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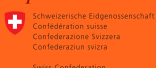
The remittances framework in Lesotho: Assessment of policies and programmes promoting the multiplier effect

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Abstract

This study explored policies and programmes aimed at facilitating remittances inflows through formal channels and leveraging remittances for development in Lesotho. The study also looked into regulations and laws on remittances. In order to answer key questions of this study, semi-structured questionnaires were administered to 29 institutions, including commercial banks, an asset manager, insurance companies, telecommunication companies, government ministries, parastatals, a research institution, a retailer, a savings and credit cooperative and non-governmental organizations. The gaps revealed by this study can be summarised as: the Deferred Pay Act is the only policy driving officially recorded remittance inflows to Lesotho and which facilitated the creation of remittances-linked savings product by the banking sector; there are restrictions on remittance outflows for immigrants working in the country, though planned to be eliminated; most of remittances transfer products offered by various institutions suit regular income earners with bank accounts, the adoption of mobile-phone based transfers adoption is low and the mobile-phone based transfer products cannot be used to make international transfers; there is lack of adoption of remittances-linked financial products by financial intermediaries and relevant government ministries; the benefits packaged with the remittances-linked savings accounts are less attractive; and most of the remittances services providers are concentrated in urban centres. These findings show there is a need to develop policies and programmes for harnessing remittances for development. This study concluded by suggesting policy options for facilitating remittances inflows through regular channels and promoting positive impact of remittances on development.

Keywords

Remittances inflows, remittances framework, formal channels, Lesotho

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LIST OF ACRONYMS

ACP	Africa, Caribbean and Pacific
BEDCO	Basotho Enterprise Development Corporation
BOP	Balance of Payments
BOS	Bureau of Statistics
DPA	Deferred Pay Act
FDI	Foreign Direct Investment
FI	Financial Intermediaries
GDP	Gross Domestic Product
IC	Instituto das Comunidades
LCA	Lesotho Communication Authority
LCN	Lesotho Council of Non-Governmental Organizations
LIPAM	Lesotho Institute of Public Administration
LNDC	Lesotho National Development Corporation
LRS	Lesotho Remittances Surveys
MAPS	Migration and Poverty Survey
MARS	Migration and Remittances Survey
MCA	Millennium Challenge Account
MDA	Mineworkers Development Agency
MTO	Money Transfer Operator
NUM	National Union of Mineworkers
ODA	Official Development Assistance
RUFIP	Rural Financial Intermediation Programme
SACU	Southern African Customs Union
SAMP	Southern African Migration Programme
SMME	Small, Medium and Micro Enterprise
TEBA	The Employment Bureau of Africa
WTO	World Trade Organization

KEY RECOMMENDATIONS

Facilitating remittances inflows

- Remittances are private, not public funds and are not a panacea for the development needs of the country, but can only be a complement. Given the high relative importance of remittances, there is a high risk of over-dependence on them. All measures taken to leverage remittances need to be accompanied by measures creating a favourable economic, legal and political environment to foster human development.
- Developing a comprehensive remittance policy for encouraging Basotho migrants who work and live in other countries to send money home through formal channels and leveraging remittances for development.
- Facilitating the speedy adoption of mobile phone-based remittances transfer products by the state-owned bank and supporting the use of the products for making international transfers. Mobile technology money transfer products like M-Pesa could be introduced at the state-owned bank. Lesotho has a relatively high mobile phone subscribership and tele-density of 54 per cent and is experiencing a steady growth in mobile services (LCA, 2011). Therefore, mobile phone-based money transfer would be accessible to a large number of people in the country and could be very effective in reducing the large volume of remittances transferred through the informal channels.
- There is a need to create an enabling environment for the introduction of new remittances transfer products and new service providers. Relaxing entry requirements and creating a conducive regulatory environment for remittances transfer service providers are appropriate strategies compatible with a market-driven policy stand of the government on fees for financial services. Microfinance institutions could also be allowed to participate in the remittances market following the completion of their legislation.
- Developing a strategy for engaging with female migrants on remittances and development issues. Studies have shown that a large number of female migrants working in South Africa are involved in low paying occupations such as domestic work and farm work. Because some of these migrants' employment is seasonal, and their wages are very low, they cannot access banking services and hence resort to informal channels for remitting money home.
- Identifying Basotho migrants and diasporas and encouraging the formation of migrants and diasporas associations.
- Strengthening of awareness campaigns on remittances transfer services and the importance of remittances for development. The information on a range of money transfer products, costs, and requirements could be disseminated to the public through public and private radio stations, national television, newspapers, magazines and the internet in both Sesotho and English.
- Fast-tracking the processing and distribution of passports.
- Expanding ICT infrastructure: the improvement in internet connectivity would facilitate the introduction of new remittances products, increase access to remittances services, and help in marketing of remittances products.
- The Government of Lesotho could engage in bilateral dialogue with the host countries' authorities on measures to facilitate remittances inflows through formal channels, and reduction of the costs of transferring remittances, among others.

Leveraging remittances for development

- Developing remittances-linked financial products: traded government securities like treasury bills and bonds as well as other savings products offered by the Lesotho Post Bank could be used to target remittances. These special savings products could be packaged with incentives like high interest rates, tax exemptions on interest income, options to have accounts denominated in foreign currency.
- Introducing matching programmes: these programmes can be introduced in partnership with established Basotho migrants and diasporas associations as in countries like Mexico. In these programmes the government multiplies the contributions of migrants and diasporas that are invested into development projects in the country and in their communities.
- The government may also contribute to existing development projects initiated by non-governmental organizations which directly deal with migrant communities.
- Promoting Priority Investment Projects by organizations like the Lesotho National Development Corporation to established Basotho migrant and diasporas associations as well as individual migrants and diasporas. These projects could include water bottling, fruit and vegetable cannery, sandstone mining, and tourism, among others.

- Creating awareness on the SMME's support programmes like those managed by the Ministry of Trade and Industry, Cooperatives and Marketing to migrants communities. These programmes could also be tailored to the needs of remittance-receiving households.
- Strengthening programmes for improving financial literacy: expansion of personal finance education programmes to migrants and their families will improve their financial decision-making and implementation of their plans on investment, saving for their children's education, retirement and choosing insurance policies. Financial education could also help to cultivate good financial habits, raise the country's saving rate, and lead to better financial markets.
- Improving data collection on migration and remittances: the Statistics Agency should be capacitated so that it can conduct frequent regular surveys on remittances and migration and produce up-to-date time series data which is comparable with that of other countries.
- Improving the capacity of research institutions on remittances and development research and encouraging the participation of non-governmental organizations for advocacy of issues related to remittances and development.

EXECUTIVE SUMMARY

Background

This study on the Remittances Framework in Lesotho was commissioned by the ACP Observatory on Migration and coordinated by the Southern African Migration Programme (SAMP), a member of the Consortium of the ACP Observatory. The study is one of the activities funded by the ACP Observatory in 12 pilot countries (including Lesotho and Angola in the Southern African region). The ACP Observatory on Migration is designed to support governments in the ACP regions to integrate human mobility into national and regional development plans and poverty reduction strategies and enhance South-South transfers. This research makes practical recommendations to facilitate the inflows and outflows of remittances through regular channels and to promote positive impacts of remittances on human development in Lesotho.

Methodology

The study was undertaken with the purpose of identifying existing gaps in policies and programmes for facilitating remittance inflows through formal channels and leveraging remittances for development in Lesotho. The first step of the research process was a literature review exercise whose main goal was to identify the policies and programmes implemented in different countries (including Lesotho) for facilitating remittances inflows through formal channels and enhancing the use of remittances for development. The regulations under which remittances flows occur were also explored. The assessment of policies, programmes, and regulations on remittances in Lesotho relied mainly on past studies by SAMP. Representatives of SAMP and the Lesotho Institute of Public Administration (LIPAM) convened in Maseru for a training workshop on remittances and development and planning of the study methodology.

The report is based on data and information from two sources. The first component of the study is based on a data set specifically created for this study by SAMP. The data set combines household level survey data from SAMP's Migration and Remittance Survey (MARS) and Migration and Poverty Survey (MAPS) conducted in 2005–2006. MARS is a nationally-representative household survey of households with an international migrant. MAPS is a nationally-representative survey of all households in the country. For the purposes of this study, households with an international migrant were only isolated from the broader MAPS data set. The data for these households was then combined with the MARS data set providing a larger sample of migrant-sending households for analysis. The SAMP Lesotho Remittances

data set contains information on the demographic structure, economic activities, sources of income, and remittance volumes and uses for a sample of 1,250 migrant-sending households.

The second data set is based on interviews with stakeholders in Lesotho by LIPAM in early 2012. The interviews covered 29 institutions drawn from different sectors, namely: nine government ministries, four commercial banks, one asset manager, one savings and credit cooperative, the postal services, two parastatals, one money transfer company, four non-governmental organizations, one retailer, two insurance companies, one research institution, and two telecommunication companies. The interviews aimed to obtain information on the policies and programmes for facilitating remittance inflows through formal channels as well as measures for leveraging remittances for development. Furthermore, the interviews sought information on regulations under which remittance flows occur and examined the remittance transfer and remittances-linked financial products offered at various institutions.

The preliminary findings of the study were presented to a multi-stakeholder workshop entitled “The Lesotho National Workshop on International Migration Data Collection” held in Maseru between 21 and 23 March 2012. The feedback received from the workshop participants is incorporated into this report.

Key findings

- Remittances play an important role in the survival of many households in Lesotho. Remittances not only comprise the largest contributor to the household budget of migrant-sending households; in several cases they are actually the only source of income for households. Indeed, without remittances, a large proportion of the households would have fallen deeper into poverty.
- The remittance infrastructure in Lesotho is poorly developed, as evidenced by the heavy dependence on informal hand-to-hand transfers.
- There is little evidence that remittances are currently generating major multiplier effects at the local or national level. Most of the remittances are spent on household consumption with very little currently being directed to enterprise development, agricultural production, savings or investment projects. However, household spending on education and health is an investment in human capital and should be encouraged.

- Lesotho's reliance on imported goods from South Africa means that remittances tend to promote economic development in South Africa rather than Lesotho. However, these expenditures do tend to create jobs in the service industry if goods are purchased locally.
- Besides the compulsory Deferred Pay Act (DPA) for mineworkers, the study found no other official policy in Lesotho with the aim of facilitating remittances inflows through formal channels.
- The engagement of government ministries with Basotho migrants appears to be very limited in scope in terms both of geography and employment sectors. Most of the focus is still on Basotho mineworkers employed in South Africa who have declined considerably in numbers over the last decade.
- Foreign exchange control regulations limit migrants working in Lesotho to repatriating no more than 80 per cent of their net income, but there are plans to eliminate the restriction.
- Most remittance transfer products offered by institutions in Lesotho suit regular income earners with bank accounts. Mobile-phone based money transfer services in the country are still in their infancy and currently do not facilitate cross-border transfers.
- There is only one remittances-linked savings product offered in two commercial banks, which was introduced as a result of the Deferred Pay Act (DPA). Overall, there is a general lack of adoption of remittances-linked financial products by the private sector, government ministries and parastatals.

- Rural areas are poorly served by remittance service providers, most of whom are exclusively located in urban centres around the country. The Postal Services is the only remittances service provider which has a presence in remote rural areas.
- There is little capacity for providing timely, reliable, and accurate data on remittances and migration.

Recommendations

Based on the gaps identified by this study on the Remittances Frameworks in Lesotho, the key recommendations for adoption by the government are as follows:

- Develop a comprehensive remittance policy for facilitating remittance inflows through formal channels.
- Introduce and support the development of remittances-linked financial products.
- Develop programmes and policies for harnessing remittances for development in the context of the more general pursuit of sound economic development.
- Improve capacity for the collection of remittances and migration data through regular household surveys and official statistics.
- Allow for dual citizenship to Basotho nationals which will ease cross-border labour mobility and may increase remittance inflows and thus helps to offset the negative effects of brain drain.

RECOMMANDATIONS CLÉS

Faciliter les flux entrants de transferts de fonds

- Les transferts de fonds, ayant un caractère privé, n'apportent qu'un complément aux besoins en développement du pays, sans en être la panacée. Étant donnée l'importance des transferts de fonds en termes relatifs, il existe un risque d'une trop forte dépendance à leur égard. Toute mesure prise pour tirer profit des transferts de fonds devra en conséquence être assortie de mesures visant à créer un environnement économique, juridique et politique qui soit favorable au développement humain.
- Élaborer une stratégie globale en matière de transferts de fonds pour encourager les migrants Basotho qui travaillent et vivent dans d'autres pays à envoyer de l'argent au pays par l'intermédiaire de canaux formels et tirer profit des transferts de fonds pour favoriser le développement.
- Faciliter l'adoption rapide par la banque publique de produits de transferts de fonds sur téléphone portable et encourager l'utilisation de tels produits pour effectuer des transferts internationaux. La banque publique pourrait offrir des produits de transferts d'argent sur technologie mobile, comme M-Pesa. Le nombre d'abonnés à la téléphonie mobile est relativement important au Lesotho, la densité téléphonique y étant de 54 pour cent, et le pays connaît une croissance soutenue des services de téléphonie mobile (LCA, 2011). Un nombre important de personnes dans le pays pourrait donc transférer des fonds via la téléphonie mobile, ce qui permettrait de réduire efficacement l'important volume des fonds transférés par les canaux informels.
- Le besoin existe de créer un environnement favorable à l'introduction de nouveaux produits de transfert de fonds et de nouveaux fournisseurs de services. Assouplir les exigences d'admission et créer un cadre réglementaire favorable aux fournisseurs de services de transfert de fonds sont des stratégies appropriées compatibles avec une politique gouvernementale de taxation des services financiers déterminée par les marchés. Les organismes de micro-financement pourraient être autorisés à participer au marché des transferts de fonds après la finalisation des règlements y afférant.
- Développer une stratégie pour impliquer les femmes migrantes dans les questions de transfert de fonds et de développement. Des études ont montré qu'un nombre important de femmes migrantes travaillant en Afrique du Sud exerce des professions mal rémunérées, comme le travail domestique

ou les travaux à la ferme. Certains de ces emplois sont saisonniers et les rémunérations souvent très faibles ; cette précarité implique que ces femmes n'ont pas accès aux services bancaires et ont donc recours aux canaux informels pour envoyer des fonds vers le pays d'origine.

- Identifier les migrants et les diasporas Basotho et encourager la formation d'associations de migrants et de la diaspora.
- Renforcer les campagnes de sensibilisation aux services de transferts de fonds et à l'importance des transferts de fonds pour le développement. Des informations sur une série de produits de transfert d'argent, leurs coûts et exigences pourraient être diffusées par le biais des stations de radio publiques et privées, de la télévision nationale, des quotidiens, magazines et Internet, en sesotho comme en anglais.
- Accélérer le traitement et la délivrance des passeports.
- Développer l'infrastructure informatique et télématique : l'amélioration de la connectivité à internet permettrait d'introduire de nouveaux produits de transfert de fonds, d'améliorer l'accès aux services de transfert de fonds et aiderait à commercialiser ces produits.
- Le Gouvernement du Lesotho pourrait entamer un dialogue bilatéral avec les autorités des pays d'accueil sur les mesures permettant de faciliter les flux entrants de fonds par les canaux formels et de réduire les coûts des transferts de fonds entre autres.

Tirer parti des transferts de fonds pour favoriser le développement

- Développer des produits financiers liés aux transferts de fonds: les titres du gouvernement, comme les titres du Trésor et les obligations, ainsi que d'autres produits d'épargne offerts par la Banque postale du Lesotho pourraient être utilisés pour cibler les transferts de fonds. Ces produits d'épargne spéciaux pourraient être assortis de mesures incitatives, comme des taux d'intérêt élevés, des exonérations fiscales sur le revenu d'intérêts et des options permettant de libeller les comptes en devises étrangères.
- Introduire des *programmes de compléments* : ces programmes pourraient être introduit, en partenariat avec des associations établies de migrants et des diasporas Basotho, comme au Mexique. Dans le cadre

de ces programmes, le gouvernement multiplie les contributions des migrants et des diasporas investies dans des projets de développement dans leur pays et leurs communautés d'origine.

- Le gouvernement pourrait également contribuer aux projets de développement existants amorcés par des organisations non gouvernementales en lien direct avec des communautés de migrants.
- Promouvoir les Projets d'investissement prioritaires, mis sur pied par des organisations telles que la Lesotho National Development Corporation, auprès des associations de migrants et de diasporas Basotho établies, ainsi qu'auprès des migrants individuels et des diasporas. Ces projets concernent, par exemple, l'embouteillage d'eau, la conserverie de fruits et de légumes, l'extraction du grès ou le tourisme.
- Sensibiliser les communautés de migrants aux programmes d'aide aux TPPME, comme les programmes gérés par le Ministère du Commerce et de l'industrie, des coopératives et du marketing. Ces programmes pourraient également être adaptés aux besoins des ménages qui bénéficient de transferts de fonds.
- Renforcer les programmes visant à améliorer l'éducation financière : le développement des programmes éducatifs dans le domaine des finances

personnelles à destination des migrants et de leur famille leur permettra d'améliorer la prise de décisions financières et la mise en place de plans d'investissement, d'économiser pour les études de leurs enfants, pour leur pension et les aidera à mieux choisir leurs polices d'assurances. L'éducation financière pourra également permettre de cultiver de bonnes habitudes financières, d'augmenter le taux d'épargne du pays et d'accéder à de meilleurs marchés financiers.

- Améliorer la collecte des données en matière de migration et de transferts de fonds : il convient de renforcer les capacités de l'Office statistique pour mener des sondages réguliers et fréquents sur les transferts de fonds et la migration et produire des séries temporelles à jour qui soient comparables avec celles d'autres pays.
- Renforcer les capacités des instituts de recherche en matière de transferts de fonds et de développement et encourager les organisations non gouvernementales à participer au plaidoyer en faveur des questions liées aux transferts de fonds et au développement.

RÉSUMÉ ANALYTIQUE

Contexte

Cette étude sur le Cadre des transferts de fonds au Lesotho a été commanditée par l'Observatoire ACP sur les migrations et coordonnée par le Southern African Migration Programme (SAMP), membre du Consortium de l'Observatoire ACP. Cette étude est l'une des activités financées par l'Observatoire dans 12 pays pilotes (dont le Lesotho et l'Angola dans la région de l'Afrique australe). L'Observatoire ACP sur les migrations a été conçu pour aider les gouvernements de la région ACP à intégrer la mobilité humaine dans les plans de développement et les stratégies de réduction de la pauvreté à l'échelon national et régional et à renforcer les transferts Sud-Sud. Les recommandations pratiques découlant des travaux de recherche permettront de faciliter les flux de transferts de fonds entrants et sortants par l'intermédiaire des canaux formels et de promouvoir les impacts positifs des envois de fonds sur le développement humain au Lesotho.

Méthodologie

Cette étude a été lancée avec l'objectif d'identifier les lacunes existantes au sein des politiques et des programmes de facilitation des flux entrants de fonds par le biais des canaux formels et de tirer parti des transferts de fonds pour promouvoir le développement au Lesotho. La première étape du processus de recherche a consisté en un examen de la documentation existante avec, comme objectif principal, d'identifier les politiques et programmes mis en œuvre dans différents pays (dont le Lesotho) qui permettent de faciliter les flux entrants de fonds par le biais des canaux formels et de tirer parti des transferts de fonds pour favoriser le développement. On a également procédé à l'examen des règlements qui régissent les transferts de fonds. L'évaluation des politiques, des programmes et de la législation en matière de transferts de fonds au Lesotho s'est effectuée principalement sur la base des études menées précédemment par le SAMP. Des représentants du SAMP et du Lesotho Institute of Public Administration (LIPAM) se sont réunis à Maseru pour un atelier de formation sur les envois de fonds et le développement et pour planifier la méthodologie de l'étude.

Ce rapport repose sur des données et des informations provenant de deux sources. La première composante de l'étude repose sur un ensemble de données créé spécifiquement pour cette étude par le SAMP. Cet ensemble de données combine des données collectées lors de l'enquête Migration and Remittance Survey (MARS) (enquête sur la migration et les transferts

d'argent) du SAMP et l'enquête Migration and Poverty Survey (MAPS) (enquête sur la migration et la pauvreté) de 2005–2006. MARS est une enquête représentative à l'échelle nationale qui a été menée auprès des ménages dont un des membres est un migrant international. MAPS est une enquête représentative à l'échelle nationale qui a été menée auprès de tous les ménages du pays. Pour les fins de cette étude, seuls les ménages dont un des membres est un migrant international ont été extraits de l'ensemble de données de l'enquête MAPS. Les données relatives à ces ménages ont alors été combinées avec l'ensemble de données de l'enquête MARS afin de pouvoir analyser un échantillon plus important de ménages avec un migrant à l'étranger. L'ensemble de données relatives aux envois de fonds au Lesotho produit par le SAMP contient des informations sur la structure démographique, les activités économiques, les sources de revenus et le volume et l'utilisation des envois de fonds pour un échantillon de 1 250 ménages dont un des membres est un migrant vivant à l'étranger.

Le deuxième ensemble de données est formé par les entretiens qui ont été menés avec les parties prenantes par le LIPAM au Lesotho au début de l'année 2012. Les entretiens visaient 29 institutions dans plusieurs secteurs, dont : neuf ministères gouvernementaux, quatre banques commerciales, un gestionnaire d'actifs, une coopérative d'épargne et de crédit, les services postaux, deux organismes paragouvernementaux, une entreprise de transfert de fonds, quatre organisations non gouvernementales, un détaillant, deux compagnies d'assurances, un institut de recherche et deux sociétés de télécommunications. L'objectif des entretiens était d'obtenir des informations sur les politiques et les programmes permettant de faciliter les flux entrants de fonds par des canaux formels, ainsi que sur les mesures prises pour tirer profit des envois de fonds pour favoriser le développement. Les entretiens visaient aussi à recueillir des informations sur les règlements qui régissent les flux de fonds et à déterminer les systèmes de transfert de fonds et les produits financiers liés à ces transferts qui sont disponibles dans les différentes institutions.

Les conclusions préliminaires de l'étude ont été présentées lors d'un atelier multipartite, « The Lesotho National Workshop on International Migration Data Collection » (l'atelier national du Lesotho sur la collecte de données en matière de migration internationale), qui s'est tenu à Maseru du 21 au 23 mars 2012. Les commentaires et observations qui ont été faits par les participants à l'atelier ont été intégrés à ce rapport.

Principales conclusions

- Les envois de fonds jouent un rôle important dans la survie de nombreux ménages au Lesotho. Ils représentent la contribution la plus importante au budget des ménages dont un des membres vit à l'étranger et, dans bien des cas, ils sont l'unique source de revenus des ménages. Sans ces transferts de fonds, de nombreux ménages seraient appauvris davantage.
- L'infrastructure des envois de fonds au Lesotho reste peu développée, comme en atteste la forte dépendance envers les transferts informels, « de main en main ».
- Il y a peu de raisons de penser qu'actuellement les envois de fonds génèrent un effet multiplicateur important à l'échelon local ou national. La plus grande partie des envois de fonds est consacrée aux besoins des ménages et seule une infime partie est actuellement consacrée au développement d'une entreprise, à la production agricole, à l'épargne ou à des projets d'investissement. Toutefois, les dépenses des ménages pour l'éducation et la santé représentent un investissement dans le capital humain qu'il convient d'encourager.
- La dépendance du Lesotho envers les produits importés d'Afrique du Sud implique que les envois de fonds bénéficient plus le développement économique de l'Afrique du Sud que celui du Lesotho. Cependant, ces dépenses créent des emplois dans le secteur des services quand ces biens sont achetés sur le marché intérieur.
- Hormis la Deferred Pay Act (loi du salaire différé, DPA) obligatoire pour les travailleurs des mines, l'étude n'a identifié aucune autre politique officielle au Lesotho visant à faciliter les flux entrants de fonds par l'intermédiaire de canaux formels.
- L'implication des ministères gouvernementaux avec les migrants Basotho apparaît comme étant très limitée et concentrée essentiellement sur un secteur géographique et d'emploi. Les Basotho travaillant dans les mines d'Afrique du Sud sont privilégiés, bien que leur nombre ait considérablement baissé au cours de la dernière décennie.
- La réglementation de contrôle des changes impose aux migrants travaillant au Lesotho de ne pas rapatrier plus de 80 pour cent de leur revenu net, mais l'on projette d'éliminer cette restriction.
- La plupart des produits de transfert de fonds offerts par les institutions au Lesotho s'adressent aux

personnes ayant des rentrées d'argent régulières et possédant un compte en banque. Les services de transfert d'argent sur téléphonie mobile dans le pays sont encore à l'état embryonnaire et ne permettent pas, actuellement, d'effectuer des transferts transfrontaliers.

- Un seul produit d'épargne lié aux envois de fonds est disponible dans deux banques commerciales; il a été introduit à la suite de la Deferred Pay Act (DPA, loi du salaire différé). En règle générale, on observe un faible taux d'adoption de produits financiers liés aux envois de fonds par le secteur privé, les ministères gouvernementaux et les organismes paragouvernementaux.
- Les zones rurales sont mal desservies par les fournisseurs de services de transfert de fonds car la plupart exercent leurs activités exclusivement dans les centres urbains du pays. Les services postaux sont l'unique fournisseur de services de transfert de fonds présent dans les zones rurales les plus reculées.
- La capacité de produire des données exactes, fiables et opportunes sur les transferts de fonds et le développement est très limitée.

Recommandations

Sur la base des lacunes identifiées au cours de cette étude sur le Cadre des transferts de fonds au Lesotho, les recommandations clés suivantes sont proposées en vue de leur adoption par le gouvernement :

- Développer une politique globale en matière de transferts de fonds avec l'objectif de faciliter les flux entrants de fonds par l'intermédiaire des canaux formels.
- Introduire et soutenir le développement de produits financiers liés aux transferts de fonds.
- Développer des programmes et politiques en vue de tirer parti des transferts de fonds pour favoriser le développement dans le cadre plus général de la poursuite d'un développement économique sain.
- Améliorer la capacité de collecte de données en matière de transferts de fonds et de développement par le biais d'enquêtes auprès des ménages et de statistiques officielles régulières.
- Permettre aux ressortissants Basotho d'obtenir la double nationalité, ce qui faciliterait la mobilité transfrontalière du travail et permettrait d'augmenter les flux entrants de fonds, afin de compenser en partie les effets négatifs de la fuite des cerveaux.

RECOMENDAÇÕES PRINCIPAIS

Facilitar os fluxos de entrada de remessas

- As remessas são fundos privados, não públicos. Não constituem solução para as necessidades de desenvolvimento do país, apenas um complemento. Tendo em conta a elevada importância relativa das remessas, há um elevado risco de dependência excessiva nas mesmas. Todas as medidas adoptadas para impulsionar as remessas têm de ser acompanhadas de medidas que criem um ambiente económico, legal e político favorável para promover o desenvolvimento humano.
- Desenvolver uma política de remessas abrangente para incentivar os migrantes Basoto que trabalham e vivem noutros países a enviar dinheiro para o país de origem através dos canais formais e a impulsionar as remessas para o desenvolvimento.
- Facilitar a adopção célere de produtos de transferência de remessas por telemóvel pelo banco estatal e apoiar a utilização dos produtos para realizar transferências internacionais. Poderiam ser introduzidos produtos de transferência de dinheiro baseados na tecnologia móvel, como por exemplo o M-Pesa, no banco estatal. O Lesoto tem um nível de subscrição de serviços de comunicação móveis relativamente elevado, com uma teledensidade de 54 por cento, verificando-se um crescimento estável dos serviços móveis (LCA, 2011). Deste modo, a transferência de dinheiro baseada em telemóvel estaria acessível para um elevado número de pessoas no país e poderia ser muito eficaz para reduzir o elevado volume de remessas transferidas através de canais informais.
- É necessário criar um ambiente que facilite a introdução de novos produtos de transferência de remessas e novos fornecedores de serviços. Reduzir os requisitos de entrada e criar um ambiente regulamentar favorável para os fornecedores de serviços de transferência de remessas são estratégias adequadas compatíveis com uma política governamental baseada no mercado de taxas dos serviços financeiros. As instituições de microfinanciamento poderiam ser autorizadas a participar no mercado das remessas na sequência da conclusão da respectiva legislação.
- Desenvolvimento de uma estratégia de implicação de migrantes do sexo feminino com respeito às questões relacionadas com remessas e desenvolvimento. Os estudos realizados demonstram que um elevado número de migrantes do sexo feminino na África do Sul estão envolvidas em ocupações com remunerações baixas, como por exemplo trabalhos

domésticos e agrícolas. Uma vez que a maior parte destes empregos para migrantes é sazonal e as respectivas remunerações são muito baixas, os migrantes não podem aceder aos serviços bancários. Portanto recorrem aos canais informais para a remessa de dinheiro para o país de origem.

- Identificação dos migrantes e da diáspora Basoto e incentivo à formação de associações de migrantes e diásporas.
- Fortalecimento de campanhas de consciencialização relativas aos serviços de transferência de remessas e à importância das remessas para o desenvolvimento. Informações sobre vários produtos de transferência de dinheiro, custos e requisitos poderiam ser divulgadas ao público através de estações de rádio públicas e privadas, televisão nacional, jornais, revistas e internet tanto em Sesoto como em inglês.
- Rápido acompanhamento do processamento e da distribuição de passaportes.
- Expansão da infra-estrutura TIC: a melhoria da conectividade da internet facilitaria a introdução de novos produtos de remessa, aumentaria o acesso aos serviços de remessa e apoiaria o marketing de produtos de remessa.
- O Governo do Lesoto poderia desenvolver diálogos bilaterais com as autoridades dos países receptores de migrantes relativamente às medidas para facilitar o fluxo de entrada de remessas através de canais formais e reduzir os custos de transferência de remessas, entre outros.

Impulsionar as remessas para o desenvolvimento

- Desenvolvimento de produtos financeiros relacionados com remessas: os títulos públicos negociados, como por exemplo títulos e bilhetes do tesouro, bem como outros produtos de poupança oferecidos pelo Banco Postal do Lesoto poderiam ser utilizados com respeito às remessas. Estes produtos de poupança especiais poderiam ser acompanhados de incentivos como taxas de juro elevadas, isenção de impostos sobre o rendimento dos juros ou opções de ter contas em moeda estrangeira.
- Introdução de *programas de complementação*: estes programas podem ser introduzidos em parceria com associações de migrantes e diásporas Basoto, como é o caso do México, por exemplo. Nestes programas, o governo multiplica a contribuição dos migrantes e das diásporas investida em projectos de desenvolvimento no país e nas comunidades respectivas.

- O governo também pode contribuir para os projectos de desenvolvimento existentes iniciados por organizações não governamentais que lidam directamente com comunidades de migrantes.
- Promoção de Projectos de Investimento Prioritários por organizações como a Corporação de desenvolvimento nacional do Lesoto (Lesotho National Development Corporation) para associações de migrantes e diásporas Basoto, bem como diásporas e migrantes individuais. Estes projectos poderiam incluir o engarrafamento de água, enlatamento de frutos e vegetais, exploração mineira e turismo, entre outros.
- Promover a consciencialização com respeito aos programas de apoio às PME, tais como os geridos pelo Ministério do Comércio e Indústria, Cooperativas e Marketing para as comunidades de migrantes. Estes programas também poderiam ser adequados às necessidades das famílias receptoras de remessas.
- Programas de fortalecimento para melhorar a literacia financeira: a expansão de programas de educação em finanças pessoais para migrantes e para as respectivas famílias melhorará a tomada de decisões financeiras e a implementação de planos de investimento, poupança para a educação das crianças, aposentação e selecção de companhias de seguros. A educação financeira também poderia ajudar a cultivar bons hábitos financeiros, aumentar a taxa de poupanças do país e promover melhores mercados financeiros.
- Melhorar a recolha de dados sobre a migração e as remessas: a Agência de Estatística deveria ser capacitada de modo a poder conduzir inquéritos regulares frequentes sobre remessas e migração e a produzir dados em série actualizados comparáveis aos de outros países.
- Melhorar a capacidade das instituições de investigação relativamente às investigações sobre remessas e desenvolvimento e incentivar a participação de organizações não governamentais na promoção de questões relacionadas com as remessas e o desenvolvimento.

RESUMO EXECUTIVO

Antecedentes

Este estudo relativo à Estrutura das Remessas no Lesoto foi comissionado pelo Observatório ACP das Migrações e coordenado pelo Programa de migração na África Austral (Southern African Migration Programme, SAMP), membro do Consórcio do Observatório ACP. O estudo é uma das actividades financiadas pelo Observatório em 12 países piloto (incluindo o Lesoto e Angola na região da África Austral). O Observatório ACP das Migrações foi concebido para apoiar os governos na região ACP a integrar a mobilidade humana nos planos de desenvolvimento nacional e regional e nas estratégias de redução da pobreza e para melhorar as transferências Sul-Sul. Esta investigação apresenta recomendações práticas para facilitar os fluxos de entrada e saída de remessas através de canais regulares e promover impactos positivos das remessas sobre o desenvolvimento humano no Lesoto.

Metodologia

O estudo foi realizado com o objectivo de identificar as lacunas existentes nas políticas e nos programas de facilitação dos fluxos de entrada de remessas através de canais formais e impulsionar as remessas para o desenvolvimento no Lesoto. O primeiro passo do processo de investigação foi um exercício de revisão de literatura cujo principal objectivo foi identificar as políticas e os programas implementados em diferentes países (incluindo o Lesoto) para facilitar os fluxos de entrada de remessas através de canais formais e melhorar a utilização das remessas para o desenvolvimento. Os regulamentos de acordo com os quais decorrem os fluxos de remessas também foram explorados. A avaliação de políticas, programas e regulamentos sobre remessas no Lesoto foi sobretudo baseada em estudos realizados no passado pelo SAMP. Os representantes do SAMP e do Instituto de administração pública do Lesoto (Lesotho Institute of Public Administration, LIPAM) reuniram-se em Maseru para um workshop de formação sobre remessas e desenvolvimento e para planear a metodologia do estudo.

O relatório baseia-se em dados e informações de duas fontes. O primeiro componente do estudo baseia-se num conjunto de dados especificamente criado para este estudo pelo SAMP. O conjunto de dados combina dados de inquérito ao nível do agregado familiar do Inquérito sobre migração e remessas (Migration and Remittance Survey, MARS) e do Inquérito sobre migração e pobreza (Migration and Poverty Survey, MAPS) levados a cabo em 2005–2006. O MARS é um inquérito com representação nacional realizado junto de agregados

familiares com um migrante internacional. O MAPS é um inquérito com representação nacional de todos os agregados familiares no país. Para efeitos deste estudo, os agregados familiares com um migrante internacional apenas foram isolados do conjunto de dados mais abrangente do MAPS. Os dados para estes agregados familiares foram depois combinados com o conjunto de dados do MARS, oferecendo uma maior amostra para análise de agregados familiares com migrantes que enviam remessas. O conjunto de dados de Remessas do Lesoto do SAMP contém informações sobre a estrutura demográfica, as actividades económicas, as fontes de receitas e volumes e as utilizações de remessas para uma amostra de 1250 agregados familiares com migrantes que enviam remessas.

O segundo conjunto de dados baseia-se em entrevistas com intervenientes no Lesoto realizadas pelo LIPAM no início de 2012. As entrevistas abrangeram 29 instituições de diferentes sectores, nomeadamente: nove ministérios governamentais, quatro bancos comerciais, um gestor de activos, uma cooperativa de poupanças e crédito, os serviços postais, duas entidades paraestatais, uma empresa de transferência de dinheiro, quatro organizações não governamentais, um retalhista, duas companhias de seguros, uma instituição de investigação e duas empresas de telecomunicações. As entrevistas tiveram como objectivo obter informações sobre as políticas e os programas destinados a facilitar os fluxos de entrada de remessas através de canais formais, bem como medidas para impulsionar as remessas para o desenvolvimento. Para além disso, através das entrevistas, obtiveram-se informações sobre os regulamentos de acordo com os quais decorrem os fluxos de remessas e examinou-se a transferência de remessas e os produtos financeiros relacionados com as remessas oferecidos por várias instituições.

As conclusões preliminares do estudo foram apresentadas num workshop dirigido a vários intervenientes denominado “Workshop nacional do Lesoto relativo à recolha de dados sobre a migração internacional” (The Lesotho National Workshop on International Migration Data Collection) realizado em Maseru entre os dias 21 e 23 de Março de 2012. O retorno recebido dos participantes do workshop foi incorporado neste relatório.

Principais conclusões

- As remessas desempenham um importante papel na sobrevivência de muitos agregados familiares no Lesoto. As remessas não constituem apenas o maior contributo para o orçamento de agregados familiares

de migrantes que enviam remessas, mas em muitos casos são mesmo a única fonte de renda dos agregados. De facto, sem as remessas, uma grande proporção de agregados familiares mergulharia na pobreza.

- A infra-estrutura de remessas no Lesoto está pouco desenvolvida, conforme evidenciado pela grande dependência em transferências informais de mão em mão.
- Há poucas evidências de que as remessas gerem actualmente efeitos substanciais de multiplicação ao nível local ou nacional. A maior parte das remessas gasta-se no consumo do agregado familiar, sendo que muito pouco dinheiro é direccionado para o desenvolvimento de empresas, produção agrícola, poupanças ou projectos de investimento. No entanto, os gastos dos agregados familiares no ensino e na saúde são um investimento no capital humano e devem ser incentivados.
- A dependência do Lesoto nos bens importados da África do Sul significa que as remessas tendem a promover o desenvolvimento económico na África do Sul em vez do Lesoto. No entanto, estes gastos tendem a criar empregos na indústria dos serviços se os bens forem adquiridos localmente.
- Para além do Deferred Pay Act (DPA) para os mineiros, o estudo não encontrou qualquer outra política oficial no Lesoto destinada a facilitar os fluxos de entrada de remessas através dos canais formais.
- O implicação dos ministérios governamentais para com os migrantes Basoto parece ter um âmbito muito limitado em termos geográficos e dos sectores laborais. A maior parte do foco continua a estar nos mineiros Basoto empregados na África do Sul cujo número sofreu uma redução considerável na última década.
- Os regulamentos de controlo de operações cambiais limitam os migrantes que trabalham no Lesoto a enviar para o país de origem mais de 80 por cento dos rendimentos líquidos. Existem no entanto planos para eliminar a restrição.
- A maior parte dos produtos de transferência de remessas oferecidos pelas instituições no Lesoto são adequados a quem recebe rendimentos regulares através de contas bancárias. Os serviços de transferência de dinheiro baseados em telemóvel no país ainda estão numa fase precoce e, actualmente, não facilitam as transferências transfronteiriças.
- Há apenas um produto de poupança relacionado com remessas oferecido em dois bancos comerciais, que foi introduzido na sequência do Deferred Pay Act (DPA). De um modo geral, há uma falta de adopção

de produtos financeiros relacionados com remessas pelo sector privado, ministérios governamentais e entidades paraestatais.

- As áreas rurais possuem poucos fornecedores de serviços de remessas, sendo que a grande maioria dos mesmos localiza-se exclusivamente nos centros urbanos do país. Os Serviços Postais são os únicos fornecedores de serviços de remessas com presença em áreas rurais remotas.
- Há pouca capacidade para fornecer dados atempados, fiáveis e precisos sobre remessas e migração.

Recomendações

Com base nas lacunas identificadas por este estudo sobre as Estruturas de Remessas no Lesoto, as principais recomendações para adopção pelo governo são as seguintes:

- Desenvolver uma política de remessas abrangente para facilitar os fluxos de entrada de remessas através de canais formais.
- Introduzir e apoiar o desenvolvimento de produtos financeiros relacionados com remessas.
- Desenvolver programas e políticas para promover as remessas para o desenvolvimento no contexto de uma busca generalizada de desenvolvimento económico saudável.
- Melhorar a capacidade de recolha de dados sobre remessas e migrações através de inquéritos regulares aos agregados familiares e estatísticas oficiais.
- Permitir a dupla cidadania de cidadãos Basoto para facilitar a mobilidade laboral transfronteiriça e aumentar os fluxos de entrada de remessas, ajudando a superar os efeitos negativos da “fuga de cérebros”.

I. BACKGROUND

Over the past decade, there has been growing interest in the relationship between migration, remittances and development among governments, international organizations and scholars. In fact, several studies advocate remittances as an important mediating factor between migration and development. It is argued that remittances potentially yield positive impacts on human and physical capital accumulation, productivity, and consumption in the countries of origin of migrants (Barajas et al., 2009). In practice, remittances can have both negative and positive implications for human development in remittance-receiving regions (see UNDP (2010) for a definition of human development). In a bid to increase the developmental potential of migrant remittances, a number of governments have introduced remittance-linked policies and programmes. These policies aim to accelerate the positive impacts associated with remittance inflows and arrange domestic institutions for facilitating the transfer of remittances which are more efficient and tailored to the needs of migrants and their families (Gamlen, 2006).

Globally, officially recorded remittance flows have rapidly increased in both the North-South and South-South settings; with registered remittances received by developing countries rising from USD 30 billion in 1990 to USD 372 billion in 2011 (de Haas, 2007; World Bank, 2010; Mohapatra et al., 2011).¹ Migrant remittances also constitute an increasingly important source of income for developing countries. Remittances rank second after foreign direct investment (FDI), ahead of other sources of external finance like private debt and portfolio equity, and official development aid (ODA). Compared to other sources of external finance, remittances have been less volatile (Mohapatra et al. 2011). Remittances fell only 5.4 per cent in 2009 as a result of the 2008 financial crisis compared to a 36 per cent decline in FDI between 2008 and 2009 and a 73 per cent decline in private debt and portfolio equity flows (Mohapatra et al., 2011).

Formal and informal remittances are driven by self-interest exchanges and altruism or by social obligations towards families and relatives, where the remitter sends money home because he or she gets satisfaction or utility from doing so (Chami et al., 2008; Melde and Schicklinski, 2011). The volume and frequency of remittance flows between countries are also influenced by technological innovation in the telecommunications sector, improvement in payment systems, innovation in the financial sector, increased labour mobility across national borders, and socio-economic and political factors (e.g. economic crises and booms, and conflicts) (Mohapatra, et al., 2011; Orozco, 2011).

This study on policies and programmes for supporting remittance flows and promoting their developmental impact in Lesotho is especially important for three main reasons. First, remittances to Lesotho come almost entirely from South Africa and therefore represent an important case study of the general phenomenon of South-South remittances (Ratha and Shaw, 2007). Secondly, Lesotho is highly dependent on remittances: officially recorded remittances represented 28.6 per cent of the country's gross domestic product in 2010,² which makes them a critical source of foreign exchange, development finance and income for individual households (World Bank, 2011a). Thirdly, the remittance transfer market is underdeveloped, highly concentrated in urban areas and very costly (Genesis Analytics, 2006; Crush et al., 2010). However, recent positive developments in the country are likely to address some of the financial intermediation problems. For example, the country is currently implementing private sector development policies and judicial system reforms (Millennium Challenge Account (MCA) – Lesotho, 2011) as well as capital market development initiatives (Central Bank of Lesotho, 2010), both of which are likely to have a major impact on the developmental potential of remittances in the country.

This study aims to contribute to the improvement of the programmatic and policy framework on South-South remittances in Lesotho. The research makes practical recommendations which facilitate the flow of remittances through regular channels and promote positive impacts of remittances on human development in Lesotho. The findings of this study are expected to support governments in the ACP region to integrate human mobility into national and regional development plans and poverty reduction strategies through enhancing South-South transfers.

The report is organised into six sections. Section Two presents the study's methodology. Section Three provides background on changing migration flows from Lesotho to South Africa. Section Four reviews current evidence on remittance inflows to Lesotho. Section Five presents the results from the SAMP Lesotho Remittances Surveys (LRS) on the scale, channels and use of remittances in Lesotho while Section Six reviews the literature on policies and programmes promoting the multiplier effects of remittances. Finally, Section Seven and Eight present a discussion of the LIPAM findings and Section Nine makes recommendations on strengthening infrastructure supporting remittances as well as leveraging remittance use for development in Lesotho.

¹ <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1110315015165/MigrationandDevelopmentBrief18.pdf>.

² <http://go.worldbank.org/SSW3DDNLQ0>.

2. METHODOLOGY

2.1 Household surveys

The Southern African Migration Programme (SAMP) has conducted two surveys in Lesotho to determine the importance of migrant remittances to households. The first of these, the Migration and Remittance Survey (MARS) aimed to examine the link between migration, remittances and development in Lesotho. The second survey, the Migration and Poverty Survey (MAPS) examined the extent to which migration is a viable poverty-alleviation strategy in Lesotho. For the purposes of this study, the two data sets were combined in order to provide a larger sample of migrant-sending households (the Lesotho Remittances Surveys or LRS).

2.2 Stakeholders study

Information on the remittances framework was obtained mainly through face-to-face interviews with 29 stakeholders in Maseru between January-March 2012. The study population comprised commercial banks, asset managers, post office, money transfer companies, government ministries, parastatals, telecommunication

companies, research institutions and non-governmental organizations (see Annex 1). Semi-structured questionnaires and interview guides were used to guide responses (see Annex 2). However, two commercial banks would not consent to a full interview and the core information for the study was obtained through telephone interviews facilitated by the customer care section of each bank. One of the stakeholders who had been selected for the interview, a money lender, had a pending court case and was not willing to be interviewed.

2.3 Secondary information

As well as an extensive desktop review of the literature on migration and remittances in Lesotho, secondary data for the study was obtained from documents of various institutions. The information collected includes policies, laws and regulations sourced from publications of institutions like the Central Bank of Lesotho. Websites of the interviewed institutions were also used to complement or confirm the responses obtained through the interviews.

3. MIGRATION TRENDS IN LESOTHO

Migration of Basotho, especially to the Republic of South Africa, is a phenomenon that goes as far back as the mid-nineteenth century following the discovery of diamonds in Kimberley and gold on the Witwatersrand. The main reason for moving to the new mining towns was not only to sell their labour in exchange for income, but also to trade agricultural produce and other goods. The number of Basotho migrants fluctuated over time, with single men dominating in the migration stream before the 1990s. In 2010 there were approximately 427,500 Basotho migrants living outside the country (Ratha et al., 2011). South Africa has historically been the leading destination of Basotho migrants. In 2005, a SAMP survey found that 99.8 per cent of Basotho migrants were working in South Africa (Crush et al., 2010). According to Sussex University's Global Migrant Origin Database, Version 4, there are 2,856 Basotho in Africa (outside SADC), 2,360 in Europe, 588 in Canada and the United States, 419 in the Middle East, 86 in Australia and 46 in Latin America and the Caribbean. Within SADC (excluding South Africa), the number is 36,649.³ The 2001 South African census gave the number as 114,911 and the World Bank estimates a figure of 208,226 for 2010. The 2011 South African Census should provide a more accurate figure when the results are published later in 2012.

Mine work is the main profession of male Basotho migrants in South Africa. However, the reported number of Basotho migrant mineworkers in South Africa declined considerably between 1986 and 2010, decreasing from 121,450 to 42,796 (a decline of 65%)

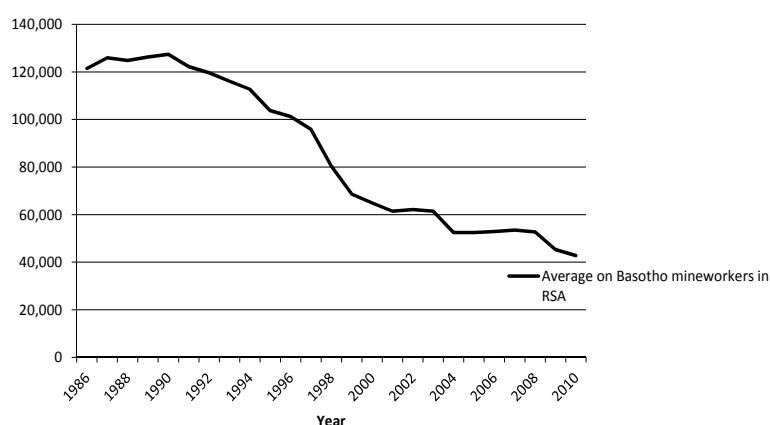
³ See http://www.migrationdrc.org/research/typesofmigration/global_migrant_origin_database.html. The accuracy of this database is questionable since it claims there are more Basotho in Mozambique (23,453) than in South Africa (8,246) which is patently not the case.

(see Figure 3.1). Over this period, then, the number of migrant mineworkers declined by an annual average of 4.17 per cent (Central Bank of Lesotho, 2011, Lesotho Bureau of Statistics, 2010). The majority of Basotho migrants are less skilled. Only about 4.3 per cent of the tertiary educated population of Lesotho migrated to other countries in 2000 (Ratha et al., 2011).

The imbalance not only exists in terms of educational levels of migrants, but also in relation to gender. Men appear to make up a much greater proportion of the migrants, but their dominance is declining. A growing number of women are now migrating to South Africa. The actual numbers are unknown since many migrate through irregular channels. Many female migrants are employed as domestic workers in South Africa. Furthermore, an increasing number of female migrants are employed on commercial farms in the neighbouring Free State province where they are hired as seasonal workers. In most cases, female migrants who work in the farms are the only wage earners in their households which has important implications for the human development of their family members and the crucial role of remittances (Crush et al., 2010).

Irregular migration of Lesotho's citizens to South Africa is an established trend which reflects, in part, the porous nature of the border between the two countries. Semi-skilled and unskilled Basotho migrants make up a high proportion of the irregular migrants. Irregular migration is linked to the inability to obtain work permits from the South African authorities. Irregular male migrants work mostly in the construction sector while women work in the domestic service sector. These irregular migrants are often paid less than South African workers, and exposed to exploitation and abuse (Crush et al., 2010).

Figure 3.1: Average number of Basotho mineworkers in South Africa, 1986–2010



Source: Produced with data from BOS, Lesotho and Central Bank of Lesotho's annual reports.

4. REMITTANCE TRENDS IN LESOTHO

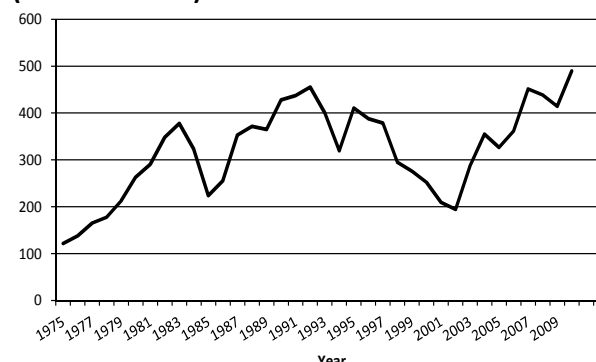
4.1 Remittance inflows to Lesotho

Currently, the Central Bank of Lesotho compiles the country's remittance inflows using reports from the South African Chamber of Mines for estimating inflows from Basotho mineworkers, the Reserve Bank of South Africa for domestic and farm workers, and the banking system for other migrants in other countries. In the past the Bank relied on TEBA (the mine recruiting agency) and other recruiting agencies as sources of remittances data for migrant mineworkers. However, the Bank stopped depending on TEBA in compiling remittances data for migrant mineworkers when it realised that a large number of Basotho now by-pass TEBA and go directly to South Africa to seek jobs in the mines and a large proportion of remittances inflows come through informal channels. At the moment remittances are classified as income in the BOP accounts under the new IMF manual as opposed to current transfers under the old manual.⁴

Lesotho is one of the leading recipients of officially recorded remittances in the world as measured as percentage of gross domestic product (GDP). In 2009, remittance inflows made up 24.8 per cent of the country's GDP, which made Lesotho the third largest receiver of remittances after Tajikistan and Tonga (World Bank, 2011b). Between 2008 and 2009, the volume of remittances received by the country declined by 2.2 per cent as a result of the global financial crisis. In 2010, Lesotho surpassed Tonga to become the second major remittance recipient country, with remittance inflows comprising 29 per cent of GDP (World Bank, 2011c). Officially recorded remittance inflows to the country rose moderately by 4.2 per cent from the previous year. Despite declining trends in the number of migrant mineworkers working in South Africa, official remittance inflows to the country have experienced significant growth over the past couple of decades. Between 1975 and 2010, the volume of remittances received by the country grew by an annual average of 5.5 per cent, rising from USD 121.7 million to USD 489.7 million (World Bank, 2011a) (Figure 4.1). Over this period, the country received an annual average remittance inflow of about USD 321 million. The rapid growth of remittance inflows to Lesotho can partly be explained by the rise of average wages of mineworkers which more than offset the effects of retrenchments. The average annual earnings of Basotho mineworkers in South Africa rose

from M12,321 in 1992 to M82,076 per annum in 2008 (BOS-Lesotho, 2010).

Figure 4.1: Remittance inflows to Lesotho (1975–2010) (in million USD)



Source: Adapted from World Bank (2011b).

Remittance inflows to Lesotho dominates other sources of external financial inflows such as ODA, FDI, (WTO, 2010), and Southern African Customs Union (SACU) revenues (Crush et al., 2010). In 2009, officially recorded remittance inflows to Lesotho were almost 7 times larger than FDI and commercial services exports, and about 3 times larger than the level of ODA (World Bank, 2010; 2011a; 2011d) (Table 4.1).

Table 4.1: Remittance inflows as a share of financial flows, and GDP in Lesotho

Variables	% share of remittance in flows (2009)
Commercial services exports	731
Foreign Direct Investment	658
Official Development Assistance (Net)	337
Merchandise Exports	55
Gross Domestic Product	26

Sources: WTO, 2010; World Bank, 2010; 2011a; 2011d.

The main source of official remittance data in Lesotho is the formal banking system. Two types of formal transfers exist in Lesotho, namely voluntary and involuntary transfers (Crush et al., 2010). Under the involuntary transfer system, the employers of Basotho migrants working in the South African mining industry are forced to deposit a portion of mineworkers' salaries into an interest-bearing account in the country's banking system through a mechanism called the compulsory deferred pay scheme. The employees can only make two emergency withdrawals before the end of their contracts (Sparreboom and Sparreboom-Burger, 1996).

Estimates from the Central Bank of Lesotho indicate that both voluntary and involuntary remittances from Basotho mineworkers have grown from 1992 to 2004 (Crush et al., 2010). Households in Lesotho are heavily

⁴ For an explanation of the differences see http://www.acpmigration-obs.org/sites/default/files/Background%20Note%202_2011_ACP%20Obs_Remittances.pdf. The IMF rules as well as the general remittance definition, both for formal and informal remittances, are explained in the ACP Migration Observatory Research Guide at <http://www.acpmigration-obs.org/node/168>.

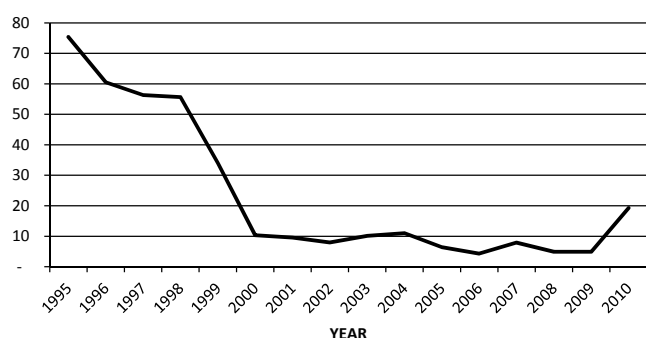
reliant on migrant remittances and a recent survey has shown that up to 95 per cent of migrant-sending households receive regular cash remittances while 20 per cent receive remittances-in kind in addition to cash (Crush et al., 2010). There is also a significant difference in remitting patterns by the type of occupation, skill level and sex. Miners were found to remit more than skilled workers, professionals and unskilled women (Crush et al., 2010).

4.2 Remittance outflows from Lesotho

Compared to remittance inflows, Lesotho has a very small share of officially recorded remittance outflows, which made up 0.9 per cent of its GDP in 2010 (World Bank, 2011b), and ranked 60th globally in 2009. Unlike remittances received by the country which have grown over the years, remittances outflows from Lesotho have declined significantly by 74 per cent, falling from USD 75 million in 1995 to USD 19 million in 2010 (Figure 4.2). This could be explained by the out-migration of the exiled

South African population after the end of apartheid in 1994 and a fall in the ODA-related expatriate population. Remittance outflows from Lesotho entered a steady phase between 2002 and 2009. After the financial and economic crisis of 2008, remittance outflows from the country sharply increased, but remained far below their 1995 level. On average, over the past decade and a half, Lesotho has experienced an outflow of USD 24 million annually based on official data. However, this data needs to be treated with caution since it only reflects money captured through official statistics.

Figure 4.2: Remittance outflows from Lesotho (1995–2010) (in million USD)



Source: Adapted from World Bank 2011b Remittance Data.

5. MIGRANT REMITTANCES: HOUSEHOLD ANALYSIS

5.1 Profile of migrants

The SAMP LRS reveals that an overwhelming majority of Basotho migrants are in the economically active age group, with 87.1 per cent aged between 25-54 years (Table 5.1). Only a minority of migrants (5%) are younger than 25 years, while only 8 per cent are over 55. The LRS confirms the highly gendered nature of international migration from Lesotho. Female migrants made up only 19.3 per cent of the total migrants captured in the survey.

Table 5.1: Profile of migrants, 2005–2006

Age group	No.	%
15-19	7	0.6
20-24	53	4.4
25-29	123	10.2
30-34	143	11.8
35-39	221	18.3
40-44	216	17.9
45-49	203	16.8
50-54	145	12.0
55-59	61	5.1
60-64	25	2.1
>65	10	0.8
Total = 1,207		
Sex		
Male	979	80.7
Female	234	19.3
Total = 1,213		

Source: SAMP LRS.

Almost 71 per cent of the migrants are married, which suggests that migration from Lesotho is strongly motivated by the need to secure better livelihoods for the family (Table 5.2). This was further confirmed by the fact that 64 per cent of the migrants identified themselves as household heads. A considerable proportion of the migrants (28%) were children of household heads which highlights the importance of family networks in the migration process. Less than 4 per cent of the migrants were spouses of household heads. This suggests that most of the predominantly male migrants left their spouses behind in Lesotho to take care of the family.

Table 5.2: Relationship profile of migrants, 2005–2006

Marital status	No.	%
Married	1,007	70.8
Unmarried	216	15.2
Widowed	108	7.6
Separated	61	4.3
Divorced	15	1.1
Abandoned	11	0.8
Cohabiting	4	0.3
Total = 1,422		
Relationship of migrants to household head		
Head	908	63.8
Son/daughter	399	28.0
Spouse/partner	52	3.7
Father/mother	3	0.2
Brother/sister	19	1.3
Grandchild	15	1.1
Son/daughter-in-law	14	1.0
Nephew/niece	1	0.1
Other relative	12	0.8
Total = 1,423		

Source: SAMP LRS.

As expected, the majority of Basotho migrants (63.7%) work on the South African mines (Table 5.3). However, nearly 10 per cent of the migrants work as domestic workers in South Africa, which indicates the growing participation of females in the migrant stream to South Africa. Other occupations of Basotho migrants in South Africa include unskilled manual workers (3.1%), agricultural workers (2.9%) and informal sector producers. About 10 per cent of the migrants occupy skilled positions in South Africa. The brain drain of skilled Basotho professionals can be expected to accelerate in the future because the South Africa's 2002 Immigration Act has made it easier for skilled migrants to work in South Africa. Nonetheless, unskilled labour migration currently dominates the migration stream to South Africa from Lesotho.

Table 5.3: Migrant occupations in South Africa, 2005–2006

Main occupation	No.	%	Main occupation	No.	%
Mineworker	871	63.7	Shepherd	5	0.4
Domestic worker	134	9.8	Health worker	4	0.3
Skilled manual worker	85	6.2	Supervisor	3	0.2
Unskilled manual worker	42	3.1	Farmer	3	0.2
Agricultural worker	39	2.9	Managerial office worker	2	0.1
Professional worker	36	2.6	Security personnel	2	0.1
Informal sector producer	33	2.4	Teacher	2	0.1
Trader/ hawker/ vendor	25	1.8	Pensioner	1	0.1
Business (self-employed)	19	1.4	Other	28	2.0
Service worker	14	1.0	Don't know	15	1.1
Office worker	5	0.4			
Total = 1,368					

Source: SAMP LRS.

5.2 Circular migration

The proximity of South Africa to Lesotho facilitates the movement of migrants between the two countries. At least 55 per cent of the migrants visit their families in Lesotho at least once per month, while a further 24 per cent visit every three months (Table 5.4). Thus, about 80 per cent of Basotho migrants in South Africa visit their families at least four times a year. This reflects the strong nature of ties which the migrants maintain with their households in Lesotho.

Table 5.4: Frequency of home visits, 2005–2006

How often does the migrant come home?	No.	%
Twice or more per month	31	2.2
Once a month	738	52.9
More than once in 3 months	122	8.8
Once every 3 months	213	15.3
Once every 6 months	124	8.9
Once a year	121	8.7
At end of the contract	4	0.3
Other	41	3.0
Total	1,395	100.0

Source: SAMP LRS.

5.3 Remitting behaviour

Remittances in the form of cash and goods have become the main source of income for a large number of households in Lesotho. The SAMP LRS show that remittances in the form of either cash or goods accounted for more than 75 per cent of the total income of the households surveyed (Table 5.5). On average, the households received a mean income of about M10,078 annually from remittances in the form of cash and M2,386 annually from remittances in the form of goods. Local wage work was reported by only 6.6 per cent of the households but contributed on average M7,707 to household income which is less than the average income from remittances. What the findings reveal is that households receiving remittances have a higher income compared to those relying on other sources of income such as casual or wage work in Lesotho, formal or informal businesses, farm product sales, gifts and pension or disability payments.

Table 5.5: Sources of household income in migrant-sending households, 2005–2006

Source of Household Income	No.	%
Remittances – money	1,151	63.0
Remittances – goods	234	12.8
Wage work	121	6.6
Informal business	101	5.5
Casual work	94	5.1
Farm product sales	47	2.6
Gifts	44	2.4
Formal business	21	1.1
Pension/ disability	10	0.5
Other	4	0.2

Mean income by source (in South African Rand)	No.	Mean income (Maloti)
Remittances – money	1,151	10,078
Remittances – value of goods	234	2,386
Wage work	120	7,707
Income from informal business	101	2,700
Casual work	94	2,330
Income from farm products	58	1,704
Gifts	44	1,143
Income from formal business	21	6,446
Pension/disability	10	2,890
Other	4	2,025
Total = 1,827		

Source: SAMP LRS.

The frequency of remittance receipts by households in Lesotho is a good indicator of the extent of dependency on remittances. Reliance on migrant remittances is underlined by the fact that more than 78 per cent of the migrants send remittances back home at least once a month (Table 5.6). A further 14.4 per cent send remittances to Lesotho at least once every three months. Only 7.2 per cent send remittances once or twice every year while only 0.2 per cent send remittances at the end of the contract. These results clearly illustrate that remittances are the mainstay of family survival for Basotho families.

Table 5.6: Frequency of cash remittances to Lesotho, 2005–2006		
	No.	%
Twice or more per month	16	1.3
Once a month	962	76.8
More than twice in 3 months	94	7.5
Once in three months	87	6.9
Once every 6 months	19	1.5
Once a year	71	5.7
At end of the contract	2	0.2
Other	0	0.0
Don't know	2	0.2
Total	1,253	100.0

Source: SAMP LRS.

The channels used by the migrants to send remittances vary widely. However, remittance transfers are dominated by informal channels. More than half (55.5%) personally bring the remittances to Lesotho and 31.9 per cent send the remittances via a friend or co-worker (Table 5.7). The geographical proximity of Lesotho to South Africa facilitates the hand to hand transfer of remittances. Formal channels are clearly not the method of choice of migrants when sending money to Lesotho. Slightly more than 10 per cent of the respondents use formal remittance channels such as the post office (5%), TEBA (Ubank) accounts

(2.8% combined), and other banks (2.7% combined). Besides the high cost of transmission charged by formal channels, a large proportion of Lesotho's population lack access to financial services such as banks and formal money transfer agencies (Genesis Analytics, 2006). In addition, legal requirements for documents (such as personal identification and work permits) make it difficult for some migrants to open bank accounts in South Africa (Genesis Analytics, 2006). In addition, double taxation and corruption hinder the use of formal channels (UN-INSTRAW and UNDP, 2010).

Table 5.7: Major cash remittance channels, 2005–2006

	No.	%
Bring personally	948	55.5
Via a friend/ co-worker	544	31.9
Post Office	86	5.0
Wife's TEBA (Ubank) account	30	1.8
Via Bank in home country	30	1.8
Via TEBA (Ubank) own account	17	1.0
Bank in South Africa	16	0.9
Via Taxis	4	0.2
Bus	1	0.1
Other method	31	1.8
Total	1,707	100.0

Source: SAMP LRS.

In order to assess the uses of remittances by migrant sending households, the survey sought to establish the overall expenses incurred by migrant-sending households. The findings reveal that food and groceries are the most important expenditure incurred by 93.5 per cent of the households, followed by fuel (78.6%), clothes (67.4%), transport (51.5%) and medical expenses (29.1%) (Table 5.8). These expenditure patterns reveal that consumption dominates the expenses incurred by migrant sending households. However, a minority of households do show evidence of investment in their expenditure patterns. For instance, 15.5 per cent spent on education, 11.8 per cent invested in farming, while 4.2 per cent invested in building.

Table 5.8: Proportion of migrant-sending households incurring particular expense, 2005–2006

Expense incurred in previous month (number of households):	No.	%
Food/Groceries	1,169	93.5
Fuel	983	78.6
Clothes	842	67.4
Transport	642	51.4
Medical costs	364	29.1
Utilities	216	17.3
Education	194	15.5

Expense incurred in previous month (number of households):	No.	%
Farming	147	11.8
Tobacco	147	11.8
Alcohol	141	11.3
Savings	114	9.1
Special events	104	8.3
Building	52	4.2
Gifts	46	3.7
Entertainment	23	1.8
Housing	14	1.1
Total	1,250	100.0

Source: SAMP LRS.

The LRS also sought to establish the perceived importance of remittances to households in Lesotho. The findings reveal that migrant remittances play an important role in meeting the day to day needs of households (Table 5.9). First, 89.2 per cent indicated that remittances are important/very important for ensuring

that families have enough food to eat. Secondly, 89 per cent reported that remittances are important/very important for ensuring that families have a cash income. Thirdly, 86.8 per cent of the respondents reported that remittances are important/very important for ensuring the availability of cooking fuel. Fourthly, 86.6 per cent of the respondents indicated that remittances are important/very important for helping their families to access medical treatment. Fifthly, 73.7 per cent reported that remittances are important/very important for their families in having electricity in their homes. Sixthly, 58.8 per cent reported that remittances are important/very important in sending children to school. Finally, 52.8 per cent reported that remittances are important/very important for their families in having enough clean water. Remittances therefore have a demonstrable poverty alleviation effect on households as they play a leading role in ensuring the availability of food, cash, medical treatment, electricity and fuel to a substantial number of households in the country.

Table 5.9: Perceived Importance of remittances, 2005–2006

	Very important/Important		Neutral		Not important	
	N	%	N	%	N	%
In having enough to eat	1,108	89.2	26	2.1	107	8.6
In having a cash income	1,105	89.0	30	2.4	106	8.5
In having enough cooking fuel	1,078	86.8	42	3.4	120	9.7
In accessing medical treatment	1,076	86.6	46	3.7	120	9.7
Electricity in your home	915	73.7	41	3.3	285	22.9
In sending children to school	730	58.8	107	8.6	405	32.6
In having enough clean water	656	52.8	104	8.4	482	38.8
Total = 1,242						

Source: SAMP Households surveys.

The importance of remittances can also be measured in terms of deprivation of basic needs. The survey asked the respondents to indicate the extent to which they had gone without basic needs such as food, water and medical treatment in the previous year. The results show significant differences between male and female migrant sending households in terms of deprivation of basic needs in the previous year (Table 5.10). Across the six measures of deprivation, female migrant sending households fared worse in all but one measure. Hence, households with female migrants were more likely to go without food, medical treatment, electricity, fuel for cooking and a cash income than male migrant sending households.

Table 5.10: Frequency of household deprivation of basic needs in previous year, 2005–2006

Gone without the following at least once in the previous year	Male migrant-sending (%)	Female migrant-sending (%)
Food	51.6	67.1
Clean water	65.6	60.8
Medical treatment	62.5	67.9
Electricity	95.2	96.4
Fuel for cooking	52.1	52.9
Cash Income	73.7	80.1

Source: SAMP Households surveys.

Remittance inflow to households may sometimes be irregular, which may force households to borrow money from various sources (Table 5.11). When forced to borrow, most of the households in Lesotho borrowed funds from sources such as friends (37.2%) and family (21.8%). It can be assumed that these funds are interest free, with families relying on future remittances for debt repayment. There is little evidence of support received from formal sources, with only 0.5 per cent indicating that they had borrowed money from banks, 0.5 per

cent from formal money lenders and only 4.6 per cent from savings groups. In 2002, only 28 per cent of the adult population in Lesotho had a savings account at one of the domestic banks (Chamberlain, 2004). Apart from borrowing from friends and family members, most of the respondents seeking loans obtained them from informal money lenders (16.3% of households) who charge very high interest rates.

Table 5.11: Sources of borrowed funds, 2005–2006

	No.	%
Friends	348	37.2
Family	204	21.8
Money lenders (informal)	153	16.3
Burial society	78	8.3
Savings group	43	4.6
Employer	6	0.6
Bank	5	0.5
Money lenders (formal)	5	0.5
Church	3	0.3
Micro-finance organizations	3	0.3
Other source	88	9.4
Total	936	100.0

Source: SAMP LRS.

Migration is known to have both positive and negative impacts on migrant-sending households. The survey asked the migrant sending households to indicate the overall impact of migration on the household. The findings reveal that 69 per cent of the respondents indicated that migration generally had a positive or very positive impact on their household (Table 5.12). Only 26.5 per cent believed that migration had a negative or very negative impact.

Table 5.12: Perceived overall impact of migration on the household, 2005–2006

	No	%
Very positive	426	35.5
Positive	403	33.6
Neither	38	3.2
Negative	156	13.0
Very negative	162	13.5
Don't know	14	1.2
Total	1,199	100

Source: SAMP LRS.

6. REMITTANCES AND HUMAN DEVELOPMENT: POLICY OPTIONS

6.1 Remittances and human development in Lesotho

Recent insights from the migration and development literature show that migrant remittances are now recognised as the ‘new development mantra’ (Kapur, 2004). This viewpoint has spurred scholarly interest in the developmental impact of remittances in Lesotho at various scales. At the household level, the SAMP LRS reveals several interesting features about the contribution of remittances to households in Lesotho. Firstly, migration constitutes a major strategy for survival of the majority of households in Lesotho with the bulk of remittances spent on day-to-day household needs. Secondly, there is a great reliance on remittances by migrant-sending households in Lesotho. Remittances not only comprise the largest contributor to the household budget; in several cases they are actually the only source of income for households. Indeed, without remittances, a large proportion of the households would have fallen deeper into poverty. Significantly, as the number of male migrants working on the mines has fallen, they have been “replaced” by female household members who migrate to work in other sectors. Thirdly, there is little evidence to suggest that the remittances are currently generating major multiplier effects at the local or national level. Most of the remittances are being spent on consumption with very little being directed to investment projects. Lesotho’s reliance on manufactured goods and foodstuffs from South Africa means that the remittances are promoting economic development in South Africa more than in Lesotho. Finally, the formal remittance framework in Lesotho is not well developed, as evidenced by the heavy dependence on hand-to-hand transfers. While proximity to South Africa is one of the major reasons for this scenario, lack of access to financial services by both the migrants in South Africa and the recipients in Lesotho is a major contributing factor.

At the macroeconomic level, if a large percentage of remittance inflows goes to consumption rather than investment, remittance inflows will have large short-lived positive multiplier effects on the country of origin provided they are used to buy domestically produced goods and services (Stahl and Arnold, 1986; Ratha, 2003, and Rapoport and Docquier, 2005). In the long run, if remittance inflows finance the

accumulation of both physical and human capital and raise total factor productivity and per capita output (Barajas et al., 2009) and thus a country will achieve a higher level of standard of living in the long-run (Romer, 2000). However, the empirical evidence on the impact of remittances on economic output as well as human development on countries of origin of migrants is still mixed; past studies have revealed that the impact of remittances on economic growth to be positive or negative, non-discernible as well as conditional (Barajas et al., 2009). Thus, economic output growth and human development effects of remittances depend on institutional factors, like the level of financial market development, and educational attainment, among others (Barajas et al., 2009; De Haas, 2007). Remittances may also be associated with reduced economic inequality, though the evidence is ambiguous, and poverty in the communities of origin of migrants (Taylor, et al., 2005).

A large number of studies have been conducted in Lesotho to investigate the relationship between remittance inflows and development. Even though these studies relied on representative surveys, which provided valuable insights on the developmental impact of remittances in the country, they do not provide a comprehensive or dynamic picture. These studies are cross sectional, providing information about the developmental use of remittances at a particular point in time, while a longitudinal study would help us to know more about the use of remittances over time. Nevertheless, one longitudinal study was carried out by Motelle (2011). The author investigated the remittance-financial development nexus in Lesotho. The research established that remittance inflows to Lesotho, even though they are positively related to financial development, did not impact on financial development, or credit allocation. On the contrary, the opposite occurred. The results simply imply that it is improvement in the quantity, quality, and efficiency of the financial intermediation that attracts formal remittance inflows.

Overall, two broad policy directions have been proposed to maximise the benefits of remittances for development, namely: (a) strengthening infrastructure supporting remittances and (b) leveraging remittance use for development (Agunias, 2006). This section explores some of these policies in depth.

6.2 Strengthening the infrastructure supporting remittances

Facilitating the transfer of remittances through formal channels is favoured by policymakers because, among other things, it makes monitoring of remittance inflows and outflows from the country easier and presents an opportunity to introduce measures which promotes the use of the remittances in a wider range of development activities. A number of strategies for strengthening the formal remittance infrastructure have been proposed and are discussed in the sections that follow.

a) Regulatory environment

The prevailing regulatory environment in both the migrant's home and host countries can adversely impact on the volume and frequency of remittance flows through formal channels. However, Orozco (2006) argues that a greater proportion of migrant remittances would be sent through formal channels if policies on remittances are tailored to the needs of senders and recipients. He points out that treating remittances as financial transfers involving foreign currency by laws could potentially discourage remitting through formal channels. Table 6.1 summarises some of the issues covered under the regulatory environment in which remittance transactions occur.

Table 6.1: Regulatory environment in which remittance transfers occur
The number of regulatory bodies (Central Banks, Ministries of Finance, supervisory agencies)
The number and type of businesses allowed (fully licensed banks, NBFIs, Post Offices)
Insurance requirements to operate (bond, capital for banks and others)
Types of documentation required from customer to perform a transaction
The control of commissions, fees and other transaction costs
The method of remittance transfer processing (bulk or individual)
Anti-money laundering programmes and guidelines
The amount limits set to know your customer requirements
Enforcement and compliance issues

Source: Orozco (2006).

b) Bilateral dialogue and cooperation between countries

One of the major obstacles hindering migrants from remitting money home is the policies of host country governments. Without bilateral cooperation, it would be impossible for a remittance-receiving country to lower costs of transferring money unilaterally. The engagement of concerned countries in bilateral dialogues and cooperation is the best possible way of lowering remittance costs (Martinez, 2005). Table 6.2 gives examples of cooperation between countries aimed at facilitating the smooth flow of remittances by migrants.

Table 6.2: Policy dialogues between authorities in Sending and Recipient Countries		
Sending country	Recipient country	Topics of bilateral policy dialogue
USA	Philippines	Memorandum of Understanding to reduce fees Improve connectivity of payment systems
USA	Mexico	Connectivity of payment systems Recognition of "matricula consular"
USA	Colombia	Access to bank services to migrants
Germany	Turkey	Taxation issues
Canada	India	Cooperation to reduce remittance fees

Source: Martinez (2005).

c) Tax policies

Tax breaks have been applied by several governments to encourage migrants to remit money home through formal channels. In Egypt, tax breaks were granted for up to 10 years for transfers made through bank institutions. In India, Sri Lanka, and Bangladesh interest on remittance income was fully exempted from income tax (Martinez, 2005).

d) Interest rate policies

Some countries have established special types of deposit accounts at commercial banks. These accounts are meant to give migrants incentives to hold domestic deposit and savings accounts, money markets' products, and bonds. For instance, in Cape Verde, special savings accounts with higher interest rates for its emigrants who invest in the country have been introduced (IC, 2006). Other countries which have introduced similar financial products include Bangladesh, India and Tunisia (Martinez, 2005).

e) Innovative remittance transfer products

The introduction of new remittance transfer products and expansion of their geographical coverage by financial intermediaries, money transfer operators (MTO), and postal services has been found to be crucial for supporting remittances transfers (Comstock, et al., 2009). Examples of innovative money transfer products introduced by banks in some countries include direct electronic payment products. Wells Fargo and Banamex (Mexico) introduced InterCuenta Express, an account-to-account system in 1995, while Kenya introduced Tangaza Kenya, a mobile money transfer product set up by Mobile Pay Limited, which facilitates both domestic and international cash transfers (Ndung'u, 2011). In addition, Safaricom in cooperation with Western Union offers international remittances transfer services through its mobile transfer

product, M-Pesa, which also offers savings options (Jack and Suri, 2009). Electronic transfers have also been introduced in Tanzania and Uganda with the support of the International Organization for Migration (IOM), the Universal Postal Union and the Pan African Postal Union (Melde and Ionesco, 2010).

f) Increasing competition in the remittance market

In order to reduce the transfer costs of remittances, governments are encouraged to introduce policies aimed at promoting financial sector development through encouraging competition among banks and other money transfer operators like microfinance institutions and credit cooperatives in the provision of remittance services. International organizations like the World Council of Credit Unions (WOCCU) also play an important role in remittance markets through credit unions. In fact, WOCCU is making efforts to ensure that the cost of transferring money among its members to 41 countries is one-third to half of the cost of other money transfer services (Ratha et al., 2011). Furthermore, governments can initiate policies which encourage post offices to partner with destination-country post offices, banks, and money transfer companies to increase the reach of their existing domestic money transfer facilities to international remittances and reduce transfer costs. Additionally, transfer costs of remittances can be lowered by granting non-bank financial institutions direct access to central banks' clearing and settlement systems rather than having to clear and settle through commercial banks (Martinez, 2005).

6.3 Leveraging remittances for development

a) Innovative remittance-linked financial products

Financial intermediaries can introduce remittance-linked financial products in the form of savings, credit, insurance, and packaged products. These products help to promote the culture of saving among remittance clients and leverage remittances for development. Examples include:

- Remittances-linked savings products – by IRNet Coop Kenya
- Remittance-linked credit products - small business credit by Salcaja (Guatemala)
- Remittance-linked insurance products - insurance products by Banco ADOPEM (Dominican Republic)

- Packaged products - some financial intermediaries have introduced transfer and savings, savings and credit and credit and insurance packaged products which do not merely facilitate the transfer of remittances but also provide incentives to remittance senders and receivers to use the remittances productively (Comstock et al., 2009).

b) Collective remittances

One way of leveraging remittances for development is by creating investment pools for home country development (Lima and Plastrik, 2006). In this mechanism, a portion of migrants' remittances that is left after the basic needs have been met is pooled with philanthropic money and invested in the economic development of the home country of the immigrants. A matching programme in partnership with home town associations (HTAs) is an interesting example practiced in Mexico, where the state government of Zacatecas offers a three-for one matching fund. Federal, state, and municipal governments in Mexico contribute by multiplying the contributions sent by migrants abroad by three (Aparico and Meseguer, 2008).

c) Policies aimed at improving remittances data

Central banks, statistical agencies, and the international community are encouraged to improve data collection on remittances. Surveys of migrants and recipient households to estimate remittance flows through all channels is recommended (Ratha et al., 2011). Initiatives which can facilitate the spread of information on remittance-linked financial products such as financial literacy training for remittance receivers and marketing campaigns are encouraged (Comstock et al, 2009).

d) Partnerships with international organizations

With the purpose of promoting remittance use for development in the remittance-receiving country, Microfinance International (MFIC) and TechnoServe launched a pilot project co-funded by the International Fund for Agricultural Development in El Salvador in 2007 (Comstock, et al., 2009). This project aims at improving access to business credit to remittance-receiving entrepreneurs. Another good example is the financial literacy project implemented by the International Organization for Migration and BANPRO bank in Nicaragua, where 4,000 people were trained on the subject of the importance of remittances, budgeting, savings, credit and insurance (Melde and Schicklinski, 2011).

7. INFRASTRUCTURE SUPPORTING REMITTANCES IN LESOTHO

This section presents an analysis of various remittances transfer products offered in Lesotho as well as a description of regulations, policies, and programmes on remittances. It also provides an insight into the efforts made by both the public and private sector in facilitating remittance inflows into the country.

7.1 Remittances transfer products in Lesotho

The remittances transfer products available in Lesotho can be categorized into postal services, commercial banks, mobile phone-based and informal remittances products (see Annex 3).

7.1.1 Postal services remittances transfer products

Money transfer products offered by postal services in Lesotho are postal orders and money orders (Annexes 4 and 5). Postal services cover most parts of the country including the remote rural areas. The institution plans to expand the accessibility of its services. The director at postal services disclosed that they were aware that the marketing of their services had been inadequate, and they therefore planned to introduce more educational programmes about their services and had even recruited a marketing manager. Receivers of money sent through postal service products are not charged a fee.

7.1.2 Commercial banks remittances transfer products

All four registered commercial banks in Lesotho were interviewed in order to find out the range of money transfer products which they offered. Money transfer products offered by the banks are SWIFT transfers, MoneyGram, Internet transfers, E-wallet, and Cell phone banking transfers. However, E-wallet and Cell phone banking transfers currently facilitate domestic transfers only (see Annex 3).

SWIFT transfers can only be accessed by customers who have an account with the bank. The money sent through SWIFT transfers can be received from a network of ATMs country wide and over-the-counter inside banks. SWIFT transfers can only be made at three commercial banks excluding the wholly-state owned Lesotho Post Bank.

Commercial banks also offer money transfer services to non-account holders. MoneyGram is one example whereby a non-account holder can receive money sent by a person outside the country, but the service can only be accessed at Standard Lesotho Bank at the

moment. There are plans to introduce another mobile phone-based transfer product, M-Pesa. The Head of Retail Banking in one bank confided that their institution plans to introduce M-Pesa in partnership with a leading mobile telecommunication company in the country.

The main weaknesses of commercial banks' remittances system is that the banks are located largely in urban centres while most of the customers live in remote rural areas. This increases the transaction cost of accessing the services because of high transport costs incurred by customers. Most of the money transfer products offered are accessible to people who earn regular income, while only a few products meet the needs of the poor. Internet transfers can also be accessed by few people in Lesotho because of high internet fees, low levels of internet and fixed line phone subscribership, electrification and computer literacy. In fact, the country has a teledensity of 56 per cent and 51,717 internet subscribers in March 2011 (Lesotho Communication Authority, 2011).

7.1.3 Mobile phone-based remittances products

Mobile banking in Lesotho is still in its infancy. At the moment there are only two money transfer products offered by one registered commercial bank in partnership with a leading mobile telecommunication company. These money transfer products are e-wallet and cell phone banking transfers. However, currently the products can only be used for making domestic transfers.

7.1.4 Other money transfer services providers

Other money transfer services providers include the only active licensed money transfer service company, TEBA Ltd. TEBA, a recruiting agency for mineworkers, and an agent to South African bank Ubank (formerly TEBA Bank), offers bank transfers and cash remittance transfer products to its mineworkers and their families. According to the Regional Coordinator at TEBA, the Cash Remittance System works as follows: mineworkers transfer money over the counter at any Ubank branch in South Africa and send a PIN number by phone SMS. The recipient in Lesotho can get the money immediately after TEBA has received the PIN. Mineworkers are issued debit cards which can be used to withdraw money at other institutions' ATMs and swiped at any Point-of-Sale Terminal for making payments for groceries. The Regional Coordinator at TEBA indicated that they plan to install ATMs in the country. Mineworkers are also allowed to open accounts for their family members who can withdraw money at TEBA. According to the Regional Coordinator at TEBA, between 1-17 February 2012,

M300,000 was remitted through the Cash Remittances System at the Maseru Branch only. A major weakness of this money transfer service is that it relies on commercial banks which can only be accessed in urban areas.

A cooperative also participates in Lesotho's remittance market. Boliba Savings and Credit cooperative offers bank transfers in partnership with ABSA Bank for Basotho migrants working in South Africa. A migrant can make a transfer at any ABSA branch and is required to pay M40.00 (ZAR 40.00) for the service. The cooperative also offers internet transfer services. In an effort to extend the accessibility of the cooperative's services, the sales manager said that they had established new branches in the rural parts of the country like Mpharane and Hlotse. However, lack of skilled manpower and poor infrastructure pose challenges to the organization's quest to expand its operations.

7.2 Informal remittances transfers

Nine interviews were conducted with cross-border transport operators at Maseru border and Butha-Buthe town. In all the four routes ending at Maseru bridge (from Rustenburg, Gauteng, Limpopo and Bloemfontein), a remitter is charged a fixed rate of M70.00 per transfer. Money transfers take place in the operator's offices in South Africa and the remitter is required to provide the phone number of the recipient so that the operator's office at Maseru Bridge can call the recipient when the funds are ready for collection. The taxis do not carry money. The recipients of money are not required to present any identification documents at the transport operator's offices at the terminal stop. However, if the recipient fails to collect the money at the agreed time, a late collection fee of M50.00 is charged. The respondent operating between Butha-Buthe and Johannesburg said they usually charge a fixed M180.00 for transfers over M2,000.00, and M10.00 for every M100.00 transferred on amounts less than M2,000.00.

7.3 Regulations and policies on remittances in Lesotho

Remittances transactions in Lesotho are subject to the Deferred Pay Act, Foreign Exchange Controls, and the institutions providing remittances transfer services have to comply with Financial Institutions (Ancillary Financial Service Providers) (Licensing Requirements) Regulations, 2003, Know Your Customer (Financial Institutions (Anti-Laundering) Guidelines 2000, Anti-money laundering (Financial Institutions (Know-Your-Customer) Guidelines, 2007, Money Laundering and Proceeds of Crime Act 2008. Some of these regulations or laws, such as the Deferred Pay Act and Foreign Exchange Controls, directly influence the volume of remittance flows.

7.3.1 Deferred Pay Act 2006/2007

The volume of officially recorded remittances inflows to Lesotho is mainly driven by the Deferred Pay Act (DPA). The Deferred Pay Scheme, which was set up by the Government of Lesotho in 1974, was aimed at ensuring "that a higher percentage of money paid to Basotho mineworkers was invested/utilized in the domestic economy as against a prior situation whereby the opposite was seen as the case" (Ministry of Employment and Labour, 1995). The scheme was also meant to cultivate a culture of saving among mineworkers. Because the scheme was compulsory, it was criticized by labour relations groups and encouraged some Basotho mineworkers to avoid disclosing their employment to the authorities in order to protect their wages (Saunders, 1971). The Deferred Pay Scheme obliges migrant mineworkers to remit a portion of their wages through the banking system. According to a respondent in the Ministry of Employment and Labour, under the DPA mineworkers working in South Africa were obliged to open accounts with any bank in Lesotho and save 30 per cent of their wages every month into those accounts. However, mineworkers who wanted to transfer more than the proportion stipulated by the Act were free to do so. In 2005 and 2006, the Deferred Pay System encountered problems and then collapsed. According to a representative of NUM, mineworkers complained that they had no voice in the selection of the Deferred Pay Board and funds deposited in the collective account were not well managed. The Government of Lesotho responded by requesting TEBA to take over and enhance its systems for administering the Deferred Pay. TEBA succeeded in reviving the system and the government got involved again. The Government of Lesotho, through the Ministry of Employment and Labour and commercial banks, embarked on campaigns to encourage mineworkers to open individual savings accounts in Lesotho, but the initiative failed dismally. Only 2,000 out of 37,000 mineworkers opened accounts. However, within 6 months, all the mineworkers closed their accounts in the banks and went to TEBA. The mineworkers opted for TEBA because fees charged by commercial banks were not applied at TEBA, but instead borne by their employers in South Africa. The number of contributors to the Deferred Pay Scheme has also declined as many Basotho acquired South African's identification documents and started contributing to South Africa's Unemployment Insurance Fund (UIF). In addition, irregular migrants (including those working illegally on some abandoned mines) are not constrained by the Deferred Pay Act.

7.3.2 Foreign exchange control regulations

Remittances outflows from Lesotho are subject to foreign exchange controls. The acting Head of Policy and Exchange Control Division stated that immigrants working in Lesotho are restricted from transferring more than 80 per cent of their net income. However, there was a plan to eliminate that restriction. Foreign exchange controls require all foreign exchange transactions to be processed through the Central Bank and prohibit other remittances service providers from handling such transactions independently. Registered financial institutions (Standard Lesotho Bank, FNB, and Ned Bank), excluding the Post Bank, are connected to the country's reporting system of foreign exchange transactions. The reporting of foreign currency transactions is done daily. There are plans to enrol Lesotho Post bank into the Central Bank's online foreign currency transactions reporting system.

7.3.3 Financial institutions (anti-money laundering) guidelines, 2000

Remittances, as one type of international transfer, are subject to anti-money laundering requirements. These guidelines apply to all financial institutions in Lesotho. Financial institutions are required to develop programmes against money laundering including:

- (a) Internal controls, policies, and procedures including the designation of compliance officers at management level;
- (b) Customer identification procedures;
- (c) Record keeping;
- (d) Recognition and reporting of suspicious transactions; and
- (e) Education and training of relevant employees (www.centralbank.org.ls).

7.3.4 Financial institutions (ancillary financial service providers) (licensing requirements) regulations, 2003

Organizations dealing in foreign exchange, and offering electronic fund transfers, fall under ancillary financial services and are subjected to the above-mentioned licensing requirements regulations and also the Financial Institutions Act, 1999. The licensing applications have to be directed to the Supervision Department of the Central Bank of Lesotho. The Non-Bank Supervision Department licenses and supervises money transfer companies and the Exchange Bureau. The respondent in the Non-Bank Supervision of the Bank mentioned that they had issued two licences for money transfer operators, to TEBA Ltd

and FX Africa. The money transfer companies report monthly to the Department while Exchange Bureaus report electronically to the Policy, Regulations, and Exchange Control Department. The respondent also indicated that the new Financial Institutions Act had already been passed by the Parliament of Lesotho.

7.3.5 Other regulations

Other regulations and policies governing remittances in Lesotho are:

- Know Your Customer (Financial Institutions (Anti-Laundering) Guidelines, 2000);
- Anti-Money Laundering (Financial Institutions (Know-Your-Customer) Guidelines, 2007);
- Money Laundering and Proceeds of Crime Act, 2008.

7.4 Government efforts to facilitate remittances inflows

Beside the Deferred Pay Act, the study did not find any other official government policies aimed at encouraging remittances inflows into the country. Nevertheless, some government ministries have made efforts to promote remittances inflows into the country. These activities include awareness programmes on the importance of remittances and transfer products, and reducing costs of money transfer through market driven policies, and introduction of internet services.

7.4.1 Awareness programmes on importance of remittances

The Ministry of Foreign and International Affairs through its consulate in South Africa holds meetings with migrant associations with the aim of educating them on the importance of remittances. The consulate also encourages migrants to start businesses and consortiums in Lesotho.

7.4.2 Reducing money transfer costs

- The Ministry of Communication has introduced internet services in post offices.
- The Central Bank of Lesotho has no legal power over money transfer fees charged by the commercial banks. This is because of the market-driven policies that the Bank has implemented, where fees are left to be determined by market forces. Their role is to create an environment that encourages competition. However, an official of the Central Bank indicated that they were currently consulting domestic banks with a purpose of understanding how their service fees including of money transfers were determined.

7.4.3 Spreading information on money transfer services and products

In an effort to increase awareness of the money transfer products they offer, the postal services is spreading information about its money transfer products through Radio Lesotho, which can also be accessed online. There are also plans to introduce a regulation that will require financial institutions to disclose their fees to the public. A respondent at the Central Bank of Lesotho noted that a regulation which would require disclosure of fees to the public was still under development.

7.4.4 Expansion of telecommunication infrastructure

The Government of Lesotho has set up a fund for expanding the coverage of telecommunication services in the country. Both the Lesotho Communication Authority and Operators contribute to this fund, which is used to finance the building of towers to increase signal coverage. A respondent from the Lesotho Communication Authority pointed out that the initiative had already brought benefits to people who live in the rural areas. However, this fund focuses only on mobile telecommunications services providers.

The Government of Lesotho is also embarking on digital migration which aims at moving the country from analogue to digital (Lesotho Communications Policy, 2008). The country has just been connected to the submarine cable, EASSy, which is expected to improve the country's communication infrastructure. It will increase the country's access to high speed, high band width connectivity, as well as enable the development of new products and services that would otherwise have not been possible due to bandwidth restrictions. Costs of communication within the country and with other countries are expected to decline. A respondent from one telecommunication company disclosed that their company was planning to get connected to the submarine cable within the next 3-4 months and expected internet fees to fall significantly.

There are efforts by the telecommunication sector to reduce communication charges. A respondent at a leading mobile-telecommunication company in the country indicated that since August 2010, their company had embarked on a systematic reduction of its rates and had achieved average reductions of 34 per cent. The improvement in the country's information and communications technology (ICT) Infrastructure could also support remittances flows to and out of the country through costs reductions, and increased access to money transfer services, and enabling the introduction of more mobile phone- and internet-based remittances transfer products in the future.

7.4.5 Banking the unbanked

In an effort to improve financial intermediation in the country, the Government of Lesotho has partnered with IFAD in a 7 year programme, the Rural Financial Intermediation Programme (RUFIP). The components of this programme include development of member-based financial institutions through three sub-components of capacity building of informal groups, financial cooperatives and Rural Savings and Credit Groups (RSCGs). The programme is financed jointly by the Government of Lesotho and IFAD with an amount of USD 10.9 million.⁵

The Central Bank of Lesotho, Lesotho Post Bank, Ministry of Agriculture and Food Security, Cooperatives, and Ministry of Finance and Development Planning participate in the RUFIP programme. A respondent from the Central Bank pointed out that the Bank also participated in financial literacy training for the general public and lenders. The programme educates the public on financial products and service providers found in the country and encourages transparency among financial service providers. In addition, the respondent disclosed that the Bank was in the process of developing a regulation for microfinance institutions and a consultant had already been contracted.

The Central Bank of Lesotho has piloted a M2.5 million Credit Guarantee Fund to improve access to credit in Lesotho. The risks on loans issued by banks to groups of people is shared as follows; 50, 30 and 20 per cent by the Central Bank, commercial banks, and borrowers respectively. According to the respondent in the Central Bank, 11 loans were issued and M400,000.00 disbursed.

The Central Bank is working with Millennium Challenge Account (MCA)-Lesotho on the establishment of a credit bureau. The Bank serves as a facilitator in this project. The respondent in the Bank pointed out that the implementation of the project would reduce the indebtedness of people by curbing multi-borrowing. The Central Bank is also working with the MCA in the national identification project. According to the respondent in the Non-Bank Supervision, the project would solve the problem of multiple passports. There are plans to relax the regulations on borrowing costs charged by money lenders. The Central Bank intends to eliminate the ceiling on the lending costs and leave the rates to be determined by the market forces.

The Postal Services also plan to improve access to banking services in remote rural areas. According to a respondent from the Ministry of Communications, Science and Technology, the implementation of the Postal Services Business Plan would improve access not only to postal services, but also to banking services.

⁵ <http://www.centralbank.org.ls>.

7.4.6 Issue of passports and the introduction of national identification cards

Past studies have shown that low levels of access to financial and remittances transfer services by migrants and their families in Lesotho can partly be explained by a lack of personal identification documentation (Genesis Analytics, 2006; Crush et al, 2010). In order to speed up the issue of passports to Basotho migrants, the Ministry of Home Affairs, Public Safety and Parliamentary Affairs

has set up desk offices in the Ministry of Employment and Labour and TEBA whereby migrants working in farms and mines in South Africa, respectively, can be given immediate help. Those working in other countries can be served at consulate offices. Priority is also given to widows and orphans who need passports to claim funds for deceased mineworkers. A respondent at the Ministry of Home Affairs indicated that there were plans to introduce a national identification document and added that the preparations were at an advanced stage.

8. LEVERAGING REMITTANCES FOR DEVELOPMENT IN LESOTHO

This section presents the policies, programmes and roles of various organizations in Lesotho in facilitating the use of remittances for development, and a discussion of remittances-linked financial products offered in the country.

8.1 Government-led initiatives

The study revealed that efforts made by the government to encourage the use of remittances for development are limited to organized visits by domestic banks to mines in South Africa to create awareness of the savings products they offer, financial literacy, and encouraging the formation of migrants' associations and consortiums by Basotho migrants working in South Africa. However, the study found no development projects for Basotho migrants directly supported or initiated by the government.

8.1.1 Awareness of savings products

The Ministry of Labour and Employment organizes the visits for local commercial banks to mines in South Africa to inform and educate Basotho workers about their savings products. The Ministry also counsels and advises mineworkers when they receive their retirement packages in an attempt to encourage them to save or invest their money in the country.

8.1.2 Encouraging the formation of migrant associations

The Ministry of Labour and Employment encourages the formation of associations by migrant workers and their families through the National Employment Services office. The Ministry of Foreign Affairs and International Relations, through its consulates, engages with Basotho diasporas and migrant workers working in South Africa through their representative associations. The consulates educate them about the importance of remittances, encourage them to start businesses in Lesotho, help the Deferred Pay Committee (which represents mineworkers in Welkom) in holding elections, and engages with them to discuss and share experiences on a range of issues. According to an officer in the country's consulate in South Africa, the engagement of consulates with Basotho migrants and the diaspora, has facilitated the establishment of networks among Basotho from various professions and the formation of Basotho consortiums. The officer also pointed out that some of the consortiums won tenders and created many jobs in Lesotho.

8.1.3 Leveraging mineworker funds

Some respondents claimed that there is a lack of interest from the government in supporting initiatives that could contribute to the development of the country. The National Union of Mineworkers' (NUM) representative stated that one ministry turned down their request to discuss ways of using the funds contributed by Basotho mineworkers in South Africa. He pointed out the liquid amounts of provident and pension funds for Basotho mineworkers were about M19 billion and M21 billion, respectively and the Government of Lesotho could tap into these funds through issuance of bonds for financing construction of roads, health centres and universities. He referred to the contribution of M370 million by mineworkers' provident fund through its social component in the construction of the Maputo corridor road as a good example of how the government could harness the funds for development.

The representative also believed that reports indicating the lack of cooperation and interest by government ministries in their affairs made mineworkers feel unpatriotic and discouraged them from taking an active role in the development of Lesotho:

"If you talk to mineworkers about contributing to the development of Lesotho you offend them and they could even beat you. So you just keep quiet and let them decide on how they use their money. They therefore get aggrieved when you talk to them about the government of Lesotho."

(NUM representative)

He gave two examples of the government's failure to act in a way that would have benefitted mineworkers. In the mid-1990s, the Labour Market Commission of South Africa recommended that the migrant labour system should be phased out and argued that the compulsory Deferred Pay System was a violation of human rights and thus had to be abolished. NUM did not accept the recommendation that the DPA must be abolished and wanted the government to intervene. However, the Government showed no interest. The South African Government itself ignored the Commission's recommendation and the Deferred Pay System remained in place. Secondly, the Government declined to hold talks with the visiting representative of trade unions from South Africa on matters pertaining to the implementation of the Immigration Act No. 13 of 2002 by the South African Government. This Act meant that foreigners would no longer be employed in mines unless they had the relevant mining skills. This behaviour angered Basotho mineworkers.

The NUM representative pointed out that they have successfully negotiated tax deductions on retirement packages of mineworkers with the South Africa government's Treasury with these terms:

- For amounts less than M300,000, no taxation.
- For amounts more than M300,000, a tax rate of 18 per cent is imposed.
- For amounts close to M900,000, a tax rate of 27 per cent is applied.
- For amounts more than M900,000, a tax rate of 36 per cent is applied.

The NUM representative stated that mineworkers would not agree to send their money home to Lesotho where their money would be subjected to 45 per cent income tax. He added that tax rates in South Africa were much lower than in Lesotho.

Other obstacles cited to any policy aimed at harnessing mineworkers' remittances include:

- Mineworkers have a mentality that their survival is in South Africa and believe that the government of Lesotho does not care about them.
- They are dissatisfied that there is lack of development in their villages.
- They complain that the private sector is weak in Lesotho and thus few job opportunities.
- A large number hold South African identity cards because they believe it is advantageous to them to do so.

8.2 Private sector initiatives

The study revealed that the private sector in Lesotho plays a very limited role in facilitating the use of remittances for development. However, some banks offer savings accounts for migrant mineworkers and there is also an institution which provides micro credit to former and current mineworkers at cheaper borrowing costs. Basotho migrants who are not mineworkers are excluded from the programme.

8.2.1 Remittances-linked financial services/products

Two commercial banks in the country, Standard Lesotho Bank and Nedbank, offer interest-bearing savings accounts called "Deferred Pay Fund accounts" to migrant mineworkers working in South Africa (Table 8.1). Benefits packaged with these savings accounts include a special queue and exemption from bank charges. The interest rates earned on these savings accounts are low, much lower than the inflation rate. Mineworkers have also opened savings accounts in the Lesotho Post Bank.

Financial institutions	Remittances-linked savings products	Annual interest rate (%) for different amounts saved
Nedbank Lesotho	Savings account-Deferred Pay Fund	<M500; 0 % interest rate ≥ M500; interest rate 0.5-0.75%
Standard Bank Lesotho	Savings account-Deferred Pay Fund	≥ M1000, 0.20% Exemption from bank charges

It is clear from these findings that commercial banks in Lesotho have made limited efforts to encourage the flow of remittances into the country. The head of Retail Banking in one bank stated that:

"There is no law compelling the immigrants to remit salaries through the banks like mineworkers who are compelled by labour law to remit a certain percentage (one-third of salary) through the resident banks and at the same time be withdrawn/ consumed in the country of residence not in South Africa where they are working.

Where a migrant is willing to do such a transfer, the process is recognized as international transfer and immediately it becomes tedious and discourages the transaction, especially for people who are used to over-the-counter (depositing directly to the teller) transacting which is quicker and less costly."

(Head of Retail Banking, Commercial Bank)

TEBA Ltd., in addition to offering remittance transfer services, also facilitates the saving of remittances into Lesotho's banking sector. The institution collects remittances and transfers them into a Deferred Pay Account in Standard Lesotho Bank. When a migrant wants to withdraw his money from the Deferred Pay Account, he can do so at any TEBA premises in 10 districts, and later the institution would approach the bank for reimbursement. TEBA Ltd, which is also an agent to Ubank, provides cash withdrawal services for Ubank's ordinary savings account holders. However, the Regional Coordinator at the institution pointed out that mineworkers who owned Ubank savings accounts such as Grow With Us and fixed deposit accounts are not able to withdraw money from the institution's facilities in the country because of their licence requirements.

8.2.2 Remittances-linked credit

The study found only one bank that provides remittances-linked credit. A migrant mineworker who owns a Deferred Pay savings account at the bank and earns a monthly income of at least M1,500.00 qualifies for personal and housing loans. A micro credit institution, Moliko Finance Trust, offers credit to former and current mineworkers. Moliko Finance Trust is owned by Mineworkers Development Agency (MDA), but it is allowed to run its operations independently. It offers

business loans at an annual rate of 2 per cent. The size of the loans ranges from M1,000.00 to M5,000.00 and are only provided to a group (of not more than 10 people) not individuals. Currently, the institution operates in 7 districts, and their services can be accessed in post offices. In the past, mineworkers' projects were financed by grants from various organizations.

Members of the National Union of Mineworkers (NUM) qualify for housing loans provided by South African banks with the provident and pension funds of mineworkers used as collateral. However, banks would only give out loans to members if they intended to build houses in South Africa. According to a representative of NUM, this requirement by the banks forced many Basotho mineworkers to acquire South African National Identification documents. Many bought houses there.

Furthermore, the NUM representative also pointed out that a large number of mineworkers owned insurance policies and funeral schemes offered by various institutions in South Africa. He said that the decision to purchase insurance products from South African companies instead of those operating in Lesotho was determined by the benefits which the South African insurance products offer.

8.3 Mineworker and mining company development projects

Various development projects and programmes related to migrant workers are implemented by non-governmental organizations in Lesotho and focus on current and former mineworkers. These programmes are in the areas of skills training, and projects in education, agriculture, water, electrification and sanitation.

8.3.1 Provision of skills training to migrant workers

The Mineworkers Development Agency (MDA), which is a development wing of the NUM, provides training for supporting the livelihoods of former and current mine orkers, their families, and the communities from which they come. These training programmes are meant to equip mineworkers who are employed in South African mines with skills which will enable them to be absorbed in the labour market outside the mining sector. They are trained in welding, plumbing and commercial farming in poultry and piggery, business management, enterprise development and leadership, production of aloe products and wine, budgeting, HIV and AIDS, government and local budgeting, and advocacy of issues that affect them. The Ex-Mineworkers Association Lesotho, which according to its secretary has about 10,000 members, trains mineworkers on budgeting and HIV and AIDS.

8.3.2 Community development projects funded by mining companies

TEBA has developed a Social and Labour Support initiative where it facilitates the writing and planning of Social and Labour Plans by the mining houses (www.teba.co.za). According to the Regional Coordinator of TEBA, the communities where mineworkers come from reaped benefits from the development projects administered by TEBA Ltd. These development projects are funded by mining companies in South Africa, such as Harmony Gold Mining Company. The projects implemented are in education, agriculture, electricity, water, and sanitation.

The Regional Coordinator of TEBA stated the institution would first identify areas in Lesotho which have a large number of mineworkers in one mine, and consult the community in order to find out what projects they would want. Thus, Morifi High School, and Nyakosoba Harmony School were constructed. Nyakosoba Harmony School was funded with an amount of M4 million. The school construction had classrooms, staffrooms, toilets, electricity, and a science laboratory. Morifi Village was also electrified. In implementing these projects, TEBA got support from the Government of Lesotho in the form of expertise in the supervision and quality management of the projects, and purchase of furniture in school construction. The Regional Coordinator stated that when working on projects on education and water they would work with the Ministry of Education and Training, and Natural Resources, respectively. In the construction of Nyakosoba Harmony School, the government bought furniture.

8.3.3 Food security programmes by Mineworkers Development Agency

The MDA implements food security programmes for former and current migrant mineworkers. These programmes include tree and flower nurseries, crop farming, marketing of their products, and product development. According to the institutions' country manager, so far the organization had assisted between 4,000-5,000 people.

The Ex-Mineworkers Association Lesotho encourages former and current mineworkers to start businesses. The association has started a mushroom-growing project. According to the association's secretary, some of the challenges which they face include lack of access to credit and inadequate resources for communication and transport. In order to overcome the problem of funding, they use stokvels (during Christmas) to raise funds for their projects, and plough back the proceeds from mushroom sales into financing their projects.

8.3.4 Bursary fund by National Union of Mineworkers (NUM)

NUM has established a bursary fund for financing education of its members and their children. According to a representative of NUM, the fund is selective and gives out grants for tertiary education studies and members are not required to pay back the funds after completion of studies.

9. DISCUSSION OF FINDINGS AND RECOMMENDATIONS

This section evaluates the policies, programmes and regulations on remittances in Lesotho and provides recommendations for facilitating remittances inflows and generating multiplier effects.

9.1 Challenges and opportunities

- Besides the compulsory Deferred Pay Act, the study found no other policy in Lesotho with the aim of facilitating remittances inflows through formal channels. Besides being a compulsory scheme for mineworkers, the DPA has other limitations. The act only applies to mineworkers who work in South Africa while there are many Basotho migrants working in other sectors of South Africa's economy.
- The study established that the role of the Ministry of Finance and Development Planning is limited to monitoring flows of remittances like any international flows recorded in the Balance of Payments accounts.
- The engagement of Government Ministries with Basotho migrants appears to be very limited in scope both in terms of geography and employment sectors. The Ministries focus mainly on Basotho migrants working in South Africa's mining sector even though the number of these migrants continues to decline. In addition, no engagement with Basotho's migrants working in other countries besides South Africa on issues of remittances and development was found. There is also little knowledge on the existence of Basotho migrants and diaspora associations in other countries.⁶
- Foreign exchange control regulations limit immigrants working in Lesotho to repatriating no more than 80 per cent of their net income. However, there is a plan to eliminate the restriction.
- The formal remittance service providers in Lesotho consist of banks, a cooperative, and one active money transfer company. The number of money transfer service providers and range of products can still be improved. Some of the weaknesses of these formal providers include: (a) the fact that they are found mostly in urban centres; (b) to access most of the services a person has to own a bank account and passport; limited range of remittances transfer products offered; (c) innovative money transfer products like mobile phone based transfers are still in their infancy and can only facilitate domestic transfers; and (d) domestic banks and an interviewed asset management company appeared to have no strategies for exploiting opportunities presented by remittances, and even seemed to be unaware of the benefits they would reap from remittances if they decide to target them.
- Financial service charges and costs of transferring remittances are still high and a large proportion of remittances transferred into the country through informal channels can be partly explained by these costs.
- In Lesotho, there is only one type of a remittances-linked savings product, a savings account called Deferred Pay Fund account. The incentives packaged with this special deposit account are limited to the exemption of account charges and convenience of a special queue. The interest rates earned on these accounts apply to any customer and are very low, much lower than the inflation rate and the rate of return on other savings products like treasury bills, government bonds, and unit trust products offered in Lesotho and South Africa. In addition, there appears to be no innovation and adoption of innovative remittance-specific financial products by both the banking sector and other participants in the remittances market.
- Government of Lesotho securities and investment products traded by the Central Bank and collective investment schemes have not yet been used to attract remittances into the country's financial system where they can be leveraged for development.
- Lack of national identification documents for some migrants and their family members hinder their access to banking and remittances transfer services not only in Lesotho, but also in South Africa.
- Besides organizations which are directly engaged with migrant mineworkers, other civic organizations in Lesotho have not made any contribution to encourage remittances inflows through formal channels and their use for development.
- Data collection on migrants and remittances in Lesotho is inadequate. Consequently, a large proportion of remittance inflows to the country are not captured. The only available disaggregated data on remittances is on migrant mineworkers remittances working in South Africa. Disaggregated time series data on remittance flows in terms of destination and source countries of remittance and migrant characteristics is not available. Data on remittances and migration is not only important for policy decision-making by the government, but also to the private sector in deciding how to benefit

⁶ In 2012, the ACP Observatory on Migration launched a complementary study on diasporas from Lesotho in the South.

from the opportunities presented by remittances. In addition, remittances data can also be used by international credit rating agencies in the calculation of the credit rating of the country. Therefore, it is crucial to better record all the remittance flows into and out of the country.

9.2 Facilitating remittances inflows

- The following recommendations are made: Remittances are private, not public funds and are not a panacea for the development needs of the country, but can only be a complement. Given the high relative importance of remittances, there is a high risk of over-dependence on them. All measures taken to leverage remittances need to be accompanied by measures creating a favourable economic, legal and political environment to foster human development.
- Developing a comprehensive remittance policy for encouraging Basotho migrants who work and live in other countries to send money home through formal channels and leveraging remittances for development.
- Facilitating the speedy adoption of mobile phone-based remittances transfer products by the state-owned bank and supporting the use of the products for making international transfers. Mobile technology money transfer products like M-Pesa could be introduced at the state-owned bank. Lesotho has a relatively high mobile phone subscribership and tele-density of 54 per cent and is experiencing a steady growth in mobile services (LCA, 2011). Therefore, mobile phone-based money transfer would be accessible to a large number of people in the country and could be very effective in reducing the large volume of remittances transferred through the informal channels.
- There is a need to create an enabling environment for the introduction of new remittances transfer products and new service providers. Relaxing entry requirements and creating a conducive regulatory environment for remittances transfer service providers are appropriate strategies compatible with a market-driven policy stand of the government on fees for financial services. Microfinance institutions could also be allowed to participate in the remittances market following the completion of their legislation.
- Developing a strategy for engaging with female migrants on remittances and development issues. Studies have shown that a large number of female migrants working in South Africa are involved in low paying occupations such as domestic work and farm work. As some of these migrants' employment is seasonal, and their wages are very low, they cannot

access banking services and hence resort to informal channels for remitting money home.

- Identifying Basotho migrants and diasporas and encouraging the formation of migrants and diasporas associations.
- Strengthening of awareness campaigns on remittances transfer services and the importance of remittances for development. The information on a range of money transfer products, costs, and requirements could be disseminated to the public through public and private radio stations, national television, newspapers, magazines and the internet in both Sesotho and English.
- Fast-tracking the processing and distribution of passports.
- Allowing for dual citizenship to Basotho nationals which will ease cross-border labour mobility and may increase remittance inflows and thus help to offset the negative effects of brain drain.
- Expanding ICT infrastructure: the improvement in internet connectivity would facilitate the introduction of new remittances products, increase access to remittances services, and help in marketing of remittances products.
- The Government of Lesotho could engage in bilateral dialogue with the host countries' authorities on measures to facilitate remittances inflows through formal channels, and reduction of the costs of transferring remittances, among others.

9.3 Leveraging remittances for development

- Developing remittances-linked financial products: traded government securities like treasury bills and bonds as well as other savings products offered by the Lesotho Post Bank could be used to target remittances. These special savings products could be packaged with incentives like high interest rates, tax exemptions on interest income, options to have accounts denominated in foreign currency.
- Introducing matching programmes: these programmes can be introduced in partnership with established Basotho migrants and diasporas associations as in countries like Mexico. In these programmes the government multiplies the contributions of migrants and diasporas that are invested into development projects in the country and in their communities.
- The Government of Lesotho may also contribute to existing development projects initiated by non-governmental organizations which directly deal with migrant communities.

- Promoting Priority Investment Projects by organizations like Lesotho National Development Corporation to established Basotho migrant and diasporas associations as well as individual migrants and diasporas. These projects could include water bottling, fruit and vegetable cannery, sandstone mining, and tourism, among others.
- Creating awareness on the SMME's support programmes like those managed by the Ministry of Trade and Industry, Cooperatives and Marketing to migrants communities. These programmes could also be tailored to the needs of remittance-receiving households.
- Strengthening programmes for improving financial literacy: expansion of personal finance education programmes to migrants and their families will improve their financial decision-making and implementation of their plans on investment, saving for their children's education, retirement and choosing insurance policies. Financial education could also help to cultivate good financial habits, raise the country's saving rate, and lead to better financial markets.
- Improving data collection on migration and remittances: the Statistics Agency should be capacitated so that it can conduct frequent regular surveys on remittances and migration and produce up-to-date time series data which is comparable with that of other countries.
- Improving the capacity of research institutions on remittances and development research and encouraging the participation of non-governmental organizations for advocacy of issues related to remittances and development.

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II. Annex I: List of interviewed institutions

Institution	Name of an interviewee	Position
Ministry of Finance and Development Planning	Mr. Senei Molapo	Economist, Economic Planning, Macroeconomic Modelling
Ministry of Trade and Industry, Cooperatives and Marketing	Mr. M. Maphika	Chief Industry Development Officer/Unit
Ministry of Agriculture and Food Security	Mr. Ntitia Tuoane	Chief Extension Officer
Ministry of Communications, Science and Technology	Mrs. 'Maseqobela Williams	Director
Ministry of Foreign Affairs and International Relations	Mr. Tumisang Mokoai Mrs. Qenehelo Tsokeli Mrs. Maseabata Pheko	Consulate-RSA Directorate of Economic Affairs and International Relations
Ministry of Local Government and Chieftainship	Mrs. 'Malitlallo Majara	Director
Ministry of Law and Constitutional Affairs	Mrs. Puleng	Director
Ministry of Home Affairs, Public Safety, and Parliamentary Affairs	Mrs. Nthati Thabane	
Ministry of Employment and Labour	Mrs. Mamohale Matsoso Mrs. Mpinane Masupha	Commissioner of Labour Principal Migration Officer
Central Bank of Lesotho	Research Department Mr. Lebusetsa Matela, Economist, Policy and Exchange Control Mrs. Mabatho Mokhothu, Acting Head of Division Mrs. Manthati Seboka, Enforcement Officer Mr. Lesojane Leuta, Section Head of Site Capital Markets Development Mr. Teboho Penane, Senior Capital Market Developer Non-Bank Supervision Mrs. Ntee Bereng, Head Bank Supervision Mrs. Limakatso Nyepetsi, Bank Examiner Mr. Ramojapoho Moshoeshoe, Analyst National Payment Systems Mrs. Malineo Motebang, Head of NPS Mrs. M. Thabane, Section Head Operations	
Lesotho Communication Authority	Mr. Phakisa	
Postal Services	Mrs. Thato Mosisili Mr. Majoro	Director

Nedbank Lesotho	Mrs. Ntsebo Moshoeshoe Mr. Fusi Notoane Mr. Ntene	Head Sales Head of Retail Banking
Standard Lesotho Bank	Mrs. Mpolokeng	-
First National Bank Lesotho	Mrs. Matumelo	-
Lesotho Post Bank		
Boliba Savings and Credit Cooperative	Mr. Makhefo Ramaema	Sales Manager
StanLib, Lesotho	Mr. Mohlabinyane Mohapi Mr. Kelello Rametse	
Lesotho National Insurance Group	Mr. Kepa Mr. Mahao	
Metropolitan Insurance company-Lesotho		HR. Director
Vodacom-Lesotho	Mr. Malik Melamu Mr. Malefane Monnapula	Managing Director External Consultant
Econet-Telecom Lesotho	Mr. Mathaba	Chief Operation Officer
Lesotho Council of Non-Governmental Organizations (LCN)	Mr. Masilo	
TEBA LTD	Mr. Kikine Kikine Mr. Malefetsane Senatla	Regional Coordinator-North
National Union of Mineworkers (NUM)	Mr. Masoetsa	
Mineworkers Development Agency (MDA)	Mr. Puseletso Salae	MDA-Country Manager
Ex-Mineworkers Association of Lesotho	Mr. Rantso Montsi	Secretary, and chairperson of Regional Forum of Ex-Mine-workers (SADC)
Shop-Rite Lesotho	Mrs. Palesa	Branch Manager
National University of Lesotho (Researcher)	Mrs. Nthabiseng Chaka	Lecturer

I2. Annex 2: Interview guide for the study

1. Strengthening infrastructure supporting remittances

a) Infrastructure supporting remittances

- Are there any special benefits for immigrants to send money through formal channels?
- Regulatory environment
 - Requirements for sending money, including anti-money laundering regulations that could affect remittances
 - How easy is it to open a bank account, a remittances account or a savings account
 - Income tax regulations and practice
- Range of remittance products offered
 - Channels, challenges, degree of competition among banks and MTOs and degree to which the different needs and profiles of female and male migrants are taken into account
- Policies influencing the flow of remittances through particular channels
 - Current cost of sending remittances to Lesotho
- Banking the unbanked
 - Accessibility of banks in rural areas and smaller urban centres
 - Factors hindering access to banking
 - Ways of increasing accessibility of banking channels in rural areas
- Benefits of deceased, injured (unclaimed funds)

b) Lowering transaction cost of remittances

- Policies to encourage competition among remittance channels
- New technology (mobile money transfer and savings)
 - E-wallet
 - Mpesa?

2. Leveraging remittances for development

a) Programmes to promote savings

- Access to savings accounts
- Access to credit

b) Government role in facilitating remittance flows and multiplier effects

- Matching programmes (government and private sector)
- Current agreements with migrant receiving countries
- Role of government in facilitating remittance flows

c) Private sector

- Cross-selling innovative products
- Unions – programmes to promote multiplier effects
- Productive uses of remittances so that they do not go back to South Africa
- Microfinance organizations

I3. Annex 3: Money or remittances transfer products offered in Lesotho

Money Transfer products	Provider	Fees	Time of Delivery	Requirements for access to the service (recipient)
Bank Transfers	Boliba Savings and Credit Cooperative, TEBA Ltd.	For the Cooperative, M40.00 from a bank in South Africa and M1.60 charges for withdrawals from savings accounts. Zero charges at TEBA	Within a day Instantly	Bank account, Identification; passport
SWIFT Transfers	Standard Lesotho Bank Nedbank- Lesotho First National Bank- Lesotho	Receivers: Minimum 0.25% and Maximum 0.85% of the transferred amount Ranges Bank B M100-M350 Bank C Minimum M40 Senders Bank A M130-M3780 Plus Swift charge M175 Bank B M310.65-M3744.40 Bank C M 110-M1060	≤ 3 working days	Bank account, Identification; passport
MoneyGram	Standard Lesotho Bank	Not determined by the bank	10 minutes	No need for a bank account
Nedinform	Nedbank Lesotho	1.15% of the transferred amount	Within a day	
Internet Transfers	Standard Lesotho Bank Nedbank- Lesotho First National Bank- Lesotho, Boliba Savings and Credit Cooperative	M7.50 per transaction in one bank M37.00 per month in other bank	Instantly, for transfers between accounts of the same bank 48 hours, for transfer between different banks	Bank account
Money Order	Lesotho Postal Services	Receivers: no charges	Instantly	Passport
Postal Order	Lesotho Postal Services	Receivers: no charges	3 days	Passport
E-Wallet (domestic transfers)	First National Bank and one telecommunication company	No fees for withdrawing money from own bank's ATM, and sending money from e-wallet	Instantly, for transfers between accounts of the same bank 48 hours, for transfers between different banks.	Bank account, register for Cell phone Banking

Cell phone Banking transfers (domestic transfers)	First National Bank	M4.25 for transferring money between one's own accounts. M 6.50 for transferring to other accounts.	Instantly, for transfers between accounts of the same bank 48 hours, for transfers between different banks.	Bank account and Cellphone
Cash Remittances System	TEBA Ltd	No charges by TEBA	Instantly	PIN Number Passport
Informal remittance transfers	Taxis	In Maseru Bridge: fixed M70, and additional M50 for failure to collect money at a fixed date. M180.00 for at least M2000.00 and M10.00 for every M100 for amounts less than M2000.00 in Butha-Buthe	Within a day	Telephone Number

I 4. Annex 4: Money order prices for sending from Lesotho to Republic of South Africa

Amount sent to South Africa (Maloti)	Fees (Maloti)
50-100	19.00
101-200	23.00
201-300	30.00
301-400	36.00
401-500	41.00
501-1000	47.00
1001-1500	58.00
1501-2000	63.00

Note: 1 Loti is equivalent to 1 South African Rand

I 5. Annex 5: Postal orders' costs for sending money from Lesotho

Amount sent	Fees (in Maloti)
M10.00	0.90
M20.00	1.00
M50.00	2.00



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