

Migrants remittances Luxembourg-Cape Verde

ATTF

Ministry of Foreign Affairs

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Introduction

- Island country
- Sub saharian climate
- Agriculture difficulties
- Several starvation crisis

The size of the Cape Verdean Diaspora

- 3 migration waves
- 3 continents: USA, Africa, and Europe
- Relative size of the diaspora
- Dependence to the remittance inflows
- Purchasing power distribution

1-Definition and importance of the migrants remittances

- Payment across borders
- From richer to poorer
- Small and frequent
- 2nd largest capital flow:
 - Behind Foreign Direct Investment
 - Ahead Overseas Development Assistance
- Growing and stable

1-2-The formal transfers

- Wire transfers between bank accounts:
the Swift system
- Money Transfer Operator such as Western Union or Moneygram:
Quick and secured
Easy access in remote areas

The World Bank estimations

Overall volumes:

- 2001 USD 72 Billion
- 2002 USD 80 Billion
- 2003 USD 93 Billion

The 2003 regional allocations:

- Latin America and Caribbean - 30 %
- South Asia - 20 %
- Middle East and North Africa - 18 %
- East Asia and Pacific - 14 %
- Europe and Central Asia - 13 %
- Sub Saharan Africa - 5 %

Macro-economic effects
West African Countries-Workers Remittances-
Percent of GDP.Average 1998-2000
Source : UNDP 2002

	Cape Verde	Nigeria	Benin	Senegal	Ghana	Togo
% of GDP	13.20%	5.00%	3.00%	2.70%	0.70%	0.30%

1-3-The informal transfers

- Via hand delivery or through regular mail
- Operating as a side business
- Cultural or religious common background
- Customer-friendly features / more risky
- Volumes: 50 and 100 % of the formal transfers

2-Overview of the migrants remittances studies

Many differences between countries and migrants

- Several segments based on:
 - The cultural approach
 - Density of the formal actors
 - The beneficiaries access

Surveys of remittances recipients in different countries or regions- Source Bannock Consulting 2003

	Philippines	Bangladesh	Latin America	Mexico
<i>Channels</i>				
Banks	49%	46%	20%	8%
MTO/Money couriers	37%	-	41%	n/a
Posts	n/a	-	14%	68%
Other formal	n/a	-	n/a	5%
Self/travellers	14%	13%	15%	19%
Informal service	n/a	40%	n/a	n/a

2-1-The remittances channels

-The transfer providers:

Banks, MTO, Post...

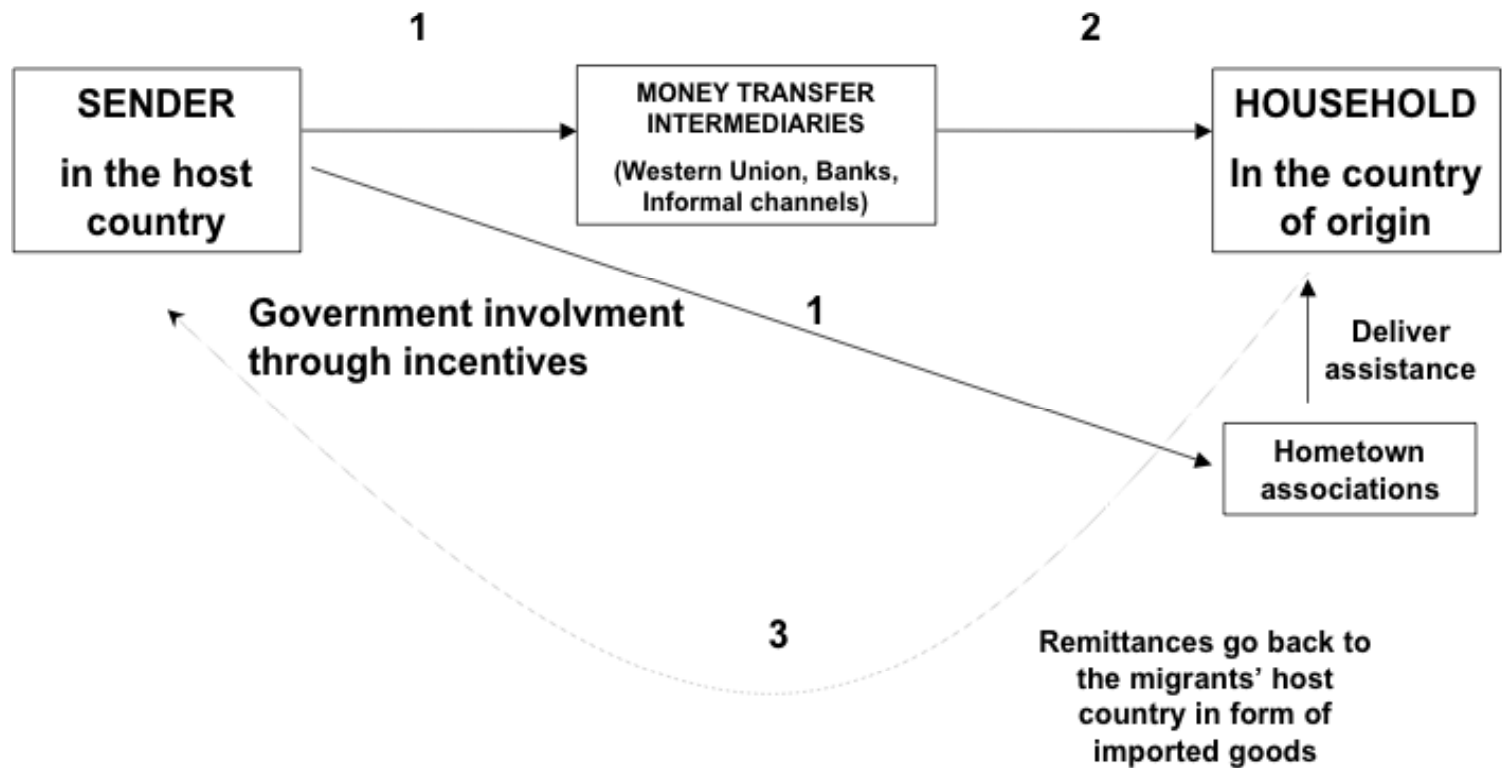
-The transmission mechanisms:

Swift or ACH, bank draft, money order, MTPN...

-The delivery means:

Network, ATMs, new technologies...

The cycle of remittances and the players



The transmission mechanisms

- The paper-based systems such as bank draft...

Replaced by

- The electronic transfers such as SWIFT...

2-2-Access to the services

- Awareness and accessibility of services
- Reliability & trust
- Proximity & familiarity
- Level of banking infrastructure
- Lack of outlet in rural areas

2-3-The cost of service

Components:

- Direct costs
- Indirect costs
- Between 0,2 % and 20 % of the transaction
- Average cost : about 13 %
- Highest for small amounts & with MTO

2-4-Common factors for migrants remittances

- Lack of information
- The customer frustration & the quality of service
- Less paper, more reliability and speed
- No bank account for the beneficiary
- Difficult access
- Informal channels

Specific features of capeverdean remittances

- Democratic system
- No ethnic or religious tension
- International community
- A trusty banking sector
- A specific banking law
- Instituto das Comunidades

3-The capeverdean remittances from Luxembourg

- The international context
- The 3 main countries in 2003: Portugal, France & USA
- Trends for the last 3 years:
 - A decrease from the USA
 - An increase from Europe

Workers Remittances recorded in Cape Verde

Source: Central Bank Cape Verde

Country of origin	2002	2003	2004	% 2004/2003	RANK
USA	20,69	17,79	14,42	-19,0%	3
Netherlands	8,31	7,53	7,16	-4,9%	
France	16,90	17,89	18,76	4,9%	2
Italy	3,65	4,64	6,11	31,5%	
Germany	0,76	0,83	0,97	16,2%	
Portugal	19,09	19,11	22,93	20,0%	1
United Kingdom	0,99	0,60	0,74	24,4%	
Suitzerland	1,25	1,42	1,57	11,1%	
Angola	0,04	0,09	0,07	-18,9%	
Luxembourg	0,85	1,23	1,50	22,3%	
Spain	-	-	2,07	N/A	
Others	3,02	3,66	3,41	-6,9%	
TOTAL (millions €)	75,56	74,79	79,71	6,6%	

3-2-The capverdean migrants expectations

- 3 categories:

Savings transfers, regular remittances, pensions

Difficulties:

- Lack of information
- Technical data requested
- Mother tongue front office services
- Beneficiaries do not hold bank accounts

3-2-The capverdean migrants expectations (continued)

- Reliable and quick transactions
- Front office welcome
- Preference for cash to cash operations

Ready to:

Sustain the microfinance sector in home country

3-3-The banking sector: an historic relationship

BCEE, first agent of the banking sector

- First accounts opened in the 70's
- Partnership with Caixa Economica

Classic banking services & Internet banking

- Ettelbruck and Luxembourg City
- Average amount: 900 € per transaction
- In 2004: around 100.000 € per month

3-3-The banking sector (continued)

Dexia bank: corporate customers

- Classic banking services & internet banking
- Negative trend for 3 years
- 18,5 % of the transfers by private customers
- Average amount: 1.000 €
- Volume in 2004: 376.000 €
- Partnership with a bank in Portugal

The Portuguese banks in Luxembourg

Banco Santander Totta

-In Cape Verde: BCN

Volume for 2004: 22.226 €

-Average amount 345 €

-Via a transitory account

-Cash disposal at several outlets

-Increasing demand despite weak volume

The Portuguese banks in Luxembourg (continued)

Caixa Geral de Depositos

- CGD group / 25 branches worldwide
- Partnership with 2 banks
- 1 to 2 transactions per month/Average amount 100 €
- Via a transitory account
- Amount credited in 2 days or 5 days
- Cash disposal at several banks outlets

3-4-The role of Western Union-PTT

- 2 types of services:
 - Western Union cash on delivery
 - Postal orders
- Many countries like Br, Por, Yug...
- 6.500 transactions per month
- 5 % to Cape Verde

3-4-The role of Western Union-PTT (continued)

Postal orders:

- In 2004: 75.800 € for 396 transactions
- Main reasons : to sustain relatives
- PT request ID card
- Success of WU based on:
 - Reliability
 - Fast service & size of the network

Transfers Western Union to Cabo Verde

Source PT Luxembourg

Year	2000	2001	2002	2003	2004
Nber of transactions	796	1367	1841	2694	3208
Total amount (€)	212'095 €	369'659 €	448'372 €	649'153 €	758'722 €
<i>Average amount (€)</i>	<i>266.45 €</i>	<i>270.42 €</i>	<i>243.55 €</i>	<i>240.96 €</i>	<i>236.51 €</i>

3-5-The informal transfers

- Lack of information
- Disappointment
- Cash transactions

Main means used:

- Small cash amounts
 - Personally carrying
 - Via family member, relative, or friend
- In case of emergency : WU service

4-The microfinance sector in Cape Verde

- One formal banking actor in the sector
- ONG and Associations amongst the others

4-1-The banking sector

- Privatisation process in 1998
- Few banks in Cape Verde
- 2002 legal framework against Money Laundering
- The BCV: financial sector supervisor

Caixa Economica

- A Commercial bank & a microfinance actor
- As a commercial bank:
 - Draw the migrants savings
 - 39% of total deposits
 - H1/2005: 367.000 € from Luxembourg
 - Average amount per transfer 1.864 €
 - 80% for buying real estate

Main Western Union agent

- Consolidation
- Money supplier of the CVE network
- From Luxembourg in 2004: 911.000 USD (source WU F.S.I.)
 - Average amount / transaction: 286 USD
 - H1/2005: 424.000 USD

Competition is growing

- Basic consumption needs

A microfinance actor

1-Sao Domingos municipality

2-FAO: Food Security Program

3-ACDI Micro-Irrigation Program

4-Micro Enterprise Training and Lending Program
(METLP)

The Banco Comercial do Atlântico BCA

BCA/1993 - 25 branches and offices

-Draw the migrants savings

As per December 31st, 2004:

- 65 % of the total deposits
- 15,705 Bio CVE
- Strong impact on the resources

BCA: impact of migrants remittances

	2003		2004	<i>%</i>	H1/ 2005
Annual inflow (€)	11'841'877		13'766'147	<i>16%</i>	8'169'871

The other banks: Ecobank & BCN

- **Ecobank ECV**
 - WU agent & currency desk
 - Senegal: potential new customers
- **BCN**
 - Trading and export
 - New shareholders in 2004
 - Volumes decreased in 2003 and 2004

4-2-The strength of the WU network

The world leader: 212.000 agents /195 countries

- Strong marketing approach
- First Data Foundation
- WU network 3 years ago
- 30 agents and sub-agents

Key role of the Post

- Size of the world network / Declining role of PT
- **The postal money orders**
 - Traditionally attached to the product
 - Worldwide declining influence

Statistics Postal Money Orders from Luxembourg

Source : Correios de Cabo Verde Sarl

	2002	2003	2004
Yearly total amount	69'753 €	65'889 €	75'207 €
Nber of transactions	350	380	413
Average amount	199 €	173 €	182 €

Post: Sub-Agent WU

- Agreement signed
- Geographical complementary
- **Future and microfinance context**
 - Postal bank project
 - Wish to enlarge relationships
 - Closed to the poorests

The currency offices

- 6 forex offices
- Sal international airport and Praia area
- Ecobank

4-3-NGO and associations, springboard of microfinance activities

- Social participation process
- Growing role of unions
- Gradual decentralisation as per mid 80s
- Local populations involved
- Stimulation of partnership
- The solidarity

ACDI /Voca: forerunner in microfinance

- Private organisation: 135 countries
 - Community development
 - Technical assistance
 - Financial services
 - The agribusiness systems

Micro Enterprise Training and Lending Program (METLP)

- First program in 1997: 2,67 Mio Usd
5000 clients between 1997 and 2001
- Hand over of the project to CECV in 2001
- Microfinance TA to several actors:
-ASDIS, OMCV, MORABI

Plataforma das ONG

- 80 NGOs
- Objective:
 - Representation
 - Capacity building
 - Projects management process
- Partners in the decentralisation
- Few NGOs, such as Morabi or OMCV

Morabi & OMCV

Morabi

- Objective:
 - Standards of living & promotion of active women
 - TA in project monitoring
- Scope of activities:
 - Microcredit, TA & training
 - Community development
 - Health & sexual education

OMCV

Women association set up in 1996

Microfinance program from 1999

- Main sectors: Agriculture & stock breeding
- Continuing education
 - Not able to satisfy the demand
 - Wish to diversify
 - Expectations / new legal framework

UNDP and communautary associations

600 local associations in Cape Verde

Sustain income generation activities

The UNDP key role

- Federative & complementary role
- To fight the poverty
- To protect environment
- To encourage good governance

FAMPICOs

Association of credit and savings

- Collect savings
- 65 % of women
- Agriculture and stock breeding
- Member fee: 500 CVE /capital share 70 CVE
- 83 Mio CVE as per May 31, 2005

4-4-Positive and negative factors

The features of Cape Verde:

Negative factors

- Scattered islands
- Droughts & lack of water
- High level of emigration
- Multi Infrastructure needs

The features of Cape Verde (continued)

Positive factors

- Democratic regime
- High growth rate & low inflation
- Tourism
- New Praia international airport
- Decentralisation process

Microfinance legal framework in discussion

- Brake on microfinance growth
- Impact on savings collection
- Project under discussion
- National ratification H1/2006
 - 3 types :
 - Cooperatives
 - Credit Unions
 - NGOs and associations
- The supervisor : BCV

Technical assistance needs amongst actors

Several needs:

- Microfinance software
- Debt collection
- Risks classification
- Internal control & audit
- Lack of financial resources
- CECV: microfinance branch

Instituto das Comunidades

- Public entity / 2001
- Objective:
 - Reinforce solidarity
 - Economic development & investments
 - Provide accurate information
- To set up partnership with national and international organisations

The association tradition: pillar of solidarity

- National strategic program of poverty reduction
- ONGs associations and private actors
- Take over of municipal programs
- Tradition of solidarity for community development

5-Overall picture of the current situation

- **Action plan proposal**

A weak image of the banking sector

- Historical relationship
- Migrants perception

Solutions to better serve the customers?

- Specialised front-office desk
- The transfers technical conditions
- Sign a partnership with an MTO

To satisfy the target customers

- Reach the expectations
- Marketing study
- Savings needs & quick transfers needs
- No currency risk in the € area

To spur on the community awareness

- The Capeverdean community
- Accurate media communication
- Sponsoring of cultural events
- Potential links
- Partnership with capverdean banks

To encourage microfinance funding with specific savings accounts

Difficulty: accurate guarantee or collateral

- % of migrants savings as collaterals
- Attractive saving product in Luxembourg pledged against a credit line
- Link a saving product to a regular funding
- Pledge the CVE deposits in Cape Verde

A credit line in favor of the banking actor

- To increase the funding of the banking actor
- To fund the microfinance subsidiary
- Credit line between the central banks
- Guarantee issued by a Luxembourg bank

Targeted Technical Assistance delivery

- Study over the TA demand: real MFIs
- Some specific needs expressed:
 - IT specialised tools
 - Legal structure in the new environment
 - Internal control & audit

A Know How / ACIDI-Voca

CONCLUSION

- Strategic location
- New international airport
- The real estate sector
- Decentralisation
- Tradition of solidarity
- Community development
- Historical relationship
- Strategic place of the financial center