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**ISBN No.: 978-2-915719-45-1 EAN: 9782915719451**

This publication was produced with the support of the Invest in Med programme funded by the European Commission. The contents of this document are the sole responsibility of the La Poste group and Planet Finance and in no case may be considered to reflect the views of the European Union.

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# Introductory statement

This report details the main results and conclusions of the study conducted by PlaNet Finance on the expectations of migrants originating from Mediterranean countries in terms of remittances.

The study was commissioned by the Euromed Postal (see glossary) working group on migrant money to get a better insight into the expectations of migrants living in France, Italy, and Spain and to present opportunities on the remittance markets in the Euro-Mediterranean zone.

This publication was produced with the support of the Invest in Med programme and the European Union.

## The Invest in Med programme

The Invest in Med programme seeks to develop sustainable business relationships, investments, and corporate partnerships between the two sides of the Mediterranean. With three-fourths of its funding coming from the European Union over the 2008-2011 period, it is managed by the MedAlliance consortium, which brings together economic development agencies (ANIMA, the leader of the programme), CCIs (ASCAME, EUROCHAMBRES), and business federations (BUSINESSMED). With the members of these networks and their associated partners (ONUDI, GTZ, EPA Euro Méditerranée, World Bank, etc.), a thousand economic players are mobilised through pilot initiatives centred on future Mediterranean channels. Each year, a hundred field operations link the 27 countries of the European Union and their nine southern partners: Algeria, Palestinian Authority, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, and Tunisia.

[www.invest-in-med.eu](http://www.invest-in-med.eu)

# Operational summary

The aim of the study is to learn more about the expectations of migrants in the Euro-Mediterranean zone (see glossary) in terms of remittance services. The migrants' opinions concerning the elements of the remittance product were the subject of special attention, particularly their perception of the product offer and price, as well as the available information and access to the offered services. The approach undertaken primarily involved listening to users of this type of service. The interviewed individuals appreciated this attitude and confided very willingly during the interviews.

## **An affirmed need for reliable, quality remittance services**

Remittances, in other words the share of their earnings that migrant workers send to their family in their home country, are an important means of financial support. As numerous studies have pointed out, including those of the International Fund for Agricultural Development, “these funds are used to meet immediate family needs”<sup>1</sup> The importance of the issue of remittances for migrants is thus understandable, as they feel an enormous responsibility towards their family remaining in the home country, and sending money to their family is their major priority.

The study shows that the main remittance service features generally favoured by migrants are trust in the operator, the proximity of the service for the recipient, and the quality of the service.

In a more detailed manner, the study also shows that a typology of users can be established depending on how they perceive remittance services based on characteristics of the service to which users are more sensitive or purely personal decisions (cost, convenience, habit, community aspect, etc.).

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<sup>1</sup> IFAD Brochure, December 2007, Migrant workers and remittances, IFAD, Rome, Italy.

Regarding remittance services, the notion of “corridor” is an essential piece of data.

A “corridor” will be defined as a bilateral relationship between two countries of the zone, e.g. France - Algeria or Italy - Tunisia. It will thus be seen that the users’ selection of a remittance operator will depend on the offering on the corridor pertaining to them. However, in the Euro-Mediterranean zone, the offering is not uniform across the corridors. This diversity is mainly due to the maturity of the banking system in the country receiving the remittance. As a rule, the more mature the banking system, the less informal systems are used. This is why this dimension has been taken into account and has led to a presentation according to the main corridors.

# Methodological note

## **Study objectives**

This study seeks not only to better understand the expectations of migrants in the Euro-Mediterranean zone regarding remittances, but also to show the main trends of the remittance market in terms of changes in the flows and banking habits of migrants.

## **Scope of intervention**

The scope of intervention includes the marketing of remittance services, recent regulatory changes, and the growth perspectives of the remittance market.

Regarding marketing, the following items have been analysed in detail: the profile of the migrants who send remittances, their motives, and the aim of the remittances, the choice of remittance services, and the reasons behind this choice for the migrants.

On the regulatory level, recent changes and the foreseeable consequences of these changes on the remittance market have been highlighted. The opportunities for Euromed Postal's partners in this context have also been assessed.

Finally, particular emphasis has been placed on looking at the growth perspectives of the remittance market, especially in relation to the increasing use of banks by migrants and its impact on remittances, the importance of the informal sector, and the new emerging remittance services.

## **Methodology**

This study favours a qualitative approach in relation to obtaining first-hand data directly from migrants via focus groups (group discussions with a moderator) and individual interviews with migrants and experts in the remittance market.

To this end, five group discussions and individual interviews were organised with migrant workers in France, Italy, and Spain, in Euro-Mediterranean zones where there is a high concentration of migrants,

notably Barcelona in Spain, Milan in Italy, and the Greater Paris Region in France.

A total of 65 migrant workers originating from Morocco, Egypt, Algeria, and Tunisia participated in the group discussions and individual interviews.

These meetings were organised thanks to the cooperation of the following migrant associations:

- Association de Travailleurs Maghrébins de France (Gennevilliers, Greater Paris Region)
- Réseau d'Etudiants Algériens des Grandes Ecoles (Paris)
- Association des Tunisiens de France (France)
- Sportello Stranieri de Cinisello Balsamo (Milan)
- Associazione degli Imprenditori e Professionisti Extracomunitari in Lombardia (Milan)
- Asociación de Trabajadores Marroquíes de Cataluña (Barcelona)

Moreover, individual interviews were conducted by experts in the field of remittances of migrant workers in the Euro-Mediterranean zone, in particular Mr. Garson from the OECD in Paris, Ms. Virginie Lucas from the French Development Agency in Paris, Mr. Xavier Aragall from the Institut de la Mediterrania in Barcelona, and Mr. Gian-Pietro Lattuada from Banca Popolare di Milano in Milan.

At the same time, an exhaustive review of the existing literature on the phenomena of migration and remittances facilitated the collection of information related to the volumes of remittances, regulations, and perspectives for the Euro-Mediterranean zone (see bibliography in the appendix).

The study was naturally limited to Mediterranean countries, excluding Albania and Libya. This study, based on interviews conducted in the main remittance-issuing countries (France, Italy, and Spain), focused on the principal communities issuing from these countries (Morocco, Algeria, Tunisia, Egypt). Thus, seven of the eight main corridors of the zone (France-Algeria, Morocco and Tunisia, Italy-Morocco, Tunisia and Egypt; Spain-Morocco) were able to be examined in detail (cf. chapter on the main remittance corridors). The result sought by the study was not to conduct an

exhaustive survey of all of the intra-Mediterranean corridors but to gather sufficiently representative discussion groups in order to find general characteristics that can be used for all of the affected populations.

#### Limits of this methodology

The adopted qualitative approach favours the statements of migrants through group discussions or individual interviews. It allows them to talk about their use of remittance services, the reasons for their choice of service provider, the limitations that they have experienced, and their desires in terms of service improvement.

It is nonetheless important to emphasise that the opinions of the migrants who participated in this study remain personal opinions and cannot be extrapolated to the entire population with statistical certainty.

The selection of migrant associations as the way of reaching migrants, essential for practical reasons, also adds an additional bias, as migrants who are members certainly have a strong propensity for keeping a tie with their country of origin and present a specific socio-economic profile with an over-representation of unspecialised working men. To reduce this bias, individual interviews were conducted with representatives of a migrant population with a higher level of qualification.

Despite our efforts to reduce these biases, it is important to take them into account when analysing the results of this study.

# Migrant workers' remittance flows in the Mediterranean zone

## **Migratory flows in the Mediterranean zone**

To understand the issues of migrant workers' remittances in the Mediterranean zone, we should first take a look at the dynamics of migratory flows in this region. To do this, it helps to distinguish three geographical zones:

### **1 - North Africa (Morocco, Algeria, Tunisia, Libya, Egypt)**

In this area, there are four countries of emigration and one country of immigration, Libya, which has many natural resources, such as oil and gas, but lacks a sufficient local workforce to market them. Emigration from the three Maghreb countries is mainly headed towards Europe and economic in nature: the phenomenon may be very large, since, for example, the Moroccan population living in Europe is estimated at nearly 3 million out of 34 million<sup>2</sup>, nearly 10%. . As such, the Moroccan diaspora is now well established in France as well as in Spain and Italy. However, Algerian emigration continues to head almost exclusively towards France. The flows from Tunisia are divided between France and Italy. Libya is home to almost a million Egyptian workers. The migratory phenomenon in Egypt is mainly focused towards the Gulf countries, and Egyptian migratory flows towards Europe are more recent (mainly towards Italy).

### **2 - Middle East and Turkey (Palestine, Lebanon, Syria, Jordan, Turkey)**

Migration flows in this area have long been marked by political issues, such as the Near East and Kurdish issues. Migratory flows from the Arab

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<sup>2</sup> Source: Centre Marocain de la Conjoncture.

countries in this region (Palestine, Lebanon, Syria, Jordan) are mainly headed towards the Gulf countries. A study commissioned by the FEMIP at Ecorys<sup>3</sup> estimates the proportion of Lebanese, Jordanian, and Syrian migrants established in Europe at less than 10% of the total number of migrants from these countries. The case of Turkey is the complete opposite: more than 85% of Turkish migrants head for Europe. However, France is the only Mediterranean country of destination for emigration from Turkey.

### **3 - Mediterranean Europe and the Balkans (Spain, France, Italy, Slovenia, Croatia, Albania, Greece)**

Migration between countries of the European Union is now increasingly made up of entrepreneurial migrations, which, although they indeed represent economic flows, are not related to difficult living conditions in the country of origin. The development of the Spanish and Italian economies since the 1960s explains this phenomenon. Slovenia is seeing hesitant migratory movements, even though it is now primarily a host country that welcomes migrant workers to make up for its labour force shortages. Croatia's negative migratory figure during the conflict with Serbia is now positive. These days, the main migratory flows of the countries bordering the Adriatic Sea come from Albania and are mainly heading for Greece and Italy. Albanians make up nearly 10% of the Greek workforce, with more than 800,000 residents.

It is important to note the proportion of non-European Mediterranean migrants in the total number of migrants residing in the three main European countries:

In France, migrants from other Mediterranean countries represent more than two-thirds of non-European migrants (1.2 million Algerians, 1 million Moroccans, 600,000 Tunisians, and 400,000 Turks).

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<sup>3</sup> Study on improving efficiency of remittances in European countries, FEMIP – Ecorys, March 2006.

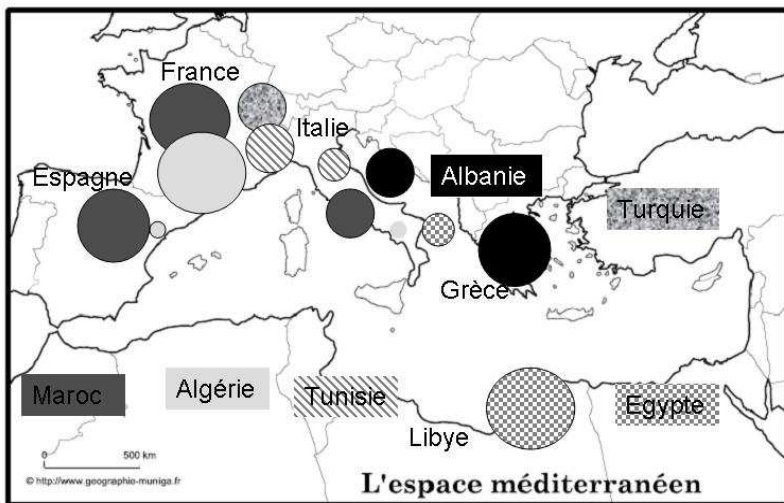
In Spain, migrants from other Mediterranean countries (Morocco alone: 700,000) represent only 15% of migrants from outside the EU 25 (excluding Romania and Bulgaria) due to the large Latin-American community.

In Italy, migrants from other Mediterranean countries represent a third of non-EU 25 migrants (400,000 Albanians, 400,000 Moroccans, 100,000 Tunisians, and 80,000 Egyptians) mainly because of the large Romanian community. Of course, these estimates are biased for two reasons:

- The difficulty in identifying the number of illegal migrants
- The dual nationality of some citizens, which means that they fall into one category or another: thus, for example, according to French statistics, there are only 150,000 Tunisians living in France, although the Office of Tunisians Abroad estimates the figure to be 490,000.

The characteristics of these migratory flows have significant consequences on the remittance situation.

Figure 1: The main migratory flows within the Mediterranean (2008)

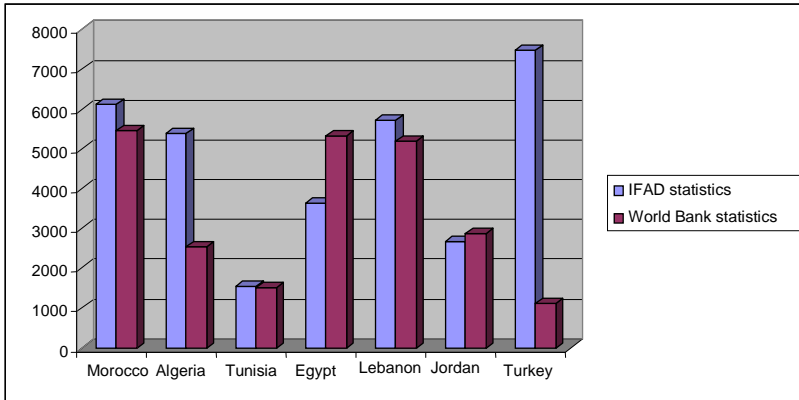


Sources: Senate Co-development Report (France); The National Institute of Statistics (Italy); The National Institute of Statistics (Spain)

## Migrants' money in the Euro-Mediterranean zone

When we attempt to quantify the migrant remittance phenomenon, we come up against a real problem in terms of the reliability of statistics. For example, for 2006, if we take two different sources (World Bank and IFAD), we see a sharp contrast in the results (see figure 2).

Figure 2: Remittances received in 2006 in millions of US\$ (2006)



Sources: World Bank, IFAD.

As rightly pointed out by the work performed under the IFAD, “it is difficult to record the actual volume of money flows, since many of the senders and recipients of these remittances remain outside of the general current of the economy”. The World Bank statistics represent the official flows recorded by the Central Banks, which constitute, depending on the corridors, a quite variable proportion of all remittances. The work done by the IFAD and entrusted to Mr. Manuel Orozco of Inter-American Dialogue has sought to gather broader statistical sources for a partial assessment of flows beyond formal transfers<sup>4</sup>.

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<sup>4</sup> Migrant workers and remittances (IFAD), December 2007

Thus, we can note that in the case of Morocco or Tunisia, where most transfers are made formally, there is less disparity in the data.

For Algeria, it is an accepted fact that the majority of flows are arranged in an informal manner and, consequently, the official statistics represent only a small proportion of the total flows.

More surprising are the cases of Turkey (whose citizens tend to use formal channels) and Egypt (where informal channels are very important).

Formal channels encompass flows transferred by banks, remittance companies, and postal operators.

There can be two types of informal channels:

Either “unorganised”: during the summer holidays, the migrants return to their country of origin with the money that they have saved during the year; or if they prefer to send money little by little, they will entrust it to friends or family making the trip to the country of origin;

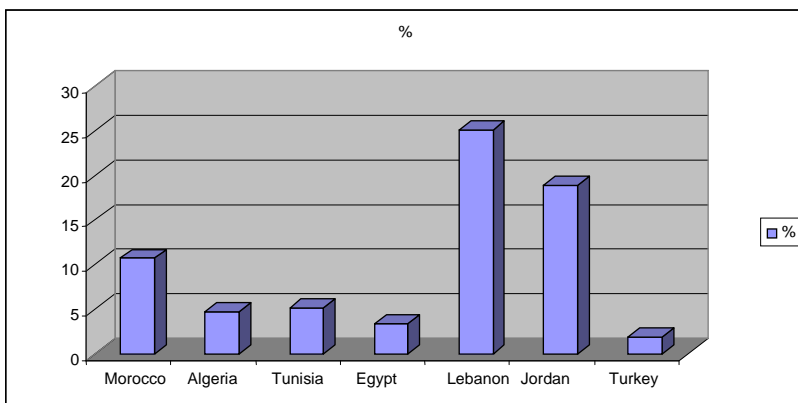
Or “organised”: the migrants entrust the money to a person in the host country who makes a phone call to a contact in the receiving country who will give the recipient the money in the local currency without taking any “visible” commission.

Several official bodies (the IFAD, the European Union, the French Senate, etc.) have already lamented the approximate nature of these statistics and have called for an improvement in the information concerning them.

### **A common characteristic: the economic importance for recipient countries.**

Financial transfers are of considerable economic importance for most countries of the Mediterranean. They represent between 2% and 10% of GDP of the recipient countries.

*Figure 3: Percentage of remittances relative to GDP (2006)*



Source: IFAD 2006.

They are higher than the volume of public development aid and are above all very regular and have risen constantly for the past twenty years. For example, in Morocco, alongside the revenue from tourism, they equal out the balance of payments.

### **Corridors of very different sizes**

The unequal distribution of migrants in the Mediterranean countries means that the corridors are very different in size. We can consider eight corridors to have an annual flow exceeding 200 million euro – of course with all of the precautions on these amounts as expressed above:

- The France-Algeria corridor (estimated at more than 4 billion euro)
- The corridors to Morocco (France-Morocco: 2 billion euro; Spain-Morocco: 1 billion euro; Italy-Morocco: 700 million euro)
- The corridors to Tunisia (France-Tunisia: 1 billion euro; Italy-Tunisia: 200 million euro)
- The France-Turkey corridor (300 million euro)

- The Italy-Egypt corridor (200 million euro)

With all of the reservations accompanying these evaluations, this represents a total of 10 billion euro moving north to south of the Mediterranean via migrant remittances, as cited by the working group on the Euro-Mediterranean financial zone led by the Mediterranean World Economic Prospect Institute (IPEMED).

# Prospects for development of remittances

## **Impact of the economic crisis on migrant remittance flows**

### A higher risk of unemployment than other populations

According to an INSEE study, “immigrants are more exposed to unemployment than other categories of the population in France: thus in 2002, their unemployment rate amounted to 16.4%, double the rate of the non-migrant population”<sup>5</sup>. Even then, among workers between ages 25 and 59 from the Maghreb, sub-Saharan Africa, or Turkey, nearly one in five was unemployed. The main reason for this is that many migrants work in the sectors of industry and construction, which are very sensitive to the ups and downs of the global market.

### A rise in unemployment that can only be detrimental to migrants

The unemployment rate in the euro zone rose from 9.3% in April 2009 to 9.8% in October, reaching its highest level since May 1999, according to monthly statistics released by Eurostat. The trend is the same in the 27 countries of the European Union, with a rate that rose to 9.3% in October 2009: Mediterranean estimates, the European Union had 22,510 million unemployed people in October, including 15,667 in the euro zone. Observers agree that this process looks set to continue in the coming months, and some predict that the figure will reach 11% by the end of 2009, with the possibility of a peak of 12% in 2010, notably due to the time lag between the slump in

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<sup>5</sup> Les immigrés en France : une situation qui évolue ; Chloë Tavan, cellule statistiques et études sur l’immigration collection INSEE Première no. 1042, September 2006.

economic activity and its effects on employment. Among the countries most affected by unemployment in Europe is Spain in particular, with a rate of 19.5% in December 2009.

## Consequences that are beginning to be felt

Moroccan migrants established in Spain, the country that has been worst hit by the economic crisis, have already reduced their remittances:

in 2008, official remittances from Spain to Morocco dropped by around 10%.

Moroccan workers have been severely affected by the slump in activity in the construction sector in which many of them work.

In the Euro-Mediterranean zone, a March 2009 study by Standard & Poor's cited by the Centre for Strategic Analysis<sup>6</sup> predicts "a possible slowdown in remittances to countries in North Africa and the Middle East due to the negative impact of the economic slump on the incomes of workers around the world".

The main scenario revealed by the Standard & Poor's study is a drop in remittances of "between 5% and 10% in 2009 for Tunisia, Egypt, Lebanon, Jordan, and Morocco". According to the study, the foreign balances of Lebanon and Jordan are the most likely to be "affected" by a drop, while those of Morocco, Egypt, and Tunisia would be "relatively less exposed". However, Standard & Poor's considers that the impact of a drop in remittances on the sovereign rating of the States concerned would be "probably negligible" and recalls that the ratings of these five countries currently have stable outlooks.

A similar range of annual decline of around 5% to 8% is also cited by the World Bank in its outlook for migrant remittance flows for 2009-2011 (March

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<sup>6</sup> Analysis on migrants' remittances, Centre for Strategic Analysis, Update no. 135, May 2009.

2009).<sup>7</sup> The World Bank emphasises that this decline is slight compared to that of capital movements or public development aid. The World Bank rightly identifies, among other things, two major factors of the “resilience” of migrant remittance flows, explaining their relative resistance to the crisis:

- Remittances are sent by migrants’ cumulated stocks, and their growth is not solely due to the arrival of new migrants.
- Migrants continue to send money – albeit less or less often – even if they are affected by the crisis.

These considerations were fully confirmed during interviews conducted with migrants.

### **Migrants confirm the impact of the economic crisis on their remittance habits**

Out of the 65 people who participated in the group discussions in France, Italy, and Spain, 31 people sent lesser sums of money to their country of origin than the previous year, 31 sent the same sum, and 3 sent a larger sum.

## **Changes in European regulations**

### **The European Payment Services Directive (PSD)**

The payment services directive of 13 November 2007 (2007/64/EC) provides the legal foundation for the creation of a true EU-wide single market for payments and is a step towards the creation of the SEPA (Single Euro Payments Area).

The directive sets out a series of services defined as “payment services”, the delivery of which is reserved for “payment service providers” (PSP). These service providers are no longer only “credit institutions”, since the directive adds a new category of “payment institutions”.

Lastly, the directive also creates a single European law for payment services by harmonising the information that must be provided to customers, as well

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<sup>7</sup> Migration & Development Brief; Migration & remittances Team World Bank, 23 March 2009.

as the rules applicable to payments in terms of authorisation, irrevocability, execution, and dispute.

Member States must transpose the directive into their national laws by 1 November 2009. In France, this is done through Order No. 2009-866 of 15 July 2009 on the conditions governing the delivery of payment services and establishing payment institutions, which transposed the SEPA directive creating a single market of payments in euro into French law.

However, French banks have insisted that the directive be implemented identically in all European countries so that its application is more effective, as there are still many uncertainties burdening the practical arrangements and the development of commercial offerings. On 29 April 2009, the SEPA National Committee, which brings together all of the players involved (banks, billers, consumers, administrations, etc.), decided to postpone the establishment of the SEPA direct debit until 1 November 2010 so that transactions can be generalised in the best conditions.

## Payment services

The directive lists a number of activities making up these services. The targeted transactions are mainly remittances initiated by card, transfers, and direct debits, as well as those conducted by computerised or telecommunication devices (Internet, telephone). Financial transfers such as migrant remittances are included in these services.

## Payment institutions

The PSD is aimed at payment service providers within the European Union (EU) and applies to payments made in all currencies, not just those in euro or other national currencies used within the EU. The directive distinguishes six categories of payment service providers:

- Credit institutions
- Post office giro institutions that provide payment services
- Electronic money institutions (as defined by the directive concerning the “Activity of prudential supervision of electronic money institutions”)
- Payment institutions (private individuals or legal entities who have obtained approval)

- The European Central Bank and the national central banks (when they do not act as monetary authorities) and other national authorities
- Member States or their regional and local authorities (when they do not act as public authorities).

The PSD therefore opens up the payments market to new non-bank players, referred to as “payment institutions”, which benefit from a less complex legal status than credit institutions. In a Member State, they will have the right to establish themselves and provide services freely throughout the European Union. They will also be subject to two types of capital requirements: initial capital (amounting to 20,000 euro for intermediation activities, such as remittances) and ongoing capital requirements (set according to the calculation methods indicated by the directive).

These items will be complemented with a system to protect customer funds in case of the institution’s bankruptcy. The notion of territory makes it possible to determine the required handling rules based on the domicile of the payment service providers: “both legs in” – in this case, both players are within the scope of application; and “one leg out” – in this case, only the counterparties domiciled in the PSD zone must handle the transaction in accordance with the rules in force with the SPD zone.

The aim of this new regulation is to increase competition in the remittance market and therefore encourage lower prices. It is difficult to assess its impact at this point in time, but it is certain that it should increase the offer of services.

## Rules applicable to bank cards

The PSD counts the service of issuing payment cards as a payment service. Consequently, the newly created category of payment institutions could establish themselves as payment card issuers. Therefore, the SPD authorises payment institutions that do not offer long-term deposit accounts to issue cards just as banks do.

However, this possibility worries consumer organisations, who fear that the new “payment institutions” will institute special rules that would be difficult to dispute, without providing the same levels of financial security, sustainability, and trust as traditional issuers, such as banks.

The biggest fear is that market entry for new players, insufficiently identified and controlled, can affect the overall confidence in the card payment system. This is why consumer organisations are very watchful of this issue in the context of transposition of the SPD into national law.

In any case, a larger payment service offer based on cards will certainly appear and will have a repercussion on the traditional money transfer systems. This new offer will certainly compete mainly with cash-to-cash transfers, which are currently widely used. The development of electronic banking (ATMs) in the southern cities of the Mediterranean will enable increased use of automatic withdrawals. It seems very likely that this ease of use will appeal to many users. Only poorly equipped rural areas will then remain loyal to cash-to-cash transfers.

# Remittance mechanisms based on the migrant's profile

## Migrant profiles

It is difficult to establish a typical profile of a migrant remitter in the Euro-Mediterranean zone. In reality, there are lots of different types of populations:

- Migrants “established” in Europe who maintain relations with their country of origin
- Seasonal workers (Moroccans in Spain, for example)
- Undocumented immigrants using informal financial services
- Students

Unfortunately, official data for the Euro-Mediterranean zone are not easily available.

To illustrate what could be a typical migrant, the study conducted by the African Development Bank<sup>8</sup> on Europe–Africa remittances, including Morocco, describes the “average Moroccan migrant” according to socio-economic status and remittance behaviour patterns in the following manner (2006 data):

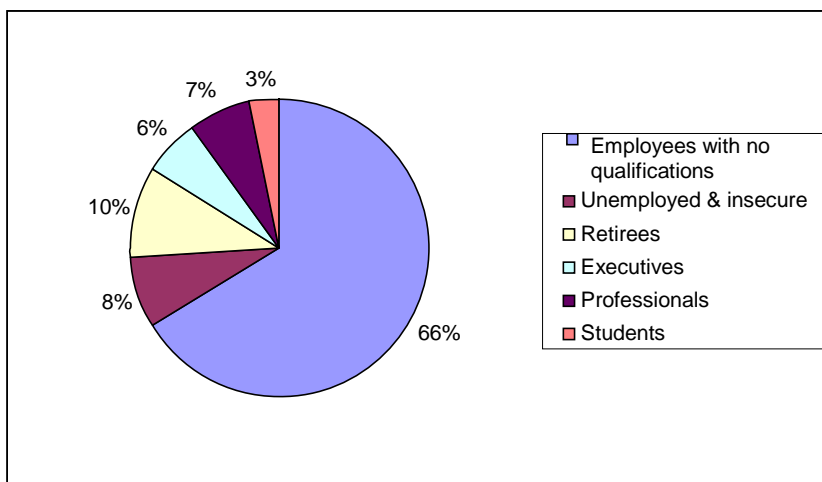
- The average age of a Moroccan migrant remitter in France was 46 years old.

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<sup>8</sup> Migrant remittances: a development challenge: the Comoros, Mali, Morocco, and Senegal - African Development Bank study in October 2007

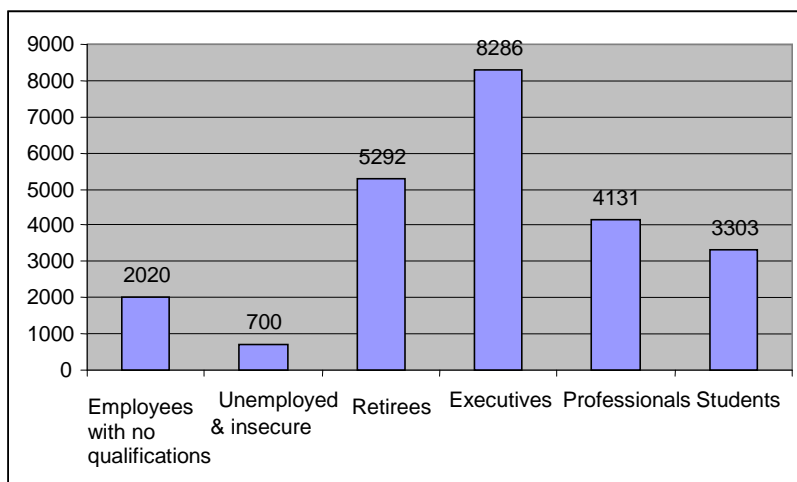
- The median annual sum transferred was €2,081 (€173/month). The amounts transferred by migrants remain relatively stable for the 25-40 age bracket and tend to increase after the age of 40, which can be explained by the likelihood that their income will increase over time and the fact that older migrants are either preparing to return to their country of origin or wish to invest, often in property. The migrant's professional status is also a determining factor for the types of transfers. Migrants belonging to a higher professional level (managers, professionals) generally have a different behaviour regarding sending remittances to their country of origin. They send larger amounts but less regularly and are the most inclined to use transfers for investments in real estate and the production sector.

Figure 1: Professional profile of Moroccan migrants performing remittances in France



Source: Migrant remittances: a development challenge: the Comoros, Mali, Morocco, and Senegal - African Development Bank study in October 2007.

Figure 2: Amounts transferred (in euro) by Moroccan migrants in France according to professional status



Source: ADB study, idem.

**The socio-professional profile of migrants who participated in the focus groups reflects the general profile of migrants rather well**

65 people participated in the group discussions in France (Paris, Greater Paris region), Italy (Milan), and Spain (Barcelona) in the framework of this study (49 men and 16 women).

Focus group participants were of Moroccan (32), Egyptian (17), Algerian (9), or Tunisian (7) origin.

Most participants were between ages 18 and 45 (44). Half of the participants work in the service sector (32) followed by industry (7) and construction (6). 16 participants were not working and were either jobseekers (9) or retired (7).

63 of the questioned participants were first-generation migrants. 25 of them had lived in their host countries for 1-5 years (particularly in Spain), 30 for 5-10 years (Spain and Italy), while 10 people emigrated ten years ago or more (France).

## The motives for remittances

The remittances that migrants send to their country of origin depend on two main factors: their income (saving capacity) and the motive for sending their savings to their country of origin.

Migrants have very diverse motives for sending money to their country of origin, and these reasons change over time. The motives for organising remittances depend on:

- The duration of the migration period (permanent or temporary)
- The familial situation (whether they are married, with or without children, or single)
- Network effects (ties with people who have remained in the country of origin)

There is no general theory of remittances, but the work done particularly by the OECD<sup>9</sup> to analyse this phenomenon has identified five main reasons: altruism, family arrangements, personal interests, migrant savings, and portfolio management.<sup>10</sup>

**Altruism:** the aim of the remittance is to improve the quality of life of their family (relatives, children) living in the country of origin. The remittance amount initially increases with the migrant's income and diminishes over time and as the family's income increases.

**Family arrangements:** since the family is considered a whole unit, the goal of remittances is part of an overall strategy: the family appoints one of its members to be a migrant and funds the costs of immigration and settlement in the new country. The remittances initially pay back the outlay invested by the family and then become a means of sharing out the gains generated by the migrant with the rest of his or her family to improve their purchasing power and pay for the education of other relatives. Under the family arrangement, the amount of transfers is not expected to decrease over time,

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2006 OECD report: Migrant remittances and their role in development.

since it is a repayment, as it were, of a “loan” with a final maturity date that has not been formalised.

**Personal interest:** The goal of remittances is to build up savings to be managed by the family. This arrangement works primarily if the migrant has a goal of returning to the country of origin and transfers funds for investment in real estate.

**Migrant savings:** in this case, the goal of emigration is to build up some savings before returning to the home country. Remittances are therefore part of a negotiation between migrants and their family; they are determined by the migrant’s income, savings capacity, and duration of the immigration period. The remittances initially increase with the migrant's income and diminish based on the length of the stay. When the time comes to return to the country of origin, the savings built up is repatriated, and the amount of the remittances increases.

**Portfolio management:** the aim of the remittance is to repatriate the savings built up to make an investment in the country of origin. The decision to invest in the country of origin is motivated by the fact that it is more profitable than investing in the host country.

Lastly, it should be noted that the motives for transferring money actually correspond to all of these reasons at the same time and that each reason partly explains the funds transferred at a given moment in the duration of the immigration process.

**Solidarity with the family was the main motivation for remittances for 90% of the survey sample**

Only 5 participants declared that they were funding property investment projects or business activities in their country of origin. This situation can partly be explained by the age of the migrants participating in the focus groups (44 out of 65 being within the 18-40 age group). Over time, their needs and those of their family may change, and some of them are likely to develop plans to return to or invest their savings in their country of origin.

Another important factor is the socio-professional status of the migrants, since only 10 participants were qualified employees. More educated migrants are the most likely to use their savings and remittances for productive or property investment activities in their country of origin, motivated by personal interest and/or portfolio management.

## **The role of remittances**

The primary function of remittances is, for the sake of solidarity, to contribute to improving the migrant's family situation. For the recipients, the remittances are considered an extra source of income: the migrants do not interfere in how the recipients choose to use the sums of money, which are often devoted to the family's essential expenses (food, health, education, housing, etc.).

The interviews made it clear that a low-income household (around €240/month) with little banking involvement is the typical profile of the recipients of remittances. In fact, on average, remittances represent half of the family budget of receivers. Consequently, the remittances primarily support the poorest sectors of the population in the country of origin and therefore act as a "safety net" for those who do not have recourse to an often defective public welfare system.

**Use of the remitted amounts is highly similar regardless of the recipient.**

The migrants who participated in the group discussions for this study confirmed that they mainly send remittances to increase their family's income and contribute to special outlays, such as for religious celebrations, weddings, etc. 53 out of the 65 participants support their family (relatives, extended family) in this way.

31 participants also send remittances to support the essential consumption expenses of their family (who is actually dependent on the income sent by the migrant). For 63 of the migrants, the recipients of money transfers are their parents and other family members. Only 2 migrants send remittances to their spouse and children.

5 migrants send remittances for the purpose of investing in property (3) and commercial initiatives (2).

**Banking habits**

The banking habits of migrants tend to be similar to those of the general population in the host country.

The main differences in terms of use of financial products are mostly linked to the average level of the migrants' income, which is below (by around 20% to 30%) the average income in the host country. This difference is more visible for the under-30 migrant population (who arrived more recently).

The use of banking services in their country of residence is quite common, given that the banking systems are more attractive in terms of prices, security, and earnings than those in the countries of origin.

The use of banking services to send remittances in fact depends on whether the recipients have bank accounts (which is often not the case).

**The banking habits of the focus group participants do not influence their choice of remittance method.**

In large part, the surveyed migrants use banking services. 44 participants have a bank account in their country of residence, and 19 also have a bank account in their country of origin.

Nevertheless, having a bank account does not have a direct effect on the choice of remittance channel, since only half of the migrants with a bank account (19) send their remittances via their bank.

Despite having a bank account, there are still migrants who prefer to transfer money via money-transfer companies or informal channels. There are many reasons for this choice: habit, lack of trust in banks, the cost of bank transfers (exchange rate applied by the bank), and convenience (business hours), and the lack of banks in the rural regions of their country of origin.

The phenomenon of the double bank account (in the country of residence and the country of origin) is specific to Moroccan migrants, thanks to the establishment of Moroccan banks in France and their targeting of the migrant population with products and services (including remittances) adapted to their needs.

Some of the Egyptian or Algerian participants also have bank accounts but often because of their lack of trust in the banking system in their country (hidden costs, lack of reliability, etc.) prefer the informal network (simpler and cheaper) for their remittances.

## **The choice of remittance services**

With regard to remittances, migrants can choose – formally – from among three main forms:

1. **“Cash-to-cash”**: The migrant deposits an amount in cash, and the recipient also receives an amount in cash in the local currency. This is the form offered by “money-transfer companies” (such as Western Union, Money Gram, or ethnic stores), which may have their own network or distributors (post offices, shops, etc.).
2. **“Account-to-Cash”**: The migrant sends money from his bank account, and the recipient can withdraw the sent amount at a correspondent bank.

3. **“Account-to-Account”**: In this case, both the migrant and the recipient must have bank accounts.

Migrants choose a remittance service according to two factors: first based on the preference expressed by the recipients, then the migrant’s preference.

**The main priorities for the recipients are:**

1. Speed
2. Easy access to the funds

In general, the recipient tells the migrant which transfer distributors are present in their area, which determines the possible choices.

**The main priorities for the migrants are:**

1. The convenience of the service (proximity, speed)
2. The quality (reliability, speed of the transaction)
3. The cost (commission fee and exchange rates)
4. The security of the channel

Migrants tend to remain loyal to their choice of service. This choice is not a decision based on a comparison of costs and characteristics of each possibility (bank transfer, money-transfer company, ethnic store, or informal channel). rather, migrants tend to choose by recommendation or by habit. One of the major elements in the choice of service is being greeted by people who speak the migrant's language.

The use of several services is not common, except in emergencies, in which case money-transfer companies are the first choice, despite being more costly.

### **Prioritisation of the criteria for choosing a remittance service by migrants**

The migrants who participated in the focus groups assessed the different determining factors in their choice of remittance service by scoring them as very important (3), important (2), or less important (1).

For the participants, the priority criteria are the ease for the recipient to access the remittance (average score 2.9) and the trust in the transfer channel (2.9).

The quality of service (2.6) and the arrival time of transfers are also quite important (2.4).

The cost (2.0) and the convenience for the migrant to send remittances (2.0) are slightly less of a priority.

Finally, the proximity of the transfer service (1.6) is the least important element for the migrants. They are willing to travel a distance to ensure that their family does not need to do so or to save on the cost of remittances.

## The cost of remittances

The cost of remittances is determined by two factors:

- **Commission:** applied to each transaction by the bank or money-transfer company in the sending country and paid directly by the migrant on the amount sent. This commission is normally fixed in the case of banks and differs according to the amount in the case of money-transfer companies.
- **Exchange rate:** remittance transactions in the Euro-Mediterranean zone involve the sending of amounts in euro by migrants. The amounts in euro are sometimes converted into dollars, then into the local currency. According to the standards in force, the exchange rate applied by banks and money-transfer companies is below the market rate and is a factor for determining the actual cost of the transaction.

**Knowledge of the costs associated with remittances is quite varied.** In general, the migrants are aware of the commissions applied per transaction, since they send money quite regularly and they can compare between different options. However, the migrants are much less aware of the exchange rates applied to remittances. Whether they know it or not, the exchange rates applied to remittances are not market rates, and it is rare for someone to know the rate applied at the time of the transaction.

It should also be noted that the remittance operators (banks, money-transfer companies) are not very transparent on this issue. Their marketing is focused on the speed of the service, the reliability of the transaction, or the commission applied.

In the case of countries where the informal exchange rate of the currencies is much more advantageous than the official rate, such as Algeria and Egypt, the migrants originating from these countries are much more attentive to the exchange rate applied to remittances, preferring informal channels that allow their families to receive euro and exchange them on the informal market to make extra gains in the transaction.

The new European directive on payment services, which aims to increase competition in the remittance sector, and the arrival of new operators should improve transparency in terms of the exchange rates applied to remittances and consequently force competition not only in terms of the commissions per transaction but also on the rates applied to migrant remittances.

**The importance of the cost of remittances is not the same for all migrants.**

In general, women are more attentive to the cost than men and will travel farther for less expensive commission fees, preferring banks to money-transfer companies.

Men are more habit-driven, favouring convenience, and are more likely to use money-transfer companies, even if they know that the commission fees are higher.

Egyptians and Algerians using informal systems (friends or acquaintances travelling to the country of origin) make their choice, undoubtedly due to a lack of alternatives, but also because the person who carries the money does so free of charge and this system allows the recipients to make gains on the exchange rate by changing the money on the informal market.

# The main remittance corridors

As rightly pointed out by the FEMIP - Ecorys study conducted for the European Union<sup>11</sup>, there are no truly consistent data on the remittance flows between the countries of the Mediterranean and the European Union, as current statistics often do not include a regional breakdown. To remedy this, only a bilateral approach between a sending country and receiving country, “by corridor”, can provide a more realistic picture.

This study aims to better understand the expectations of migrants around the Mediterranean. It focuses on the major corridors in order to find a sufficient number of participants willing to explain their practices. This process was possible in 7 of the 8 main corridors in the zone (France-Algeria, Morocco and Tunisia, Italy- Morocco, Tunisia and Egypt, Spain-Morocco). Only the France-Turkey corridor is not well detailed.

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<sup>11</sup> Study on improving efficiency of remittances in European countries, FEMIP – Ecorys, conducted for the European Investment Bank, Rotterdam, March 2006.

## The corridors towards Morocco

Remittances by Moroccan Residents Abroad (MREs) have been the subject of the most research and are therefore the best known in the Euro-Mediterranean zone. As illustrated by the IPEMED report<sup>12</sup>, these flows are thought to have represented three to four billion euro per year over the last five years, more than half of which came from France. These transfers represent more than 20% of the receipts of the Moroccan balance of payments and more than 50% of export receipts, thus exceeding revenue from tourism or phosphates. The growth in remittances to Morocco was continuous between 1993 and 2008 and has been very strong since 2003.

As pointed out by the African Development Bank<sup>13</sup>, “Morocco is characterised by a well-represented, efficient banking system and by a long-established policy of transferring money via banks, cited as an international benchmark. The country has a mature and highly competitive banking sector”.

Therefore, there is not a lot of difference in the operating method of the three main corridors from Europe to Morocco (France, Spain, and Italy). The different analyses tend towards quite similar conclusions on the proportion of informal transfers in the total:

the African Development Bank study cited above estimates the share of informal transfers from France to Morocco at around 27%, while a FEMIP

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<sup>12</sup> Euro-Mediterranean financial area working group, Guillaume Almeras & Abderramhane Hadj Nacer, the Mediterranean Economic Foresight Institute, July 2006.

<sup>13</sup> Migrant remittances: a development challenge: the Comoros, Mali, Morocco, and Senegal - African Development Bank study in October 2007.

study<sup>14</sup> refers to a range of 20% to 30% for informal transfers from Spain to Morocco.

It should also be emphasised in this particular case that this share of informal transfers is mainly made up of sums of money that the MREs take with them to Morocco during annual holidays rather than transfers via organised channels. In reality, it is more likely to be the length of the immigration period (generally longer in France than in Spain or Italy) that will influence the habits of the MREs according to their host country.

### The France-Morocco corridor

This corridor is historically the oldest. In fact, Moroccan banks and especially the Banques Populaires group have been very quick to invest in the remittance niche. This group offers various fund transfer services, including the possibility of joint accounts with the family between France and Morocco. It has developed a highly dynamic commercial policy (including door-to-door selling targeting MREs in France) and also benefits from the advantage of having been permitted to open branches in the Moroccan consulates in France. This very commercial approach has very recently sparked a reaction by the French banks, which up until then had not taken a great interest in the issue.

Today, there is a wide range of varied and very competitive offers in this corridor.

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<sup>14</sup> Study on improving efficiency of remittances in European countries, FEMIP – Ecorys, March 2006.

Figure 3: Fees charged for a France-Morocco remittance by type of service provider<sup>15</sup>

La Poste Cash à cash				Banques compte à compte			Carte à carte	Sociétés de transfert d'argent cash à cash	
Envoi	Mandat ordinaire	Mandat express	Western Union	Crédit Agricole	Société Générale	Caisse d'Épargne PAC (1)	Banque Accord Carte Ficuss	Western Union	Moneygram
Délai	Environ 10 jours	1 à 2 jours	immédiat	Plus de 2 jours	Plus de 2 jours	Plus de 2 jours	immédiat	immédiat	immédiat
100 euros	7,10	8	19	16,5	5	3	6	13	8
300 euros	10,90	15	29	16,5	5	3	11	21	18
500 euros	13,90	20,5	33	16,5	5	3	17	32	29

Source: [www.envoirdargent.org](http://www.envoirdargent.org)

Since 17 July 2007, Caisse d'Épargne Provence Alpes Corse<sup>16</sup> has offered free money transfers from France to Morocco. This offer is possible thanks to the partnership begun in April 2007 between Caisse d'Épargne Provence Alpes Corse and Crédit Immobilier et Hôtelier du Maroc (CIH). This free offer applies to all bank transfers:

- Made by individuals from a Caisse d'épargne PAC account in euro to a CIH account in dirhams.
- Not exceeding 12,500 euro, with a maximum of 24 transfers during the year.

It can therefore be seen that increased competition has allowed the issue of free money transfers to be addressed. The people to whom we spoke also mentioned that the Banque Populaire Group is working on a project of this sort.

<sup>16</sup> Excluding exchange fees at CIH. It should be noted that this comparative table does not include the offering of Moroccan banks. The people to whom we spoke mentioned a charge of 1.5 euros for account-to-account transfers at Banque Populaire in Morocco.

## The Spain-Morocco corridor

The presence of Moroccan immigration in Spain is more recent than in France. It is mainly concentrated in Catalonia and secondarily in Madrid and Andalusia.

Spanish banks have been quickly made aware of the issue of remittance by a large community of Latin American migrants. Moreover, the existence of numerous agreements between Spanish and South American banks has added momentum to this phenomenon.

Two major players on the Mediterranean should be mentioned:

- La Caixa group, with its 4,500 branches in Spain, is very innovative in the money transfer sector (via Internet, SMS, cards, etc.); it has also signed agreements with the Banque Populaire Group and Crédit du Maroc.
- The Spanish Confederation of Savings Banks (CECA), with 22,000 branch offices, has also developed a remittance platform to track remittances via seven call centres located in Morocco.

All in all, this dynamic policy led by both the Spanish and Moroccan banks has made this corridor much less expensive than the France–Morocco corridor:

Figure 4: Fees charged for a Spain-Morocco remittance by type of service provider

Method	Correos			Account-to-Account at Banks		Money-Transfer Companies
	Ordinary money order	Express money order	Western Union	With bank domiciliation	Without	Cash-to-Cash
Time	10 days	1 to 2 days	immediate	> 2 days	> 2 days	immediate
100 euro	5.24	5.06	5.5	0	2	5
300 euro	6.84	5.28	5.5	0	2	7.5
500 euro	8.44	5.50	10	0	2	10

Source: Correos (for services sold in post offices) and interviews

## The Italy-Morocco corridor

Moroccan immigration to Italy is more recent, as is the phenomenon of immigration in Italy. Consequently, it was the money-transfer companies that were initially the quickest to react to the need for remittance offers to Morocco. However, Italian banks have recently woken up to the phenomenon (with an increased offer of services by the Intesa SanPaolo bank in particular).

The Moroccan banks are not to be outdone, since on 25 May 2009, the Moroccan Banque Populaire group opened its first Italian branch in Milan. After Milan, further Banque Populaire branches are due to open in Turin and Bologna, cities that also have a high concentration of Moroccan migrants.

*Figure 5: Fees charged for an Italy-Morocco remittance by type of service provider*

Method	Poste Italiane			Money-transfer companies	
	Ordinary money order	Eurogiro	Moneygram	Moneytrans	Western Union
Time	10 days	1 to 2 days	immediate	immediate	immediate
100 euro	3.25	5.16	5.5	6	9
300 euro	4.39	10.33	13.5	N/A	N/A
500 euro	4.39	10.33	25	N/A	N/A

Source: Poste Italiane (services sold in post offices) and interviews

## The corridors towards Egypt

While Mediterranean migrants tend to scatter to different countries as their destination, the Algerian diaspora is characterised by an almost exclusive relationship with France: while there are nearly 1.2 million Algerians in France, there are fewer than 50,000 in Spain and fewer than 30,000 in Italy. This is why we will focus primarily on the France-Algeria corridor.

### The France-Algeria corridor

While this corridor represents one of the major flow channels in the Euro-Mediterranean zone, it is without doubt one of the hardest to evaluate. The problem is not the origin of the transfers, since, according to the Central Bank of Algeria, cited in the FEMIP-Ecorys study<sup>17</sup>, 90% of money transfers arriving in Algeria come from France, reflecting the primary host country of Algerian migrants. However, it is difficult not to be struck by the sheer diversity of the figures put forward to quantify this corridor:

*Figure 6: Money transfers to Algeria*

<b>Source</b>	<b>Amount</b>
Banque de France 2004: France-Algeria transfers	283 million euro
2006 Ecorys study estimate	1,500 million euro
World Bank statistics: incoming transfers in 2007	2,906 million US\$
Statistics in the 2003 Co-development Report, France-Algeria transfers	3,150 million euro
IFAD study statistics: incoming transfers in 2006	5,399 million US\$

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<sup>17</sup> Reference *ibid.*

### **A corridor largely dominated by the informal system:**

The main reason for this situation is that, more than anywhere else in the zone in question, the informal sector reigns supreme.

As one person told us during the interviews: "I've never seen someone go through a bank."

There are numerous reasons for this situation, which will make switching to a formal system more difficult.

### **A very limited formal offering:**

Although this corridor is certainly one of the largest in volume in the zone, paradoxically it is one of the most expensive. The comparative table of costs compiled by the French Development Agency addresses only cash-to-cash transfers.

*Figure 7: Fees charged for a France-Algeria remittance by type of service provider*

	La Poste			Money-Transfer Companies	
	Ordinary money order	Express money order	Western Union	Western Union	Moneygram
Time	Around 10 days	1 to 2 days	immediate	immediate	immediate
100 euro	7.10	8	19	10	8
300 euro	10.90	15	29	21	18
500 euro	13.90	20.5	38	32	29

Source: [www.envoidargent.org](http://www.envoidargent.org)

Account-to-account transfers are also expensive according to the findings of the FEMIP-Ecorys study<sup>18</sup>: an account-to-account transfer of 400 euro from Société Générale to Banque Nationale d'Algérie cost 19.73 euro in 2006. Note that Algerian regulations allow an account to be opened in euro.

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ibid.p.87 – Table 8.4.

This high cost is explained by a very limited offering: Algerian banks do not have branches in France, and French banks have few branches in Algeria, which leaves the way wide open to Western Union and Moneygram.

### **A very active parallel exchange rate market**

The money supply circulating outside banking channels is valued at 700 billion dinars (nearly 7 billion euro) according to an estimate by the Bank for Agriculture and Rural Development of Algeria.<sup>19</sup> It explains that one of the characteristics of the country's economic situation is illustrated by the coexistence of two exchange markets: the official market and the parallel market, which collects its currencies through Algerian immigrants who are practically the principal source. It cites an encounter with an Algerian businessman who was changing his money on the parallel market: "I prefer to change my money here. It is quicker, and at the bank I lose almost 20 percent more, not to mention the time wasted due to the slow service at the bank."

To reverse this phenomenon, it would seem that only a total convertibility of the dinar could curb the parallel exchange market.

### **A "cash-only" habit**

The activity of the parallel exchange market is also supported by the reticence of Algerians to use methods of payment other than cash. Therefore, despite the regulations in force, large purchases are often made with cash. Algerian mistrust of the banking system has also been reinforced by the bankruptcy of the Khalifa Bank, which left very bad memories in many minds.

### **An extremely well organised informal system**

Meanwhile, the efficiency of the informal system was pointed out by everyone to whom we spoke about this subject: they either ask family or friends to help, or they go directly to the airport where "we always see someone we know", or they contact unofficial intermediaries who only have to make a phone call to arrange for the desired sum to reach the recipient in

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<sup>19</sup> BADR newsletter no. 42, May/June 2006.

Algeria. This service is also provided without visible costs for the sender. Confidence has complete reign, and no particular problems have ever been mentioned.

## **The corridors towards Tunisia**

The community of Tunisians living abroad totals around one million individuals, 83% of whom are established in EU countries, with 60% in France and between 10% and 20% in Italy.

According to the statistics of the Office of Tunisians Abroad, the transfers recorded between 1987 and 2008 total 24.217 million dinars (around 12 billion euro). These transfers represent 4.8% of the Gross Domestic Product (GDP), 22.8% of national savings, and 45.2% of the trade deficit.

In 2007, transfers arranged by Tunisians living abroad represented 2,199 million dinars (around 1.1 billion euro), occupying the fourth position in terms of foreign income after exports of textiles, clothing, leather, and shoes, mechanical and electrical industry exports, and revenue from tourism.

The Tunisian authorities have long been concerned about the scale of these flows and have striven to find appropriate regulatory solutions. Consequently, in addition to traditional bank accounts in dinars to which each Tunisian is entitled, the status of resident abroad makes it possible to open accounts in convertible dinars or foreign currencies.

The majority of remittances to Tunisia are arranged through formal channels, mostly towards cities where numerous banks are established. However, the interviews did permit the identification of more informal circuits towards less "well-equipped" locations in the South of the country. This explains why informal transfers are nevertheless evaluated at approximately 50% (notably by the Ecorys study).

### **The France-Tunisia corridor**

The interviews with Tunisian citizens revealed that money-transfer companies (specialised firms or via the postal network) are their main means of transfer.

However, the offering proposed by French financial institutions for money transfers to Tunisia is already significant and is likely to improve further due to the alliances between French and Tunisian banks.

Figure 8: Fees charged for a France-Tunisia remittance by type of service provider

Envoi	La Poste Cash à cash			Banques compte à compte			Carte à carte	Sociétés de transfert d'argent cash à cash	
	Mandat ordinaire	Mandat espèces	Western Union	Crédit Agricole	Société Générale ( - transfert ) (1)	Caisse d'Épargne	Banque Accord Carte Flouss (?)	Western Union	Moneygram
Délai	Environ 10 jours	1 à 2 jours	immédiat	Plus de 2 jours	Plus de 2 jours	Plus de 2 jours	immédiat	Immédiat	immédiat
100 euros	7,10	0	19	16,5	10	15,6	6	10	0
300 euros	10,90	15	29	16,5	10	15,6	11	21	10
500 euros	13,90	20,5	30	16,5	10	15,6	17	32	29

Source: [www.envoirdargent.org](http://www.envoirdargent.org)

For Société Générale (1), bank transfers can be initiated with a simple telephone call (lines open 24/7) from France or abroad. The transfer is made to an account held in one of the branches of the International Banking Union of Tunisia. The price is fixed, with exchange commission included and charged to the initiating party. The price does not include the annual membership fee of €12.

Card-to-card transfers at Accord Bank require a subscription to Flouss.com. The exchange fees and MasterCard ATM fees in the receiving country are €3, plus 1.5% of the amount withdrawn.

### The offering of Tunisian banks:

Union Bancaire pour le Commerce et l'Industrie (a subsidiary of the BNP Paribas Group) also offers attractive services, such as the **Pack YASMINE**. This **Pack YASMINE** is a complete offering of banking services specially designed to meet the needs of Tunisians abroad and encompassing a wide range of products and services:

1. A Yasmine Account in Convertible Dinars, allowing customers to arrange all of their money transfer transactions while enjoying attractive tax-free earnings.
2. A VISA Electron chip card permitting secure withdrawal and payment transactions throughout the banking network and in dealings with all

merchants and businesses displaying the VISA logo in Tunisia, as well as an account monitoring tool via UBCINET to check their balance and recent transactions as well as banking transactions in progress.

3. A “Cascade” service for direct debit from a cheque account to save at their own pace in:

- a. The **Special Savings Account** for low-risk saving
- b. the **PROPRIO 15 or 20 Saving Plan** for purchasing or construction plans in Tunisia
- c. The **LAUREAT Saving Plan** to put towards financing their children's higher education

For any transfer made from abroad on the customer's Yasmine Account in a foreign currency or convertible dinars, it is automatically exempt from charges. If transfers to the UBCI account are made from a BNP Paribas account in France, the fee for sending the transfer will be only €7.90 (applicable upon presentation of a UBCI account statement and upon request with the BNP Paribas France advisor).

The International Arab Bank of Tunisia (BIAT) also allows Tunisians to open an account in convertible dinars from abroad. Thanks to this extension of transfer options, it is likely that the costs of this corridor – which still remain high in some cases – will diminish further.

## The Italy-Tunisia corridor

Tunisian immigration to Italy is more recent, as is the phenomenon of immigration in Italy. Once a transit country, Italy has become a country of residence for more than 100,000 Tunisians. The three regions hosting the most Tunisians are Emilia-Romagna (Bologna), Lombardy (Milan), and Sicily.

Interviews revealed that Tunisians in Italy mostly use the services of money-transfer companies. However, Italian banks are also becoming active in this niche, just like Tunisian banks. Incidentally, it should be recalled that the Italian bank Intesa SanPaolo (Italy's leading bank with 6,000 branches) holds a stake in BIAT (the top private bank with 120 branches in Tunisia).

Figure 9: Fees charged for an Italy-Tunisia remittance by type of service provider

	Poste Italiane			Money-Transfer Companies	
Method	Ordinary money order	Eurogiro	Moneygram	Moneytrans	Western Union
Time	10 days	1 to 2 days	immediate	immediate	immediate
<b>100 euro</b>	3.25	5.16	7	6	9
<b>300 euro</b>	4.39	10.33	17	N/A	N/A
<b>500 euro</b>	4.39	10.33	24	N/A	N/A

Source: Poste Italiane (services sold in post offices) and interviews

## The corridors towards Egypt

More than two million Egyptians live outside of their country, but most of this emigration is heading for the Gulf countries and Libya. Less than 10% of them have headed to Europe so far, but this proportion is growing. Italy is thus becoming the main European destination for Egyptians.

### The Italy-Egypt corridor

The various bilateral agreements between Italy and Egypt for cooperation regarding migratory flows since 2000 have encouraged Egyptian emigration to Italy, with an increase in the community from 21,000 individuals in 2001 to 70,000 in 2008. The Egyptian community in Italy is characterised by its concentration in Lombardy (nearly 80% of nationals).

### A very limited formal offering:

Figure 10: Fees charged for an Italy-Egypt remittance by type of service provider

Method	Poste Italiane		Money-Transfer Companies	
	Ordinary money order	Moneygram	Moneytrans	Western Union
Time	10 days	immediate	immediate	immediate
100 euro	3.25	7	6	9
300 euro	4.39	17	N/A	N/A
500 euro	4.39	24	N/A	N/A

Source: Poste Italiane (services sold in post offices) and interviews

The Italian postal service does not offer International Express Money Orders to Egypt.

### An exchange rate problem

The Egyptians interviewed explained that certain money-transfer companies in Italy are not content to simply make money through commission charges but also want to make money through the exchange rate, since the money sent from Italy in euro arrives in Egypt in dollars. This means that the recipients have to change the money (a second time) into the local currency.

### A preference for the informal system

As studies have shown (particularly those by CeSpi<sup>20</sup>) and as confirmed by interviews with migrants, most transfers to Egypt are informal. This explains the very low official figures. The reasons are similar to those given for the France-Algeria corridor.

Although Egyptians in Italy are considered “non-communitarian” (few associations, good individual integration), they mostly use family or friends to transport money.

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<sup>20</sup> The remittances-microfinance: an innovative approach for financing development, indications for Italy and MENA Countries, José Luis Rhi-Sauzi & Marco Zupi.

Also note the existence of a semi-formal system of “phone centres”, which is used by some of the interviewees and is seen as being quite reliable.

## Comparative analysis of remittances by migrants in the Mediterranean and Latin Americans: convergences and differences of practices

Like the southern Mediterranean countries, Latin America has been a region of high emigration for several decades: more than 30 million people have already emigrated from countries in the Latin America and Caribbean region. For small, economically dependent countries, migrants can represent a quarter of the population. Until recently, the United States was the main destination, but this situation has changed, particularly in the last decade, with an increase in migration towards Europe and intra-regional mobility. Italy and Spain are now the main European destinations for Latin American migrants.

In view of this, it is interesting to compare the two types of migration – Mediterranean and Latin-American – to see whether there are any parallels between the migrants' remittance habits and whether any lessons could be drawn from these different experiences.

### **Strong similarities in the reasons for migration, the importance of the financial flows for the recipient countries, and the choice of formal remittance channels**

Mediterranean and Latin American migrants have a very similar sociological origin and leave their country in search of a better economic situation. In both cases, the families receiving the remittances devote a large majority of the money to essential needs such as food, clothing, and housing. This consumption, along with health and education expenses, represents between 80% and 90% of the expenses covered by the remittances.

As indicated by the IFAD,<sup>21</sup> “on the macro-economic level, the average remittance per country for the Latin America and Caribbean region is 3% of

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<sup>21</sup> Migrant workers and remittances (IFAD), December 2007.

GDP and 11% of exports". For some countries, these rates are even very high (Nicaragua: 14%, Dominican Republic: 11%, Guatemala: 8% – percentage of remittances/GDP).<sup>22</sup> These rates are similar to those seen in the Euro-Mediterranean zone.

The choices in terms of formal remittance channels are very similar for the two types of migration. As indicated by the IFAD, "throughout the Latin American and Caribbean region, half of the remittances sent via authorised operators are managed by banks", which is equivalent to the flows observed in the France-Morocco corridor, for example.

### **The differences observed in the United States-Latin America corridor concern a lack of trust in banks and a preference for informal channels for different reasons**

The differences between the remittance practices of the two types of migration involve:

- Less use of banking services by migrants in the United States: after questioning a vast panel of Latin American migrants in the United States, the Pew Hispanic Center's study entitled "Billions in motion: Latino immigrants, remittances & banking" clearly revealed their very sceptical view of the banking sector. It was also noted that in 2003, the date of the study, 58% of surveyed migrants had no bank account! They declared that they did not see any point since they were able to pay almost all of their bills in cash. However, the situation is completely different in Europe, where, in general, migrant banking habits are increasingly similar to the rest of the population in their host country. The differences observed, especially concerning use of financial and saving products, are mainly linked to the fact that their average income is lower than that of the rest of the population.
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<sup>22</sup> International migrant remittances and their role in development. 2006 OECD Report.

- Use of informal remittance channels largely associated with the issue of the migrant's status: this aspect was the focus of a World Bank study by Mr. Raul Hernandez-Coss entitled "The US-Mexico Remittance corridor: lessons from shifting from informal to formal systems". This study details the reasons that have driven Mexican migrants in the United States to increasingly turn to formal remittance channels. One of the main reasons for this shift is the Mexican government's policy of issuing "matriculas", i.e. providing all Mexican migrants – legal or illegal – with a document that can be used on American territory, particularly to send money. In the case of Mediterranean migrants, it is not the status that is the main reason for use of informal systems but the state of the banking system in the country of origin and the existence of a parallel exchange rate.

### **There are undoubtedly lessons to be learnt for the Euro-Mediterranean zone**

As the IFAD pointed out<sup>23</sup>, "the cost of sending remittances to Latin America and the Caribbean is amongst the lowest in the world, with an average of 7% to send 200 USD, mainly thanks to the sheer size of the competition". This aspect can serve as an example to the Euro-Mediterranean zone, where, in certain corridors, remittance transactions continue to be expensive.

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<sup>23</sup> Reference *ibid.*

## **Two approaches are worth looking into:**

- The success of common offers aimed at both the country of residence and the country of origin:

The vitality of Spanish banks has led to the signing of partnership agreements with Latin American banks in order to offer a wide range of services to their migrant customers. For example, La Caixa signed an agreement with Banco Solidario in Ecuador in 2003. From then on, Banco Solidario has designed products, alongside the banks of the La Caixa group, allowing Ecuadorian migrants working in Spain to have access to short-term loans, save for their return home, purchase real estate assets in Ecuador, and open savings accounts in Ecuador that members of their family can access. This offering includes a free remittance service if the migrants bank their salaries with the La Caixa Group. This type of agreement was repeated in 2004 in Bolivia. Since signing this agreement, Banco Solidario has grown much faster than the other banks in Ecuador and has seen a significant increase in its market share.

- The involvement of the governments of the recipient countries:

Throughout the Latin America-Caribbean region, governments have started to realise the importance of remittances for their national economies and have initiated policies encouraging transparency and competition. For example:

- The Mexican government has been active in offering financial services to migrants via Bansefi (a development finance institution in Mexico) by distributing information about remittances through Mexican consulates and by improving consumer protection.
- In Colombia, the annual population survey in 2006 included questions about remittances to increase knowledge of the phenomenon.
- In Ecuador, the Central Bank is studying the possibility of linking up all the players, such as Microfinance Institutions in remittance distribution with the aim of lowering prices.

- Guatemalan authorities are working with the US Treasury to establish procedures to combat money laundering and have also put into place a system of “matriculas” like in Mexico<sup>24</sup>.

It is clear that it would be beneficial to test some of these “best practices” in the Euro-Mediterranean zone.

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<sup>24</sup> Source : 2007 study by OECD / IADB

# A remittance market on the Euro-Mediterranean zone rich in development opportunities

The analysis in the preceding chapters allows us to identify the main characteristics of the money-transfer market in the Euro-Mediterranean zone in terms of both supply and demand.

In the coming years, remittance by migrants will again play an important role in the global economy of the Euro-Mediterranean zone, as evident as the development opportunities in the remittance market may be.

To take advantage of these opportunities, we feel that three types of recommendations should be taken into account:

- 1 – Consider the varied nature of the situation of the corridors
- 2 – Offer products and services that are multilateral, bilateral, and local
- 3 – Take into account the expectations of migrants and offer them innovative services adapted to their needs

## **Very diverse uses depending on the corridors will continue to influence products and services offered by operators**

Depending on the corridor in question, a dominant use stands out. Analysis of the leading players in each corridor of the Euro-Mediterranean zone shows that the France-Algeria and Italy-Egypt corridors are still dominated by the informal sector. Money transfer agencies are predominant in the Italy-Tunisia and Italy-Morocco corridors. The France-Morocco corridor is dominated by money transfers offered through Moroccan banks. The Spain corridor is increasingly dominated by the Spanish savings banks, which have launched the remittance product as a loss leader to attract migrants. Nevertheless, in all of the corridors, migrants continue to use money-transfer companies in urgent cases. In each corridor, communication and

investments must be targeted towards the regions where remittances are sent and received for this strategy to be truly effective.

Figure 11: Dominant players in remittances by corridor

	<b>Morocco</b>	<b>Algeria</b>	<b>Tunisia</b>	<b>Egypt</b>
<b>France</b>	Moroccan banks	Informal	Money-transfer agencies	
<b>Spain</b>	Spanish banks and money-transfer agencies			
<b>Italy</b>	Money-transfer agencies		Money-transfer agencies	Informal

### **At the Euro-Mediterranean zone level, the winning strategies will be those offering common approaches**

In light of the examples collected from the corridors between Latin America and the United States, two types of actions seem really effective in transferring money:

- **First, offer common offerings between the sending and receiving countries.**

To this end, it can be noted that significant approaches are beginning to be organised in this sense:

- In January 2009, an agreement was reached between ten Mediterranean euro banks to facilitate savings and remittance banking services. This alliance aims to reach all migrants through the networks of the signatories, meaning approximately 34,000 points of sale:
- In France, 4,600 branches of the Caisse d'Epargne group and Attijariwafa Bank
- In Italy, 6,000 branches of Intesa Sanpaolo
- In Spain, 22,000 counters of Spanish savings banks
- In Morocco, 1,150 branches (620 for Attijariwafa Bank, 130 for CIH, and 400 for Al Amana)
- In Egypt, 150 branches of Bank of Alexandria
- In Lebanon, 102 branches of Fransabank, also located in Algeria and Syria

- **Second, develop a capillary network enabling better integration of the territory.**

It is clear from the interviews conducted as part of the study that the proximity of banking counters is an essential part of the decision for migrants needing to choose their remittance method. Moreover, this proximity carries even more weight when it involves the recipient. Therefore, in order to be competitive, it is important to strive to develop branches throughout the country in question and not just in major cities.

To this end, new technologies (particularly cards and mobile banking) certainly have an important role to play. In Morocco, the IFAD should encourage a project to develop simplified payment terminals for use in rural post offices to permit withdrawals with cards.

In this sense, post offices have a sizeable advantage, given their capillary network on all of the countries in the studied zone.

**Figure 11b: Distribution of post offices in the zone:**

Country	Number of post offices
France	17,000
Italy	14,000
Spain	3,200
Algeria	3,200
Tunisia	1,300
Morocco	1,700
Egypt	4,600

- **Third, knowledge of the money-transfer phenomenon must be improved.**

This improvement must be sought in several ways: statistics on remittance flows must undergo more detailed analyses by both sending country and receiving country, taking into account an assessment of the informal system. In addition, studies such as those launched during censuses should include separate sections about remittance in order to better understand who is using this practice and how the funds are used.

**The creation of a body to monitor money transfers in the Euro-Mediterranean zone would be an initiative to encourage.** Indeed, there is an increase in the supply of remittance products and services, but they remain relatively unknown to users.

Like the tool developed by AFD ([www.envoidargent.com](http://www.envoidargent.com)), it would be interesting to create a service specifically for the Euro-Mediterranean zone, particularly integrating new offerings (cards, mobile, Internet, etc.), which will surely expand.

## Development possibilities will come from listening to users

Based on the group discussions with migrants, at least four customer profiles were revealed with different motivations and needs explaining their choice of money-transfer service.

Figure 12: Main user profiles

<p><b>Cost driven</b> “The thrifty consumer”</p>	<p>This customer seeks to maximise the money that is sent to the family. Very attentive to commission fees, this customer seeks the cheapest service and is willing to travel a distance or change service. In general, women seem to be most attentive to cost of the remittance and use banks rather than money-transfer companies.</p>
<p><b>Convenience driven</b> “The practical consumer”</p>	<p>This customer needs a fast, easy-to-use service. This customer is sensitive to business hours and less sensitive to commission fees. In particular, working men who are more likely to use the services of banks in their countries or money-transfer agencies that offer a service that meets their needs.</p>
<p><b>Habit driven</b> “The habitual consumer”</p>	<p>This customer is not necessarily aware of all the options and functions by habit (or by recommendation). This customer always uses the same remittance service and is sometimes very attached to the staff “behind the counter” of money-transfer agencies or phone centres. This customer is more interested in the relationship of confidence and the quality of service (greeted in his own language) than the cost.</p>

<p><b>Community driven</b> <b>“The community consumer”</b></p>	<p>This customer prefers informal channels that he trusts more to transfer his money. These are people from the community returning return to the home country or the “hawala”<sup>25</sup>, services offered by members of the community whom the person trusts. These services are just as fast as those offered by money-transfer companies and are cheap, or even free in the case of friends or acquaintances making trips to the country of origin. Sometimes the lack of reliable alternatives is the cause for preferring informal channels.</p>
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For each customer profile, a type of product will be more or less suitable. We can therefore consider the following nine innovations:

## **Cash-to-Cash**

Target: Community

Corridors: France-Algeria, Italy-Egypt, etc.

**1 - Offer a reliable, inexpensive alternative to the informal transfer** (and money-transfer companies) based on a fast and secure product that offers guarantees in terms of service and a fast delivery time at a reasonable cost. **For example, the postal network is trying to develop the International Express Money Order D + 2 with a cost lower than money-transfer agencies.**

It must be kept in mind that this type of transfer is still dominant and will not disappear overnight.

## **Account-to-Account**

Target: thrifty consumer and practical consumer

Corridors: France-Morocco

**2 – Encourage bank transfers:** this transfer method is the most economical (we even saw that it can very often be offered free of charge when the migrant banks his salary in the issuing institution).

Of course, this arrangement involves banking services in the recipient country, which is uncommon today. All efforts to increase banking services in the southern Mediterranean countries are therefore to be encouraged.

**3 - Encourage “mirror accounts”:** this option exists when the migrant also has an account in his country of origin. This is possible if the same bank has branches at the source and destination of the remittance (e.g. Banque Populaire Marocaine)

or in the case of agreements between banking institutions (e.g. agreements between Société Générale and Union Internationale de Banques in Tunisia).

The main barrier to this type of service lies in the account maintenance fees that are charged, which may seem prohibitive. Institutions taking this path must seriously take this aspect into account.

#### **4 - Pair savings products with transfers:**

As shown in the study, the primary motivation for remittances is to meet the essential needs of the family. It is therefore clear that this does not leave much room for savings. However, receiving institutions have every interest in offering simple, popular savings services allowing recipients to better cope with uncertainties. Initiatives in this sense have been taken in Morocco and Tunisia. Their generalisation can only be beneficial for the receiving populations.

#### **5 - Pair insurance products with transfers:**

Banking and postal institutions on both sides of the Mediterranean often already distribute insurance products as well.

**6 - Annuity - education:** for example, the Tunisian insurance company AMINA offers a EDUCASSUR contract, which guarantees higher education funds for the child beneficiary of the contract. Coverage offered: if the policyholder is alive at the end of the contract, the child will receive the savings. This capital will be used primarily to finance higher education or other future plans of the child (buying a car, marriage, professional project, etc.). In case of death or permanent disability of the policyholder and/or the policyholder's spouse: the payment of a quarterly annuity to the beneficiary child. The annuities can be accumulated in the event of simultaneous or successive death or permanent disability of the policyholder and the policyholder's spouse.

**7 - Funerals:** The Banque Postale in France offers "Tekemel" insurance, which covers the costs associated with transporting the body from mainland France and/or the Maghreb (Morocco, Algeria, Tunisia) to the burial site. These types of additional services are certainly interesting niches but now remain of relative notoriety.

## New technologies

**Target: practical consumer**

**Corridors: all**

**8 - Virtual account with card:** this is an innovative product based on virtual accounts that can be refilled by migrants in Europe with a bank card that can be used by the migrant's family in the home country. This type of solution has the following advantages:

- Quick arrival of funds
- Service availability with extended hours (24-hour availability at ATMs)
- Reduced transaction time for the migrant
- Reduced cost: account opening, card, and cost per withdrawal
- Unlimited number of withdrawals
- Account verification by the migrant

This type of product is already offered by banking institutions (Carte Flouss in Morocco or the Poste Italiane card) and has a visibly certain future, since it competes directly with cash-to-cash. It is a safe bet that institutions that do not offer this type of service will quickly find themselves left behind.

**9 - Online transfer:** operators (such as Moneybookers) now offer money transfer services via the Internet. The transfer costs appear quite reasonable, but no user of such a service was encountered among the migrants interviewed. **There is**

**still a great deal of mistrust with this type of service (lack of proof, lack of contacts, etc.). No great enthusiasm for this type of service was perceived in these interviews.**

#### **10 - Transfer by mobile phone**

Experiments with transfers by mobile phone have started, particularly to Algeria and Tunisia. Again, trust still needs to be established for this type of completely paperless service, which still leaves users quite baffled.

## **The six most requested service improvements**

These service improvements were requested by users encountered during the organised meetings:

- Offer counters dedicated to money transfers both in the country of origin and the country of destination in order to reduce waiting times
- Train staff on the money transfer products in order to be able advise customers about available products and the product most suitable for the needs of each migrant
- Assign personnel who master the migrants' language to the money transfer counters
- Offer a clear, reasonable range of prices to allow migrants to make a true choice of services according to their needs
- Guarantee transfer times clearly communicated to the migrant at the time of sending and respected upon receipt in order to facilitate travel by the transfer's recipient.

**It is therefore clear that these are simple measures that could be implemented very easily.**

# Conclusion

This study was unique in that it gave a voice to users of money transfers. Indeed, this issue arouses much interest today; many initiatives are being taken, but it appears that the primary stakeholders are not consulted very much.

Money transfers in the Euro-Mediterranean zone will remain an important issue in the coming years, even though the financial crisis has weakened them a bit (9% decrease in 2009 confirmed in Morocco and Egypt, for example).

The study shows particularly significant opportunities for development for reliable services at a good price. But above all, collaborative initiatives within the Euro-Mediterranean zone will have the greatest effect.

# Glossary

## **Migrant**

Any person permanently living outside his or her country of origin is considered a migrant. The country of origin is the country where the migrant has roots, i.e. where he or she was born or where his or her ancestors were born. The host country is the country where the migrant has taken up residence. Migrants may be nationals of their countries of origin, their host countries, or both.

## **Euro-Mediterranean zone**

The Barcelona Declaration was adopted on 28 November 1995 by the foreign affairs ministers of 15 member States of the European Union and 12 States in the south and east of the Mediterranean (Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Territories, Syria, Tunisia, and Turkey). Association agreements now bind the European Union with nearly all Mediterranean third countries. Since 1 May 2004, Cyprus and Malta have been part of the ten new member States of the European Union. Turkey, which had been bound to the EU through a customs union since 1995, has officially been in negotiations to join the EU since 3 October 2005. These three countries are now managed by the “EU Enlargement” division of the European Commission.

The Euro-Mediterranean Partnership, launched at the Barcelona Conference in November 1995, replaces the previously existing bilateral trade agreements of the association agreements, with a global and multilateral approach in three components:

- The definition of a common area of peace and stability through the strengthening of political dialogue and security (political component);
- The establishment of an economic and financial partnership and the gradual establishment of a free trade zone by 2010 (economic component);
- Partnerships between peoples and exchanges between civil societies (social, cultural, and human component).

## **Euromed postal:**

As part of the partnership, Euromed – also called the Barcelona Process – was held in Marseille in July 2007, the first conference of Euromed Postal, which aims to support development and economic integration of the Euro-Mediterranean zone, promoting the role and importance of post offices in the economy of the various countries and encouraging cooperation between stakeholders in the postal sector. As economic, social, and territorial players, postal operators actually play a leading role in the life and development of their country. By bringing together all postal sector players of the countries of the European Union and the south and east of the Mediterranean,

### **Euromed Postal has set priority goals:**

- Support development and promote economic integration of the Euro-Mediterranean zone through improvement of the operation and efficiency of post offices
- Promote the role and importance of post offices, all activities combined, in the economy of the various countries
- Encourage cooperation among players in the postal sector

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