

# Remittances in the Great Lakes Region

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IOM International Organization for Migration

# **Remittances in the Great Lakes Region**

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## INTRODUCTION

In the last several years, migrant remittances have received an increasing amount of attention from policymakers. While in the beginning the focus was on the volume and methods of remitting, gradually attention has been shifting towards using remittances as a development tool for the communities and countries of origin. However, while certain regions are very well researched and are characterized by an institutional structure that harnesses remittance-oriented policies (e.g. Mexico, the Philippines, Senegal and Morocco), others are not. The Great Lakes region (in particular the Democratic Republic of Congo or DRC, Burundi and Rwanda) belong to the latter group. Furthermore a number of factors, such as an underdeveloped financial and governmental infrastructure, the unstable political environment, the lack of available research and reliable data, hinder the implementation of policies aimed at remittances.

According to the Belgian Department of Federal Immigration, about 22,000 Congolese, 2,000 Burundians and 6,000 Rwandans are living in Belgium. Taking into account Belgian inhabitants of Congolese, Burundian and Rwandan origin and undocumented migrants, the total size of the diaspora would amount to a number that is significantly higher than 30,000. Figures from the national banks of the DRC, Burundi and Rwanda show that the three countries, respectively, received US\$ 97 million, US\$ 4 million and US\$ 16 million in 2004. These figures only include formal remittances. When informal money transfers are taken into account, these amounts would undoubtedly be much higher.

To facilitate the involvement of the diaspora of the Great Lakes region, the International Organization for Migration (IOM) in Belgium initiated the programme Migration for Development in Africa (MIDA) in 2001. The programme focuses on three different transfers of migrants: transfer of knowledge, virtual transfers and financial transfers (see <http://www.midagrandslacs.org> and IOM 2005a, b and c). IOM commissioned a study to develop initiatives to facilitate the development impact of remittances for the Great Lakes region. This study aims to provide insight into the advantages and disadvantages of existing transfer methods, governmental and non-state initiatives regarding remittances, and the obstacles and opportunities for harnessing the development impact of these financial flows.

This paper presents the results of the study. The introductory chapter presents a conceptual framework on remittances. The second, third and fourth chapters provide an analysis of the remittance dynamics of the DRC, Burundi and Rwanda.

The study was carried out in three research months, which were spread over a time period from September 2005 to January 2006. In September and October 2005,

existing information sources were valorized. The limited available research was complemented with additional interviews in Belgium.

Due to the limited time available, the interviewees were restricted to key figures in the academic world, governmental institutions, non-governmental organizations (NGOs), banks and financial institutions and representatives of diaspora associations. In addition, three focus groups were held with members of the diaspora of the three countries.<sup>1</sup>

In November and December 2005, one of the researchers carried out a six-week field visit to the three countries to interview key figures. The field missions were conducted in collaboration with the responsible coordinators of the MIDA programme. Given the time and logistical limitations, research in the DRC focused on Kinshasa, and in Burundi on Bujumbura.

Each of the country-specific chapters contains a brief history of migration and an analysis of the utilization and volume of remittances. There is a list of the existing transfer methods, including their advantages and disadvantages for the senders and receivers, as well as an account of the impact of remittances. Chapters Two, Three and Four also identify the governmental and non-state interventions and initiatives that are harnessing the development potential of remittances, as well as the obstacles and opportunities to harnessing the development impact of remittances. The latter refers to: the institutional framework; the macro-economic impact; the formal transfer methods; individual remittances used for socio-economic development; and collective remittance used for community development. Each chapter concludes with recommendations for IOM.<sup>2</sup>

# CONCEPTUAL FRAMEWORK

## Remittance Types and Utilization of Remittances

Several definitions of remittances exist. In its broadest sense, remittances refer to cash or in kind transfers from one place to another. As Van Doorn (2001) notes, different types of remittances can be distinguished: international or intra-national; individual or collective; formal or informal; in kind, in cash or only financial. In this report remittances refer to international financial transfers. However, for the countries studied in this report, the importance and the volume of transfers in kind should not be underestimated.

The increased attention on the issue of remittances in recent years has been due to the growing volume of the official financial remittances to low-income countries, and their potential contribution to the economic development of the receiving regions. According to estimates from the World Bank (2005), developing countries received US\$ 126 billion in 2004 in official remittances. This is US\$ 10 billion more than in 2003, and US\$ 27 billion more than in 2002. In 1995 official remittances to developing countries totalled at US\$ 53 billion.

Not every region contributes equally to these figures. While the Latin American and Caribbean diasporas sent US\$ 37 billion, and the South Asian diaspora sent US\$ 33 billion to their regions of origin, sub-Saharan African diasporas officially transferred only US\$ 6 billion (World Bank, 2005). These figures, however, do not take into account unrecorded (informal) remittances, which could amount to more than the volume of officially recorded remittances (see information about informal remittances below).

One way of distinguishing the different types of remittances is by classifying them by sender and recipient. Carling (2005) identifies seven different types (see Table 1).

- Migrant to migrant: this refers to migrants who want to make use of their own money accumulated abroad by depositing it in a bank account in their country of origin, or transferring the accumulated savings abroad. The migrant spends the remitted money. Among the most commonly mentioned uses of these kinds of remittances are: consumption, business development, housing construction and buying of land, saving money in bank accounts in the country of origin, and buying of bonds.

TABLE 1  
REMITTANCE TYPES CLASSIFIED BY SENDER AND RECEIVER

Sender	Recipient			
	Migrant	Non-migrant(s)	Collective	Government
Migrant	Personal deposits or investments	Intra-family transfer or transfers to friends	Charitable donations	Taxes or levies
Collective			Development projects	
Government	Social security transfers			
Private business	Company pensions			
Source: Carling 2005: 12.				

- Migrant to non-migrant (family, friends): In most countries, this is the most important remittance flow. The recipient decides how to allocate the remittances (whether or not influenced by the sender). The most commonly identified use of these remittances is for satisfying basic needs and consumption. This is followed by specific family events (e.g. marriage, baptism, funeral) and education and health care. In fewer cases, buying of land, house construction and business development are mentioned. It is important to note here that it is very difficult to identify the exact allocation of remittances on the beneficiaries' side. Remittances are regarded as an additional source of income, constituting just one of the revenues of the family or family member. The remittances are added to the total budget and this total budget is allocated to different purposes.
- Migrant to collective (associations in the region of origin, e.g. churches, mosques, etc.): these are considered to be charitable donations.
- Collective to collective: migrant associations remitting money to their partners in the region of origin to finance development projects. The most renowned examples are the Home Town Associations (HTAs) in Mexico and the USA.
- Migrant to government: these refer to mandatory remittances to the government of the country of origin. They include specified proportions of voluntary transfers or taxes collected from emigrants.
- Government or private business to migrant: these refer to regular transfers from former employers, pensions or governments in the country of destination (and of employment). These can be significant for migrant workers who have returned to their country of origin. (This study does not cover this type of remittance in any detail.)

- Migrants to private or governmental institutions: this category was not mentioned by Carling (2005). It entails migrants who are remitting directly to institutions like schools and hospitals to finance the education and health care of family members.

## **Motivation to Remit**

There are five discernible reasons that migrants remit to their family members: altruism, self-interest, mutual beneficiary arrangement, perceived obligation, and pride (De Bruyn and Kuddus, 2005).

The first reason, altruism, may occur when the migrant wants to increase the well-being and living conditions of his or her family by providing additional income. The second reason, self-interest, can occur when the migrant remits, for instance, to increase his or her opportunities to subsequently inherit assets, or to prepare for his or her return to the country of origin. Third, remittances can be seen as a mutually beneficial arrangement between the family and the migrant. In this context, remittances can act as a repayment for past expenses of the family to finance the migrant's migration. On the other hand, remittances can also serve as a diversification strategy or risk-sharing strategy (see also Chimhowu et al., 2003). The family of the migrant and the migrant himself or herself work in different areas, thus providing alternative sources of income (see also Black, 2003; Lucas and Stark, 1985, cited in El-Sakka and McNabb, 1999). A fourth reason involves social pressure from the family in the country of origin, where the migrant feels obliged to remit to satisfy the needs of his or her family in the country of origin. The final reason can be pride, whereby the migrant wants to let his or her entourage in the destination country and in the country of origin know that she or he can provide financial resources.

## **Remittance Methods**

Isern et al. (2005) explain that any formal remittance system consists of three major building blocks:

1. The institution which provides the transfer, including banks, money transfer agencies, postal banks, and credit unions;
2. The mechanisms that carry the transfer from one place to another, including cheques and bank drafts, money orders and giros, electronic transfer mechanisms such as SWIFT,<sup>3</sup> and proprietary networks;
3. The customer interface through which cash is collected and/or disbursed to recipients, including automated teller machines (ATMs), retail or store fronts, fixed and mobile phones, and the Internet.

Among the formal remittance methods, the most important include cash-based electronic transfers, electronic account-to-account transfers, and card-based and paper-based transfers. Besides personal carriers of money, informal remittances systems often make use of informal transfer agencies.

### **Cash-based electronic transfers**

Money transfer operators (MTOs) take a central place in this system. The main activity of MTOs is remitting money from one place to another. To remit money the sender has to deposit cash at an agency of an MTO, and the recipient can collect the money at an agency of the MTO in the destination country.

To use this system, a number of conditions have to be met. The sender has to fill in a form with his or her coordinates and the coordinates of the recipient. In addition, the sender has to provide proof of identity and proof of residence. The sender then gives the amount of money she or he wants to remit to the agency, together with a commission fee, which can be a flat fee or dependent upon the amount of remitted money. The sender also fills out a form with the sender's name and the amount sent. The transfer agent enters these data into the computer and gives the sender a receipt and a code. The sender has to give this code to the beneficiary (by calling him or her on the telephone). To collect the money, the receiver gives the code and proof of identification to the local transfer agent. The transfer agent then gives the money to the recipient in local currency or in dollars, together with a receipt. In general, MTOs make use of their own electronic money transfer network (Carling, 2005).

### **Electronic account-to-account transfers**

This system requires the sender and the recipient to have an account at a bank or other financial institution. The sender deposits money into his or her account and the financial institution transfers it to the account of the recipient. For international transactions, most banks make use of the SWIFT system. The costs for sending money by banks can either be paid entirely by the sender, or by the receiver, or the costs can be shared between sender and receiver (Carling, 2005).

Besides commercial banks, postal banks are used in many countries to transfer money, in which case the electronic transfer is called a giro (Isern et al., 2005).

### **Card-based transfers**

There are two types of card-based transfers. For the first method, the sender needs to have an account at a financial institution. The recipient uses a debit card to with-

draw money from the sender's account or to make payments. The second method does not require an account. Instead, so-called "smart cards" are used, which have a stored value. Cash-based transfers are possible in regions where ATMs or Point of Sales (POS) exist (Carling, 2005).

### **Paper-based transfers**

While the aforementioned systems make use of electronic transfer mechanisms, paper-based mechanisms are also common and include money orders, cheques and bank drafts. Cheques and bank drafts were among the first documented money transfers. The issuing of cheques and bank drafts is usually legally limited to regulated financial institutions. Money orders can be issued by a greater variety of financial institutions, and do not require bank accounts. For paper-based transfers, the sender receives a cheque, bank draft or money order from the financial institution, and has to send it or bring it to the receiver. The receiver can then cash it by presenting it to an authorized agent. The postal money order is among the most commonly used of these systems (Carling, 2005).

### **Informal transfer agency**

Informal transfer agencies are another common type of institution through which money is transferred to the country of origin. The system is similar to that of formal transfer agencies. **With informal transfer agencies, the sender gives money to an intermediary (an informal transfer agent), who contacts an agent in the country of origin. The latter is responsible for giving the equivalent of the money that the sender has given to the intermediary then to the recipient. An informal exchange rate is used to determine the amount of money the recipient gets. The recipient can take the money from the agent by using a code that she or he receives from the migrant, or by identifying him or herself to the agent. Because there are no official documents used in this process – although informally it is often documented – the system is based on trust.**

This system can take a lot of different forms. For instance, instead of an informal transfer agency, the sender can also give money to a friend or acquaintance in the destination country. The recipient goes to the family of the friend in the country of origin to collect the equivalent amount. This system is known under different names in various parts of the world, for example *hundi* in Bangladesh, or *hawala* in Somalia.<sup>4</sup>

## **Impact of Remittances**

The impact of remittances is still a subject of debate among scholars. Most theories and conclusions are based on either empirical micro-scale studies or analysis of

macro-economic data. Because the former are very context-specific and the latter only take into account formal transfer methods, it is very difficult to draw general conclusions that are valid for all remittance-receiving regions, and for all senders and recipients of remittances. In addition, most research focuses on the economic impact of remittances and hardly mentions social effects.<sup>5</sup>

Table 2 lists the main conclusions of existing remittance research.

TABLE 2  
POSSIBLE POSITIVE AND NEGATIVE IMPACT OF REMITTANCES

	Positive Impact of Remittances	Negative Impact
Macro-economic Level	Strengthening balance of payments by provision of foreign exchange	Deterioration of balance of trade, by stimulation of import and appreciation of local currency
		Deterioration of the “social balance”
	Remittances are stable and counter-cyclical	Remittances tend to decrease as migrant community is more established in destination country
		Economic dependency of remittances
Household Level	Allowing families to meet basic needs	Dependency on remittances and neglect of local productive activities by families
	Opening up of opportunities for investing in children’s education, health care, etc.	Hardly used for productive investment
	Loosening of constraints in family budget to invest in business or savings	
	Emergency resources	
	Social security resource base	
Community & Regional Level	Boost local economy	Increase inequality between families that receive remittances and those that do not
		Inflation
	Financing local development projects	

At the macro-economic level, remittances provide foreign exchange that strengthens the balance of payments. They can also stimulate the import of capital goods and resources that are needed for industrial development (Russell, 1986). On the other hand, the demand for import can also have negative effects on the balance of trade.

Carling (2005) argues that this can occur when the consumption patterns of migrants' families in the country of origin, as well as return migrants and non-migrant families, change because these groups get accustomed to foreign products. Furthermore, large influxes of foreign exchange can lead to an appreciation of the local currency and thus make exports less competitive. On the indirect, positive side, the demand for products from the country of origin by the migrant communities can lead to an increase in exports.

Financial transfers are also a more stable money influx than, for instance, foreign direct investments. Even in times of political and economic crisis migrants tend to send remittances to support their families. Remittances even tend to be counter-cyclical; in other words, the remittance influx is higher in times of crisis. On the other hand, remittances tend to decrease the longer the migrant community is in the destination country. When an economy is too dependent on remittances, a decrease of this money can have severe negative effects on the national income.

One of the most commonly heard criticisms about remittances is that they are primarily used for consumption purposes. So-called "economic productive investments" are much less frequently mentioned as objectives of remittances. Even if this is true, for many families remittances are an important source of revenue. This extra income allows them to meet their basic needs or to overcome periods of economic crisis. It can also open up opportunities to invest in the family's well-being, education of children, improvement of the family's health status, and so on. In some countries, remittances form a major source of money for parental support and, as such, act as a kind of social security resource base for vulnerable groups.

At the regional and community level, increased consumption can give a boost to the local economy and smooth out income inequalities. But it can also result in rising inequality between families receiving remittances and those that do not. Moreover, the poorest population groups often do not possess the financial means to undertake an international migration. Hence, they are excluded from receiving remittances. Inflation can be another effect of a large inflow of remittances in a region.

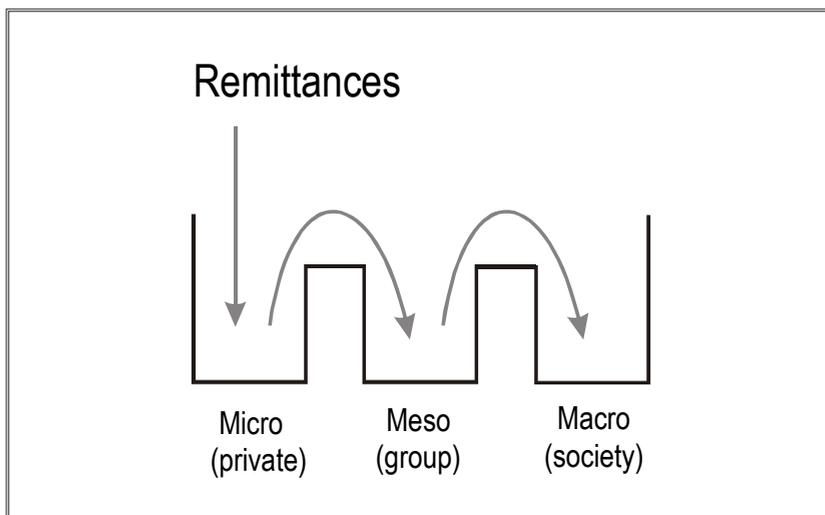
Moreover, families and regions can become dependent on remittances and, as a consequence, neglect productive activities. While several migrant communities remit money to their region of origin to develop social and economic infrastructure. The Home Town Associations of Mexican communities residing in the USA are among the best known examples (De Bruyn and Wets, 2004; and Wets et al., 2004).

Another cost of remittances that should be considered is the social cost. A significant change in recent migration patterns is the "feminization" of migration: almost

half of the migration population is female and they are not always wives following their spouses. This can result in a situation where a country benefits from migration through remittances (that's what can be read in the balance of payments) and where a family is provided with the necessities of life. However, it is very often also a situation where the grandmother raises the children, in the absence of their mother, while the mother, earning money abroad, is exploited, and in the worst case, even abused. This is common in countries where migrants' rights are not protected or guaranteed. If these women are raped, they lose their social position in their society when they return, which simply compounds the trauma of what they have already experienced. Thus, the economic benefits of this situation are often realized at a very high social cost.

The use of remittances is hard to describe univocally. Often, the underlying system can be described as a system of communicating vessels. As described above, many migrants use their remittances to support their families' basic economic needs. If this need is filled, money can be used for more productive purposes. If these necessities are met, there is room for community projects. Schematically, this can be depicted as in Figure 1.

FIGURE 1  
COMMUNICATING VESSELS OF REMITTANCES



# THE DEMOCRATIC REPUBLIC OF CONGO

## Introduction

The information in this chapter is based on interviews conducted in collaboration with the MIDA coordinator Sefu Kawayya during a two-week visit to Kinshasa (3-17 November 2005).

The researchers carried out 30 interviews with representatives of governmental, financial and non-governmental institutions, as well as with subject-matter experts. It is important to note that the field mission restricted itself to Kinshasa. Therefore, the reader has to be wary to extrapolate the conclusions in this chapter for the whole country.

Additional information was gathered on the basis of interviews with members of the Congolese diaspora and other actors in September and October 2005 in Belgium, as well as in articles and documents on the subject.

## Migration Patterns and Dynamics

A number of different stages can be identified in the migration from the Democratic Republic of Congo (DRC) to Belgium.

During colonial times, the colonial government attempted to establish an elite in each of these countries by sending a small number of Congolese residents to Belgium to study. Afterwards, they were expected to return to their countries of origin to work in government and other key institutions. After independence in 1960, these study trips continued, and business people and other high-income groups also began travelling. Although the initial intention was to return to the country of origin, a considerable number of migrants stayed abroad. From the 1970s onwards, irregular migrants – who tried to gain legal status in Belgium – joined this group. Due to political and economic instability in the Great Lakes region, migration started to intensify and diversified from the end of the 1980s and in the 1990s (Sumata et al., 2004; Soenen et al., 2004; Kagné and Martiniello, 2001; Kagné, 2001; Mayoyo Bitumba, 1995). Official statistics show that the number of Congolese officially residing in Belgium rose from 2,585 in 1961 to 5,244 in 1970, 8,575 in 1981, and 11,828 in 1991. The Congolese that already reside in Belgium function as a network of support. A significant number of these migrants are refugees, asylum seekers and undocumented migrants. Other countries, namely France, Great Britain (GBR), Switzerland and the USA, Canada

and South Africa become also countries of destination (Sumata, 2002; Sumata et al., 2004). Migration to Belgium and these other countries occurs in different phases. First, the migrant moves from a rural area to the major urban area of his or her country, and from there she or he migrates to countries in the north. In the last few years, South Africa has become a major destination country, especially for Congolese migrants. As Sumata (2002) shows, South Africa functions as a stepping stone to Europe or North America for many people of the Congolese diaspora.

The exact size of the Congolese diaspora in Belgium is hard to determine. According to the Belgian Department of Federal Immigration (2006), 21,823 inhabitants in Belgium held Congolese nationality. This figure excludes undocumented migrants and asylum seekers, but includes refugees. Between January and October 2005, Belgium received 1,046 requests for asylum. Statistics about undocumented migrants are not available. To determine the exact size of the diaspora, the Belgians of Congolese descent also have to be added. Estimates of the total size of the diaspora can be as high as 80,000 people according to Bob Kabamba of the Université de Liège.<sup>6</sup> Although not only confined to the big cities, the major diaspora communities can be found in and around Brussels, Liège and Antwerp. In socio-economic terms, the Congolese diaspora is very diverse, as Kagné and Martiniello (2001) have shown.

## **Diaspora organizations**

Soenen et al. (2004) identified more than 75 Congolese diaspora associations. However, the authors state that, often, the same names appear in the members' lists of the different organizations, and that alliances are variable. This is reflected in the rapid creation, decline and rebirth of organizations. According to the authors, the organizations are thus very flexible, and can act quickly in cases of, for instance, an environmental disaster. The associations are often present in areas of conflict where there are no NGOs or official development cooperation. Associations are formed on the basis of political affiliation, geographic or ethnic origins, religion, profession, and other criteria (Kagné and Martiniello, 2001; Kagné, 2005). A number of associations are also engaged in development activities. In general, the activities are small scale and often suffer from a lack of financial and logistical means.

## **Utilization of Remittances**

It is important to make a distinction between the reasons why members of the Congolese diaspora remit money, and the actual allocation of the transfers. Although no exact figures are available, studies have shown that most migrants remit money to satisfy the basic needs of the family members (e.g. food and clothing), and to a lesser extent for education and health care (Bokumbo Lifete, 2005; Muteta, 2005; Makengele

and Agwali, 2005; Soenen et al., 2004; Sumata, 2002; Sumata et al., 2004). Other important objectives are family events, such as marriages, funerals and baptisms, etc. In total, only a small percentage of the total amount of remittances seems to be sent for specific economic investments. Larger sums of money are sent to buy property or to construct a house. Community development was hardly mentioned as an objective of remittances in the studies or in the interviews.

On the beneficiaries' side, it is difficult to identify the exact allocation of the remittances. Remittances are regarded as an additional source of income, constituting just one of the sources of revenue for the family or family member. The remittances are added to the total budget and this total budget is allocated to different purposes. As Soenen et al. (2004) conclude from their study, income tends to be rather volatile and remittances help to pay for consumption needs when necessary. **According to data** of Sumata (2001, cited in Bazenguissa-Ganga, 2005), transfers can amount to 80 to 100 per cent of cash available to households.

The study of Soenen et al. (2004) also showed that all of the families in the study tried to invest, especially in the service sector and the urban informal economy. In this, material transfers play an important role, paying for items such as phones, computer parts and cars.

As mentioned in the introductory chapter, it is possible to discern five different reasons why migrants remit to their families. **But because of the lack of available studies**, no profound conclusions can be drawn about the motivations of the Congolese diaspora to remit money. Moreover, the interviews with members of the Congolese diaspora showed that the motivation differs from person to person.

Soenen et al. (2004) identified specific reasons for sending remittances to invest in the country of origin. Firstly, investing in the DRC is considered to be cheaper than in Belgium. Secondly, the migrant tries to create opportunities for his or her family to financially sustain itself. And buying property or construction of houses with remittances is often done to prepare for the migrant's return to the DRC.

Nevertheless, one element that featured in most interviews, which have been conducted with members of the diaspora within the framework of this study, is the pressure exerted by the family in the country of origin to remit money. The expectations of family members or friends towards the migrant are often high. This applies to the whole diaspora, whether low- or high-income earners, people with legal status, or irregular migrants. In comparison to Congolese wages, the income of even low-income earners is considered to be high. However, as Soenen et al. (2004) concluded in their research, the migrant's family often knows more about the migrant's situation

than they admit. By not revealing what they know about reality, it is easier for the family to make claims. Interviews with members of the diaspora reveal that family members do not always tell the real reasons that they need the money. Family members sometimes try to convince the migrant to send money by telling him or her that they have needs that do not correspond to the real situation. Rather than telling him or her that a television or motor bike is needed, the family member might ask for money to send one of the children to school. Because of this, the migrant tries to check the information she or he gets from the family.

Due to the large size of extended families in DRC, the demand to remit money can come from many people. In addition, the improvement of communication between the DRC and Belgium (i.e. mobile phones, Internet, etc.) has made it easier to communicate families' financial and other needs to migrants. Until the beginning of the 1990s, family members and acquaintances made use of fixed phones, letters and people traveling to Belgium to communicate their demands.<sup>7</sup>

In addition, the volume of remittances tends to decrease over time, more specifically when migrants marry and have children in Belgium and/or try to build a house. Interestingly, some of the interviewees in the DRC mentioned that remittances tend to decrease very rapidly when a migrant marries someone of Belgian origin. Dr Eriksson confirmed this for the Swedish Congolese diaspora as well.

## **Volume of Remittances**

Reliable data on the amount of remittances sent is hard to find. Moreover, figures are only available on official remittances. The Central Bank of the DRC keeps records of remittances entering and exiting the country. In 2004, US\$ 96,820,000 in remittances entered the country. Interestingly, US\$ 40,910,000 was remitted from the DRC to other countries in 2004 (FEC, 2005). According to our respondents, the amount of money remitted through informal channels will be much higher than these formal figures.

## **Remittance Methods**

A number of studies have identified the methods used to remit money to the DRC, as well as their pros and cons. Bazenguissa-Ganga (2005), Musila (2003) and Makengele and Agwali (2004) have described the various methods of remittance for the Congolese diaspora living in France. For Belgium, Soenen et al. (2004), Muteta (2004) and Bokumbo Lifete (2005) have conducted research, while Sumata (2002) and Sumata et al. (2004) have identified remittance channels from the GBR, France and

Belgium. Bagalwa-Mapatano and Monnier (2002) described the remittance methods between Switzerland and the DRC. This information has been confirmed through the interviews conducted for this study.

According to the respondents, informal transfer methods are far more important than formal channels. In the following paragraphs, first the main formal remittance systems will be discussed, as well as their advantages and disadvantages, and then the informal methods.

### **Account-to-account transfers via banks**

Account-to-account transfers are infrequently used to remit money to the DRC. As IOM (2005c) argues, the DRC has one of the least-developed banking systems due to the political and economic instability of recent years. Ten different banks are operational in the DRC.<sup>8</sup> However, only a small proportion of the Congolese population has a bank account. In the last few years, the banking system has been slowly developing, and new international banks are entering the market, the newest addition being ProCredit Bank. There are a number of reasons for the unpopularity of the banking system as a remittance method.

1. Distrust of banks. According to the respondents, there is a general distrust of the banking system, especially among the Congolese.<sup>9</sup> In the 1990s, political and economic problems have led to the collapse of a number of banks and many people lost their savings. The same applies to micro-finance institutions.<sup>10</sup>
2. Lack of transparency of cost structure. Banks are not always transparent in the costs they charge for remitting money. In 2003, Soenen et al. (2004) tried to find out what the costs were for remitting money to the DRC via three major Belgian banks (Dexia, KBC and Fortis Bank). The banks could not give the exact transaction cost because they did not know how much the receiving bank would charge. The same applies for the banks in the DRC: banks do not always know how much the sending bank will charge.
3. Banks are reluctant to deal with very small amounts of money. In the study of Soenen et al. (2004), two banks (Dexia and KBC) even refused initially to transfer the money because of the small amounts involved.
4. Speed. The time it takes to remit money was mentioned as a drawback: money transfer via banks can take days or even weeks.
5. The high cost. The costs are considered too high, especially to remit small sums.
6. The exchange rate. The difference between official exchange rates and informal exchange rates is significant. Recipients and senders prefer to change money on the informal market because of the beneficial exchange rates.

7. Geographic accessibility. Banks are located in large urban centres, and almost non-existent in other parts of the country.
8. Legal accessibility. Undocumented migrants cannot make use of the banking system, unless they ask someone with legal status to send the money for them.

Despite these difficulties, the interviews revealed that banks are still used by some people to transfer money. These are mostly people who are acquainted with the banking system and have to transfer larger amounts of money that do not need to arrive in DRC within a short period of time. In addition, companies normally use the banking system because of the competitive rates banks charge for high amounts of money transfers.

### **Cash-based transfers via MTOs**

Money Transfer Companies (MTOs) are widely used by the Congolese diaspora and are by far the most popular formal transfer channel. In total, 22 MTOs are recognized by the Central Bank of Congo.<sup>11</sup> In addition, some international agencies (e.g. MoneyGram and Western Union) work together with banks. Not all of the transfer agencies have outlets in Belgium and/or other European countries. Some are only operational in the DRC to carry out domestic money transfers.

Western Union is the main transfer agency in the DRC. It is important to note that it works in DRC and in Belgium along with other financial institutions. In Belgium these include La Poste, Goffin Change, and Camrail. In total, it has 150 agencies in 58 Belgian cities. In the DRC, it includes the commercial banks of BCDC, BIAC and UBC (65 agencies in 19 cities). MoneyGram has six outlets in Kinshasa and one in Matadi. It works together with Rawbank and BIC. MoneyTrans has five agencies in Kinshasa and others in Mbuji Mayi and Lumbumbashi. In Belgium, outlets are available in Brussels, Antwerp and Liege. Soficom, a relatively new player, works together with Travelex and Thomas Cook and has offices in most of the major cities in the DRC. Other examples of companies with outlets in Belgium include Mister Cash, Colikin and Eurokin.

The main reasons for using MTOs for remitting money include:

1. Speed. Within an hour the money is sent and can be collected.
2. Security. The probability that money will be lost during the remittance procedure is almost non-existent.
3. Ease. The procedure is relatively simple.
4. Transparency. Commission fees are clearly indicated.

5. Availability. In recent years, formal transfer agencies have expanded their reach and lowered their commission fees, especially in the DRC.
6. Currency. Money can be received in local Congolese francs or in US dollars (but not in euros).

However, according to the information gathered during this study, the system also has drawbacks.

1. The most cited drawback are the high commission fees and unfavourable exchange rates. Especially for small amounts, the commission fee can be problematic. Table 3 lists the transaction fees for Western Union and MoneyGram. MoneyTrans only asks EUR 5 for each transfer. However, the exchange rates can be less beneficial than for the other companies.

TABLE 3  
TRANSACTION FEES FOR WESTERN UNION AND MONEYGRAM  
FROM BELGIUM TO THE DRC

Western Union		MoneyGram	
Amount (in EUR)	Transaction fee (in EUR)	Amount (in EUR)	Transaction Fee (in EUR)
0 – 150.00	8.50	0 – 100.00	10.00
150.01 – 250.00	12.00	100.01 – 300.00	16.00
250.01 – 350.00	15.00	300.01 – 500.00	28.00
350.01 – 500.00	20.00	500.01 – 800.00	35.00
500.01 – 750.00	25.00	800.01 – 1,000.00	40.00
750.01 – 1,000.00	30.00		

Source: Enquiries at Belgian agents of MoneyGram and Western Union in January 2006.

2. The exchange rate is often more beneficial on the black market in the DRC than the rate at MTOs. Even if money is received in US dollars, the exchange rate can be a decisive factor because of the exchange rate of euros to US dollars.
3. Another drawback is the availability of transfer agencies. Although there has been an increase in agencies, remote, and especially rural areas remain without access.
4. Formal transfer agencies are only accessible to individuals with a legal status in Belgium. Individuals without proof of identity or of legal status cannot make use

of this channel. Indirectly, though, they can ask someone with legal status to make the transfer for them. According to the interviews, this is a common practice.

## **Paper transfers**

Paper transfers are possible via postal money orders or bank drafts, but are almost never used by the Congolese diaspora. According to respondents, the postal system is too unreliable to send money by these means.

## **Informal methods: personal carriers**

Three different kinds of carriers can be identified. First, the migrant him or herself can transport the money. Although this is probably the most secure method, there are some risks. Money can be stolen, or it has to be declared at border control. According to Bazenguissa-Ganga (2005) this channel is mostly used by the Congolese diaspora for supporting a business or for house construction in the country of origin.

Second, the sender can give the money to a family member, friend or acquaintance, who gives it to the beneficiary. Makengele and Agwali (2005) note that this method can also be a solution when the beneficiary cannot be reached by classic communication means (such as phone). Bazenguissa-Ganga (2005) adds that this hand delivery by family members is also used in cases when the money has to be used for a family event or reunion, for instance a marriage or a funeral. The family member thus represents the whole family who is living in Belgium.

Third, money is sometimes even given to strangers who are leaving for the country of origin. This latter process can be witnessed at airports, where members of the Congolese diaspora are trying to get hold of people who are willing to transport the money for them. The carrier has to give the money to the beneficiary who is often waiting at the airport. Obviously, with this method the sender runs the risk of total loss of the money. According to Bazenguissa-Ganga (2005), the sender often tries to limit these risks by telling the carrier that the money is needed for a funeral, medical costs or another serious personal issue. In reality, the third method is more often used to send goods to the country of origin than to send money.<sup>12</sup> Hand delivery is also referred to as the *en valise* or *par envelope* method, because the money is carried in a suitcase or an (often sealed) envelope.

## **Informal methods: informal transfer agencies**

Informal transfer agencies are widely used by the different diasporas. It is not often the core business of the transfer agency. Phone shops, groceries, and other stores take

up this activity as a side business. Sumata et al. (2004) argue, however, that remittances constitute the most lucrative business for some of these enterprises.

The advantage of the informal agencies lies in the lower transfer costs in comparison to the formal business. This system can be used by undocumented migrants and requires less paper work. In addition, informal transfer agents sometimes operate in more remote areas. Especially for the DRC, where distances are bigger than in the other countries studied in this paper, this can be an advantage. In some cases, the sender can also ask to send money, which she or he will pay back to the transfer agency later. Some of these agencies also offer the option of giving goods to the beneficiary instead of money. The shops offer a list of items that can be purchased by the sender and given to the beneficiary.

Aside from the commission fee, the owner of the shop gains by reducing his assets in the countries of origin, converting them into euros.

The drawback of this system for the sender and the beneficiary is that when money gets lost, it can be difficult or impossible to retrieve.

### **Informal methods: religious missions and NGOs**

NGOs and religious organizations are popular channels for transferring money. The latter, especially, has an extensive network of missions (i.e. procures), even in remote areas of the country. The money is deposited in the chapel or given to the priest in Belgium, who tells the mission where to find the beneficiary to give the latter the equivalent and how much to give. A small transaction fee is sometimes requested.

## **Impact of Remittances**

Due to the lack of data and studies, and the importance of the informal sector, the impact of remittances on the DRC is very difficult to determine. The only information available comes from a few very small-scale studies and interviews. Moreover, most studies do not provide figures or tangible and reliable evidence for their impact assessments. The conclusions are based on hearsay or on extrapolations. Unfortunately, a profound impact assessment also lies beyond the means of this study. The impact mentioned in the studies and by the interviewees correspond, to a certain extent, to the results found in studies of other countries.

The most important impact mentioned for the three countries in the study is at the micro level. According to the interviewees and the studies that are available, remittances constitute an important source of revenue for the beneficiaries. Remittances

allow the receiving families to meet their basic needs (such as for food and clothing). Moreover, the migrants also direct remittances to education and health care, and to the needs of their elder family members.

Given the low family incomes in the DRC, even EUR 100 makes a significant contribution to the budget of the beneficiary. According to Sumata (cited in Bazenguissa-Ganga, 2005), remittances can even amount to 80 or 100 per cent of the beneficiaries' budgets. Moreover, remittances can help alleviate budget shortages in times of crisis. Even though, as most respondents and studies mentioned, remittances are mostly used for consumptive purposes, they have a certain economic impact on the local economy. As stated earlier, it is very difficult to identify the exact allocation of remittances since they are considered one of the sources of revenue for the family. According to the respondents, the extra revenue gained by remittances opens up opportunities for investing in local businesses.

A disadvantage often cited by the interviewees (and also by Soenen et al., 2004) is the increased dependency of families on remittances. Because some families consider remittances a regular source of income, they do not look for means to replace this income source.

Some authors and interviewees also identified some effects on the sending side. Due to the social pressure on migrants, remittances can become a burden and inhibit migrants from investing in the host country. Sumata et al. (2004) also makes mention of household problems due to remittances. In a marriage or partnership, diverging opinions about the allocation of the remittances (e.g. to whom) can result in conflicts or even divorce.

## **Interventions and Initiatives for Harnessing the Development Impact of Remittances**

### **Governmental initiatives**

The DRC government does not have a specific policy regarding remittances or migration and development, but the following measures and legislation have an impact on the remittance channels that are used. First, the DRC government does not directly tax remittances entering the country. There is, however, a tax on each international transaction that is made. This has to be paid by the transfer companies, and is too small to significantly influence transfer costs paid by the sender. Second, people are allowed to have an account in foreign currency at a bank in the DRC. However,

specific development bonds for non-residents or members of the diaspora do not exist. Third, recipients are allowed to receive money in foreign currency. Although the government has taken measures to decrease the difference between the foreign currency and the official exchange rates, the difference is still significant enough to persuade people to opt for informal exchange agents. Fourth, the Central Bank of Congo participated in a two-day meeting in August 2005 about transfer agencies, organized by the *Fédération des Entreprises du Congo* (FEC), which represents the main transfer agencies in the DRC (FEC, 2005).<sup>13</sup>

## **Agence Nationale pour la Promotion des Investissement (ANAPI)**

To attract and facilitate investments, in 2002 the Congolese government approved a new Code of Investments, which replaced the previous code that was in existence for 20 years. Among its major innovations, the new code set forth the creation of a special agency to promote investments called *Agence Nationale pour la Promotion des Investissements* (ANAPI), which was created in 2002.<sup>14</sup> ANAPI is responsible for promoting investments in the DRC and has to provide information and assistance to potential investors about the required administrative documents. Moreover, ANAPI has to give permission for each investment project in the DRC and facilitate investments in the DRC by eliminating the existing administrative obstacles.

To promote and facilitate foreign investment in the DRC, ANAPI has undertaken different information initiatives. For instance, a website has been created to inform potential investors (<http://www.anapi.org>) and, in collaboration with DIVO publishing, ANAPI has published *The Practical Guide to Investment in DRC (Guide Pratique d'Investissement en RDC)*.

## **Non-governmental initiatives**

### *Celpay*

In recent years, telephone companies have been developing technologies to transfer money, including the company Celpay in DRC. The sender has to buy a Celpay SIM card that enables them to access banking services. The sender can transfer money from his or her bank account into a Celpay account using the telephone. If the sender does not have a bank account, she or he can deposit cash at a partner branch. Transfers can be made via SMS by entering the amount to be paid into the telephone and authenticating the transaction with a personal identification number (PIN). The money is instantly transferred into the recipients' Celpay account (see also <http://www.celpay.com>; Batchelor, 2005; and Sander, 2005). At present, this system is only used for domestic money transfers. The advantage of this new transfer method is that the mobile phone network is relatively extensive and well developed in the DRC. However,

since a large proportion of the population do not have bank accounts, and financial institutions are almost absent in the rural areas of the DRC, this method is not accessible for many households.

### *CEDITA*

Between 1998 and 2005, the Belgian NGO *OverlegCentrum voor Integratie Vluchtelingen* (OCIV) operated a programme called Migration and Development (*Migration et Développement*). This programme, financed by the Belgian Development Cooperation, assisted Congolese migrants in setting up business and development projects in their country of origin. A similar programme, *Valorisation de l'Épargne des Migrants par l'Appui à des Activités Productives* (VALEPRO), funded by the European Commission and the Belgian Development Cooperation, was carried out in 2004 and 2005. The assistance consisted of information dissemination, capacity building, carrying out feasibility studies of potential projects, financial support, and exchange of expertise. OCIV worked with a partner organization in the DRC, CEDITA. Two practical guides were published for potential investors in Kinshasa and in rural areas. In total, some 100 migrants were assisted in setting up projects. In 2005, the programme did not continue because of lack of funds. CEDITA continues to assist migrant investors, but the continuation of its activities is endangered because of lack of funds (for more information see De Bruyn and Wets, 2004; OCIV, 2004a and b and 2005; Muteta, 2005).

### *Other initiatives of diaspora organizations and NGOs*

In addition to these initiatives, many diaspora organizations and NGOs collect money to fund small-scale projects in the DRC (see, for instance, Kagné and Martiniello, 2001 and Kagné, 2005). Large-scale community development could not be identified. However, according to the respondents, most of these initiatives lack financial and logistical support for their activities. For instance, the Bison na Biso, a Belgian-Congolese NGO, works with a number of NGOs in the DRC (e.g. *Ligue de Développement au Congo* – LIDE) to set up development projects. Lack of finances, however, inhibits the implementation of these projects. Another example is Mama's for Africa, a Belgian NGO, consisting of women of Belgian and African (including Burundian) origin. The projects of Mama's for Africa concentrate on poverty alleviation and women's emancipation. In the DRC, projects are funded in Bukavu, Kananga, Kinshasa, Lumbumbashi, and the Bandundu region.

The Belgian NGO called Coordination and Initiatives for Refugees and Foreigners (*Coopération et Initiatives pour Réfugiés et Étrangers* – CIRE) assists migrant associations in carrying out development projects in the DRC through its programme *Migr' Actions*. Similar to what OCIV was doing in the past, CIRE works with the Congolese NGO Programme *Régional de Formation et d'Échanges pour le Développement*

(PREFED). The programme, also funded by the Belgian Development Cooperation, involves the provision of financial and logistical support to Congolese diaspora organizations (<http://www.cire.irisnet.be/migrations/accueil-migrations.html>).

Respondents also mentioned the existence of mutual associations, which are active in eastern Congo: migrants in Belgium put money together to pay the health care and other costs of their family members in the DRC.

## **Obstacles and Opportunities**

### **Institutional framework**

The DRC does not have an institutional framework or policy regarding remittances or to engage the diaspora in the development of the country. International and some Belgian NGOs have developed initiatives related to migration and development between the DRC and Belgium (e.g. IOM and CIRE). But some initiatives have also ceased to exist due to financial problems. This is the case with the programme Migration and Development of the NGO OCIV.

In addition, there is lack of information about the importance of remittances for the economic and social development of the country and its inhabitants. And limited information is available about existing initiatives managed by the diaspora or about the characteristics of the recipients of remittances.

The relatively weak position of existing diaspora organizations in the debate about migration and development, as well as their limited financial means, are also inhibiting factors.

### **Macro-economic impact of remittances**

The lack of data makes it difficult to determine the macro-economic impact of remittances. Other inhibiting factors for a positive macro-economic impact of remittances are the estimated importance of informal remittance methods as well as the underdeveloped banking system, and the poverty and other socio-economic problems of the Congolese population

### **Transfer methods**

An earlier section mentioned the disadvantages and advantages of the formal remittances channels. Among the most important are the underdevelopment of the banking

sector, the high transaction costs, the official exchange rate, the limited transparency of the transfer costs of banks, the geographical coverage of financial services, and the legal requirements for transferring remittances.

On the other hand, in recent years new transfer agencies have sprung up, as well as innovative technologies to transfer money (e.g. via mobile phones). This increases competition, which can result in lower transaction costs and improved remittance services for the diaspora.

A number of NGOs, microfinance institutions (MFIs) and microcredit and savings unions are also showing interest in getting involved in the remittance business, including: Hajj Club International; *Coopérative d'Epargne et de Crédit Union Nationale des Femmes* (CECUNAF); umbrella organizations of MFIs and savings and credit unions, *Regroupement d'Institutions des Finances et d'Epargne et de Crédit* (RIFIDEC); and of small- and medium-sized enterprises, *Coopérative des Petites et Moyennes Entreprises du Congo* (COPEMECO). However, these organizations still lack the financial means and technical know-how to develop remittance services. In addition, some of the bigger international NGOs (for instance SOCODEVI)<sup>15</sup> that are supporting the development of the microfinance sector argued that it is premature to involve the microfinance sector in remittance activities in the DRC. Furthermore, the aforementioned organizations do not have direct links with the diaspora in Belgium or other European countries.

## **Utilization of individual remittances for economic or social development purposes**

The primary uses for remittances include addressing the basic needs, the health care and educational needs of the recipients. There are almost no formal financial services that cater to these uses. On the other hand, informal transfer agencies have developed services for senders and receivers. Senders can, for instance, buy food and materials in Belgium at an informal transfer agency. The agency's partner in the DRC supplies the receiver with the materials.

Although a significant number of migrants want to invest in the DRC, potential investors face several obstacles. First, the sum of money they need to invest is often higher than the amount available. Second, it is difficult to find credit. Third, the physical absence of the investor inhibits an efficient monitoring of the investments. Often a family member or close friend of the migrant is responsible for the follow up of the enterprise or the project. However, they often lack the expertise. In addition, there is no guarantee that the remittance sent to finance the enterprise or project

will be effectively used by the partner in the DRC for that purpose. Fourth, migrant investors can lack the expertise needed to set up a business or project. A programme to assist migrant investors and their partners in developing businesses or projects in the DRC existed in Belgium (i.e. OCIV Migration and Development, and its partner organization CEDITA) until 2005, when the former terminated its activities due to lack of funding. CEDITA, however, is still operational, but it is also suffering from lack of funds and its future is unclear. The creation of ANAPI, on the other hand, represents an opportunity.

Finally, the social pressure exerted on members of the diaspora to send remittances to their families, as well as the dependency of family members on remittances, was sometimes identified as an obstacle that prevented productive investments.

### Utilization of collective remittances for community development

This study found no large-scale development projects funded by the diaspora. However, a lot of small diaspora organizations are undertaking or planning to undertake small development projects in the DRC. The efficacy of these projects is hindered by a lack of financial means and expertise in development management. Furthermore, besides the NGO CIRE, no means are available to assist Congolese diaspora organizations in the development of projects in the DRC. In addition, the heterogeneity and small size, as well as the organizational difficulties, of the Congolese diaspora organizations, hinder the involvement of the diaspora in development cooperation.

TABLE 4

OBSTACLES AND OPPORTUNITIES FOR THE ENHANCEMENT OF THE DEVELOPMENT POTENTIAL OF REMITTANCES FROM BELGIUM TO THE DRC

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Lack of information about remittances	Existence of programme <i>Migr'Actions</i> of CIRE
Financial and organizational difficulties of diaspora organizations	Existence of MIDA Grands Lacs
Termination of OCIV migration and development	
No institutional framework on migration and development in place in the DRC	

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Macro-economic impact of remittances	
<p>Lack of information about remittances</p> <p>Underdevelopment of the banking system</p> <p>High proportion of households without bank accounts</p> <p>Importance of informal remittance channels</p> <p>Small proportion of remittances used for productive investments</p> <p>Socio-economic problems in the DRC</p>	<p>Total volume of remittances (including informal) considered to be high</p>
Official transfer methods	
<p>Underdevelopment of the banking sector</p> <p>Transaction costs</p> <p>Difference between official and informal exchange rate</p> <p>Limited transparency of transaction costs</p> <p>Limited geographical coverage of financial services</p> <p>Legal requirements to remit</p> <p>Underdevelopment of MFI and cooperatives sector</p>	<p>High number of transfer agencies</p> <p>New technologies (i.e. using mobile phones to remit)</p> <p>Interest of MFIs and cooperatives to be involved in remittance business</p>
Utilization of individual remittances for economic or social development	
<p>Lack of formal financial services catering to the needs of senders and receivers</p> <p>Lack of financial means to invest</p> <p>Limited access to credit</p> <p>Problematic monitoring of investments in DRC</p> <p>Lack of expertise in business ventures</p> <p>Social pressure and dependency of recipients on remittances</p>	<p>Provision of remittance services by informal agencies</p> <p>ANAPI</p> <p>CEDITA</p>

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Utilization of collective remittances for community development	
Use of collective remittances for community development is limited	CEDITA
Limited financial and logistic support to diaspora organizations	CIRE
Heterogeneity and organizational problems of diaspora organizations	Many small-scale initiatives

## Recommendations

As a starting point, these recommendations consider the obstacles against and opportunities for enhancing the development potential of remittances from Belgium to the DRC, as well as the existing framework in the DRC. The most important prerequisite for the positive development impact of remittance and the attraction of investments of the Congolese diaspora consists of political and economic stability.

First, the lack of information about remittances should be addressed. Although some small-scale studies have been conducted, there is no information about the impact of remittances at the macro-economic, regional and household levels. Moreover, the importance of remittance for rural areas is unclear.

Insight into the existing small-scale development initiatives of diaspora organizations and mutual funds is also necessary.

Second, to increase the transparency of the cost structure as well as provide information about existing official remittance methods and services, a database could be developed. A good example of such a database is provided by the Send Money Home project of the GBR Department for International Development (DFID) (see the Chapter on Rwanda). Instead of creating a new website and database, it is advisable to look for synergies with the already existing DFID initiative.

Third, considering the underdeveloped banking and financial system in the DRC, it will be very difficult to create synergies between MFIs or microcredit unions and banks, which could cater to the needs of remittance senders and receivers. At present, the MFI systems are still too weak to be involved with remittance services. In a first phase, the MFI system should be further supported and developed.

Fourth, the new technologies that make use of the mobile phone network can also be further supported.

Fifth, to cater to the willingness of many migrants to start productive ventures in the DRC, facilitating structures should be created and further developed in Belgium as well as in the DRC. Unfortunately, there is a risk of losing the expertise built up within the Migration and Development programme of OCIV because of the termination of the programme. However, CEDITA is still operational, and ANAPI can also act as a facilitator.

Sixth, it is recommended that the Congolese diaspora supporting structures for diaspora organizations that want to be involved in development cooperation should be further developed. The existing system in the Netherlands could act as an example.

# THE REPUBLIC OF BURUNDI

## Introduction

Information for this chapter was gathered during a two-week visit (from 18 November to 3 December 2005) to Burundi, in collaboration with the MIDA coordinator Bernard Ndayirorere. In addition to a collection of documents, 21 interviews were conducted with representatives of governmental, financial and non-governmental institutions. It is important to note that, for safety reasons, all of the information was gathered in Bujumbura, the capital of Burundi. Therefore, the reader has to be cautious to extrapolate the conclusions in this chapter for the whole country. Additional information was gathered on the basis of interviews with members of the Burundian diaspora and other people in September and October 2005 in Belgium.

Overall, it is clear that the information on different aspects of remittances and migration and development is limited in Burundi. Academic or other studies on migration flows of Burundians, and the volume, utilization and importance of remittances is almost non-existent. Therefore, most information in this chapter is based on the interviews that were conducted.

## Migration Patterns and Dynamics

The emigration history of Burundians to Belgium and other European countries can be divided into four periods. Before independence in 1962, only very small numbers of Burundians came to Belgium to pursue studies. Most of them belonged to the political elite or the royal family of Burundi, and returned afterwards to their country. After independence, this process continued and emigration remained limited and temporary.

A first major emigration movement started as a consequence of the inter-ethnic violence in 1972. Some 300,000 people fled to neighbouring countries (mainly Tanzania), but small numbers also sought political asylum in Europe and North America (IOM, 2005a). These immigrants were joined by students, who remained in Belgium after their studies, business people, and Burundians who joined family members who were already in Belgium. This migration movement intensified and diversified after the political and economic crisis, which started in 1993. Hence, the Burundian diaspora in Europe and North America consists of a diversified group of high- and low-income people, political refugees, undocumented migrants and regular migrants, and low- and highly skilled people with their families. It may be assumed that the

higher skilled members of the diaspora migrated from the major urban centres in Burundi (in principal Bujumbura). However, many of them might have grown up in the rural areas before moving to the cities. A number of these people have acquired citizenship in their destination country.

In comparison with other African countries, such as Senegal and Mali, the Burundian diaspora in the industrialized countries of Europe and North America is relatively small and, unfortunately, little information is available about it. As IOM (2005a) notes, not all Burundian expatriates register themselves at diplomatic and consular missions of Burundi in the destination countries or the migration services in Burundi. According to figures gathered by the *Banque de Crédit de Bujumbura* (BCB), about 10,000 Burundians live in the European Union (EU), 3,000 in the USA and Canada, and about 300 in Asia.<sup>16</sup> The primary destination countries in Europe include Belgium, France, the Netherlands and Switzerland. According to official statistics from the Belgian Department of Federal Immigration, 2,128 Burundians were living in Belgium in September 2005,<sup>17</sup> with about one-third living in the Brussels region. In addition, between January and October 2005, the Belgian government received 115 requests for asylum of Burundians. In the last four years, the number of requests has been decreasing (239 in 2002, 228 in 2003, 199 in 2003) (Department of Federal Immigration, 2005). Undocumented migrants and people of Burundian origin who hold the nationality of the destination country should be added to these figures to determine the exact size of the Burundian Diaspora. Bob Kabamba of the Université de Liège, however, estimated, on the basis of his own data collection at official and other institutions, that the total number of Burundian diaspora members in Belgium is between 6,000 and 7,500.<sup>18</sup>

Due to the lack of studies and figures, it is not possible to give an exact overview of the income levels and living conditions of the Burundian diaspora.

## **Diaspora associations**

Burundian diaspora organizations in Belgium have not been the subject of research until now. The respondents mentioned that most Burundian diaspora organizations are relatively small, lack financial and other resources and are not well-known. The activities of these associations are diverse and include integration issues, cultural activities and political lobbying. Some of the organizations also intend to be involved in development cooperation. For instance, *Compétences sans Frontières* attempts to involve (among others) the Burundian diaspora in the development of their country of origin, focusing on the transfer of knowledge and competencies. Among the largest diaspora organizations is the *Communauté Burundaise de Belgique* (CBB), which aims to increase the visibility of the Burundian community in Belgium. On their website

(which was not recently updated), there is information about other Burundian diaspora organizations ([www.burundaisdebelgique.be](http://www.burundaisdebelgique.be)).

## Utilization of Remittances

According to study respondents, most remittances to Burundi are sent by individuals, and collective remittances (i.e. by migrant associations) are not very common. It was possible to distinguish three different categories of beneficiaries: the migrant, family members and close friends, and third parties.

Some of the respondents send money to Burundi to construct a house or to buy property, either to prepare for their return or as an investment. This money is either carried to Burundi by the migrant himself or herself to buy the property, or is sent to a family member who has to follow the instructions of the migrant. The sums of money remitted for these purposes can be relatively high. Migrants also remit money to start an enterprise or for other economic ventures.

According to the respondents, the main objectives to remit money to family members or friends are to satisfy the basic needs of the family members (e.g. food, clothing), for educational purposes (e.g. to send a brother to school) and health care. The amounts sent are diverse: some members of the diaspora mentioned that they sent in total about EUR 60 a year, while others mentioned transfers amounting to EUR 100 a month. The amount of money remitted tends to increase at the beginning of the school year and during the Christmas period. Mr Ndimubandi of *Compétences sans Frontières* argued that people with low incomes remit proportionally more money to their families than people who are more highly educated and have higher incomes. People with higher incomes send money back to invest or to construct houses, or to support a political party.

Another important objective for remittances is family events, such as marriages, funerals and baptisms, for which the amount of money can be high.

Remittance flows to third parties entail financing the health care needs of orphans or other people who have no access to health care. In case of a crisis, such as a drought, some migrants put money together to send to the region in need. And some organizations (e.g. *Communauté Burundaise de Belgique*) have very small-scale projects, such as supporting people who cannot pay for medical costs.<sup>19</sup> Another objective of remittances is the financing of certain political parties.

It is important to note that the beneficiaries do not always use the remittances for the purpose that the sender intended. At the beneficiaries side it is very difficult to identify the exact allocation of the remittances. Remittances are regarded as an additional source of income, and constitute just one of the sources of income of the family or family member. The remittances are added to the total budget and this total budget is allocated to different purposes.

An element that featured in most interviews with members of the diaspora is the pressure to remit money exerted by the family in the country of origin. The expectations of family members or friends towards the migrant are often high. According to respondents, the recipients are not always aware of the precarious situation in which certain migrants find themselves in Belgium (e.g. with regard to difficulties in finding a job).

The interviews also show that family members do not always tell the migrants the real reasons that they need the money. Rather than family members telling the migrant that a television or motor bike is needed, they ask for money to send one of the children to school. Because of this, the migrant tries to check the information she or he gets from the family.

Due to the large size of extended families in Burundi, the demand to remit money can come from many people. In addition, the improvement of communication channels between Burundi and Belgium (e.g. mobile phones, Internet) has made it easier to communicate the financial and other needs to the migrant. Until the beginning of the 1990s, family members and acquaintances used fixed phones, letters and people traveling to Belgium to communicate their demands.

## **Volume of Remittances**

The Central Bank of Burundi keeps records of international financial transfers made to and by residents in Burundi via the banking system or MTOs. This means that the figures do not only include remittances to and from members of the diaspora, but also to and from foreign nationals working, for instance, for international organizations and NGOs, and from tourists. It can be assumed that tourists take up a significant proportion of the official remittances. It is thus not possible to identify the exact amount of migrant remittances. In 2003, almost US\$ 2.9 million were remitted to Burundi, while in 2004 this figure stood at US\$ 4.1 million (see Table 5). Moreover, remittances leaving the country represent an equal or even larger amount of money.<sup>20</sup>

TABLE 5  
OFFICIAL REMITTANCES ENTERING BURUNDI IN 2003 AND 2004

Year	Official Remittances Entering (US\$)
2003	2,893,813
2004	4,139,055
Source: Central Bank of Burundi.	

However, no data are available on the countries of origin of these remittances. Representatives of the Ministry of Finances and the Central Bank guess that most remittances are sent from Europe, the USA and Canada. According to Berlage et al. (2003), using figures from the National Bank of Belgium, only EUR 138,000 would officially have been remitted from Belgium to Burundi.

According to the respondents, most members of the diaspora send remittances to Burundi through informal channels. So the official remittance figures are probably an underestimation of the real volume of remittances. Still, given the relatively small size of the Burundian diaspora in industrialized countries, the total amount of remittances will be relatively small in comparison to the volume of remittances from, for instance, the North African or South Asian diaspora.

The Bank does not possess information about the senders (e.g. sex, age, profession).

## **Remittance Methods**

Respondents indicated that the most important formal remittance methods include account-to-account transfers via banks, cash-based transfers via MTOs and via an MFI. Paper transfers are not commonly used. However, informal methods are said to be more important than formal methods, and include personal carriers, using somebody else's account, and NGOs and religious missions. Each of these methods will be discussed, as well as their advantages and disadvantages.

### **Account-to-account transfers via banks**

The first method involves account-to-account electronic transfers via banks. Burundi has eight commercial banks<sup>21</sup> and two financial institutions.<sup>22</sup> All of the banks in Burundi carry out international account-to-account transfers and some have correspondent banks in Belgium and other European countries. *Banque de Cr dit de Bujumbura* (BCB) works together, for instance, with Fortis, and *Banque de Gestion et*

*de Financement* (BGF) works with Fortis and ING. Most of these banks have agencies in the major cities. However, banks do not service villages and rural areas. In addition, these banks work with money transfer agencies (see the next section on MTOs). Some banks also provide the possibility of withdrawing money with credit cards.

BCB is the only bank that has established a specific initiative for the Burundian Diaspora (see number nine in the following list).

Compared to other remittance methods, the account-to-account electronic transfers are less frequently used. The main hindrances include:

1. Cost – especially for small sums, the costs are considered to be too high.
2. Speed. When money is needed quickly, account-to-account transfers are not the most appropriate method since it can take a few days before the money arrives.
3. Exchange rate. According to representatives of the Central Bank of Burundi, the difference between the exchange rates on the informal and formal markets is minimal and not a reason to use informal channels. However, according to recipients of remittances, the difference in exchange rate is still a reason to use informal channels.
4. Transparency of cost structure. The bank in the country of the sender as well as the one in Burundi (can) charge fees to transfer money. However, the sending bank cannot always tell how much the receiving bank will charge.
5. Costs of the account. For most banks, the client has to pay a small charge to withdraw money from his or her account (around 1% or 2% of the withdrawal, with prices determined by each individual bank). In addition, the costs to open and keep an account are considered by respondents to be relatively high.
6. Geographic accessibility. Banks are only located in the large urban centres; recipients in rural areas have to commute to the cities to collect the money.
7. Administrative requirements and the need to have a bank account. Many people in rural areas do not have bank accounts.
8. Legal accessibility. Undocumented migrants cannot use the banking system unless they ask someone with legal status to send the money for them.
9. Lack of information. The different options open to senders and receivers to remit money, as well as their cost structure, is not widely known among potential clients. For instance, the new product of the BCB was relatively unknown to the respondents.

On the plus side, account-to-account transfers via banks were considered by respondents to be a safe method to transfer money.

## Cash-based transfers via MTOs

Western Union and MoneyGram are the main MTOs in Burundi. Western Union works with BCB, BANCOBU and IBB, and has about 30 agencies throughout the country. MoneyGram works with the BGF, and has been active in Burundi since the end of 2000. Although BGF has offices in the major cities, enquiries at MoneyGram agents in Belgium showed that it is only possible to send money to the BGF office in Bujumbura through MoneyGram.

MTOs are widely used by the Burundian diaspora. The advantages of these services are speed, security, and ease of use (e.g. no bank account is needed). On the other hand, many senders are reluctant to use this remittance channel due to the following:

1. The high costs to send money – Table 6 lists the transaction costs to send remittances from Belgium to Burundi.

TABLE 6  
TRANSACTION FEES FOR WESTERN UNION AND MONEYGRAM  
FROM BELGIUM TO BURUNDI

Western Union		MoneyGram	
Amount (in Euros)	Transaction Fee (in Euros)	Amount (in Euros)	Transaction Fee (in Euros)
0 - 40.00	8.50	0 – 100.00	10.00
40.01 – 75.00	10.00	100.01 – 300.00	16.00
75.01 – 150.00	15.50	300.01 – 500.00	28.00
150.01 – 225.00	20.00	500.01 – 800.00	35.00
225.01 – 300.00	23.50	800.01 – 1,000.00	40.00
300.01 – 375.00	27.50		
375.01 – 560.00	31.00		
560.01 – 745.00	34.50		
745.01 – 930.00	40.50		
930.01 – 1,120.00	44.50		

Source: Enquiries at Belgian agents of MoneyGram and Western Union in January 2006.

2. Unfavourable exchange rate (see number three in the previous list). In addition, it is only possible to receive money in foreign currencies (i.e. US dollars) when the receiver is a non-resident or can prove that she or he is travelling.
3. Geographical accessibility. As with banks, MTOs are primarily located in large urban areas and not in rural areas.

4. Legal accessibility. To send money, the sender has to provide proof of identity and proof of residence. Therefore, undocumented migrants cannot make use of this system, unless they ask someone else to carry out the transaction for them.

## **Paper transfers**

Paper transfers are possible via postal money orders or bank drafts, but are hardly used by the Burundian diaspora. According to respondents, the postal system is too unreliable to send money by these means.

## **Cash-based transfers via MFI**

A fourth and relatively new formal option is provided by the *Mutualité d'Epargne et de Crédit* (MUTEC) and its partner in Belgium, *Coopérative de la Diaspora Burundaise* (CODIBU) of *Mutualité des Grands Lacs* (MGL). MGL and MUTEC were created in December 2001 by three members of the Burundian diaspora in Belgium. (More information on this initiative can be found later in this report). Remitting money via this method is free, on the condition that the sender is a member of CODIBU and the receiver has an account at MUTEC in Burundi. The advantages of this system include:

1. Low transfer fees. To remit money the sender needs to be a member of CODIBU, which costs EUR 5 a month, and neither the sender nor the receiver need to pay transfer fees.
2. Low costs for opening and keeping an account. To open an account, the client pays BIF 7,000.<sup>23</sup> The costs of having an account amount to BIF 400 per month, which are considerably lower than for banks.
3. Ease of use.
4. Additional services. MUTEC also offers instant credit and other services (see below for more detailed information).

Respondents identified the following disadvantages of using MFIs for remittances:

1. The impossibility of receiving money in foreign currency.
2. The lack of geographical accessibility. MUTEC only has offices in Bujumbura, Cibitoke and Rumonge.

### **Informal methods: personal carrier**

The most popular method for remitting money to Burundi is by personal carrier. Either the sender takes the money with him or her when travelling to Burundi, or she or he gives it to a family member, friend or acquaintance. This method is commonly known as *en poche*, *en valise* or *par envelope*. It has the clear advantage of no direct costs, and the money is in foreign currency. Of course the sender has to pay for the travel, but remitting the money is normally not the reason for undertaking the trip. The drawback of this channel is that the sender has to wait to remit money until she or he, or another personal carrier, travel to Burundi. In addition, the carrier has to be trustworthy – respondents told us that money sometimes gets lost or stolen.

### **Informal methods: using someone else's account**

Another commonly used informal method involves depositing money into somebody else's account in the migrant's country of residence. The person who holds the account is residing in Burundi or has family, friends or a business partner in Burundi. The account holder or his or her representative in the country of origin gives the equivalent (in Burundian francs or US dollars) to the beneficiary. This system is clearly based on trust. When it is between friends or family, there are usually no transfer costs. When it involves business people, a charge can be requested. This system also makes it possible to remit money to remote areas of the country.

In other African countries (e.g. Somalia, Ethiopia, DRC), this system has developed into an informal business sector. In other parts of the world the system is known as *hundi* (in Bangladesh) or *hawala* (in Somalia) (see Chapter 1), or *phonies* (in DRC). The interviews, however, showed that, although in existence, it is less widespread than in other countries.

### **Informal methods: NGOs and religious missions**

Another informal transfer method makes use of NGOs or religious missions. The sender deposits money at an NGO or a religious mission in Belgium. The NGO or mission contacts its partners in Burundi and requests that they give the equivalent amount of money to the beneficiary. A small charge is sometimes requested. This system is also used to remit money to beneficiaries who are residing in remote areas where there is a partner of the religious mission or NGO.

## **Impact of Remittances**

Due to the lack of data and impact studies, it is not possible to determine the impact of remittances on the economic and social development of Burundi. It is only possible to make some assumptions on the basis of the information that has been gathered.

Taking the official remittance figures as a starting point, remittances do not seem to have a significant impact at the macro-economic level. According to the calculations of the Central Bank of Burundi and the Ministry of Finances, official remittances entering the country represented only 0.48 per cent of the GNP in 2003 and 0.6 per cent of the GNP in 2004.

According to respondents, the most important contribution of remittances is found at the household level. Remittances can constitute an important source of income, allowing recipients to satisfy their basic needs, send children to school, meet health care costs, construct a house, etc. It is, however, not clear to what extent the poorest income groups and people in rural areas benefit from international remittances.

## **Interventions and Initiatives for Harnessing the Development Impact of Remittances**

### **Governmental initiatives**

The Burundian government does not have a specific policy regarding remittances. However, some policies and legislation influence the choice of remittance channel. First, the Burundian government does not directly tax remittances entering the country. There is, however, a tax on each international transaction that is made. This has to be paid by the transfer companies, and is too small to significantly influence transfer costs paid by the sender. Second, clients are allowed to have an account in foreign currency at a bank in Burundi. However, specific development bonds for non-residents or members of the diaspora do not exist. Third, unless the recipient is a non-resident or holds proof of travel, he or she is not allowed to receive money in foreign currency. However, according to the respondents, many senders prefer to send money in foreign currency because of the beneficial exchange rates on the informal market. Although the government has taken measures to decrease the difference between the official exchange rates and those on the informal market, the small difference still constitutes a motivation to use informal (i.e. personal carrier) methods.<sup>24</sup>

Excluding the MIDA programme, the Burundian government does not yet have a policy on migration and development. In the last few years, the government has taken steps to create an institutional framework for facilitating and enhancing relationships with the industrialized countries in which Burundians live. In 2002, the Ministry of Foreign Affairs appointed an advisor to take charge of this issue, and in 2003 an inter-ministerial working group made a number of recommendations to the Minister of Foreign Affairs. Recommendations included organizing a national forum for the diaspora. On the basis of the proceedings of this forum, a national action plan is expected to be developed. In addition, within several ministries, departments have been created that are responsible for dealing with the diaspora. Among others, this includes the department within the Ministry of Labour that is in charge of the implementation and follow-up of the MIDA programme.

Aside from these developments, however, no specific policies have been developed or actions taken to deal with the diaspora in Europe or other industrialized countries. In addition, the National Forum for the Diaspora has not yet taken place. The national elections in 2005 have resulted in a change of government, and, in some cases, other people have been appointed within the departments that have to deal with the diaspora (e.g. within the Ministry of Foreign Affairs). Therefore, some time may be needed before the new government will approach the subject. According to the MIDA coordinator, there is substantial political will to develop policies aimed at increasing ties with the diaspora.

In addition, Alexis Bizimungu, Chief of Cabinet, Ministry of Finance, mentioned that there is a willingness to work together with the diaspora and to facilitate diaspora investment and projects. However, the government is awaiting a specific demand from the diaspora for facilitation or initiatives, which they have not yet received.

## **Non-governmental initiatives**

Besides the already existing MTOs, two operational initiatives have been identified. They are run by non-state actors aimed at remittances from the diaspora. The first was developed by an MFI, and the second by a bank.

### *MGL/CODIBU/MUTEC*

In December 2001, three members of the Burundian diaspora in Belgium founded *Mutualité des Grands Lacs* (MGL). It is operated as a non-profit organization, which aims to support and promote projects of young migrants, to sensitize people to the emigration process, and to promote cultural activities. Another objective involved addressing the problems of remitting money and transfers in kind to the country of origin by offering an alternative to the existing transfer mechanisms.

Shortly after its inception, the MGL created a cooperative called the *Coopérative de la Diaspora Burundaise* (CODIBU). This is a micro-savings and credit institution, which also allows members to transfer money to the country of origin.

To become a member of CODIBU requires a monthly deposit of EUR 5. In return, the sender can remit money to Burundi without any extra costs, no matter how small the amount. To obtain credit, one has to be a member for at least six months, and to receive money in Burundi, the recipient needs to have an account at the *Mutualité d'Épargne et de Crédit* (MUTEC). This micro-savings and credit institution was also created by the MGL and has offices in Bujumbura, Rumonge and Cibitoke. To open an account, the client pays BIF 7,000. The costs of having an account amount to BIF 400 per month. These costs are considerably lower than costs at banks. To transfer money to Burundi, the client deposits the amount to be remitted into his or her account at CODIBU and gives the coordinates of the recipient. Within two days, the recipient can collect the money from his or her account in Burundi in Burundian francs. CODIBU and MUTEC have an account at a Belgian bank and at the *Société Burundaise de Financement* (SBF) in Burundi. The senders' money is deposited in the account in Belgium and transferred to Burundi at the end of the week. During the week, MUTEC advances the money that needs to be given to the senders. Because MUTEC is transferring one large sum of money once a week, the transfer costs can be kept low.

To address the costs of remittances in kind, the MGL established CODIBU Agence Plus in 2004. This service allows members of the diaspora to send material to their country of origin for relatively low costs. In addition, the agency offers to deliver goods to the beneficiary's door.

At present, CODIBU is looking for ways to enlarge its operations and to find synergies with similar diaspora organizations in other countries. Recently, it developed another foundation, *Réseau des Organisations Paysannes au Burundi* (ROPABU), in the Netherlands, aimed at the Burundian diaspora in Rotterdam. ROPABU and CODIBU organized an information meeting in Rotterdam in November 2005.

According to Denis Ndikumana, Director-General of MUTEC, a lack of financial means, logistical support and training of its staff hinder the further development of the organization and its operations. CODIBU/MUTEC will receive the financial support of the Belgian Embassy (EUR 200,000) in Burundi, as well as support from the Rabobank in the Netherlands.

### *Banque de Crédit de Bujumbura*

In 2005, representatives of BCB went to Europe to meet members of the diaspora and to listen to their needs for transferring money. As a result of this trip, BCB created *Mobilisation de l'Épargne auprès des Burundais de l'Étranger* in 2005. This product offers non-residents the possibility to transfer money to a specific account (in foreign currency or Burundian francs) without being charged by BCB. In addition, BCB offers a number of investment schemes for the Burundian diaspora, for instance, for constructing houses or investment projects. BCB also offers home banking via their website. One of the conditions to open an account is to deposit an initial amount of EUR 500 (BIF 500,000 or US\$ 500). Information about this product can be found on the following website: [http://www.bcb.bi/documents/en/autres/bcbi\\_docs.pdf](http://www.bcb.bi/documents/en/autres/bcbi_docs.pdf).

According to Mr Cimba and Mr Nkeshimana of BCB, the number of account holders is currently still limited but, they argue, the product is not yet well-known among the members of the diaspora.

### *Initiatives of diaspora organizations and NGOs*

In addition to the previously mentioned initiatives, a number of diaspora organizations and NGOs collect money to fund small-scale projects in Burundi, such as *Communauté Burundaise de Belgique* (CBB), which was mentioned earlier. Large-scale community development could not be found. However, according to the respondents, most of these initiatives lack financial and logistical support for their activities. Another example is Mama's for Africa, a Belgian NGO made up of women of Belgian and African (including Burundian) origin. The projects of Mama's for Africa concentrate on poverty alleviation and women's emancipation, and in Burundi, are being undertaken in Gatumba and Karusi.

The Belgian NGO YWCA/IVCA (Young Women's Christian Association/*Intercultureel Vrouwencentrum Antwerpen*) supports gender development projects in Rwanda and Burundi and works with members of the diaspora who have expertise in development cooperation, and with four NGOs in Burundi.<sup>25</sup> The Belgian Development Cooperation funds these projects through its migration and development programme. According to Ms Withaekx of YWCA/IVCA, and Ms Cimba, a member of the Burundian diaspora who is collaborating on one of the projects, these projects are not funded with remittances from the diaspora.

## **Obstacles and Opportunities**

In this section, the obstacles to – and opportunities for – facilitating the development impact of remittances in Burundi will be identified.

## **Institutional framework**

There is a clear lack of information about the different aspects of remittances. The exact volume of remittances, the importance of the different transfer methods, the socio-economic characteristics and geographical characteristics of the senders and receivers of remittances, and the importance of remittances for Burundian households remain a mystery. Furthermore, there are no identifiable governmental, academic or other institutions currently carrying out studies on remittances. IOM is the only organization currently collecting information. For example, on 9 and 10 February 2006, IOM organized a conference on remittances in Cotonou, Benin, for which it sent a questionnaire to the Government of Burundi as well as to other least-developed countries.

Without reliable data and studies it is impossible to identify the real impact of remittances on Burundi. For instance, it is not clear whether international remittances also contribute to the household income of rural and poor families, or whether there are different needs for women and for men regarding the receipt and utilization of remittances. The lack of information also applies to issues relating to the diaspora: the exact number, characteristics and needs of the diaspora are unknown.

There is also no policy regarding remittances or diaspora engagement in development. As mentioned earlier, the only structure in existence is the MIDA programme. However, steps have been taken in the past to develop a policy regarding the diaspora. In addition, government representatives are said to be interested in the subject.

Finally, although a number of larger and well-developed associations exist, on the whole the Burundian diaspora is not involved in the policy making process of development cooperation in Burundi.

## **Macro-economic impact of remittances**

Although only partial information is available, it can be assumed that the macro-economic impact of remittances in Burundi is relatively small. The most important reason for this is the relatively small volume of remittances entering the country, which is partly due to the relatively small size of the Burundian diaspora in countries in the north.

Furthermore, an unknown but probably significant proportion of remittances is sent through informal channels. A large proportion of the population also lacks access to

banking or other financial services. On the other hand, the existing banking system is reliable and is being further developed. Moreover, the micro-finance system has received considerable attention from governmental and other institutions, an issue that will be addressed later in this report.

## **Transfer methods**

Above, the pros and cons of the different remittance methods were listed. The most important reasons why senders choose informal channels instead of formal ones are: transaction costs, geographical accessibility, exchange rate, and legal accessibility. Furthermore, many households in Burundi do not have bank accounts or accounts at other financial institutions. Other discouraging factors for using the banking system include the lack of transparency of the cost structure, administrative requirements, and the costs of having an account.

On the other hand, competition is increasing among transfer institutions. Besides the MTOs, Western Union and MoneyGram, MUTEC has entered the playing field, and BCB has developed a product for the diaspora. In the near future, ProCredit Bank will also open an office in Burundi.<sup>26</sup> This increased competition might motivate the development of new remittance services and offices, and a reduction in transaction costs.

In addition, the development of the micro-finance system could open up new opportunities for remittance services for inhabitants of rural areas and lower-income recipients. However, according to the draft law on MFIs, these institutions are not allowed to carry out international financial transfers. Therefore, to be involved in remittances, MFIs have to collaborate with banks.

## **Utilization of individual remittances for economic or social development purposes**

Remittances are mainly considered an additional, but important, income source for recipients. The economic and social development impact of these remittances at the household level is hindered by a lack of investment opportunities and financial services to cater to the senders' and recipients' needs. For instance, respondents argued that remittances contribute to the educational and health care needs of the recipients. However, no services exist to channel the remittances directly for these purposes. Furthermore, lack of access to credit prevents recipients as well as senders from using remittances for productive investments. On the other hand, BCB and MUTEC are

developing financial services to motivate people to deposit remittances into the formal financial system. However, these initiatives are only available in urban centres and are not yet well known among recipients and the diaspora. In addition, most of the credit unions and MFIs do not currently possess the technical know-how and financial means to develop these types of services. On the sender’s side, the social pressure to remit money can hinder the fulfilment of his or her own needs.

### Utilization of collective remittances for community development

Collective remittances used for community development are rare in Burundi, owing in part to the precarious economic situation of recipients. Most senders prefer to send money directly to their families. And few diaspora organizations are involved on a structural basis in development cooperation. Additionally, organizations that are interested in community development initiatives often lack the financial means and logistical support needed to pursue such projects.

TABLE 7  
OBSTACLES AND OPPORTUNITIES FOR THE ENHANCEMENT OF  
THE DEVELOPMENT POTENTIAL OF REMITTANCES FROM BELGIUM TO BURUNDI

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Lack of information about different aspects of remittances	Structure available to work on remittances (MIDA)
No migration and development policy	Political will to engage with the diaspora
No involvement of the diaspora in policy making	
Macro-economic impact of remittances	
Small size of the diaspora and limited volume of remittances	Reliable banking system
Importance of informal remittance channels	
High proportion of households without bank accounts	

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Official transfer methods	
<p>Transaction costs</p> <p>Geographical accessibility</p> <p>Legal accessibility</p> <p>Exchange rate</p> <p>High proportion of households without bank accounts</p> <p>Transparency of cost structure for banks</p> <p>Administrative requirements of banks</p> <p>Costs of accounts</p>	<p>New initiatives (e.g. MUTEK, BCB)</p> <p>Increased competition</p> <p>Development of MFI and credit union system</p>
Utilization of individual remittances for economic or social development	
<p>Lack of services for investment in social projects (e.g. health care and education)</p> <p>Lack of access to credit for productive investment</p> <p>High proportion of households without bank accounts</p> <p>Lack of financial services in rural areas</p> <p>Dependency on remittances, and social pressure exerted by families to send money, can hinder migrants' needs and productive investments</p>	<p>Development of financial services by MUTEK and BCB</p>
Utilization of collective remittances for community development	
<p>Lack of collective remittances used for community development</p> <p>Lack of community development initiatives by diaspora organizations</p> <p>Lack of financial means and logistical support to diaspora organizations</p>	<p>Existence of Belgian NGO YWCA/IVCA, with expertise in supporting diaspora initiatives</p>

## Recommendations

As a starting point, these recommendations consider the obstacles against and opportunities for enhancing the development potential of remittances from Belgium to Burundi, as well as the existing framework in Burundi. Because of limited time and information, these recommendations are of a rather broad nature. Moreover, it is important to note that, due to the relatively small volume of remittances, this money flow will probably only have a limited impact on poverty alleviation in Burundi. Furthermore, the most important prerequisite for the positive development impact of remittances and the attraction of investments from the Burundian diaspora is political and economic stability.

Nevertheless, a number of measures can be taken to enhance the development impact of remittances.

First, more information is needed about the importance of remittances for households in Burundi: Who receives remittances? Are the recipients mainly based in urban centres? Which proportion of revenues is derived from remittances? Without this kind of information, it is impossible to determine the development potential of remittances.

Second, more information is needed about the diaspora residing in industrialized countries. In addition, initiatives could be undertaken to involve the diaspora in the debate on remittances and development cooperation. One of the possibilities is the organization of a forum on the diaspora in Burundi as well as in Belgium. The forum could function as a starting point to identify the needs and concerns of the diaspora. Besides members of the diaspora, financial institutions and other relevant actors can also be invited. It is important to note that organizing a forum could involve travel costs and time commitment on the part of migrants.

Third, a database could be developed to increase the transparency of the cost structure and provide information on existing official remittance methods and services. A good example of such a database is provided by the Send Money Home project of DFID (see the Chapter on Rwanda). Instead of creating a new website and database, it is recommended to identify synergies for working with the existing DFID initiative.

Fourth, the development of financial services that cater to the needs of senders and receivers of remittances (e.g. low transaction costs, geographical accessibility) will be motivated by increased competition on the transfer market. The development of remittance services by MFIs and savings and credit unions can also be supported. However, this should be approached with caution. At the moment, most MFIs and

credit unions do not possess the technical, financial and logistical means to be involved in the remittances market (Box 1 gives more explanation about the MFI market). Nevertheless, MFIs and micro-credit and savings unions are well placed to reach out to people in rural areas, as well as to offer financial services for low-income people. The involvement of MFIs and micro-credit and savings unions in remittances in Burundi could be discussed with organizations that are developing the institutional and legislative framework for MFIs (e.g. United Nations Development Program – UNDP), organizations with experience in other countries (e.g. WOCCU) and the *Réseau des Institutions de Micro Finance au Burundi (RIM)*.

#### BOX 1

##### MICROFINANCE IN BURUNDI

Burundi's micro-finance system has grown in importance in the last several years. The first savings and credit cooperatives were established in 1985, and most micro-finance institutions were created in the 1990s, especially after the political and economic crisis of 1993. In 2005, some 30 different non-profit organizations, NGOs and financial institutions were offering micro-finance services. Although these are active throughout the country, the majority can be found in the capital Bujumbura. In addition, some 80 savings and credit unions are operational, of which most are in the interior of the country. These are organized within the *Fédération Nationale des Coopératives de Burundi (FENACOBU)*.

The *Réseau des Institutions de Micro Finance au Burundi (RIM)* represents 11 micro-finance institutions: BNDE, Twitezimbere, CECM, COOSPEC, *Fonds de Développement Communal*, *Fonds de Solidarité de Travail et de l'Enseignement*, UNCODE, COOPED, COODEC, Banque Populaire and FENACOBU, the federation of savings and credit unions.

According to Mr Ndayishimiye, executive secretary of RIM, these 11 institutions represent 90 per cent of the activities in the sector. In 2004, they had, in total, 272,340 clients or members (individuals or associations), which had saved BIF 2,654,147,000 (approximately EUR 2 million). In 2004 and in previous years, BIF 9,603,149,000 (around EUR 7.8 million) of credit was lent to 52,955 beneficiaries (on average, BIF 181,000 (EUR 150) per beneficiary). The repayment rate is 95 per cent.

The Burundian government identified the development of micro-finance as one of the priorities in its Poverty Reduction Strategy Paper. Furthermore, international organizations and aid agencies (e.g. UNDP and USAID, via the NGO World Relief), as well as the Belgian development cooperation, support this development.

Excluding MUTEK, no MFIs or cooperatives have specific programmes to work with remittances directly or through commercial banks. However, according to Mr Ndayishimiye of RIM, a number of MFIs are interested in working on this issue in the future.

At present, the main obstacle for the development of MFIs and their implication in remittances is the absence of a legislative framework on MFIs. MFIs currently operate in a legislative vacuum. A proposal of Decree (*Projet de Décret portant réglementation des activités de microfinance au Burundi*) has been written and is awaiting approval. The proposal stipulates that institutions may only carry out micro-finance activities when they are authorized by the Banque Centrale de Burundi. However, Article 32 of this proposal forbids MFIs to carry out financial transfers.

RIM also identified a number of other obstacles for MFIs, including: insufficient financial means to service the poorest layers of society; lack of qualified human resources; and lack of technical equipment. According to representatives of the Embassy of Belgium, many MFIs lack capital to give out credit, and experience difficulties getting reimbursed for the loans of their members.

Fifth, similar to initiatives of other countries, such as the National Bank of Bangladesh (De Bruyn and Kuddus, 2005), the Burundian government could consider the possibility of offering development bonds in Burundian or foreign currencies.

Sixth, investments of Burundians living abroad, as well as the development of enterprises by members of the diaspora, could benefit from a facilitating institutional service. RIEPA in Rwanda can act as an example (see next chapter).

Seventh, Burundian diaspora organizations that want to be involved in development cooperation could benefit from an institutional structure that offers them technical and logistical (and financial) assistance. The Netherlands can act as an example.

# THE REPUBLIC OF RWANDA

## Introduction

Information for this chapter was collected during a two-week field mission in Rwanda (3-17 December 2005) in collaboration with the MIDA coordinator of Rwanda, Florence Muhawe. In total, 26 interviews were conducted with representatives of (inter)governmental institutions, financial institutions, NGOs and other civil society actors. Also, members of the Rwandan diaspora and other relevant actors were interviewed in Belgium in September and October 2005.

Additional studies and information about remittances in Rwanda and migration and development were taken into consideration. Unfortunately, research on this topic is almost non-existent.

## Migration Patterns and Dynamics

Data on Rwandese migrants in Belgium before the 1960s is hard to find. In that period, the Belgian government did not keep official statistics regarding the specific countries of origin of migrants. The only data available shows that in 1947, 1,848 inhabitants in Belgium held the nationality of an African country. It is estimated that the proportion of Rwandese in this population was very low. From the end of the 1950s, students of Rwandan origin started to come to Belgium. They were either financed by scholarships of the Belgian government or came with their own financial means. Still, their numbers were modest, and their stay was of a temporary nature. During the 1960s and 1970s, the number of students grew steadily, and immigration of Rwandans started to diversify. By 1970, 534 Rwandans were officially residing in Belgium. Besides students, diplomats, business people, artists, and political refugees began to migrate to Belgium. However, the total numbers remained relatively low. Due to the political crisis of 1994, the number of asylum seekers increased dramatically from 57 in 1993 to 658 in 1994. By the end of the 1990s, the number had reached more than 1,000, after which it started to decrease again. In 1999, 1,677 Rwandans had refugee status in Belgium (Kagné, 2001; Kagné and Martiniello, 2001).

In September 2005, 5,594 Rwandans were living legally and for the long term in Belgium. These figures include refugees. In addition, 491 Rwandans sought asylum in Belgium between January and October 2005. To have an idea of the complete size of the Rwandan diaspora, illegal migrants, and Belgians of Rwandan descent and

their children, should also be added. According to the available figures, the Rwandan diaspora in Belgium would thus come to at least 6,000 people. It is important to note that a significant proportion of the Rwandan diaspora fled the country following the war and the political crisis of the 1990s.

## **Diaspora associations**

The total number of Rwandan diaspora organizations is not known. Many of the organizations are very small and not operational and only a few of them concentrate on development issues. A significant number of these organizations focus on political issues and work on issues of reconciliation, peace or political opposition.

One of the most prominent diaspora organizations outside of Belgium is the Rwandan Diaspora Global Network. It is based in South Africa and actively engages in Rwandan economic, social and cultural development issues.

## **Utilization of Remittances**

Individual remittances to family members are by far the most common form of remittance sent to Rwanda. Other recipients include friends and third parties. Furthermore, migrants bring money to the country to construct houses or to invest in productive ventures.

The main objectives of remittances to family members or friends include extra money to buy food, clothing or articles for consumption, and money for educational costs and health care needs. Other important objectives include family events, such as marriages, baptisms, and funerals.

As in other countries, senders do not always know whether the money is used for the purposes for which the recipient has requested the money. In addition, the pressure to remit money can sometimes inhibit members of the diaspora to fulfil their own needs, and recipients are not always aware of the financial situation of the sender.

Collective remittances sent by diaspora organizations are not as common as in some north and west African countries (e.g. Senegal, Mali, Morocco). Still, certain diaspora organizations collect money or goods to fund small development projects in Rwanda. One example is *Fraternité et Développement* (FRAD), which will be discussed in the next section.

## Volume of Remittances

According to figures of the National Bank of Rwanda, US\$ 11.9 million of remittances entered the country in 1993 and about US\$ 16 million in 2004 through formal channels. Figures on informal remittances are not known.

Using figures from the National Bank of Belgium, Berlage et al. (2003) cite that EUR 83,000 was remitted through official methods from Belgium to Rwanda in 2000, and EUR 31,000 in 2001.

TABLE 8  
OFFICIAL REMITTANCES ENTERING RWANDA IN 2003 AND 2004

Year	Official remittances entering (US\$)
2003	11,900,000
2004	16,000,000

Source: National Bank of Rwanda.

## Remittance Methods

The most important formal remittance methods in Rwanda include account-to-account transfers via banks and cash-based transfers via MTOs. Another possibility is offered by the postal service. Other, lesser-used methods include debit cards to withdraw money from the sender's account, and online transfers via Paypal. Due to lack of data and studies, it is impossible to determine the importance of informal transfer methods. However, according to members of the diaspora interviewed, these are widely used. One of the reasons to opt for informal transfers mentioned during the research was the concern about a possible political control over the use of the remittances. Informal remittance methods include personal carriers, using somebody else's account, and NGOs and religious missions. The following section will discuss the most commonly used methods, and their advantages and disadvantages.

### Account-to-account transfers via banks

The financial services sector in Rwanda is composed of six banks<sup>27</sup> and three financial institutions.<sup>28</sup> The Banque de Kigali (BK) and the Banque Commerciale du Rwanda (BCR) are the oldest institutions and were founded in the 1960s. The government holds shares in three of the six commercial banks, but plans to sell these in the near future as part of its privatization plans. A number of these banks have affiliations with banks abroad. BK, for instance, is linked to Fortis Bank, and BCR with ING.

The respondents listed the following disadvantages to remit via banks:

1. **Costs.** For larger amounts of money, the costs are proportionally not very high. However, to remit small amounts the costs are considered to be too high. According to Mr Musoni Wa Rwihimba of BK and Mr Gatera of BCR, the costs are not elevated at all. For instance, to remit money from abroad to an account at BK, the total costs, on average, amount to 0.75 per cent of the amount remitted, while 0.25 per cent is asked by the correspondent bank and 0.5 per cent by BK. In addition, the recipient has to pay 1.15 per cent (1.06% commission and 0.09% in taxes) to withdraw money from the account. According to the representatives of these banks, many senders and recipients are not aware of these figures.
2. **Transparency of cost structure.** Banks cannot always tell the senders or the recipients how much it will cost to send or receive money. The costs depend on the correspondent bank in the sending/receiving country.
3. **Speed.** When money is needed quickly, senders prefer to use other methods. However, as the representative of BK argued, it takes only 24 hours to receive money via account-to-account transfers. For other banks it may be up to one week.
4. **Exchange rate.** According to representatives of the National Bank of Rwanda, the exchange rates between the formal and informal market are almost the same. Still, respondents argued that the difference is significant enough to persuade them to opt for informal transfer methods.
5. **Costs of opening and keeping an account.**
6. **Geographic accessibility.** Banks have offices in the major urban centres of Rwanda. The remote rural areas are not serviced.
7. **Legal accessibility.** Undocumented migrants cannot make use of the banking system, unless they ask someone with legal status to send the money for them.

The reliability of the banking system was cited as the most important advantage of account-to-account transfers.

## **Cash-based transfers via MTOs**

MTOs operational in Rwanda are Western Union, Travelex and MoneyGram. Western Union has 33 outlets in urban centres of Rwanda, and works with BCR, UBPR (through BCR), BK and the post offices. MoneyGram has 11 outlets and works with BCDI and BACAR. Travelex, which works with COGEBANQUE and BANCOR, has eight outlets throughout the country.

The advantages of using MTOs include the reliability and speed of transaction (the money is transferred instantly). Among the most important disadvantages, the members of the Diaspora mentioned the following:

1. Transaction costs. Costs are considered very high, especially for small amounts of money. Table 9 lists the fees for Western Union and MoneyGram. In Belgium, Travelex works with MoneyGram and the transaction costs are the same in most Belgian outlets. However, in some Belgian outlets, Travelex offers reduced transaction costs after the second transaction.
2. The exchange rate used (see number four in the previous list).
3. Geographical accessibility. As with banks, MTOs are rarely located in rural areas.
4. Legal accessibility. To send money, the sender has to provide proof of identity and proof of residence. Therefore, undocumented migrants cannot make use of this system, unless they ask someone else to carry out the transaction for them.

TABLE 9  
TRANSACTION FEES FOR WESTERN UNION AND MONEYGRAM  
FROM BELGIUM TO RWANDA

Western Union		MoneyGram	
Amount (in Euros)	Transaction Fee (in Euros)	Amount (in Euros)	Transaction Fee (in Euros)
0 - 40.00	8.50	0 – 100.00	10.00
40.01 – 75.00	10.00	100.01 – 300.00	16.00
75.01 – 150.00	15.50	300.01 – 500.00	28.00
150.01 – 225.00	20.00	500.01 – 800.00	35.00
225.01 – 300.00	23.50	800.01 – 1,000.00	40.00
300.01 – 375.00	27.50		
375.01 – 560.00	31.00		
560.01 – 745.00	34.50		
745.01 – 930.00	40.50		
930.01 – 1,120.00	44.50		

Source: Enquiries at Belgian agents of MoneyGram and Western Union in January 2006.

## Paper transfers

Besides the electronic transfer systems, senders can also make use of bank drafts and money orders. Although this system is reliable, it can take some time. The sender has to send the bank draft or the money order to the recipient in Rwanda. The latter has to cash it at the relevant bank, taking into account the local clearing times.

## Online transfers

Another potential method is via the Internet. Paypal (see [www.paypal.com](http://www.paypal.com)) offers this service. The sender needs to have a credit card, an e-mail address, and an account at PayPal on the Internet, which is free. The sender enters information into a form on the Internet, stating how much she or he wants to send, enters his or her credit card number, and the e-mail address of the recipient. The recipient also needs an e-mail address and a PayPal account. After the sender has submitted the form on the Internet, the recipient will receive an e-mail from PayPal, and the money will be on his or her PayPal account. The recipient can then choose to transfer the funds to a checking account, request a cheque or send the funds to someone else.

Advantages of this system include:

1. Speed (the money is sent instantly)
2. Ease of use

The obvious disadvantages of the system include the following:

1. The recipient and the sender need to have access to the Internet.
2. The transaction costs are not known at the moment of sending. This depends on the bank from which the money is deposited or withdrawn.

## Informal methods: personal carrier

One of the most popular informal methods to remit money to Rwanda is by personal carrier. Either the sender takes the money with him or her when travelling to Rwanda, or she or he gives it to a family member, a friend or an acquaintance. This method is commonly known as *en poche*, *en valise* or *par enveloppe*. This remittance method has the clear advantage that there are no direct costs attached to remitting the money, and the money is in foreign currency. Of course, the sender has to pay for the travel, but remitting the money is normally not the reason for undertaking the trip. The drawback of this channel is that the sender has to wait to remit money until she or he, or another personal carrier, travels to Rwanda. In addition, the carrier has to be trustworthy: respondents told us that money sometimes gets lost or stolen. Furthermore, this option offers more discretion than the formal methods.

## Informal methods: using someone else's account

A second and much-used informal method involves depositing money into somebody else's account in the country of residence of the migrant. The person who holds the account is usually residing in Rwanda, or has family, friends or a business partner

in Rwanda. The account holder gives the equivalent amount of money to the beneficiary in Rwanda. This system is clearly based on trust. When it is between friends or family, there are rarely any transfer costs. When it involves businesspeople, a charge may be levied. This system also makes it possible to remit money to remote areas of the country.

In other African countries (e.g. Somalia, Ethiopia, DRC), this system has developed into an informal business sector. In other parts of the world the system is known as *hundi* (in Bangladesh) or *hawala* (in Somalia), or *phonies* (in DRC). From the interviews, it could be concluded that, although in existence, it is less widespread in Rwanda than in certain other countries.

### **Informal methods: NGOs and religious missions**

A last informal transfer method makes use of NGOs or religious missions. The sender deposits money at an NGO or a religious mission in Belgium. The NGO or mission contacts its partners in Rwanda and asks them to give the equivalent amount of money to the beneficiary. A small fee is sometimes requested. Some of the respondents abandoned this method because of the increase in charges asked by certain religious missions. This system is also used to remit money to beneficiaries who are residing in remote areas, where there is a partner of the religious mission or NGO.

## **Impact of Remittances**

Due to the lack of studies and data, it is not possible to determine the impact of remittances on Rwanda. For the recipients, remittances are an important source of income that helps them to address their basic, health care and educational needs. However, no information is available about the importance of remittances for poor families living in rural areas. The representatives of three city councils in Rwanda – Gitarama, Gisenyi and Ruhengeri – who were interviewed, did not know of any projects funded by members of the diaspora or migrant associations in their areas.

## **Interventions and Initiatives for Harnessing the Development Impact of Remittances**

### **Governmental initiatives**

The Rwandan government does not have a specific policy regarding remittances. However, some policies and legislation influence peoples' choice of remittance chan-

nel. First, the Rwandan government does not directly tax remittances entering the country. There is, however, a tax on each international transaction that is made. This has to be paid by the transfer companies, and is too small to significantly influence transfer costs paid by the sender. Second, clients are allowed to have an account in foreign currency at a bank in Rwanda. Specific development bonds for non-residents or members of the diaspora do not exist. The National Bank of Rwanda gives out treasury bonds, but these are not very popular according to representatives of the bank. Third, the government has taken measures to decrease the difference between the informal and the official exchange rate, but the small difference still motivates people to use informal (i.e. personal carrier) methods.

For an overview of the legislation regarding exchange rates and financial institutions, see <http://www.bnr.rw>.

In recent years, the Rwandan government has undertaken several initiatives to establish and develop links with the diaspora, and the next section will discuss these initiatives. In addition, the government works together with IOM (through its MIDA programme) on the transfer of competencies, virtual transfers and remittances, and with the UNDP (through its programme TOKTEN) on the transfer of competencies. The efforts clearly demonstrate the government's recognition of the potential contribution of the diaspora in the development of Rwanda.

#### *Department for the Diaspora within the Ministry of Foreign Affairs and Cooperation*

In 2001, the Ministry of Foreign Affairs and Cooperation created a department responsible for the diaspora. This department has to mobilize the diaspora for the development of Rwanda, to gather information about the diaspora to set up a database, and to provide information about the situation in Rwanda. It works closely with the embassies of Rwanda abroad. On 28 and 29 December 2005, it organized a second conference for the diaspora in Kigali. However, at present, the department is still developing its activities. It has created a website with information for the diaspora: <http://www.minaffet.gov.rw/page.php?action=section&page=diaspora>.

#### *Rwandan Diaspora Global Convention*

In collaboration with members of the Rwandan diaspora, the Ministry of Foreign Affairs and Cooperation organized a Rwanda Diaspora Global Convention in 2001 (26-30 December) and 2005 (28-29 December) in Kigali. The idea for the first convention came from Rwandans living in South Africa. Its objective was to discuss how the diaspora could be involved in the socio-economic development of Rwanda, and to identify how the government could support the actions of the diaspora. Members of the diaspora and key governmental and private sector actors attended the event. Out

of the first convention, the Rwanda Diaspora Global Network (RDGN) was born. The RDGN is a non-profit umbrella organization that brings together a number of associations of the Rwandan diaspora all over the world. Other initiatives that came from this convention are the Department of the Diaspora (see previous section), specific measures to facilitate the investment by members of the diaspora in the country, and a programme to facilitate the construction of houses in Rwanda (see the following sections).<sup>29</sup> The proceedings of the second convention were not yet available at the time of this writing.

*Rwanda Investment and Export Promotion Agency within the Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives (MINICOM)*

In 1998, Rwanda developed an incentive scheme to attract and facilitate investments in Rwanda by nationals and foreigners. This scheme includes the creation of a Free Economic Processing Zone (EPZ), which provides tax reductions and other incentives for export-oriented manufacturing and/or re-export trade-driven enterprises. To access the EPZ, an enterprise has to export at least 80 per cent of its production; export 10 per cent if manufacturing under bond; engage in the export of services; and invest US\$ 50,000 if local and US\$ 100,000 if foreign (in the future this will be respectively US\$ 100,000 and US\$ 250,000).

A permit to gain access to the EPZ has to be obtained at the Rwanda Investment and Export Promotion Agency (RIEPA), which was established in 1998.<sup>30</sup>

Investors operating outside the EPZ but registered with the RIEPA can also benefit from tax and duty concessions.

Besides assigning permits, the RIEPA promotes investments by providing information to potential investors, as well as assisting them in fulfilling the necessary administrative requirements. The diaspora has been identified as a target group for these activities. In collaboration with Rwandan embassies abroad, the RIEPA organizes meetings with members of the diaspora, has set up offices in a number of countries, including the USA and Canada (but none in Europe), and has set up a website ([www.rwandainvest.com](http://www.rwandainvest.com)).

At present, a draft law concerning the promotion and facilitation of investments and exports has been developed, which will replace the existing code of investments. In 2006, the final version should be approved.

*Banque de l'Habitat du Rwanda (Rwanda Housing Bank)*

The Rwanda Housing Bank (BHR) was established in 1975 as a limited liability company to act as a housing finance institution and property developer. The govern-

ment of Rwanda holds the majority of shares of the BHR, while other shareholders include (among others) the BRD, BCR and BK. In 2006, the government will sell 54 per cent of its stake in the Bank.

BHR's objectives include the mobilization and collection of housing savings through Housing Savings Plans, Housing Savings Accounts and Fixed Deposits; the mobilization of long-term resources to channel into housing finance; the provision of long-term loans at affordable interest rates; the improvement of the quality and quantity of housing stock available in Rwanda; the collaboration with local authorities in urban planning.

At the first Rwanda Diaspora Global Network in 2001 in Kigali, members of the diaspora expressed the need for a service that facilitated the construction of houses in Rwanda. To fulfill this request, the BHR has developed specific Diaspora Savings Accounts and Savings Plans and Loans for Rwandans living abroad. The different schemes are developed to enable the diaspora to remit regular amounts (EUR 200 to 300 a month) to save for or to pay for the construction of a house in Rwanda. The Housing Loans can cover up to 70 per cent of the amount of money needed to construct a house, can be for a maximum of RWF 30 million (approximately EUR 40,000) and the repayment period can be up to 15 years. To obtain a housing loan, the client has to have an account with BHR for at least six months, and must have proof that she or he can repay the loan. The interest rate is 14 per cent.

In addition, the Kigali City Council has identified and reserved a number of plots where members of the diaspora can construct houses. Initially, the City Council offered plots to individuals and organized the programme itself.<sup>31</sup> However, this has proven to be cumbersome, since a number of applicants had difficulties paying for the plots, and it was too time-consuming for the City Council to monitor the work. Therefore, the City Council opted for private developers and the BHR to have a greater involvement.

The BHR is inspired by similar initiatives in Mali, Senegal and Tunisia. At the moment, about RWF 200 million (approximately EUR 300,000) has been deposited in diaspora accounts by about 60 people. However, according to the Director-General of BHR, the success of the initiative is hampered by high remittance costs. At the moment, members of the diaspora who want to take part in one of the schemes have to make use of the existing remittance methods. BHR does not have offices or correspondent banks or other financial institutions abroad. The *Banque de l'Habitat* of Senegal for instance, has offices in France, which enables the Senegalese diaspora to deposit money directly into the diaspora account. This lowers the remittance costs significantly. For members of the Rwandese diaspora, this option does not exist.

According to the Director-General of the BHR, the establishment of offices in the countries where people of the diaspora reside is too costly. One of the reasons for this is that – in comparison with the Senegalese diaspora in France – the Rwandan diaspora is small. Therefore, BHR is trying to reach agreements with existing financial institutions in South Africa, and in European and North American countries, to act as correspondent banks. Thus far, no agreement has been reached. Discussions are underway with ING for Belgium. BHR's website gives more information to potential clients: [www.bhr.co.rw](http://www.bhr.co.rw).

## **Non-governmental initiatives**

### *Rwandan Posts Corporation*

The Rwandan Posts Corporation is the national post corporation of Rwanda, and is part of the Universal Postal Union (UPU) company. It has 22 offices throughout the country and intends to develop more offices in the future. By 2010, there should be 43 offices, and by 2020 there is expected to be 350 offices. The Rwandan government supports the development of the postal system.

It is possible to send remittances by international and national money orders through the Rwandan Posts Corporation. For internal money orders, the sender has to pay a fee of 10 per cent of the amount she or he wants to remit. International postal money orders are only possible between France and Rwanda. Since 2003, the Rwandan Posts Corporation has had an agreement with the French postal services, but not yet with postal services in other countries. Unfortunately, representatives of the company could not tell us the fees for sending international postal money orders. The total amount of money remitted from France to Rwanda via postal money orders is relatively small. Between July 2003 and October 2005, 171 transactions were carried out from France to Rwanda, worth a total of EUR 27,000. This means that, on average, EUR 158 was remitted per transaction.

Since 2005, the Rwandan Posts Corporation has also worked with Western Union. Between March and October 2005, the agencies of Western Union within the Rwandan Posts Corporation received, about US\$ 175,000. Interestingly, in the same period, a higher amount of money was remitted from Rwanda to foreign countries: US\$ 183,000.

From next year onwards, the Rwandan Posts Corporation intends to offer an electronic remittance transfer service to its customers. The system will make it possible for the sender to remit money from an account at a postal bank in his or her country to an account at the Rwandan Posts Corporation. The Rwandan postal services will make use of the International Financial Service (IFS) Light to render this electronic

service possible. UPU chose Rwanda as a pilot project country to develop the light version of the already existing IFS. Belgium, Canada and the UK make use of the eurogiro system.<sup>32</sup> The exact cost to transfer money through this new service is not yet determined, but it will be cheaper than the fees charged by MTOs.

### *Send money home*

The GBR Department for International Development (DFID) and the Banking Code Standards Board commissioned a survey on money transfer products offered to different groups of migrants in the GBR. The results of this survey (which did not cover Rwanda) were published in the report *Sending Money Home* (DFID, 2005). Following this study, a website was set up to inform members of the diaspora about the different transfer systems. In December 2005, Rwanda was added to the focus countries. Since February 2006, the website has also provided information on sending money from Belgium and France to Rwanda. This user-friendly website offers information on transaction costs, exchange rates, transaction time, administrative and legal requirements, and coverage of money transfer providers. The address of the website is: <http://www.sendmoneyhome.org>.

### *Initiatives of diaspora organizations and NGOs*

Large-scale community development projects initiated by diaspora organizations and NGOs could not be found in Rwanda. However, some organizations do collect money to fund small-scale projects. According to respondents, most of these initiatives lack financial and logistical support for their activities. An example of these small-scale initiatives is Mama's for Africa, a Belgian NGO made up of women of Belgian and African origin. The projects of Mama's for Africa concentrate on poverty alleviation and women's emancipation, and in Rwanda they are supporting projects in Butare.

The Belgian NGO YWCA/IVCA (Young Women's Christian Association/*Intercultureel Vrouwencentrum Antwerpen*) supports gender development projects in Rwanda and Burundi and works with members of the diaspora who have expertise in development cooperation, and with three NGOs in Rwanda.<sup>33</sup> The Belgian Development Cooperation funds these projects through its migration and development programme. According to Ms Withaecx of YWCA/IVCA, most of the projects are not funded with remittances from the diaspora. One of the partner organizations in the project is *Fraternité et Développement* (FRAD). FRAD collects money and goods in Belgium and sends these to its partner organization in Rwanda, which uses the money to fund a development project in Ngenda. Activities include the development and re-enforcement of cooperatives and the facilitation of savings and credit schemes. Ms Zilipa, representative of FRAD in Belgium, and Mr Bicamumpaka and Ms Mukamugema, representatives in Rwanda, identified the main hindrances for the future development

of the project (which are applicable for other initiatives of the diaspora). First, the financial means to develop the project are limited. Second, the funding and support via the NGO YWCA/IWCA only runs until December 2006. Therefore, the continuation of the project is not guaranteed. Third, the members of the diaspora involved in the organization of the project work on a voluntary basis. Fourth, preparation of people monitoring the project is needed.

## **Obstacles and Opportunities**

### **Institutional framework**

The Rwandan government has an institutional structure to cater to the needs of and communication with the diaspora in the form of the Department for the Diaspora within the Ministry of Foreign Affairs and Cooperation. Concrete measures to reach out to the diaspora have been taken (e.g. the Rwanda Diaspora Global Convention). Furthermore, there is clear political will to involve the diaspora in the socio-economic development of Rwanda. However, the knowledge of the needs of the diaspora residing in Belgium and other European countries is still limited. The aforementioned conventions were principally organized with members of the South African diaspora. The exact size of the Rwandan diaspora is unknown, and cooperation with the diaspora in Europe is inhibited by the difficulties the Rwandan diaspora encounters in organizing itself and raising funds. In addition, it is important to note that a significant proportion of the Rwandan diaspora is reluctant to cooperate with the government for political and historical reasons.

Besides a lack of knowledge about the diaspora, there is also limited information available about the impact, utilization, and characteristics of senders and receivers of remittances.

### **Macro-economic impact of remittances**

Due to the lack of information, it is impossible to determine the macro-economic impact of remittances on Rwanda. Another obstacle is the presumably significant importance of informal remittance channels. Furthermore, only a small proportion of remittances seems to be invested in productive ventures. On the other hand, the banking and financial system is reliable, and considerable efforts are being undertaken to optimize and further develop it. Nevertheless, a large proportion of (especially) rural households remains without bank accounts.

## Transfer methods

Earlier, the advantages and disadvantages of the different remittance methods were listed. The most important reasons why senders choose informal channels instead of formal ones are: transaction costs, geographical accessibility, exchange rate and legal accessibility. Part of the diaspora is also reluctant to use formal remittance systems due to security and political reasons. Furthermore, many households in Rwanda do not have a bank account or an account at another financial institution. Other discouraging factors for using the banking system include the lack of transparency of the cost structure, the administrative requirements and the costs of having an account.

The reliable banking system and further development of new synergies between banks, micro-finance institutions, cooperatives and/or other institutions, could lower the cost of remitting money, provide other remittance-related services and increase the geographical coverage of transfer outlets, e.g. the development of the postal system. Another promising initiative might be the further development of the *banques populaires* in Rwanda. According to the representative of the UBPR, only 16 cooperatives out of 149 belonging to the UBPR network possess adequate logistical and computational facilities. However, they already have an agreement with BCR, and they receive assistance from the World Council of Credit Unions (WOCCU) to further develop their expertise and outreach in the country. WOCCU has already developed expertise in developing remittance services for credit unions. They have published a technical guide on remittances (WOCCU, 2004) as well as the International Remittance Network (IRnet). IRnet is a platform for providing credit unions with a tool to work with international and domestic remittances (see [https://www.woccu.org/prod\\_serv/irnet/index.php](https://www.woccu.org/prod_serv/irnet/index.php)).

Lack of information about the existing transfer methods constitutes another obstacle. The Sending Money Home database, developed by DFID, is a very useful tool for increasing the information and transparency of transfer systems.

## Utilization of individual remittances for economic or social development purposes

Besides family events, remittances are mainly used to address the basic, educational and health care needs of the family members of the senders. There is, however, a lack of specialized financial services to channel remittances for these purposes. In addition, a large proportion of households in rural areas do not have access to credit and do not possess an account. The development of microfinance institutions and micro-savings and credit unions (e.g. UBPR) and synergies between these kinds of

institutions and commercial banks could be an opportunity to develop such services. There is a need, however, to raise awareness among financial institutions about the needs and potential importance of remittances.

Investments from the diaspora as well as the development of businesses by the diaspora are facilitated by the creation of RIEPA and the new code of investments and other measures that have been taken by the Rwandan government and mentioned in previous sections. However, this initiative is still not well known among members of the diaspora. The same applies to the initiatives taken by the BHR and the Kigali City Council to facilitate the construction of houses in Rwanda.

RIEPA caters mainly to potential investors who possess relatively large amounts of capital. At present, small entrepreneurs belonging to the diaspora are not being addressed or helped. However, the Centre for the Support to Small- and Medium-Sized Enterprises (CEPRAM), located in the same building as RIEPA, could provide a solution. While RIEPA gives support and information to potential investors for larger-sized enterprises, the CEPRAM offers a similar service to small and medium-sized promoters. CEPRAM started off as a project in 2000, and became a non-profit organization in 2002. It was founded in part by MINICOM and is supported by the Netherlands Development Organization (SNV) and the UN Industry Development Organization. CEPRAM has not yet developed specific services for the diaspora.

### **Utilization of collective remittances for community development**

Only a few diaspora organizations are involved in collecting money among members of the diaspora and using these funds for community development. Diaspora organizations and their partners in Rwanda often lack financial, technical and logistic support to develop such initiatives.

TABLE 10

OBSTACLES AND OPPORTUNITIES FOR THE ENHANCEMENT OF THE DEVELOPMENT POTENTIAL OF REMITTANCES FROM BELGIUM TO RWANDA

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
<p>Lack of information on size, characteristics and needs of the diaspora in Belgium and other European countries</p> <p>Difficulties in development of strong diaspora organizations</p> <p>Lack of information on utilization, impact, senders and receivers of remittances</p> <p>Reluctance of significant proportion of the diaspora to cooperate with the government</p>	<p>Existence of Department for the Diaspora</p> <p>Existence of Rwanda Diaspora Global network</p> <p>Organization of Rwandan Diaspora Global network conventions in 2001 and 2005</p> <p>Political will to engage with the diaspora</p>
Macro-economic impact of remittances	
<p>Lack of information about size of the Diaspora and utilization and impact of remittances</p> <p>High proportion of households without bank accounts</p> <p>Importance of informal remittance channels</p> <p>Small proportion of remittances used for productive investments</p>	<p>Development of financial and banking sector</p>
Official transfer methods	
<p>Transaction costs</p> <p>Geographical accessibility</p> <p>Legal accessibility</p> <p>Exchange rate</p> <p>Reluctance to use formal system due to fears related to political security</p> <p>High proportion of households without bank accounts</p> <p>Transparency of cost structure for banks</p> <p>Administrative requirements of banks</p> <p>Costs of opening and keeping accounts</p>	<p>New initiatives by Rwanda Posts Corporation</p> <p>Increased competition</p> <p>Development of MFI and credit union system</p> <p>Extensive network of UBPR and collaboration of WOCCU with UBPR</p> <p>Reliable banking system</p> <p>Sending Money Home database for the UK</p>

Institutional Framework Regarding Remittances	
Obstacles	Opportunities
Utilization of individual remittances for economic or social development	
Lack of services for investment in social projects (e.g. health care and education)  Lack of access to credit for productive investment  High proportion of households without bank accounts  Lack of financial services in rural areas  Dependency on remittances, and social pressure to send money to families, which can hinder the fulfilment of the sender's needs and productive investments	Development of financial services by MUTEK and BCB
Utilization of collective remittances for community development	
Lack of collective remittances used for community development  Lack of community development initiatives by diaspora organizations  Lack of financial means and logistical support to diaspora organizations	Existence of Belgian NGO YWCA/IVCA with expertise in supporting diaspora initiatives

## Recommendations

As a starting point, the following recommendations consider obstacles against and opportunities for the enhancement of the development potential of remittances from Belgium to Rwanda, as well as the existing framework in Rwanda. Due to the limited time and information available, these recommendations are of a rather broad nature. Moreover, it is important to note that, for political and historical reasons, a significant proportion of the Rwandan diaspora is reluctant to engage in government initiatives. Furthermore, the most important prerequisite for the positive development impact of remittance and the attraction of investments by the Rwandan diaspora is political and economic stability.

First, more information is needed about the importance of remittances for households in Rwanda: Who receives remittances? Are the recipients mainly based in urban centres? Which proportion of the household income is derived from remittances? Without this kind of information it is impossible to determine the development potential of remittances as well as the specific needs of recipients.

Second, more information is needed about the diaspora residing in industrialized countries. In addition, initiatives could be taken to involve the Belgian and European Rwandan diaspora in the debate on remittances and development cooperation. An initiative such as the Rwandan Diaspora Global Convention could be reproduced in Europe. It is important to keep in mind during the organization of these types of events that members of the diaspora may be hindered by the travel costs and time commitments that are required to attend.

Third, to increase the transparency of the cost structure and provide information about existing official remittance methods and services from Belgium to Rwanda, a database could be developed. A good example of such a database is provided by DFID's Send Money Home project. Instead of creating a new website and database, it is advisable to look for synergies with the DFID initiative.

Fourth, the development of financial services that cater to the needs of senders and receivers of remittances (e.g. services that address high transaction costs and geographical accessibility) will occur as a result of increased competition on the transfer market. The development of remittance services by MFIs and savings and credit unions can also be supported. However, this should be approached with caution. At the moment, most MFIs and credit unions do not possess the technical, financial and logistical means to be involved in remittances. Nevertheless, MFIs and microcredit and savings unions are well placed to reach out to rural areas, and to offer financial services for low-income people. The further logistical and technical development of the already existing network of credit unions belonging to the UBPR could be supported in collaboration with WOCCU. The latter organization possesses expertise in developing remittance services for credit unions.

Fifth, to facilitate the development of small- and medium-sized businesses by members of the diaspora, CEPRAM could reach out to the diaspora using RIEPA as a model for its activities.

Sixth, using similar initiatives as a model (e.g. the National Bank of Bangladesh), the Rwandan government could consider offering development bonds in Rwandan or foreign currencies.

Seventh, Rwandan diaspora organizations that wish to be involved in development cooperation could benefit from an institutional structure that offers them technical and logistical (and financial) assistance. The Netherlands can act as an example.

# CONCLUSION

## Overview

Until recently, the revival of attention on issues related to remittances and development has not been reflected in the three countries studied in this paper. There is a lack of information on the characteristics of the diaspora populations as well as on the importance, volume, and utilization of remittances. In addition, the influx of official remittances is relatively low compared to other parts of the world. While all developing countries together received US\$ 126 billion in 2004 – of which sub-Saharan Africa accounted for US\$ 6 billion – in official remittances, the DRC, Rwanda and Burundi received, respectively, only US\$ 97 million, US\$ 16 million and US\$ 4 million (World Bank, 2005; FEC, 2005; and interviews with national banks of Rwanda and Burundi).

These relatively low figures can be explained in part by the comparably small size of the diasporas of these three countries. Indeed, neither Burundi, Rwanda nor the DRC has a history of sending out large contingents of migrant workers, as is the case for certain South and South-East Asian and North African countries.

In addition, the official figures probably only show a proportion of the total amount of remittances sent. Especially for the DRC, informal remittances could amount to a very substantial figure.

Due to the lack of data and information, it is difficult to determine the impact of remittances on the countries of origin. It is worth noting that the importance of international remittances for people living outside of the main urban centres is unknown. The information revealed by this study indicates that remittances are especially important at the individual and household level. And no initiatives comparable to West African and Mexican Home Town Associations could be identified in any of the three study countries.

## **Main Obstacles for the Enhancement of Remittance as a Development Tool**

Previously, the main opportunities for, obstacles against and initiatives for enhancing the development potential of remittances were listed. In addition, a number of interventions for each of these countries have been proposed. Although the conclusions vary to a certain extent for the three countries, some of the obstacles and propositions

are similar. In this last chapter, a number of propositions will be elaborated upon. First, the main problems that these interventions should address will be discussed.

In brief, the development potential of remittances is inhibited by:

- Lack of reliable data. Very little information exists about the characteristics and the needs of the diaspora, the recipients of remittances (including geographical and gender-related information) and the volume and utilization of remittances.
- Inadequate formal financial services related to remittances. For the three countries, transaction costs, geographic and legal accessibility, transparency of the cost structure, costs of opening and keeping an account, exchange rates, and transaction speed were mentioned as problematic. In addition, despite some exceptions, formal financial institutions do not provide specific services for remittance utilization.
- Lack of an institutional framework for supporting (financially and with capacity building) development or economic initiatives of migrant entrepreneurs and diaspora organizations.

Besides these remittance-related problems, there are also a number of broader societal issues that act as inhibiting factors, including: political and economic instability; underdevelopment of the formal financial system (especially in the DRC); the precarious economic and legal situations of a proportion of the diaspora. These factors have to be taken into account when implementing interventions. They also imply that broader societal changes, which lie beyond the scope of this report, are needed. Miracle solutions do not exist and time is needed to exploit the development potential of remittances in these three countries.

## **Proposed Interventions**

The interventions proposed to IOM aim to address the main problems listed above and can be organized according to four principles:

- **Information collection.** More information is needed about the dynamics and utilization of remittances in these countries, as well as about the senders and recipients of remittances. The success of interventions depends on reliable data about these issues. For instance, the importance of remittances for the population living in rural areas of the three countries is unknown. Therefore, it is not clear whether the development of financial remittance services beyond the main urban centres will address a real need of recipients and senders of remittances. Furthermore, differences in needs and utilization according to gender are other unexplored areas. Other areas of interest include research into the existence of migrant associations

or mutual benefit organizations in the DRC (since this study was limited to Kinshasa).

Further research in the above-mentioned areas is recommended.

- Information dissemination. Some initiatives related to the sending and utilization of remittances have been developed by a number of financial institutions. However, these are not well known among the diaspora or among the recipients. In addition, an information base about the pros and cons (e.g. costs and speed) of existing options to send and utilize remittances is non-existent for Burundi and the DRC, and not widely known in Rwanda.

The researchers of the study propose the further development of the already existing website and leaflets of DFID's Send Money Home project, and an information campaign aimed at members of the diaspora and other relevant stakeholders (see more detailed information below).

- Advocacy and awareness raising. More awareness is needed about the market opportunities of remittances for financial institutions and other private-sector institutions and policymakers. This is necessary to develop new financial services related to remittances, as well as to facilitate the potential benefits that the diaspora can bring to the development of their countries of origin.

The organization of a number of diaspora forums is recommended. These diaspora forums (such as the Rwanda Diaspora Global Conventions) will aim at members of the diaspora, relevant policymakers, and financial institutions (Belgian and Congolese, Rwandan and Burundian).<sup>34</sup> For each of the diasporas (i.e. Congolese, Rwandan and Burundian) a forum could be organized in Belgium. The objective of these forums should be: to inform members of the diaspora about the different financial remittance services available; to act as an opportunity for government representatives of each of the three countries to listen to the needs and interests of their respective diasporas; to demonstrate the market potential of remittance services to financial institutions.

Furthermore, IOM can promote at the international level and among intergovernmental and governmental institutions in the DRC, Burundi and Rwanda about the importance of the development of remittances-related services. And IOM can advocate for the development of relevant synergies between financial institutions and microfinance and microcredit and savings institutions.

- Building institutional capacity. Development initiatives of diaspora organizations as well as individual migrant entrepreneurs need to be supported by an institutional framework that provides the technical, financial, and capacity-building support to manage projects.

An institutional structure for supporting development initiatives of the diaspora is recommended (see more detailed information below).

More specifically, it would be of utmost importance to organize a meeting between government representatives of Burundi, the DRC and Rwanda, and government representatives of countries that already have an elaborate institutional framework for reaching out to the diaspora. Best practice examples are (among others): Senegal and Mali in sub-Saharan Africa, Morocco in North Africa, Mexico in Latin America, and Bangladesh and the Philippines in Asia. This meeting would act as an exchange of best practice initiatives in these different countries. It could be seen as an extension of the Ministerial Conference of the Least-Developed Countries on Migrant Remittances in Cotonou (Benin) in February 2006.<sup>35</sup>

Finally, two of the key propositions will be elaborated upon:

*Further development of DFID's Send Money Home information tool*

With the support of DFID, Profile Business Intelligence Ltd. (PBI) has developed a survey (DFID, 2005), a website (<http://www.sendmoneyhome.org>) and leaflets with information about the characteristics of different remittance options from the UK to several countries. The website provides up-to-date information on transaction costs, exchange rates, transaction time, administrative and legal requirements and coverage of money transfer providers. The leaflets are translated in different languages. Since February 2006, the website has also provided information on sending remittances from Belgium and France (and the UK) to Rwanda.

Instead of developing a new information dissemination tool, IOM could look into the possibility of collaborating with DFID and PBI for further development of the website and the leaflets, i.e. to extend the website to cover remittance options from Belgium to Burundi and the DRC, and – as a second stage – to extend this to more European countries.

Of course, not all members of the diaspora (and even fewer recipients) have equal access to the Internet. However, the website can be seen as a first step in information dissemination. A prerequisite for the potential success of the website is the availability of the information on the website in languages of the diaspora. At a minimum, the website (or at least the relevant information for the Rwandan, Burundian and

Congolese diaspora) should be translated into French. In addition, the leaflets should also be translated into the languages of the different diasporas since they provide an additional source of information. Furthermore, IOM could organize an information campaign about this new tool among diaspora organizations.

A tool to compare financial services for the diaspora could stimulate competition in the formal remittance market, hence addressing the needs of senders and recipients.

Concrete steps:

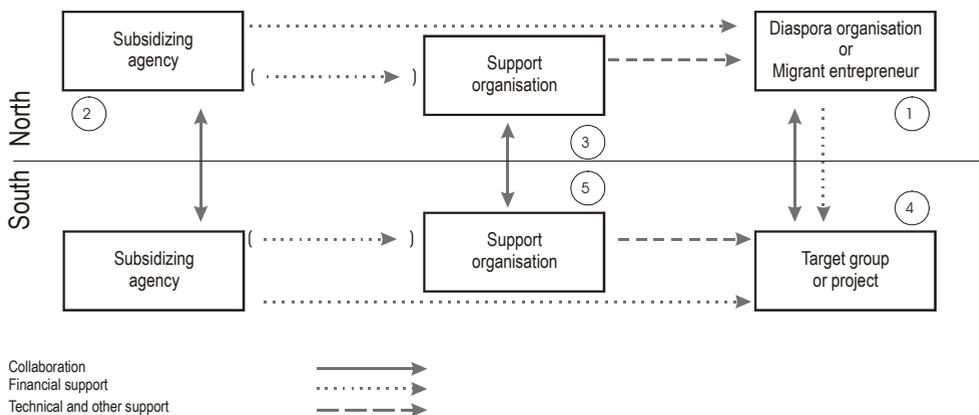
- a) Contact people responsible for the Send Money Home project at DFID to examine opportunities for collaboration, as well as financial, time and other resource costs to extend the existing system.
- b) Depending on the contacts made in the previous step, advocate among governments and intergovernmental institutions for the further development of the information tool for European countries.
- c) Collect and enter relevant information about transaction costs, exchange rates, transaction time, administrative and legal requirements and coverage of money transfer providers into the website.
- d) Translate the website into French, and preferably into the languages of Burundi, DRC and Rwanda.
- e) Develop and translate the leaflets.
- f) Conduct an information campaign among diaspora organizations, embassies and other relevant stakeholders.
- g) Continually update the website.

### *Develop the institutional framework to support development initiatives of the Diaspora*

Institutional frameworks to support and facilitate development and entrepreneurial initiatives of individuals and diaspora organizations are already being developed by a number of NGOs and governmental institutions in several countries. In France, for instance, the NGO pS-Eau, along with a network of development and migrant associations, manages GAME (*Groupe d'Appui à la Micro-Entreprise*), a programme (*Programme Migrations et Initiatives Economique – PMIE*) aimed at providing technical support for migrant entrepreneurs. The NGO is also involved in the co-development of a programme for Mali called FSP Co-développement Mali ([http://www.pseau.org/index\\_fr.php](http://www.pseau.org/index_fr.php) for more info). Also in France, the NGO *Migration et Développement* facilitates development initiatives of Moroccan diaspora organizations (<http://www.migdev.org> and Wets et al., 2004). In Belgium, the NGOs CIRE and YWCA/IVCA assist migrant Congolese, Burundian and Rwandan migrant associations, while OCIV used to facilitate efforts of Congolese migrant entrepreneurs (see the chapter on DRC).<sup>36</sup> In the Netherlands, development NGOs have developed the Linkis network (see <http://www.linkis.nl>).

All of these initiatives operate according to a similar institutional model (see also Wets et al., 2004), which enables us to identify a number of actors (The following numbers correspond to Figure 2 below). In the north: (1) the migrant association or migrant entrepreneur; (2) a subsidizing institution; (3) and an organization providing technical and management advice and capacity-building support. In the south: (4) the target group; (5) an organization providing technical and implementing support for the project.

FIGURE 2  
MODEL OF COLLABORATION



The model presents a pragmatic approach. Migrant associations (1) can professionalize but often lack the time and the means to develop into full-grown development NGOs. Furthermore, in many cases they have concrete ideas and some financial resources, but they lack additional financial means and certain administrative capacities to apply for development aid. The target group (4) could be expected to manage and implement their own projects (with or without extra schooling), but could lack certain technical expertise in project management and implementation.

To address these problems, an organization (3) provides technical support in the development of a business plan or development project, as well as in the application for funding at relevant institutions. With the business plan or development project the migrant association or individual can then apply to subsidizing institutions (2). In certain instances, the latter ((2) and (3)) are the same (e.g. with CIRE and the former OCIV). In the Netherlands, on the other hand, a network of regional NGOs

(called COS) provide technical support, while six development NGOs<sup>37</sup> can provide financial support.

For the implementation of the project, a regional organization (5), selected and financed by the subsidizing and/or supporting organization ((2) or (3)), provides technical support. For instance, in the case of OCIV, CEDITA fulfilled this role, while for CIRE, PREFED was appointed (both in the DRC).

Of course, variations to this model do exist. *Migration et Développement* operates in France and in Morocco (thus as (3) and (5)), and an institution in the south can also act as a subsidizing agency (e.g. the Mexican government does this in the “3 for 1” programme with the Home Town Associations, according to De Bruyn and Wets (2004)).

To develop such a scheme in Belgium, the different supporting organizations and institutions should be identified, i.e. a subsidizing agency; a technical support agency in the north; one or more technical support agencies in the DRC, Rwanda and Burundi; and potentially a subsidizing agency in all three countries. A lot of expertise is already available among the aforementioned NGOs in Belgium, the Netherlands and France. Therefore, we propose that IOM Brussels organize one or more round-table discussions with these organizations, as well as with the Belgian and regional governmental development agencies, and the representatives from the diasporas. An institutional structure, like the one in the Netherlands, requires sufficient financial and organizational resources.

Nevertheless, based on the interviews with members of the diaspora, an institutional structure to co-finance and support developmental and entrepreneurial initiatives of the diaspora is one of the most urgent needs. Vital to the success of this scheme is the need for evaluation measures of the proposed and implemented projects.

Concrete steps:

- a) Round-table discussions with organizers and developers of existing initiatives in the Netherlands, France and Belgium.
- b) Identification of organization that can provide technical support.
- c) Identification of a subsidizing agency.
- d) Identification of organizations that provide technical support in Rwanda, Burundi and the DRC.
- e) Create an implementing model.

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## ACRONYMS

AFEDD	Alliances des Femmes pour la Démocratie et le Développement
ANAPI	Agence Nationale pour la Promotion des Investissements
ATM	Automated Teller Machine
BACAR	Banque Continentale Africaine au Rwanda
BANCOBU	Banque Commerciale du Burundi
BANCOR	Banque à la Confiance d'Or
BBCI	Banque Burundaise pour le Commerce et l'Investissement
BCB	Banque de Crédit de Bujumbura
BCDC	Banque Commerciale du Congo
BCDI	Banque de Commerce, de Développement et d'Industrie
BCR	Banque Commerciale du Rwanda
BDEGL	Banque de Développement des Etats des Grands Lacs
BGF	Banque de Gestion et de Financement
BIAC	Banque Internationale pour l'Afrique
BIC	Banque Internationale de Crédit
BIF	Burundian Franc
BHR	Rwanda Housing Bank
BK	Banque de Kigali
BNDE	Banque Nationale pour le Développement Economique
BNR	Banque Nationale du Rwanda
BPB	Banque Populaire du Burundi
BRD	Banque Rwandaise de Développement
CBB	Communauté Burundaise de Belgique
CDI	Centre de Développement Intégral
CECUNAF	Coopérative d'Épargne et de Crédit Union National des femmes
CEDITA	Conseils, Entreprise, Développement – Intégré, Transferts, Accompagnement
CEPRAM	Centre for the Support to Small and Medium-Sized Enterprises
CEPROTA	Centre pour la Promotion de l'Artisanat et de la Technologie Appropriée
CFSI	Comité français pour la Solidarité Internationale
CHR	Caisse Hypothécaire du Rwanda
CIRE	Coordination et Initiatives pour Réfugiés et Etrangers
CODIBU	Coopérative de la Diaspora Burundaise
COGEBANQUE	Compagnie Générale de Banque

CONAFED	Comité National Femme et Développement
COOCEC	Coopérative Centrale d'Épargne et de Crédit de la Communauté Évangélique au Congo
COPEMECO	Coopérative des Petites et Moyennes Entreprises du Congo
DFID	Department for International Development
DRC	Democratic Republic of Congo
EPZ	Economic Processing Zone
FEC	Fédération des Entreprises du Congo
FENACOBUR	Fédération Nationale des Coopératives de Burundi
FERD	Foundation for Education, Research and Development
FINLEASE	Banque de Financement et de Leasing
FPHU	Fonds de Promotion de l'Habitat Urbain
FRAD	Fraternité et Développement
GAME	Groupe d'appui à la micro-entreprise
GBR	Great Britain
GNP	Gross National Product
HIVA	Hoger Instituut voor de Arbeid
HTA	Home Town Association
IBB	Interbank Burundi
IFS	International Financial Service
INSS	Institut Nationale de Sécurité Sociale
IOM	International Organization for Migration
IRDPA	Institute of Research and Dialogue for Peace
IRnet	International Remittance Network
IVCA	Intercultureel Vrouwencentrum Antwerpen
KU Leuven	Katholieke Universiteit Leuven
LIDE	Ligue de Développement au Congo
MFI	Microfinance Institution
MGL	Mutualité des Grands Lacs
MIDA	Migration for the Development of Africa
MIFOTRA	Ministry of Public Service and Labour
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Commerce, Industry, Investment Promotion, Tourism and Cooperatives
MTO	Money Transfer Organization
MUTEC	Mutualité d'Épargne et de Crédit
NGO	Non-governmental Organization
OAG	Observatoire de l'Action Gouvernementale
OAP	Organisation d'Appui à l'Auto-Promotion
OCIV	OverlegCentrum voor Integratie Vluchtelingen

ODAG	Organisation pour le Développement de l'Archidiocèse de Gitega
ONUB	Opérations des Nations Unies au Burundi
PBI	Profile Business Intelligence Ltd.
PIN	Personal Identification Number
PMIE	Programme Migrations et Initiatives Economique
POS	Point of Sales
PREFED	Programme Régional de Formation et d'Echanges pour le Développement
RDGN	Rwanda Diaspora Global Network
RIEPA	Rwanda Investment and Export Promotion Agency
RIFIDEC	Regroupement d'Institutions des Finances et d'Epargne et de Crédit
RIM	Réseau des Institutions de Micro Finance au Burundi
ROPABU	Réseau des Organisations paysannes au Burundi
RWF	Rwandan Franc
SBF	Société Burundaise de Financement
SIM	Subscriber Identity Module
SME	Small and Medium Enterprise
SMS	Short Message Service
SNV	Netherlands Development Organization
SOCODEVI	Société de Coopération pour le Développement International
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TOKTEN	Transfer of Knowledge Through Expatriates Nationals
UBC	Union des Banques Congolaises
UBPR	Union des Banques Populaires du Rwanda
ULg	Université de Liège
UK	United Kingdom
UN	United Nations
UNAF	Union National des femmes
UNDP	United Nations Development Program
UPU	Universal Postal Union
US	United States
USAID	United States Agency for International Development
USD	United States Dollar
VALEPRO	Valorisation de l'épargne des migrants par l'Appui à des Activités productives
VLIR	Vlaamse Interuniversitaire Raad
WOCCU	World Council of Credit Unions
YWCA	Young Women's Christian Association

## ENDNOTES

1. On 17 October 2005 with the Burundian diaspora, 18 October 2005 with the Congolese diaspora and 24 October 2005 with the Rwandan diaspora.
2. For more background information on each of these three countries, see the country papers published by IOM in 2005 (see IOM 2005a, b and c).
3. SWIFT: Society for Worldwide Interbank Financial Telecommunication. For more information see [www.swift.com](http://www.swift.com).
4. For a more extensive elaboration on the history and the dynamics of these systems: see Ballard, 2003; Grabben, 2002; Passas, 1999; Wilson, 2002; Wilson and Ballard, 2003.
5. For more extensive discussions on the impact of remittances, see Adams and Page, 2005a and b; Binford, 2003; Chimhowu et al., 2003; De Haas, 2003; El-Sakka and McNabb, 1999; Lowell and de la Garza, 2000; Maimbo and Ratha, 2005; Pozo and Amuedo-Dorantes, 2002.
6. Interview, 20 October 2005.
7. Several members of the Congolese diaspora and experts (for instance Prof. Trèfon and Dr Eriksson), as well as people living in the DRC mentioned this in the interviews.
8. I.e. BCDC (Banque Commerciale du Congo), BIAC (Banque Internationale pour l'Afrique), UBC (Union des Banques Congolaises), BIC (Banque International de Credit), Rawbank, Citibank, Stanbic Bank, Banque Congolaise, Trust Merchant Bank, ProCredit Bank.
9. According to Mr Meisenberg, General Director of ProCredit Bank in the DRC, trust in banks is changing. He bases his argument on the increasing number of clients at the recently opened ProCredit Bank.
10. This statement was supported by the people who we have interviewed and who were working at financial institutions or NGOs, for instance Bart De Bruyne of TRIASNGO, and at the meeting about microfinance in the DRC held in Brussels on 21 December 2005 (see Trias, 2005).
11. I.e. Free Transfert, Transkin International, Unifret, Kin-express Multi-services, Finance Network-Finet, KPM, Kin Services Express, Solidaire Transfert SPRL, Central Transfert SPRL, Lambert de Paris, Kin-Finances, Société de Change et de Finances, Sikar-Finances, Soficom Transfert, Proxy Messagerie, Agence Aiglon Services, Berval-Express, Colikin, Tshim'Lay et Frères, African Express, Mister Cash Transfert, African Business Services.
12. An additional risk associated with this is that the goods can be confiscated at the airport of departure. Indeed, for security reasons, passengers are not allowed to take luggage with them if they do not know its contents.

13. The main legislation regarding transfer agencies is *Instruction administrative No. 006 portant réglementation de l'activité des messageries financières, mai 2001*. Other legislation can be found on <http://www.bcc.cd>.
14. According to the Law No. 004/2002 of 21 February 2002 about the Code of Investments. Its organization and functioning are fixed by the Décret Présidentiel No. 065/2002 of 5 June 2002.
15. Correspondence from Mr Alain Plouffe of SOCODEVI.
16. Interview with Mr Nyamoya, Mr Nkeshimana and Mr Cimba. The BCB gathered this information during a visit to Europe and North America in 2005.
17. This figure includes “Burundians” and “of Burundian origin”.
18. Interview, 20 October 2005.
19. Interview with Mr Ndimubandi of *Compétences sans Frontières*.
20. Interview with Ms Ntahobari of the Central Bank of Burundi.
21. BANCOBU (Banque Commerciale du Burundi), BGF (Banque de Gestion et de Financement), BCCI (Banque Burundaise pour le Commerce et l'Investissement), FINALEASE Bank (Banque de Financement et de Leasing), BPB (Banque Populaire du Burundi), IBB (Interbank Burundi), SBF (Société Burundaise de Financement), and BCB (Banque de Crédit de Bujumbura).
22. FPHU (Fonds de Promotion de l'Habitat Urbain) and BNDE (Banque Nationale pour le Développement Economique).
23. According to official exchange rates in 2006, EUR 1 = BIF 1230.
24. For an overview of the legislation regarding exchange rates, refer to the website of the Central Bank: [http://www.brb.bi/pol\\_chge.htm](http://www.brb.bi/pol_chge.htm).
25. i.e. Les Centres Artisanaux de Bujumbura, Alliances des Femmes pour la Démocratie et le Développement (AFEDD), Centre pour la Promotion de l'Artisanat et de la Technologie Appropriée) and Organisation pour le Développement de l'Archidiocèse de Gitega (ODAG).
26. Interview with Mr Meisenberg (in the DRC).
27. BCR (Banque Commerciale du Rwanda), BK (Banque de Kigali), BACAR (Banque Continentale Africaine au Rwanda), BCDI (Banque de Commerce, de Développement et d'Industrie), BANCOR (Banque à la Confiance d'Or), COGEBANQUE (Compagnie Générale de Banque) and BRD (Banque Rwandaise de Développement).
28. UBPR (Union des Banques Populaires du Rwanda) and CHR (Caisse Hypothécaire du Rwanda).
29. For the proceedings of the first convention, see Organizing Committee of the Rwandan Diaspora Global Convention 2002.
30. Law no. 14/98 of 18/12/1998 establishing the Rwanda Investment Promotion Agency.
31. Interview with Binego William, Kigali City Council, 9 December 2005.

32. Eurogiro is a unique concept in cross-border payment. It is a cooperative that has a commitment to taking its members to the forefront of the cross-border payment technology by reducing production costs and enhancing quality between members. (<http://www.eurogiro.com/>).
33. Amizero, Humura and Fraternité et Développement (FRAD).
34. For a list of the Burundian, Rwandan and Congolese relevant financial institutions (including banks, MFIs and MTOs), see the chapters on the three countries.
35. For more information on this conference, see: [http://www.iom.int/en/know/benin/benin\\_09022006\\_en.shtml](http://www.iom.int/en/know/benin/benin_09022006_en.shtml).
36. For more extensive information on similar programmes, see De Bruyn & Wets 2004, CFSI 2004 and Penent 2003).
37. Cordaid, HIVOS, ICCO, Plan Nederland, Novib and NCDO.

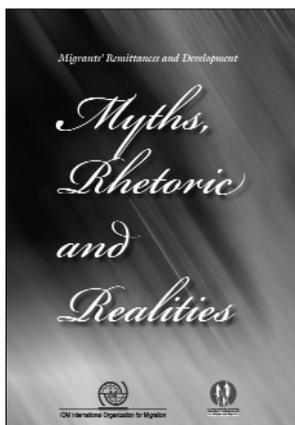
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# Migrants' Remittances and Development: Myths, Rhetoric and Realities

by Bimal Ghosh



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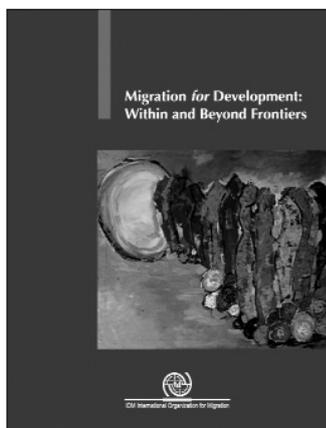
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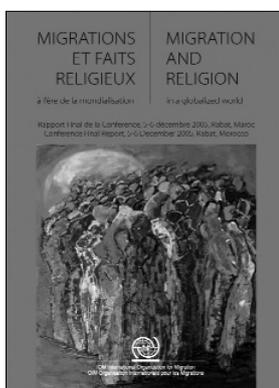
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# Migrations et faits religieux à l'ère de la mondialisation

## Migration and Religion in a Globalized World



La conférence « Migration et fait religieux à l'ère de la mondialisation », organisée conjointement par le Ministère marocain chargé de la communauté des Marocains résidant à l'étranger et l'Organisation internationale pour les migrations (OIM), s'est tenue à Rabat, au Maroc, les 5 et 6 décembre 2005, sous le haut patronage de Sa Majesté le roi Mohammed VI du Maroc.

Le principal objectif de cette réunion de deux jours était d'explorer le rôle de la religion dans le processus migratoire, afin d'aider les décideurs à mieux comprendre la dynamique qui entre en jeu dans ce domaine et l'interaction des deux sphères, de manière à ce que cela se reflète dans la politique officielle.

Les débats ont essentiellement porté sur cinq thèmes principaux : l'exploration des relations entre migration et religion ; le rôle de la religion dans le processus migratoire ; les jeunes générations et la tolérance religieuse ; le rôle des médias dans la bonne compréhension de l'interaction entre les valeurs et les pratiques religieuses et le processus migratoire en tant que tel ; et la mesure dans laquelle la religion et les communautés religieuses peuvent constituer un recours vital pour les immigrants s'efforçant de s'adapter à une nouvelle communauté.

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In the last several years, migrant remittances have received an increasing amount of attention from policymakers. While in the beginning the focus was on the volume and methods of remitting, gradually attention has been shifting towards using remittances as a development tool for the communities and countries of origin. However, while certain regions are very well researched and are characterized by an institutional structure that harnesses remittance-oriented policies (e.g. Mexico, the Philippines, Senegal and Morocco), others are not. The Great Lakes region (in particular the Democratic Republic of Congo or DRC, Burundi and Rwanda) belong to the latter group. Furthermore a number of factors, such as an underdeveloped financial and governmental infrastructure, the unstable political environment, the lack of available research and reliable data, hinder the implementation of policies aimed at remittances.

