the Comoros did not respond to the survey in France). This shows the caution that is needed when estimating transfer volumes, and this is exacerbated by the scant information available on illegal residents and binational who send remittances.

Surveys reveal the importance of this migrant segment in their role as ultimate decision-makers as to the amount to remit and the mode of transfer. Understanding the logic that drives them is a sine qua non for any strategy seeking to reduce costs, strengthen bankarization, and reduce use of the informal channel. We partly compensated for the lack of cooperation of this migrant group by conducting surveys among the beneficiaries – hence the need to adopt an approach that integrates the two ends of the chain.

Data Use

Reference Year

Data provided by central banks and the banking sector use 2005 as the base-year (most data for 2006 was not available at the time the study was conducted).

Market Share Estimate

The various market share ratios were derived from the beneficiary questionnaires. One noteworthy finding was the clear understanding that heads of families (close relatives of migrants) have of the transfers made, even when such remittances do not directly concern the family budget (e.g. construction projects or private investments). In that regard, we interviewed some 50 migrants whose addresses were provided by beneficiary families and noted close overlaps between declarations from both parties. We also compared data from a survey subgroup in France (150 interviews), which were compiled according to the socio-professional profiles provided by the beneficiaries. We noted the same general trends in responses, although the migrants in France were less precise with regard to modes of transfer used and the utilization made of remittances.

To make volume extrapolations based on these ratios, we compiled the known data available, which varies from country to country, as detailed below.

Official Data

In Morocco, we procured a detailed 5-year estimate of remittances from MTCs, banks, and the post office. Furthermore, a fair estimate of informal transfers was obtained from foreign exchange operators (on which an annual Tourism/Moroccan Foreign Resident ratio is applied).

Morocco has a general mechanism in place that quantifies and monitors both formal and informal transfer channels. This allowed us to measure the validity of our random sampling method and its reliability. Indeed, the market share highlighted by our survey (only 1-2% gap) corresponds to that published by the monetary authorities (Foreign Exchange Office).

Two leading commercial banks (one Moroccan, the other
foreign) provided their own volumes and estimates of their bank transfer and MTC market share, thus enabling us to crosscheck our estimates.

**In Senegal,** the BCEAO provided data on MTC transfers over a 5-year period, without splitting this into the respective operators. Furthermore, two banks and one MTC operator provided us with their market volume, thus giving us indicators to compare the exact share of some operators vis-à-vis our overall estimate.

**In Mali,** the BCEAO provided us with cumulative bank transfer estimates for a 5-year period, as well as transfer-volumes for the 2 major MTC operators.

**In the Comoros,** the Central Bank provided us with very specific information on transfers handled by each operator over 5 years, facilitated by the monopolistic situation in each segment (especially bank, MTC).

The Central Bank also makes an estimate of the informal sector by applying (as is the case in Morocco) a ratio on money-changing operations. However, this methodology leads to an under-estimate of the volume handled by the informal channel due to two factors: (i) part of the money transferred in Euro is not changed but hoarded and/or circulated in the parallel market alongside the Comorian franc; (ii) tourism statistics are not updated; as a result, it is not possible to annualize the tourism/Comorian foreign resident ratio on money-changing operations.

**Informal Sector Estimates**

Two factors reduce the error margin of the overall volume estimate for the informal sector:

- The average volumes vary little or not at all per person in terms of the mode of transfer used, but depend on the utilization made of the remittance (health, real estate, etc.). Therefore, we can directly employ the ratios from modes of transfer without compensating for volume.
- The mixed utilization of services is relatively marginal and easy to isolate within a sample (combination of 2-3 different modes of transfer). Therefore, we can correct ratios comprising zones of mixed utilization to bring them to base 100 and obtain corrected percentages of the market share incorporating mixed coefficients.

**Example of Informal Channel Estimation Methodology**

In a given country, the beneficiaries declare that money is transferred through:

- Banks (A): 20 %
- The post office (B): 20%
- MTCs (C): 40 %
- Informal channels (D): 45 %

The total equals 125% due to the mixed utilization of several systems by some users. By isolating the families that combine various modes within the sample, we obtain a mixed utilization coefficient that we distribute...
evenly for each mode of transfer concerned. We cannot fine-tune (declarations are not specific enough) exact amounts transferred by each mode of transfer during a given year, but in the light of the marginal percentage of mixed utilization (averaging only 10%), the error and uncertainty margins are very narrow. In 80-90% of cases, only one mode of transfer is used, partly reflecting the difficulties encountered in forcing a rapid behavioral change among users. In another example, our survey revealed the following mixed coefficients:

- MTC/Bank (X): 5%
- MTC/Informal (Y): 15%
- Postal/Informal (Z): 5%

To obtain the net market share of mixed utilization of each type of transfer, we applied the following formula:

- Bank transfer: $A - \frac{1}{2} X = 17.5\%$
- Postal order: $B - \frac{1}{2} Z = 17.5\%$
- MTC: $C - \frac{1}{2} X - \frac{1}{2} Y = 30\%$
- Informal: $D - \frac{1}{2} Y - \frac{1}{2} Z = 35\%$

We know either the MTC or bank transfer volume (both combined or separately) from existing data. We only need to apply the ratios obtained by surveys to this data, to obtain the respective volumes, especially those of the informal sector.

Thereafter, where we had information, we crosschecked the individual market share of some MTCs or leading banks (Morocco, Senegal, and Comoros) for consistency.

The questionnaires also allowed us to obtain information under the “informal” category, the mode of transfer used and the market share of each mode, country by country. The survey shows that two large categories account for >95% of the informal, namely the “Fax” and carrier systems, without any breakdown for these.

**Estimate of Fund Utilization**

It was more difficult to make an estimate of the volumes allocated to each expenditure item due to the considerably mixed utilization of funds and vague responses on the part of beneficiaries (we were readily given the general volume of annual or monthly remittances, but not the details of volumes per item). Consequently, we isolated 2 statistical indicators to estimate breakdown by utilization item:

1. Number of users per expenditure item: This indicator involves measuring the number of families affected by each budget item. It also determines the mixed coefficient of fund utilization. The higher the ratio on each item, the greater the mixed utilization and the lower the proportion allocated to each indi-
2. Nominal value according to type of fund utilization: To estimate the volume according to fund utilization, we noted that amounts varied on average according to 4 usage types:

- Family budget assistance – i.e. the amount allocated to routine food expenditure (monthly frequencies characterize this budget item);
- Emergency assistance – i.e. the amount allocated to health or education expenditure and family cere-
- monies;
- Real estate investment, characterized by average separate transfers above the average;
- Productive investment, the separate amounts of which vary and differ from country to country.

The first two types of remittances are characterized by equivalent separate amounts, whereas the two latter types – less significant in terms of the population concerned – are higher in nominal annual volume.

Calculation of Overall Volumes by Mode of Utilization
Consequently, we isolated the population under the two latter categories and measured (i) annual individual remittances, where there existed a real estate or productive project, and (ii) the resources of the population who only remitted budget or emergency assistance. The ratios subsequently calculated (based on the annual individual volumes as per type of remittance utilization, taking into account various mixed utilization) enabled us to correct data on the volume of transfers per number of families concerned by expenditure item.

Annex 3: Definition of terms

Migrants: There are no statistics in France that could be used to draw up a precise sample of various migrant communities (indeed, it is illegal to do so). The only data available (in consulates and prefectures) eliminate de facto large sections of population of foreign origin, especially binational, naturalized citizens, second and third generations (born outside their countries of origin). Therefore, we opted for a pragmatic and precise definition of “migrants”, namely all persons, in origin below three generations of one of the target African countries, independent of his/her nationality, who demonstrates attachment to his/her country of origin by remitting money at least once yearly. This definition, which largely differs from statistics from INSEE or the consulates, pools together all migrants who make remittances in a source country.

Beneficiaries/households: In the course of our survey, we considered all direct and indirect beneficiaries of transfers, i.e. family heads and economically dependent persons. The beneficiary economic unit groups together persons living under the same roof (children, dependants, and cousins), under the name of “household.” In general, each household receives remittances from many migrants; at times, there are also several receivers within the same household. Our definition enabled us to better understand fund utilization-related issues, and to take into account all transfers (principal and secondary).

Families: In order to account for transfers from several migrants, we broadened the definition of household to the family which, in our understanding, includes all non-resident members linked to the household’s economic unit, i.e. the household residing in the beneficiary country plus all migrants making remittances to the country of origin. In our questionnaires to heads of beneficiary families, we distinguished individual fund utilization from collective utilization under investment segments (construction projects and productive activities), so as not to reduce the volume estimate of remittances sent to the “household” unit, and to account for all funds sourced from transfers.

Definition of socio-professional categories retained

We retained somewhat simplified definitions of socio-professional categories in order not to disaggregate data beyond 8 categories and to be able to compare economic modes of the principal beneficiaries (heads of families or individuals) beyond the differences and definitions specific to each country. The categories are as follows:

Professional: Individual occupying a skilled activity and a position of responsibility in the public or private sector, supervising one or more workers. Managers of SMEs in the formal sector are included in this category.

Worker: Low-skilled worker in the public or private sector, on an open-ended contract, who is not an owner.
Farm workers are included in this category and comprise the core target in Mali and rural areas.

**Liberal profession**: Individual working independently in a high-skilled profession.

**Self-employed**: Individual working independently in a low-skilled profession.

**Oddjobber**: Low-skilled individual working seasonally or occasionally (day-wage).

**Without profession**: Individual with no income-generating activity.

**Retiree**: Individual receiving allowance or pension and retired from professional life.

**Student**: Individual pursuing full-time studies or attending university.

**Modes of transfer definitions**

**Bank**: Formal money transfers made through a bank and/or microfinance company, from account to account or from account to cash. Electronic transfers (i-transfer, internet, etc.) are included under this category, which is dominated by SWIFT. Transfers in exchange for counter-party trade are excluded from this category.

**Money Transfer Company (MTC)**: Formal money transfers through a rapid transfer company (Western Union, MoneyGram, etc.), from cash to cash or from account to cash.

**Postal order**: Transfers through orders (simple or electronic) within the world postal network.

**Informal cash**: Cash transfers through a physical carrier. There are two types of carriers: (i) occasional, during a family trip, or (ii) professional who pools several transfers and individually transports sums above EUR 10,000.

**Other informal**: Other informal systems that do not require money to be moved by individuals. These transfers are largely dominated (< 90%) by the “Fax” system. We can also cite other more marginal means of transfer: in kind, by post or through companies with convertible accounts in the 2 countries at both ends of the corridor.

**“Fax” system**: Inspired from the traditional Hawala of Indo-Pakistan origin, the fax system is largely used in the 4 target countries. The basic principle behind Hawala is to circulate money in money-exchange or trader networks. A customer gives a sum of money to one of these agents who contacts the agent closest to the recipient and request the agent to pay the amount (generally minus a commission) in exchange for a promise to be
paid later. This system works without the transmission of means of payment (value representation tool, e.g. money), and is based entirely on the trust that exists between network agents. Since it does not depend on the legal application of contracts, the system functions even in the absence of a common legal framework. There is no centralized register: the only information required to operate is to update the total amount of outstanding debt with each agent of the network. The debt can be settled in any manner chosen by agents, especially bank compensation or compensation in kind (goods).
ensively analyzes the issue of financial supervision and money laundering via the “tax” informal
ct of migration on human resources available for development and the specific role of MFI in
nt.
omic approach to the impact of remittances on poverty reduction in Morocco.
programs conducted from the United States vis-à-vis the major diasporas in connection with
e for development. Cases of the Mexican and Caribbean Diaspora are well documented.
details on the status of migrant remittances, highlighting the grey areas.
of opportunities and limits of MFI involvement in remittances.
omic strategies of Sahelian families and the growing impact of transfers on the household
ct of remittance income on populations in Mali’s Kayes Region.
ial and economic review of Comorian migration in the Marseille region.
ness creation with the support of migrants, especially the case of Mali.
w of ongoing initiatives by some International Solidarity (NGO) actors vis-à-vis migrants in five
terogeneous, depending on the country concerned and does not allow for real comparisons.
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<th>Year</th>
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<td>2003</td>
<td>Sander, Barra, Sal, Juhtin, Diop</td>
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<td>Etude sur les transferts d'argent des émigrés du Sénégal et les services de transferts en micro finance (Study on Senegalese Migrant Remittances and Microfinance Transfer Services)</td>
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<td>2005</td>
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<td>Charles Milhaud</td>
<td>Documentation Française</td>
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<td>Report takes stock of the comprehensive analysis current remittances.</td>
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<td>2006</td>
<td>Frederic Posant</td>
<td>CAPAF</td>
<td>L'offre de services de transfert d'argent pur des institutions de microfinance: le cas du Sénégal (Offer of Remittance Services for Microfinance Institutions: the Case of Senegal)</td>
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<td>2006</td>
<td>Tom de Bruyn</td>
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<td>Les transferts de fonds des migrants originaires de la région des grands lacs, Afrique Centrale (Remittance by Migrants of Great Lakes, Central African Region Origin)</td>
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<td>Andre Letowski</td>
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<td>Les créateurs étrangers : spécificités en termes de profil et de pérennité (Foreign Business Creators: Specificities in Terms of Profile and Sustainability)</td>
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<td>Camille Courtin</td>
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<td>Migration, diaspora et développement, le cas du Maroc (Migration, Diaspora and Development: the Case of Morocco)</td>
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<td>General Principles for International Remittance Services - Consultative Report</td>
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interest and limits (especially in terms of risk and remuneration) of MFIs to become involved

on approach to the issue of migrant transfers. Review of British cooperation success

the under-valuation of migrant savings in the country of origin. However, the very

conducted is limited by the absence of quantitative data on the volume and utilization of

haustive picture of the involvement of microfinance actors in remittances to Senegal.
terms of the strategies of actors and the limits of MFIs.

of the issue of remittances and savings valuation in three Great Lakes countries: Rwanda,

ilities of foreign business creators vis-à-vis national creators in France. Particularly

the framework of support for business creation by migrants, figures in support, and specific

nces for MFIs.

of remittance volumes and problems within the Mediterranean Basin.

ilable technological advances with regard to remittances.

ic initiatives in Morocco with regard to RME initiatives in social and economic development.

the health question in the Comoros. Health actors bring focus to bear on their vision of the

echanism. The analysis is somewhat defeatist.

providers and public authorities in international remittances.
Annex 5: Selection of press articles

Selection of Specialized Internet Resources

Press articles are indicators of the rapid evolution of the transfer market and ongoing changes.

In Kenya, Just a Mobile Phone to Transfer Money
By Falla Gbadamassi, 23 March 2007

The Vodafone Group will soon launch a pilot money transfer project using the mobile phone between Great Britain and Kenya. A new opportunity for migrants to send money to their relatives, the national equivalent of this service is already available in Kenya.

Kenyan immigrants living in Great Britain will soon be able to send money to relatives via their mobile phone, according to an announcement on 12 February by world leader in the sector – the multinational Vodafone – and its partner, the Citigroup financial consortium. The service will be based on another already existing in Kenya and offered by Safaricom, the Kenyan mobile telephone operator, 50% of which is owned by Vodafone. M-Pesa – as the service is known, meaning “money” in Swahili – was officially launched on 6 March. It is the first such service on the continent. According to Pauline Vaughan who is in charge of the M-Pesa service, “Kenyans are really interested in the new service. Within just about fifteen days, more than 10 000 persons registered to use it.”

An SMS to Validate the Transfer

M-Pesa operation is simple. “Between 100 and 35 000 shillings can be sent per transaction”, says Pauline Vaughan. A simple visit to the certified reseller where the customer registers free is enough. The customer’s SIM card is configured to benefit from the money transfer ser-
vice and s/he deposits a sum not exceeding 50,000 shillings. The deposit enables the customer to credit his/her M-Pesa virtual account to conduct transactions. The reseller also follows the same approach vis-à-vis Safaricom. S/he makes a bank deposit that opens access to an M-Pesa virtual account. So far, there are three hundred resellers and, according to the M-Pesa manager, Safaricom receives “several new applications every week.”

To receive money via M-Pesa, a subscription is required. For a 2,000 shilling transaction, the sender’s M-Pesa account is debited 2030 shillings (the service costs him/her 30 shillings), and the beneficiary, informed by SMS which includes a secret code, receives 1,975 shilling if collected from a reseller (in which case s/he pays 25 shillings to the receiver). Otherwise, 2000 shillings are paid to his account. The total transaction via Safaricom costs 55 shillings. Both sender and receiver must have an identification document.

**Is the Mobile Phone about to Revolutionize Crossborder Money Transfer?**

Western Union, the money transfer market leader, counsels less haste, even if the American company is running a pilot project similar to M-Pesa in the United States. The project started in May 2006 and is scheduled for completion in July this year. “This system,” says Matt Dill, Western Union’s Global Mobility Vice-President, “has real potential that we’re studying with our different partners.” However, with regard to crossborder transfers via the mobile phone, “the industry needs to reach a critical mass at a global scale” – the same scale as the GSM Association which membership of more than 700 mobile phone operators. The Association will soon start a pilot service similar to the Kenyan initiative with the financial operator MasterCard. According to Association spokesman David Pringle, “we are trying to put in place a global platform based on the current MasterCard network, which will permit crossborder transfers. Operators in each country will then be able to choose from several plans.” Indians and Filipinos will be the first to benefit from the service – as did Kenyans with Vodafone.

**Santander – Attijariwafa**

**Transfer by Moroccans Resident Abroad:**

**Santander Stops Commissions**

(L’Économiste, by Said Mabrouk, January 2007)

One man’s meat is another man’s poison. Good news to our Santander customers citizens resident abroad and their families. Bad news to other banks and money transfer operators who may lose a large number of customers. Leading Spanish bank Santander, Attijariwafa Bank shareholder, recently launched its Zero Euro Commission Plan on immigrant transfers.

This marks a new step in the array of measures aimed at developing the bank by emphasizing customer relations and ending most commissions. Under this plan, transfers to the country of origin will be free of charge. About 650,000 new customers will no longer pay service and transfer charges with effect from last Friday. In all, 3.4 million of the Madrid bank’s 8 million customers will benefit from the “Queremos ser tu banco” plan, which
literally means “We want to be your bank”. Despite the high cost of the new phase – 37.1 million Euros – the plan has exceeded all set targets. “We reached all set targets in 2006. We very successfully changed our way of doing business with “We want to be your bank” by adopting a new long term strategic model based on customer relations,” says Enrique Garcia Candelas, Managing Director of the bank’s Commercial Division, in a press communiqué. “We now have additional customers, more loyal and more satisfied.” With the Zero Euro Commission Plan, the bank tries to reach as many potential customers as possible and have them benefit from the bank’s local services. Students, immigrants, bank shareholders and private customers (farmers, self-employed, traders, etc.) will no longer pay a service charge. Thus, starting 19 January, 650 000 Santander customers will join the 2.8 million who already benefit from the Plan. Immigrants currently enjoying the initial plan can now make transfers free in “all transparency”. In that regard, as was the case during the first phase of “We want to be your bank”, they need only subscribe to one of its products: pension, mortgage or pension plan... Shareholders only need to hold at least 500 shares. Students enrolled in any Spanish university will also be exempt from any commission. Commissions are stopped automatically. The bank informs the customer accordingly.

“Queremos ser tu banco”?

One year has passed since Santander initiated a new commercial strategy called “Queremos ser tu banco”, aimed at reaching as many customers as possible by ending all service charges paid by private customers; administration and keeping of a bank account, national transfers and transfers within the European Union (up to 50 000 Euros), reception and issuance of checks, checking of balance, transactions and withdrawals in all automatic teller machines within the Santander network.

Attijariwafa Bank launched a new bank product on 29 June: a rechargeable credit card for Moroccan families with family members abroad. Called Kesma, the new card offers several benefits to Moroccan Residents Abroad (MRA).

Third of its kind (after similar offers by Crédit du Maroc and Société Générale Marocaine des Banques), this product confirms the commitment of Moroccan banks to serve this customer segment.

Thanks to the Kesma card, MRA customers receive “competitive billing and can recharge without using an intermediary, via a vast network of more than 50 local agencies.”

Moreover, the card offers the customer (with or without a bank account) “the possibility of withdrawing money from any ATM, effecting payment operations, consulting balances and statements of latest operations. A one-off payment is charged for the card.”

The card is offered to MRA customers for a payment of 99 Dirham. The beneficiary pays nothing. “Recharge costs the same as account-to-account transfer, i.e. less than 5 Euros per top-up.”

MOROCCO – The Provence-Alpes-Corse Savings Fund Partners CIH Morocco (Lettre Sud Infos, 23 July 2007)
In accordance with its development strategy for the Mediterranean region, the Provence-Alpes-Corse Savings Fund (Caisse d’épargne Provence-Alpes-Corse – CEPAC) signed a partnership agreement with Morocco’s Crédit Immobilier et Hôtelier (CIH) (CEPAC is a CIH shareholder), under which French investors or residents can acquire real estate in Morocco (in Euros or Dirham), within the framework of a given program. They can also transfer money (maximum EUR 12,500) from a CEPAC account to a CIH account without charge. CEPAC is being used to test a project that in time will be rolled out across the whole of France.

Banque Atlantique Opens an Agency in Paris
(8 July 2007)

Banque Atlantique opened its Paris agency in early July without much fanfare. Located on Paris’s Northeastern suburb on Rue de Ourcq, the agency was opened in partnership with Compagnie de Banques Internationales de Paris, a subsidiary of CBAO in France. The purpose of Atlantic Financial Group, the Togolese parent company of the Banque Atlantique Group, is to capture money flow from the West African Diaspora. Since 2005, the Banque Atlantique network which originated in Côte d’Ivoire has extended to Benin, Burkina Faso, Mali, Niger, Togo and Senegal.

SGMB Positions Itself on MRAs
(Le Matin, Abdelali Boukhaled, 23 June 2007)

Transfers by Moroccans Resident Abroad (MRAs) is a major source of financing for the national economy. MRAs are often driven by the dual desire to have savings in their country of origin in order to invest in small-scale financial projects, especially real estate, and also to support their close relatives.

On that basis and with a view to addressing that concern, Société Générale, on the cutting edge of innovation, recently launched the Ahly Card: the first ever prepaid rechargeable card designed to strengthen the relationship between MRAs and their families in Morocco. Issued to MRA customers, for the use of close relatives in Morocco (with or without a bank account), the Ahly Card is a “family solidarity” card which facilitates transfers and access to funds for families of MRAs in Morocco. The MRA can request and personalize as many cards as necessary on behalf of close relatives. Beyond launching the card, SGMB also reaffirms its determination to position itself in this increasingly profitable market segment.

This innovation is further consolidated by the creation of a Department for Moroccans Overseas (Direction des Marocains du Monde), a new welcome plan, and the development of distance-banking. This is a unique distribution concept informed by the principle of offering a product tailored to meet the needs of the Diaspora. With the launch of the new product, the SGMB Group also seeks to spread its net by entering the Spanish and Italian markets. In order to consolidate that approach, SG is maximizing the gains made thus far, especially its banking leadership in Morocco, its extensive international network, its subsidiaries and partners. The bank
intends to support this eclectic and differentiated approach by mobilizing more human and financial resources. Its highly innovative approach should play largely in its favor.

MRA transfers are a major source of finance for the national economy and one of the main sources of subsistence for many households in Morocco. On average, each immigrant sends between 1 117 and 1 675 Euros yearly.

The French National Assembly Proposes a Bill on Creation of a “Development Passbook”
To “promote the mobilization of savings from migrant workers,” a draft bill submitted by Deputy Jacques Godfrain on 26 March 2006 was forwarded to the Foreign Affairs Committee and distributed to the National Assembly on 9 May 2007. Business and housing projects are concerned “since they would comply with the current national and community development plan.”

The development passbook “generates the same rate of interest paid by the national savings fund of the country of origin.” It offers “enough guarantee to obtain local credit either for a business project or construction of family housing in the country of origin”. Moreover, “additional loans at preferential rates will be granted by the usual donors insofar as French engineers or processes of French origin are involved”.

The measure presented projects the establishment of a “development fund” which “will finance training programs in the country of origin with a view to either adapting foreign professional experiences to local conditions or preparing some nationals who are not in France”. The fund “will take out shares in the capital of companies to be set up in the basic sectors”. The fund will be managed in the country of origin “independent of all government structures, by local professionals drawn solely from sectors of activities retained: members of chambers of commerce and industry or representatives of trade unions” (National Assembly).

Co-Development Savings Account
The decree enabling the co-development savings account was published on 22 February. The new savings account allows for savings for future investment, necessarily abroad.

The investment could involve the creation or purchase of a business, building for rent, micro-finance, construction for business purposes, business repurchase, etc.

Co-Development Savings Account: Objectives
Open to foreigners living in France, this savings account permits investment in the saver’s country of origin. The idea is to promote the development of economic activity in foreign countries, preparing migrants for a return to their countries of origin.
Co-Development Savings Account: Tax Credit
The saver will receive 25% tax exoneration on the amount saved, up to 20 000 Euros.

Opening a Co-Development Savings Account
Contact your bank. However, since the decree was promulgated not long ago, banks may need some time to set up the management of the new accounts. The bank fixes the interest rate.

Co-Development Savings Account: Operation
Only one co-development savings account per person. Investment is for a minimum of one year and a maximum of 6 years.

Minimum investment is 50 Euros; maximum investment is 50 000 Euros. The bank fixes the interest rate.
To withdraw savings, the saver must state the investment project on a form set aside for that purpose.
Source: National Assembly
