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Mobile payments for remittances in Africa: Benchmarking with Latin America¹

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Even though remittances towards the developing economies are expected to slowdown in 2009 before recovering in 2010, their large recorded value of USD 305 billion in 2008, brings these flows to the forefront as source of growth in times of crisis. Flows to Sub-Saharan Africa should decrease by 6.6 per cent in 2009 from USD 20 billion in 2008; flows to Middle East and North African should be less affected by the crisis with a decrease of 3.3 per cent in 2009 from UD 34 billion in 2008. Across these regions, remittances flows are expected to recover in 2010 with positive growth rates.

There is certainly much do be done, if governments aim at having a proactive role in increasing the incentives for remittances by fostering, for example, the use of mobile payments. With these mobile payments, a person can use its mobile phone to pay for items in a store, settle a restaurant bill, receive government subsidies and, not least, send and receive money to other mobile phone users.

Why are mobile payments becoming so popular in Africa? Above all, they can become an essential tool for remittances. Firstly, while financial services attain a small amount of the population, mobile phones are largely present. In Sub-Saharan Africa, with bank branches and cash machines attaining below 7 per cent of the population, 4 out of 10 inhabitants have a mobile phone line. In North Africa, the gap is wider: In North Africa, less than 4 per cent of the population have access to traditional payment systems, while 9 out 10 have a mobile phone line. The key element of success of mobile payments is indeed the size of their distribution networks. The second reason for the potential success of mobile payments is that transaction costs above 10 per cent on average for sending USD 200 to Africa in 2008, can be substantially reduced through increased competition and through the low capital and operational costs of mobile operators.

¹ This article only engages the author’s views. The research is based on the preliminary analysis done for the OECD (2009A) and OECD (2009B). Part of this work was presented at the expert meetings on migration for the Latin American Economic Outlook at the OECD the 15th May in Paris and at the joint World Bank – OECD workshop on *ICTs for Development* the 10-11th September in Paris. Contact: laura.recuervirto@oecd.org.

The delivery of mobile payments services are typically lead by either of two type of operators: banks and mobile phone companies. For example, while mobile phone solutions are being used by banks in many LAC countries such as Brasil, Chile, Mexico and Argentina, these are mostly to access bank information and only in very few cases to make payments -Argentina, Colombia-. Moreover, these solutions are directed towards those users already having a bank account hence, adding a new distribution channel to the traditional ones: bank branches, cash machines.

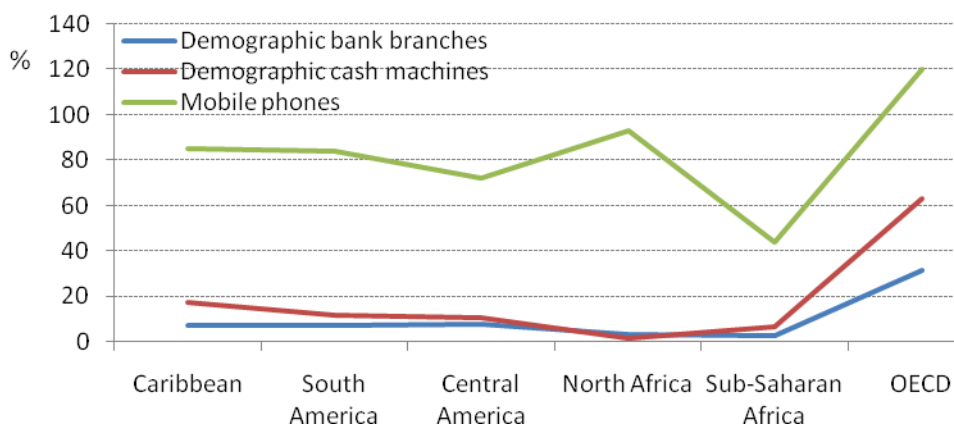
The extent to which bank-lead models fully integrate or not telecommunications solutions, will define the nature of their future clients in Africa and LAC. Banks need to make use of the size of mobile networks (or other large distribution networks such as supermarkets, lottery kiosks) to cash and cash out payments, if they are to access unbancarised population on a large scale. Wizzit in South Africa, which belongs to the Bank of Athens, has been the first entity to offer a mobile phone based bank account both fully integrating any mobile phone distribution networks and targetting unbancarised population. Under the same vein, we can find MTN Banking in South Africa, a joint venture between the mobile phone operator MTN and Standard Bank.

On other other hand, both in Africa and in LAC there are some recent mobile payment solutions which are solely telecommunications-driven –Kenya, Mali, Côte d’Ivoire in Africa; Paraguay, Dominican Republic, Venezuela in LAC. In these cases, issues arise on the compliance with financial regulation in terms of anti-money laundering and combating financing terrorism (AML/CFT), the presence of non-banking correspondents and the blurring frontier between payments and deposits.

Importantly, as much as we might have heard the term ‘mobile banking’ it is almost always proxing mobile payment services. Through mobile banking, which is a larger concept than mobile payments, consumers can use mobile phones to make payments but also to have deposits and the related activities: balance check, balance transactions, gain interests, for example. Holding this definition on mind, in mobile payments, mobile phone operators are essential actors to reach the bulk of the population, and private initiatives are the norm. Instead, mobile banking usually requires the presence of banks (ot othe entities financially compliant) to locate deposits and its feasibility remains an open question. As much as both banks and mobile operators identify mobile payments are profitable services, none of them are leading the scene in transforming mobile payments into deposits for the time being. Hence, while the major bottleneck for mobile payments is regulatory, in the case of mobile banking the problem lays on governments’ ability and willingness to provide the adequate incentives for private entities to deliver these services.

Why mobile payments? Size of distribution networks

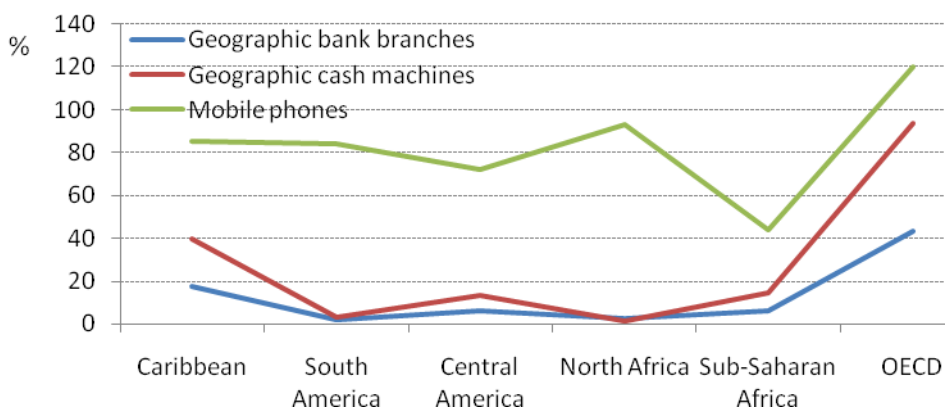
The key success of mobile payments is the size of mobile phone operators’ distribution networks. Indeed, mobile payments are more likely in those countries that have low access to bank branches and cash machines. In Figures 1 and 2, we can see that the penetration of these traditional payment systems remains extremely low in Sub-Saharan Africa; below 7 per cent. The size of these networks is very much lower than that of mobile phone operators, which reach already 4 out of 10 in this region.



Source: Wireless Intelligence (2008) and Beck et al (2005).

Figure 1. Distribution networks: The demographic scope

The comparison between Sub-Saharan Africa, on the one hand and North Africa and Latin America and the Caribbe (LAC), on the other hand, can provide us with some evidence on the potential scope for mobile payments in the later. Sub-Saharan Africa is the region of the world where mobile payments are being deployed the most successfully by 2009. The gap between the number of mobile users and the number of bank branches and cash machines is two times larger than in North Africa and LAC than in Sub-Saharan Africa as we can see in Figures 1 and 2. We could then expect that in North Africa and in the LAC region, electronic payments can have a large potential in the short run. Indeed, while cash machines and bank branches are available to less than 4 per cent of the population in North Africa, 9 out of 10 inhabitants have a mobile phone line; in LAC, the penetration of traditional payment systems is on average 15 per cent, while mobile phone operators reach already 80 per cent of the population.



Source: Wireless Intelligence (2008) and Beck et al (2005).

Figure 2. Distribution networks: Geographic scope

In Figure 1, we can appreciate that in OECD countries 6 out of 10 people have access to some traditional payment means. Under other perspective, in Figure 2 we can observe that 90 per cent of the countries' land area is covered by these services. These numbers do not imply that mobile payments are not used in THE OECD region though. The large size of traditional payment networks in OECD with respect to Africa and LAC, leads nevertheless to different business models in payments. In OECD countries mobile payments are used by people who are already bancarised as an additional channel through which they can access and operate their bank account. In Sub-Saharan Africa, mobile payments are mainly targeting people who are not bancarised and do not necessarily imply bancarization. Indeed, successful examples of mobile payments in Africa are led by mobile operators: M-Pesa in Kenya and MTN Mobile in South Africa are the most relevant examples by 2009.

In Latin America and Caribbean countries, for the time being, mobile payments have followed a business model close to OECD region practices, offering these services to people who already have a bank account. This type of mobile payment systems are found in Argentina (Red Link), Colombia (Redeban Multicolor) and Mexico (Nipper). The use of mobile systems for payments is at an embryonic stage when compared to the use of this technology for receiving alerts or accessing bank account information. Indeed, in terms of accessing bank information through mobile phones, Brazil has 474 000 users, Mexico 134 000 and Chile 87 000.

Some pioneer mobile solutions are being implemented for people not being previously bancarised. For international payments, some initiatives are being launched: UK and Kenya (M-Pesa), Spain and Ecuador (Halcash) and US and Colombia (Celexpress). While mobile contribution will be fully exploited under M-Pesa, this is not the case for the time being in LAC. People in Ecuador and Colombia are being contacted through mobile phones to inform about the remittance (just like Western Union does), but they are still requested to access a bank branch or cash machine to cash out the money.

There are nevertheless examples where mobile operators' main comparative advantage is being exploited. This is the case of some mobile payments at national level: Kenya (M-Pesa), South Africa (MTN Banking), Paraguay (Tigo), Dominican Republic (Orange), Venezuela (Diemo) and Jamaica (Mobile Money). These examples put forward to differences between bank lead and mobile driven payment systems. Bank lead mobile payments tend to use mobile technology as an additional distributional channel, and hence typically they do not implement business solutions that fully exploit mobile operators's main contribution: the availability of a large network for cash in and cash out operations.

On the other hand, mobile driven payment solutions, target mobile phone users which are not necessarily bancarised allowing them to cash in and cash out through the mobile network distribution points –any kiosk or shop that sells mobile services such as prepaid cards-. To the extent to which these mobile operators do not accept deposits and hence payments remain for a limited period of time in the network, financial regulation is not fully applied.

Why mobile payments? Drop in transaction costs

High transaction costs in remittances can justify the use of mobile technology. In Figures 3 and 4, we can observe transaction costs when sending USD 200 towards Africa countries for money transfer operators and banks, respectively. Each of the points in these figures represent a precise corridor: for example,

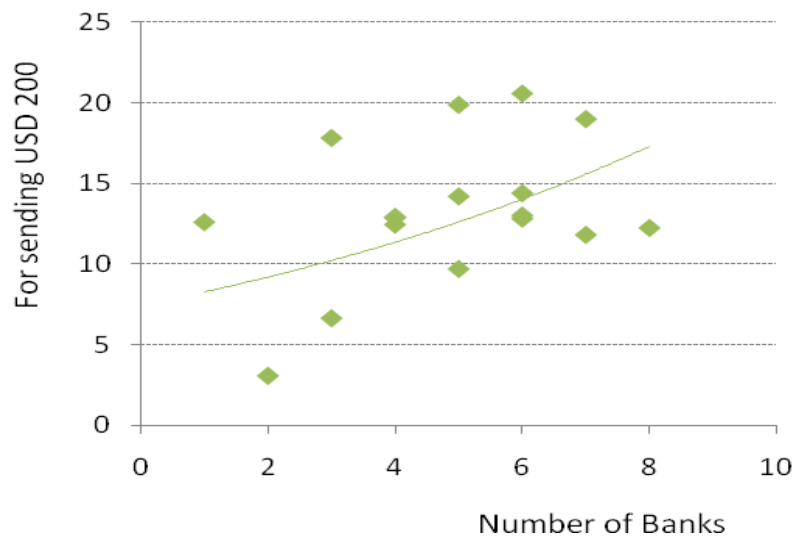
money being sent from UK to Nigerian or from France to Morocco. We can appreciate in both Figures 3 and 4, that transaction costs are high: on average 12.3 for money transfer operators, 9.7 for banks.



Source: World Bank (2008).

Figure 3. Transaction costs (% of total) for Money Transfer Operators

In these two Figures 3 and 4, there is an exponential trend line, that highlights the evolution of transaction costs with the number of money transfer operators and banks, respectively. In Figure 3, the slope of this line is only slightly consistent with basic economic principles. Increasing competition through a larger number of operators, plays very lightly on decreasing costs as it can be appreciated from the almost plate line in the Figure. There are two clusters in the figure however. A first cluster ‘‘low competition-dispersed transaction costs’’ with 2-5 money transfer operators and between 4-17 per cent costs, and a second cluster ‘‘high competition-concentrated transaction costs’’ with 10-13 banks and 7-13 per cent costs. In Figure 4, however, there is a rather strange relationship between the degree of competition between banks and transaction costs: The exponential line in the figure is increasing.



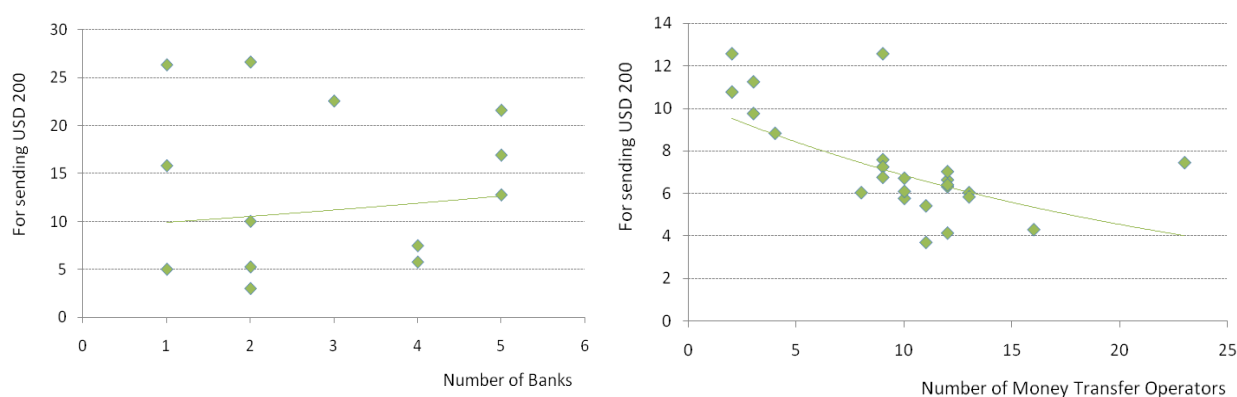
Source: World Bank (2008).

Figure 4. Transaction costs (% of total) for Banks

This analysis leads to conclude that banking competition is not driving down transaction costs down in Africa, hypothesis consistent as well with the LAC experience as described in Box 1. Instead in Box 1, we can see that once a certain number of money transfer competitors are present in the market, costs can be substantially decreased. Once having learned this information we can anticipate that mobile technology is more likely in countries where transaction costs are higher: countries with a weaker presence of money transfer operators, and under any banking market structure. Here we can conclude that mobile technology can bring down costs through the increase of non-banking competition per se.

Box 1. LAC ahead of Africa: Non banking competition driving down transaction costs

By having a close look at Figure 5 and comparing with Figures 3 and 4, some enlightening insights can be drawn. Firstly, while we have learned from the Africa experience that money transfer operator competition is very slightly driving down transaction costs, we can observe from LAC in Figure 5 that costs strongly drop as the degree of competition attains higher levels. The number of mobile transfer operators in LAC is 8.3, much larger than the 5.1 found in Africa. In turn, transaction costs for money transfer operators in LAC are 2.5 percentage points lower than in Africa for USD 200: 9.7 per cent versus 7.2 per cent.



Source: World Bank (2008).

Figure 5. Transaction costs (% of total) in LAC

Secondly, bank competition is so far not having a clear impact on transaction costs. While in Africa there are on average 4.3 banks per corridor, two times more than in LAC where the number of banks is 2.4, transaction costs are alike: 12 per cent for USD 200. The same conclusions can be drawn for larger amounts. Hence, by integrating the lessons from Africa and LAC, we can conclude that non banking competition is driving down transaction costs.

Where mobile payments? Origin country of remittances

A casual look at Table 1 reveals that the most promising markets for the delivery of mobile payment services can be identified by the country from which the migrant is sending the remittance. Indeed, there is an extremely close relationship between the country of origin and the operator chosen for payment services. For migrants sending remittances from South Africa, The Netherlands, France and Germany towards African countries, the number of money transfer operators is systematically low –between 0 and 4 in Table 1- and the transaction costs for USD 200 are 16.9 per cent on average.

Destination	Origin	Number of Money Transfer Operators	Transaction cost (%) for USD 200
Angola	South Africa	0	14.39
Botswana	South Africa	0	18.99
Lesotho	South Africa	0	12.23
Malawi	South Africa	0	20.58
Mozambique	South Africa	0	19.88
Ghana	The Netherlands	4	16.38
Algeria	France	2	13.39
Morocco	Germany	3	15.06
Africa: Low presence of Money Transfer Operators	South Africa, The Netherlands, France, Germany	0.6	16.9
Africa: High presence of Money Transfer Operators	US, Spain, UK	8.4	10.4
LAC: Low presence of Money Transfer Operators	Japan, France, Canada, The Netherlands	2.8	15.5
LAC: High presence of Money Transfer Operators	US, Spain, UK	11.6	6.6

Source: World Bank (2008).

Table 1. Transaction costs according to the country of origin of remittances

For migrants sending their money from Spain, US and UK to LAC countries, the context is significantly different. These corridors are characterised by 8.4 money transfer operators on average, 14 times more than in the previous example. In line with this result, transaction costs in these corridors are 35 per cent lower, 10.4 on average. The data reveals that transaction costs are defined by the country originating the remittance independently of the country the destination. Hence, transaction costs of remittances being send to African countries are highly dependent on the market structure of payment services in countries originating the remittance.

Table 1 could induce us to consider that the number of money transfer operators is higher when there is a larger volume of remittances being send through a channel. Indeed, one would tend to think that Spain, US and UK are the countries where transaction costs for remittances towards LAC are the lower, because they have a large number of LAC migrants. By having a close look at the equivalent data for Africa, it is

clearcutting that the volume of migrants in the country originating the remittance is not closely related to the level of transaction costs or to the degree of competition on mobile payments.

Indeed, Spain, US and UK are again in the corridors with a larger number of money transfer operators and with lower transaction costs. In comparison, countries with a large volume of African migrants such as France, South Africa are characterised by an extremely low number of money transfer operators and with high transaction costs. Hence, the regulatory framework -the number of money transfers operators present- in origin countries appears to be the primary source defining transaction costs in corridors. In those corridors with countries of origin, particularly France and The Netherlands, where the proliferation of money transfer operator competition is low both for payments towards Africa and LAC, mobile payments are the most likely since the margin for new competitors is large.

Where mobile payments? Volume of remittances

The more promising markets for mobile payments most probably involve the countries in LAC receiving the larger volumes of remittances as presented in Table 2. Though quite behind Mexico and South America, where each attract volumes of remittances of around USD 24 billion, Northern and Western African countries are leading in Africa, with USD 17 billion and USD 10 billion, respectively. In line with previous discussion, Table 2 highlights there is not a clear relationship between volume of remittances at the recipient country and transaction costs. Hence, we cannot infer that corridors with higher volumes of remittances are attracting more competition and making prices drop.

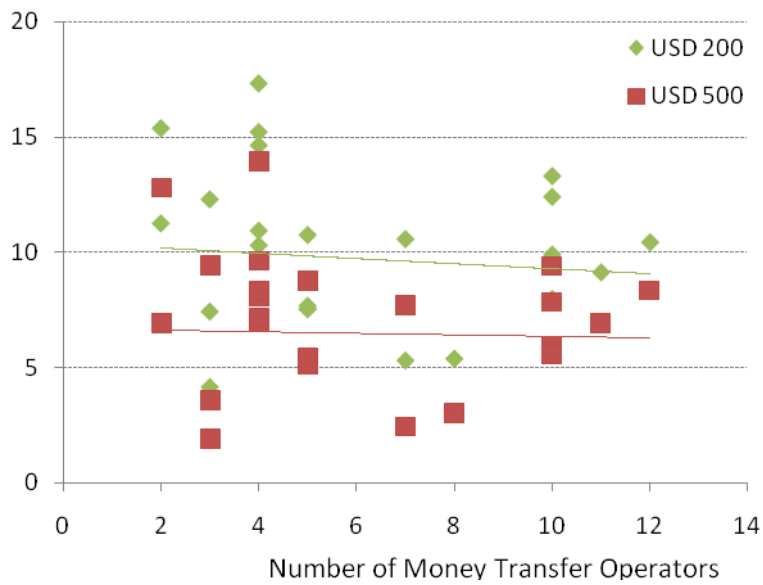
Countries with a large volume of remittances		Remittances in USD million	Transaction costs (%) for USD 200
Central America and Mexico	Mexico	24,254	6.7
Mexico	El Salvador	3,328	4.1
	Guatemala	3,557	5.8
	Honduras	2,286	5.9
South America	Brazil	7,373	10.5
	Colombia	4,516	6.0
	Ecuador	3,162	5.1
	Peru	2,869	10.1
Caribbean	Dominican Republic	2,739	10.0
	Ecuador	3,162	5.1
	Peru	2,869	10.1

Source: World Bank (2008).

Table 2. Transaction costs according to the country of destination of remittances

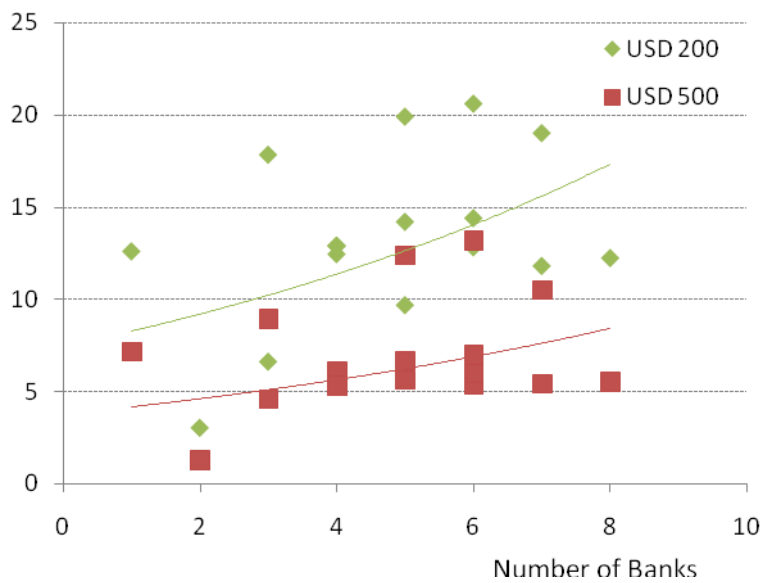
Where mobile payments? Small amounts for urban - rural transfers

By having a close look at Figures 6 and 7, we can appreciate that transaction costs increase very fast, both for money transfer operators and for banks, as the amount being sent by the migrant is smaller. This can be easily understood by looking at the gap between the exponential lines defining transaction costs in the figures. This line is systematically defining a gap between USD 500 and USD 200 of at least 2 percentage points for money transfer operators and of above 5 for banks. Indeed, across operators while transaction costs are around 7 per cent for USD 500, they increase to about 11.5 per cent for USD 200.



Source: World Bank (2008).

Figure 6. Transaction costs (% of total) for money transfer operators



Source: World Bank (2008).

Figure 7. Transaction costs (% of total) for banks

If we make a more detailed analysis, banks are those agents that request particularly high commissions for small amounts. We can see at Table 3, that while transaction costs between banks and money transfer operators differ in Africa in 0.2 percentage points for USD 500, the divergence increases to above 3 percentage points for USD 200. The pattern for LAC countries is similar. While transaction costs between

banks and money transfer operators differ in 1.2 percentage points for USD 500, the divergence increases to almost 4 percentage points for USD 200.

	Bank costs for USD 200 (%)	MTO costs for USD 200 (%)	Bank costs for USD 500 (%)	MTO costs for USD 500 (%)
Africa	13.3	10.1	6.9	7.1
LAC	11.1	7.2	6.1	4.9

Source: World Bank (2008).

Table 3. Transaction costs according to the amount of remittances

The most plausible reason for banks being more expensive than money transfers operators for small amounts of transfers is that banks are focused on a small number of wealthy consumers. Small amounts are typically sent by less wealthy consumers though. Hence, these small transfers would require a change in the banks' business model so as to be profitable under low margins through economies of scale (many costumers). At the same time, this business model should allow the co-habitation with the previous portfolio of clients that generates high margins.

For the time being, instead of increasing their portfolio of small clients (by standarisng transfers, reducing delays, reducing costs), banks are sometimes engaging on agreements with money transfer operators. The typical exchange implies offering the banks' infrastructure against the money transfer operators' standarisng procedures and an added margin on usual transfer operators' transaction costs. The bank can keep its portfolio of clients and at the same time benefit from accessing low income constumers through transfer operators. The largest example of the link between money transfer companies and banks are the agreements between Western Union and La Poste across many African countries. Banco Salvadoreño, the second largest commercial bank in El Salvador is also another example. Banco Salvadoreño has a presence in most US states through strategic alliances with some of the biggest MTOs, including Western Union and Bancomer Transfer Services.

Transaction costs in Africa still remain around 10.1 per cent when sending USD 200 through mobile transfer operators. In addition, the typical amount of money that a migrant in a urban area would like to send to its family in a rural area in a same country, would probably be often much smaller. Mobile technology can do much to reduce these costs for very small amounts. Indeed, when you take the most expanded example of mobile transfers so far, in Kenya, it is 10 times cheaper to send 9 euros through a mobile network M-Pesa than through a money transfer operator. While M-Pesa requests 5 per cent as commission, Western Union demands 50 per cent.

The reason for mobile phone operators being so advantageous for small amounts is explained through the fact that the distribution networks are already available: mobile phones that reach 40 per cent of end users to make requests and receive information and the mobile phone agents –kiosks, supermarkets etc- are largely available to cash in and cash out. Not only infrastructure costs are reduced but also operational costs since the network agents are already gaining their living through other activities and typically receive just a commission for the delivery of mobile payment services.

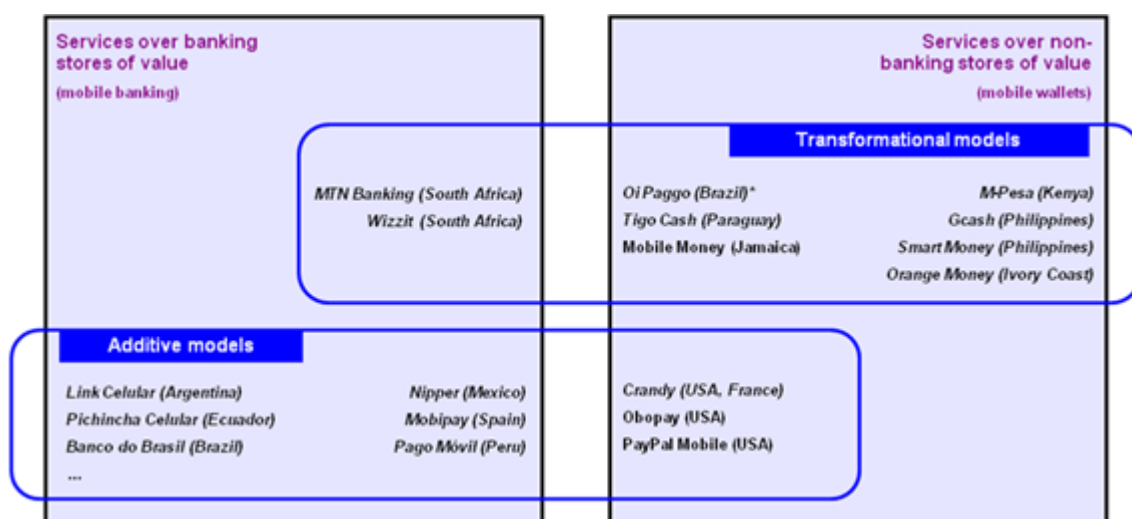
Regulation: The major bottleneck for mobile payments

For the time being mobile payments currently existing models, have been able to proliferate due to regulatory flexibility. This regulatory flexibility has enabled the emergence of a wide range of technological solutions under the common denomination of mobile payments. There are solutions that can be used by standard mobile handsets: Unstructured Supplementary Services Data (USSD) and SIM toolkit.

SMS, voice or USSD are used in South Africa by Wizzit, First National Bank (FNB) and Amalgamated Banks of South Africa (ABSA). The USSD technology is also being used in Paraguay by Tigo. These technologies allow to deploy an open system independent of the mobile network operator. SIM toolkits are used by M-Pesa in Kenya and MTN Banking in South Africa and by Banamex and Telcel in Mexico by adding a special menu to make payments. These are proprietary systems where only members of the mobile operator can transfer funds.

More advanced technologies such as Wireless Application Protocol (WAP) and HTTPS are being used by NedBank, FNB and ABSA in South Africa and by Nipper in Mexico. These are only accessible to those who have enabled handsets. Payments are also being facilitated by Near Sound Data Transfers (NSDT) software developed by Tag Attitude which is compatible with standard mobile phones. NSDT is being tested in Zambia, South Africa, the Republic of Congo, and Democratic Republic of Congo and is about to be launched in Ghana, Nigeria and Mali.

While these different technological solutions are continuously growing under the close monitoring of telecommunications and financial regulatory authorities, the proliferation of organizational structures to deliver mobile payment/banking services is now being strongly questioned. As we can see in Figure 8 at the early stages of mobile payments, some organisational structures were bank-driven –South Africa (Wizzit), Mexico (Banamex, Telcel, Nipper), Ecuador (Halcash)-, others lead by mobile operators on their own –Kenya (M-Pesa), Paraguay (Tigo)- and finally jointly developed by banks and mobile operators – South Africa (MTN), probably Jamaica (IDB)-. As activities are growing, it appears increasingly important to be backed up by a bank to avoid business uncertainty. Indeed, the main issues halting the rise of mobile payments are the compliance with financial regulation in terms of anti-money laundering and combating financing terrorism (AML/CFT), the presence of non-banking correspondents and the blurring frontier between payments and deposits.



Source: Fernández de Lis et al (2009).

Figure 8. Proliferation of organizational structures for mobile payments/banking

Among the anti-money laundering and combating financing terrorism norms, there are features such as ‘‘know your client’’ (KYC) where information on the individual making the transaction needs to be accessed, request that may not be straight forward due to the high levels of informality among clients. There is also a need to establish limits on diary and monthly transactions. The initial pilots developed by the well known M-Pesa pionner mobile solution in Kenya, to establish payments from UK, was left aside since it failed to comply with AML/CFT.

Non-banking correspondents norms have to be favourable to the growth of mobile payments. The large size of distribution networks of mobile phone operators is their main comparative advantage for payment services. Without an enabling regulation to allow the agents of the distribution network –kiosks, supermarkets, etc- to cash in and cash out payments, the key element of success of mobile phone operators, remains unexploited. Typically this regulation should establish who can be non banking correspondent, which activities can be handled, if an agent can belong to different networks, who is responsible in case of conflict, where confidential information on clients is stored, and which are the security measures, to mention a few of the issues.

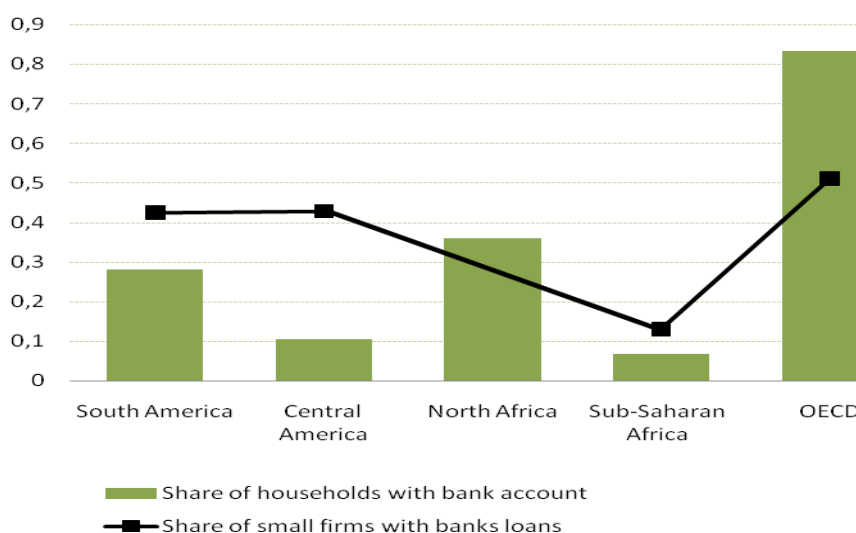
The third regulatory issue that is constraining the development of mobile payments, is the blurring frontier between payments and deposits. Most of the current operators delivering mobile payments, highlight the fact that they are not accepting deposits so as to avoid financial regulatory burden. However, the difference between providing payment or deposit services merely relies on the time that the money spends on the system.

From mobile payments to mobile banking?

If we observe Figure 9, it is clear that bancarisation is a household issue across regions. We can observe though that in Sub-Saharan Africa access to financial services remains low not only for households but also for small firms. Only 13 per cent of the small firms in Sub-Saharan Africa have bank loans. In contrast, the lack of access to financial services in South and Central America remains a household issue.

As we can see on Figure 9, 42 per cent of the small firms in these regions have access to bank loans, number that is close to that of OECD countries, 51 per cent.

Developing the household access axe, in OECD above 80 per cent of the population has a bank account, in North Africa and South America this number drops to 36 and 29 per cent, respectively. The least favored regions are Central America and Sub-Saharan Africa where the ratios are 10 and 7 per cent, respectively. If we match the lack of household access to bank accounts in Africa and LAC, with the fact that mobile phone payments are basically targetting this segment of the population, mobile technology could be a good catalyser to rise the level of bancarisation. Indeed, mobile phones are already reaching more than 8 out of 10 people in North Africa and LAC, 4 out of 10 in Sub-Saharan Africa.



Source: Beck et al (2005).

Figure 9. Degree of Bancarisation

Another enabling feature of bancarisation through mobile technology, is that mobile payments are allowing to trace a history on the client activities, which can be used by financial entities to deliver loans to those clients with no collateral and no banking history. Even though payment history can help the granting of loans, it is expected that final decisions will probably still rely on face-to-face contact. In building trust networks, it is not straight forward that the widely predominant physical interaction can be eluded. Loans are granted depending on soft information, that can only be gathered under direct interaction, while payments register hard information (sex, age, amount, frequency, for example).

It is fundamental to highlight at this point that the surge in mobile money activities so far, is related to payments. Only marginally these activities are targetting the bancarisation of the population. The main issue here is that banks and mobile operators are making profits through payments. Banks have largely remain distant to the conversion of remittances into deposits, reflecting the higher administrative costs and lower margin when managing a large number of very small deposits. Some mobile operators have expressed off the record their unwillingness to move from payments to deposits, which would imply having to comply with stronger financial regulation, higher administrative burden and limited gains as

compared to instant benefits from payments. It is clear that without the appropriate incentives by government authorities, the appropriate decisions to increase the degree of bancarisation will not be taken if relying solely on private agents, at least not in a large scale.

Africa and LAC could replicate the experiences of some countries with a long tradition of migration and that have applied the appropriate incentives for bancarisation to occur. This is the case for example, of India, Morocco, Philippines and Pakistan, where banks are opening branches in origin countries enabling the migrant to hold bank accounts both in the country of origin and in that of destination of the remittance under the incentives needed for migrants to bancarise the money: high interest rates, foreign currency denomination, tax exemptions, cash out at low cost in the destination country, to mention some of the initiatives (see Box 2 for an example in Mexico).

Box 2. Mexico's '3-for-1' program for migrants remittances

The volume of remittances flowing to Mexico is estimated to be USD 8 000 million per year, most of which is spent on consumption. In order to help in directing part of remittances onto productive investment, since 1999 the Mexican government is putting in place the '3-for-1' program. With this program, for each USD that migrants place on the program, the statal government places one USD, and the federal government and Sedesol (*Secretaría de Desarrollo Social*) do alike, reaching a total of 4 USD. This program is used to invest in small *maquiladoras*, workshops or, in general, in projects improving the community of origin of the migrant sending the remittances. In the year 2001, the program was already attracting 7 USD million.

Countries such as El Salvador, Somalia and Philippines are seeking to replicate the '3-for-1' program. From Italia, migrants organisations representing Peru, Colombia and Ecuador, are also seeking to use this model to favour education projects in their communities of origin.

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