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Mozambican Labour Migrations, Remittances and Development: Evidence, Practices and Implications for Policy

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Introduction

One of the most tangible links between migration and development is through the impact of remittances. In this respect, there are numerous debates in the literature about the relationship between migration, remittances and development. Contrasted positions can be observed,

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and as a consequence, divergent policy recommendations. On the one hand, the *developmentalist* position argues for migration as a positive force for development and highlights the role of remittances for poverty alleviation (Lucas and Stark 1985). According to this view, opportunities presented by migration include, but are not necessarily limited to, the inflow of remittances and foreign currency, investment capital from those in the diaspora, technology, and the increased chances of trade flows between receiving and sending countries (Tambama 2011). On the other hand, the more pessimist position mostly developed between the 1960s and the 1980s, relates migration to phenomena such as the 'brain drain' and the dependency of migrant-sending economies and their communities (Wallerstein 1974; Massey 1990). In between these two positions, a more nuanced vision based on important empirical studies has emerged since the 1990s. This third position, on which this chapter draws, considers migration as an integrated part of development and argues for the very heterogeneous and contextual nature of the interactions between migration, remittances and development (de Haan 1999; de Haas 2010; Mercandalli 2015; Moyo and Nicholau 2016). The position also highlights the fact that interactions vary with respect to the level of analysis and the temporal term chosen, and this is what hinders any generalization on the issue (de Haas 2007).

In the context of Southern Africa, some have argued that the debate around the relation between remittances and development hardly leads to any resolution because of the little knowledge with regard to the flows of remittances and their use in the region (Pendleton et al. 2006). Some empirical studies, however, have shown that remittances for countries such as Zimbabwe lead to development (Moyo and Nicolau 2016). However, for countries such as Mozambique, the argument regarding the dearth of remittances data is notable. Despite long historical cross-border migration between South Africa and Mozambique, and the fact that Mozambique is a main source of migrant labour for South Africa (Truen and Chisadza 2012), little socio-economic research has been conducted on the effects of labour migrants' remittances on the development of the migrant sending communities or areas. Generally, this has not happened since the end of the 15 years of civil war that started just after independence, as well as apartheid in South Africa, in the early 1990s (Gallego and Mendolaz 2011).

In an attempt to bridge this gap, this chapter examines the context in which migration involving the southern region of Mozambique occurs, raising questions about the key factors that drive the relation between the remittances that migrants make and development in their sending communities or regions. The chapter then examines possible ways to promote remittances as a source of autonomous, inclusive development, and to take advantage of the longstanding and important transnational migration flows between Mozambique and South Africa.[1]

In order to do so, the chapter takes stock of previous research in the region and by this means draws on a review of the scattered existing research which cannot be generalized but allows for overall observations and trends in migration and remittances between South Africa and Mozambique.[2] An extensive review of other secondary literature on the remittances-development nexus as well as legislation, memoranda of understanding and bilateral agreements between Mozambique and South Africa is also conducted. The chapter is also based on semi-structured interviews with 97 Mozambican migrants' households (206 people in total) conducted in Massinga District in the southern region of Mozambique between 2010 and 2013. The interview questions focused on, among other things, the sector and working conditions of migrants, and the nature, type, channels, frequency and use of remittances.

The rest of the chapter is structured in three sections. Following this introduction, the first section considers the extent to which the historical colonial pattern of massive labour migration flows from Mozambique to South Africa has been perpetuated in diverse ways after both the independence of the country (1975) and the end of apartheid (1994). The overall process of economic liberalization, highlighting crucial transformation in terms of the increasingly diversified economic activities of migrants in a growing informal sector, is also considered. The second section argues that the post-apartheid labour migration of Mozambicans is part of increasing diversification strategies of household livelihoods, as observed in most sub-Saharan Africa, and that income from remittances can constitute a significant part of the incomes of households. However, this steady source of capital rarely translates into substantial productive investments back home. Despite the existing potential of using remittances for development, therefore, the paradox of the socio-economic importance of remittances for the survival of family members in sending communities lies in the fact that they are often associated with a dependent relationship in terms of livelihood reproduction, including food security. In view of the context, evidence and practices of Mozambican migrants' households, and from the experience of other countries, the third and last section identifies three ways that could be explored to enhance the development potential of migration and remittances between Mozambique and South Africa, namely: fostering formal channels of remittances, developing micro finance systems, and creating favourable juridical and regulatory conditions. As such, the chapter underlines the factors that could contribute to making remittances a better financing tool for sustainable development, and some of the challenges the issue of migration and remittances raises for the formulation of labour migration policies.

Colonial Legacy and Renewed Characteristics of the Labour Migration System

The political economy of Mozambique's colonial period (1898–1975) is central to understanding the current dominant cross-border and circular nature of labour migration from Mozambique to South Africa, and related remittances. In the central and northern regions of Mozambique, Portuguese development strategy consisted of the expansion of economies of large plantation farming (according to different modalities), while the development of the southern region—with less favourable agro-economic conditions—relied on the exportation of the labour force to South Africa, in order to meet the growing demand of South Africa's mining industry. The institutionalization of this system, via the bilateral agreement on labour migration between Mozambique and South Africa (1902), led to the employment in South African mines of more than a third of the active male population from parts of southern Mozambique. These people engaged in regular circular migration through one- to two-year short-term contracts, with a compulsory intermediary return to their home communities between each contract (First et al. 1998).

This coercive policy led to the de-structuring and reorganization of agricultural activity, mostly among women because of the missing male labour force (Van den Berg 1987). The incomes of the migrant miners were, however, largely canalized by Portuguese authorities to finance the colonial economy. This left a very small portion of income in the hands of the labour migrants and their families. With the crisis in the South African mining industry in the 1940s and, later, Mozambique's independence and the post-independence civil war, the effects of the economic dependency instituted through this system became evident. This is because there was a drastic reduction in the number of migrant miners employed which therefore profoundly affected the economy (Munslow 1983; Gaspar 2006). The new socialist government in Mozambique maintained a minimum volume of labour migration contracts with South Africa. This was not only to avoid the collapse of the economy of southern Mozambique but also, firstly, Mozambique had to honour contracts signed in the colonial period and, secondly, migrant incomes provided much needed revenues for the country.

In this regard, the context of the Portuguese economic strategies defined in the aftermath of the 1884–1885 Berlin Conference for Mozambique's northern, central and southern regions, constitutes an important historical regional differentiation of the country (Wuyts 1978; Abrahamson and Nilsson 1995). It also sheds light on the specificity of southern Mozambique regarding labour migration issues. If this element is taken into account with the 80 years of an indentured colonial migration system (1805–1975), the legacy of a deep-rooted culture of labour migration of Mozambican men to South Africa can be explained, especially in the three southern provinces (Maputo, Gaza and Inhambane). This has been transmitted through generations till today. Many features of current migration have been directly inherited from that system.

Indeed, in the renewed context of economic liberalization and relatively easier cross-border movements, particularly after the end of both the Mozambican civil war and apartheid in South Africa, families in southern Mozambique, which is mostly rural, continued to engage in circular migration based on strong transnational links with their families (Covane 2001; Harries 1994; First et al. 1998).[3] Accordingly, the families continued to receive remittances from the migrants in South Africa. As evidence of this colonial legacy, a 2006 Southern African Migration Project (SAMP) national research survey of rural waged employment and the origins, in Mozambique, of international migrants showed that 53% of members of salaried households of the southern region worked outside the country, mainly in South Africa.[4] In contrast, the central and northern regions had three per cent and less than one per cent of workers, respectively, outside of Mozambique. In addition, the SAMP survey found that 95% of migration was towards South Africa, and that the majority (93%) of the migrants were men. Complementary sources covering the same period, show that 42% of Mozambican migrants used to come home once a year and 28%, once every six months or more often (De Vletter 2006b; Pendleton et al. 2006)[5].

Parallel to the cross-border and circular nature of migration, Mozambique has seen an increase in migration based on strong population growth. According to official data, there has been an increase in the stock of migrants since independence, and particularly in the 20 years around the turn of the new millennium, from 60,000 in 1980 to 450,020 in 2010 (United Nations Development Programme (UNDP), Trends in Total Migrant Stock 2012 and 2009 Revision).[6] In 2010, Mozambique had a stock of 1,178,500 emigrants, representing five per cent of the population (World Bank 2011a). While the most popular destination for Mozambicans is South Africa, the estimates of the number of Mozambicans in that country based on the stock of registered migrants may be underestimated. This is because, if assessments were to include undocumented migration, the Mozambican migrant stock in South Africa would possibly be more than twice as high (Wa Kabwe-Segatti 2008).[7] Estimates from secondary and administrative data in a Southern African Development Community (SADC) study indicated that Mozambique has the second highest number of migrants living in South Africa, with 15% of the total or around 500,000 people (Truen and Chisadza 2012). While several qualitative studies on undocumented migrants in peri-urban areas also converged towards the consensus that Mozambicans constituted the vast majority of foreigners in South Africa during the early 2000s (e.g. McDonald 2000; Crush and McDonald 2002; Black et al. 2006a; Landau 2006; Wentel and Tlabela 2006), this is no longer the case.[8] Statistics from Statistics South Africa (Stats SA) (2014), along with recent studies (e.g. Moyo and Nshimbi

2017) show that Zimbabweans constitute the largest foreign African population in South Africa, followed by Nigerians.

Remittances Based on Changing Characteristics of Migration

Generally, the continued migration of Mozambicans to South Africa has been accompanied by the volume of remittances sent home. The value of personal remittances received in Mozambique from South Africa was approximately US$157 million as of 2011, the maximum reached over the previous three decades (World Bank estimates 2013, based on International Monetary Fund (IMF) balance of payments data). This rose to approximately US$220 million in 2013.[9] The amount of personal remittances received as a percentage of gross domestic product (GDP) was 1.23% as of 2011, compared to neighbouring Lesotho's 26.76% and Swaziland's 1.34%, both of which also share strong economic relations with South Africa (World Bank estimates 2013, based on IMF balance of payments, and World Bank and Organisation for Economic Co-operation and Development (OECD) GDP estimates).[10]

Officially, Southern Africa has significantly low flows of remittances in the world at five per cent of total global flows by region (IMF and World Bank in Orozco 2002). However, surveys conducted on migrants and recipients of remittances, as well as other secondary sources suggest that informal flows of remittances that are not captured by IMF estimates could be equal to or higher than official data (World Bank 2011b).

With regard to Mozambique, the available large scale secondary surveys (SAMP 2006; Truen and Chisadza 2012) using different samples and methodologies also highlight the possible informal nature, as well as the importance of 'in kind' remittances. Truen and Chisadza (2012) estimate the 2011 annual amount of remittances to Mozambique at approximately 1.6 billion South African rand (US$210 million) out of a total of 11 billion rand (US$1.5 billion) for the whole SADC region.[11] About half of these remittances could be informal. This is partly because the cost of transfer between the two countries is one of the highest in the world, with an average transfer fee of US$36, to send US$200 (Pendleton et al. 2006). The share of 'in kind' remittances, or remittances given in the form of goods, is the highest in Mozambique at 65% (Black et al. 2006a; Pendleton et al. 2006: 281).[12]

Despite the important features of migration inherited from the previous migrant labour system, significant political and economic shifts have occurred since 1994 regarding labour migration from Mozambique to South Africa (Burger 2005; Crush et al. 2005; Labour Market Survey Review 2007). This relates to changes in both sectors and conditions of employment of migrants, where they are less traditionally involved in the mining sector but engaging in more diversified and informal activities, including trade and services (Nshimbi and Fioramonti 2014). However, this reality is still hardly visible and is not fully acknowledged in the policy frameworks of these countries.

Since 1994, the choice by the new South African government to promote economic liberalization has led to continued capital intensive and more skilled labour oriented production and a shift away from primary sectors towards services. Consistent with the continuous restructuring of the primary sector, a sizable portion of employment growth, which occurred between 1997 and 2003, was in the informal sector (Burger 2005). These jobs are poorly paid and insecure (Casale and Posell 2004), such that the quality of employment might have deteriorated, even if the quantity did not. Workers in the informal sector are also predominantly unskilled and semi-skilled (Skinner et al. 2004). According to the Migration and Remittances Survey (2006), mine work is still the predominant form of employment for Mozambican male migrants, accounting for 33%. However, Mozambican males also work in a range of other non-mining jobs including skilled and unskilled manual labour. These acount for 18% of the migrants. The survey also shows that trade and service activities, respectively, employ 8.7 and 4.7% of Mozambican males, and include even more females, accounting for 36 and 12%, respectively (Dodson et al. 2008: 25).

More recent case studies on migrants' household strategies in Inhambane, Massinga district (Mercandalli 2014) suggest that 67% of those aged 20–40 started working without a formal contract compared to 47.8 and 4.5%, respectively, for the previous generations (including those aged 40–60 years and over 80 years). Considering all the age groups, as an average, 58% of migrants begin their active life in the formal sector. However, this is no longer the case for the youngest (23.5%), and if this trend continues into the next decade, it can be expected that the majority of migrants from this locality in Massinga will be involved in informal jobs.

The same study (Mercandalli 2014) also confirmed the existence of subcontracting and work casualization practices in the mining and construction sectors through modalities of daily, ten-day or monthly contracting practices with levels of remuneration ranging from 40 to 75 South African rand per day. Data gathered on the employment sector of migrants at the beginning of their professional life also shows that labour migration in Massinga has been largely affected by South Africa's economic reorientation. An examination of all generations of the sample indicates that mining still constitutes the main sector of livelihood for migrants, as it employs 45.3% of them, followed by the small services sector and trade[13] accounting for 40.6%. Nevertheless, a look at inter-generational trends indicates that when the 40–60 age group reaches retirement age, mining will no longer constitute the main assimilation sector—that place will be taken by the service sector instead. In this respect, only 12% of those aged 20–40 engage in mining at the beginning of their active life, while more than 70% of this generation is engaged in the service sector and trade.

A third recent study (Observatorio do Meio Rural (OMR) 2015) based on a random sample of 214 migrants engaged in cross-border activities and interviewed at Mozambique's southern border posts with South Africa (Ressano Garcia, Namaahacha and Machipanda) gives some insight into the trading activities of migrants. First, the study highlights the importance of the commercial nature of cross-border activities for 90% of the people interviewed. Second, it shows the huge weight of import activities from South Africa to Mozambique both for trade (87–93% of respondents) and consumption purposes (61–97%) (OMR 2015). The imported products mostly include food and drink, shoes and clothing, and cosmetic and construction products.

Thus, taking stock of empirical evidence, it seems that, 25 years after the end of colonial rule in Mozambique, the legacy of the previous migrant labour system is steadily transforming. It is being replaced by a system of sub-contracting and living-out allowances, the combination of which has important consequences for local communities in the vicinity of the mines in South Africa, and for the distant communities of origin of the migrant workers (Black et al. 2006b). Furthermore, a new feature is the growing diversification of migrant activities into trade and services. Beyond these shifts, the important point is that approximately 95% of migration from Mozambique to South Africa comprises a large majority of migrant families and recipients of remittances that are geographically located in southern Mozambique (De Vletter 2006b; Pendelton et al. 2006). This is the context in which this chapter discusses the development impact of remittances, with a view to suggesting policy options that could lead to a sustained impact of such remittances.

Using Remittances: Poverty Alleviation with Little Stimulation of Development

Cross-Border labour migration has a significant impact on the development pattern of Southern Mozambique and Mozambique in general, especially for the broad rural population (De Vletter 2006a; Gallego and Mendolaz 2011). Remittances are a crucial source of income as part of a livelihood strategy for many households engaged in cross-border migration (Black et al. 2006a). According to the SAMP survey (2006), Mozambique has the third highest incidence of households reporting cash-earnings remittance (77%) after Lesotho and Zimbabwe (95 and 85%, respectively) and the second largest recipient of goods remittances (65%).

For most migrant-sending households, migrant remittances are the main source of income. As part of a bundle of income earning strategies, Mozambican households also have a high incidence of multiple income sources, especially from informal businesses, casual work and the sale of farm products supplementing remittance earnings, which still remain their primary source of income (Pendleton et al. 2006).[14] In Mozambique, out of a mean income of US$937 per year, remittances represent the most important source of income, with a mean income of cash remittances of US$524 per year and of goods or 'in kind' remittances of US$394 per year (De Vletter 2006b). Indeed, there is a growing recognition of migration as an important livelihood diversification strategy in Africa (Black et al. 2004) and especially in regions with the highest poverty rates (Skeldon 2002). Many studies show that in some places, remittances account for a large part of rural household incomes. In most rural areas, though, local trade and wage incomes confirm that the majority of non-farm incomes and remittances constitute 15–20% of global non-farm income. However, in the historical mining economies of Southern Africa, remittances could represent from 50% and up to 90% of household incomes (Barrett et al. 2001; Haggblade et al. 2005; Carletto et al. 2007).

The central question in debates about the developmental value of remittances is how households actually spend this income (Dodson et al. 2008). In the context of the Mozambique–South Africa migration corridor, remittances rarely translate into productive investment in migrant-sending areas. Despite the potential of using remittances for development, a paradox exists of the socio-economic importance of remittances for the livelihoods of family members that are left behind. This is often associated with a dependent relationship in terms of livelihood vulnerability and food security. According to the SAMP survey (2006), remittance earnings are vital in enabling households to meet their basic needs, being the primary source of income for the majority of households. Remittances do not appear to be spent on non-essential or luxury items, actually. They are also not commonly directed towards savings or investment in businesses or other productive activities. However, they do provide significant sources of investment in children's education (Pendelton et al. 2006).

'In kind' remittances including transfer of goods such as cars, food and household appliances (mostly bought in South Africa) play a significant role in improving the standards of living of the receiving households. However, economic development constitutes more than the enhancement of the quality of life of only those who receive remittances, because such commodities are unlikely to be used for sustainable development. Ellerman (2004: 23) calls this way of using remittances sterile for developmental purposes and states that it is 'non-local expenditure on conspicuous consumption'.

Apart from using remittance earnings to meet basic needs, they were also spent on subsistence agriculture (54% of households) including labour and hiring of oxen or inputs. Another common item on which remittances were spent was the payment of *lobola*, which was linked to land access for some families.[15] Thus, according to Mercandalli (2014), 30% of households used remittances income in extra-agricultural productive investment compared to only 14% in agricultural productive investment. Similarly, an expert survey with migrant members of southern Mozambican families highlighted the fundamental role of remittances in paying *lobola* and house construction in rural areas, as a form of investment (IIUD 2008).

Although surveys show that migrant-sending households have better living conditions (De Vletter 2006b) in terms of health, education or access to consumption goods, only a minority of families are able to start small businesses or increase agricultural production for commercial purposes (because it is often impossible to save money from low/informal salaries). As a consequence, the growth outcome from spillover multiplier effects is not transmitted to the local economy. This limits the development effects of remittances and keeps a broad, dependent and passive relationship.[16]

Despite receiving remittances from South Africa, development processes in southern Mozambique have not been triggered and the region is still characterized by broad subsistence farming and low income levels. The paradox concerning the effects of remittances in this area where, despite the benefits from remittances at household level in terms of health, education or food security and consumption, is that the region has some of the highest levels of poverty (Republica de Moçambique 2008). As difficult as it already is to obtain data on remittances, those that are transmitted through informal channels are challenging if not impossible to measure, hence the conclusion that "what cannot be measured cannot be used in policy making" (World Bank 2005). This chapter argues that in the case of circular cross-border migration and remittances between southern Mozambique and South Africa, the importance of the phenomenon and the accumulation of knowledge is sufficient enough to inform and orient policy formulation toward innovative practices and measures, even if the numbers are not accurately known. Contextual factors, barriers and innovative initiatives can be identified as ways to shift the prevalent passive relation between migration remittances and development. At the same time, issues can be raised to feed national and regional policy frameworks.

Exploring Migration Policy Options to Benefit Labour Migrants, Their Families and Sending Communities

Remittances constitute a major source of financing for developing economies, both in terms of share of GDP and when compared to other forms of capital flows such as foreign direct investment and official development assistance (Adam and Page 2005). This section explores some of the ways in which remittances can be enhanced as a tool for financing sustainable development. The section particularly discusses the role policies should play in exploiting the development potential of remittances and how to enhance them, in the context of existing bilateral and regional legislation covering Mozambique and South Africa.

The Mozambican migrant mine and farm workers formally engaged as such in South Africa have historically been officially contracted under the ambit of Joint Permanent Commissions for Co-Operation or Bi-National Commissions. These commissions are automatically renewed every five years, the latest agreement establishing the Bi-National Commission signed between the two countries being the one concluded in 2011 (Republic of South Africa/Republic of Mozambique 2011). The purpose of the Bi-National Commission is to find ways and means to promote and enhance cooperation in various sectors of government and to coordinate initiatives in this respect, as well as facilitate contact between the private and public sectors of the respective countries (Republic of South Africa/Republic of Mozambique 2011: Article 3.1). Within the framework provided by these commissions, Mozambique and South Africa have since the early 1900s signed bilateral agreements and memoranda of understanding that include labour migration (Nshimbi and Fioramonti 2013).

The fact that the agreements establishing these commissions are regularly updated augurs well for the state parties. This is because updating provides opportunity to move with the times and accommodate new political, socio-economic and cultural developments and realities that are common to the parties, and their respective domestic economies as well. A case in point concerning such new realities relates to the increasing transformation of the cross-border migration landscape discussed in this chapter; in which informality is increasing as well as trends in which economically active undocumented migrants are increasingly engaging in trade and services. Certainly, the sectoral committees established under the Bi-National Commissions to address specific bilateral issues of interest and concern to the state parties, could consider updating policies concerning cross-border migration and the activities of actors engaged in informal cross-border activities, in order to, among other things, promote the use of remittances for development.

Actually, such a step would not represent an entirely new phenomenon or a break away from usual bilateral practice. Nshimbi and Fioramonti (2013, 2014) for instance, hint at ad hoc measures adopted by South Africa and other SADC member states to regularize undocumented migrants, refugees and asylum seekers in times of migration crises that are precipitated by, for example, war, civil strife, and economic and natural disasters. According to the authors, these measures seem to be a norm that prevents the establishment of a regional migration governance framework in Southern Africa (Nshimbi and Fioramonti 2014). For instance, three notable amnesties which South Africa granted to citizens of the SADC region post-1994 included the '1995 amnesty for mineworkers; the 1996 amnesty for SADC nationals; and the 1999–2000 amnesty for Mozambicans' (Nshimbi and Fioramonti 2013: 30). The amnesty granted to SADC nationals is particularly noteworthy, because it aimed to regularize undocumented migrants who had been resident continuously in South Africa for five years or longer in the period leading to 1 July 1996.

Granted under the auspices of a tripartite agreement between South Africa, Mozambique and the United Nations High Commissioner for Refugees, the amnesty to Mozambicans was given 'in recognition of the absence of a refugee policy in the apartheid years and that many eligible Mozambicans had not been able to take advantage of the second amnesty for SADC nationals because of the civil war in their country' (Nshimbi and Fioramonti 2013: 30). In the 2000s, South Africa similarly declared amnesties for undocumented Zimbabwean migrants (between 1 September 2010 and 31 December 2010) in what was called the Dispensation of Zimbabweans Project (DZP). This was succeeded (in December 2014) by the new Zimbabwean Special Dispensation Permit for DZP permit holders who wished to remain in the country after their permits expired. A similar permit has been established for undocumented migrants from Lesotho, who have been living in South Africa since before 30 September 2015 (Department of Home Affairs 2017).

Therefore, based on the history and practice of labour migration with neighbours (including Mozambique), South Africa could offer a special amnesty for undocumented Mozambican migrants in the country, with the ultimate aim of encouraging them to, among other things, use official channels to remit funds back home. This would also be consistent with the objective of the SADC, of which both are member states, to promote and maximize productive employment and utilization of resources of the region (SADC Treaty 1992: Article 5.1.f). In addition, such a policy measure would move the two countries closer to the SADC's objective of strengthening and consolidating the longstanding historical, social and cultural affinities and links among the people of the SADC (SADC Treaty 1992: Article 5.1.h). In practice, such a measure would effectively represent the actual development of policies that meet regional aspirations to eliminate obstacles to the free movement of capital, labour and goods in the SADC region (SADC Treaty 1992: Article 5.2.d). Such an approach to migration will create an environment in which formal channels can be used by migrants to remit cash back home.

Incentivizing Remittances Through Formal Channels at Lower Cost

An important factor that affects the use of remittances is related to the configuration of the current South Africa–Mozambique remittances market. This market has until 2013 been essentially managed by two South African companies offering transfer services at high cost to migrants. One is TEBA Bank, which is mostly used by mine workers to transfer cash to their kin through local branches in Mozambique (Black et al. 2006a; personal interview 2010).[17] Another is Kawena Distributors, which in addition to cash transfers, also allows prepaid transfers of a range of goods and food items purchased in South Africa. The purchased items are then delivered to families in one of the many warehouses spread out across southern Mozambique (personal interview 2010). Kawena Distributors also allows Mozambican migrants to order food and household items on behalf of their families in Mozambique, from South Africa. The family members then pick up the goods from Kawena warehouses in Mozambique with a voucher or code that migrants send them via fax or phone. With two companies dominating the remittances market, the high transfer costs, and the useful geographical nature of the South Africa–Mozambique migration corridor (a shared national border), many migrants resort to bypassing an oligopolistic situation by sending a large part of their remittances home in kind (clothing, food, and construction materials) (Pendleton et al. 2006). The situation could also encourage a consumerist propensity with little development impact.

According to a recent review, as well as interviews conducted for this study, Mozambique has one of the highest remittance transfer costs in the world of up to 20% of the transferred amount. This situation significantly hinders the expansion of the flow of remittances through official channels, as well as practices of saving and credit directed towards productive investment. Instead, it tends to promote the use of remittances for the purchase of consumption goods outside the country. In the wake of successful experiences in other countries, a few more financial firms, such as the First National Bank, have been offering cash transfer services to Mozambique since 2013. However, remittance costs remain very high and the area of coverage of these firms is too limited to have an impact on the large rural migrant household population.

Establishing Systems of Micro Finance to Exploit the Development Potential of Remittances

Experiences of channelling remittances through formal avenues, particularly banking systems, and lowering transfer costs can be useful in the case of family remittances. Nevertheless, initiatives to increase the share of remittances oriented towards saving in order to transform collective remittances into profitable business projects or small credits into upscale businesses are more complex and require another type of intervention. Some literature highlights a number of successful microfinance experiences (see, e.g. IFAD 2006). In Mozambique, the central and northern regions of the country have recorded positive experiences of microfinance programmes. This is partly enhanced by the formal banking system. Everything is being done to expand the banking system in Mozambique, with substantial progress having been made from a position where only 28 districts had banks in 2007 (Mozambican news agency/AIM). In the southern region, however, the number of migrant families that use or have access to a bank account is very limited, making rural microfinance linked to remittances underexplored (De Vletter 2006a). Some remote areas with no conditions to set up a bank are currently served by microcredit companies instead.

Measures to provide preferential access to credit to migrants could help change the situation. An example of this is the experiment of mobilizing Migrant Remittances for Agricultural Modernization in Mozambique (Yang et al. 2014). Such a measure takes into account the specificity of each type of remittance and each migrant's profile. Furthermore, beyond the relevance of banking systems to develop the potential of remittances, it is necessary to question the ethical foundations of these measures and policies and their related development models, in order to give priority to projects and programmes that adopt the principles of an economy with a more solid democratic management of collective and social objectives.

Creating More Favourable Legal and Regulatory Conditions

A step in any programme for remittances banking and microfinance principles is to create legal and regulatory conditions. That is, to analyse ongoing legislation that limits or hinders opportunities to mobilize savings in areas where there is a demand for financial services (IFAD 2006). Initiatives to foster official channels of remittances and make the most of their development potential have limited chances of success if the countries both sending and receiving remittances do not act in a concerted way within coherent policy frameworks (Ghosh 2006). Throughout Africa, financial and monetary policies and regulations have created barriers to the flow of remittances and their effective investment. A few governments, recognizing the valuable contributions of remittances, have facilitated foreign exchange transactions or provided investment incentives such as matching grants.

More could be done, however, especially in the context of the regulation of the financial industry. Restrictive licensing of money transfer services, for example, limits access to remittances and restricts the potential impact of remittances in many areas. Other regulations and policies create unattractive environments for investment and block improvements in financial services. Removing those obstacles and broadening and adapting relevant financial products and services, such as savings and investment options, would boost remittance flows and raise their impact on development. Other measures could include crafting labour regulations to enable the organization of producers and workers in the informal sector, creating mechanisms for supplying information for the analysis of the socio-economic situations of specific groups of workers in the informal sector.

Conclusion: Options for Promoting Remittances

Actions and policies can be initiated to promote remittances at different levels; from community to national or regional level. Stakeholders too could include governments, banks, non-governmental organizations (NGOs), development agencies and migrant associations. This can help reduce transfer costs, improve access to transfer mechanisms, leverage the regularity of transfers, foster a supportive environment for business investments and encourage development projects by appropriate credit enhancements. This includes policy and programmes that address key issues with a specific focus on regional migrants in South Africa. The possible policies and programmes include improving transfer mechanisms, including the dissemination of mobile banking transfers, and the transfer of remittances at accessible costs through the network of savings and credit banks in major districts (IIUD 2008). The revision of fees charged by operators such as TEBA Bank or Kawena Distributors could also promote a greater monetization of remittances and the possibility for families to purchase more local and national products (IIUD 2008).

While non-bank remittance service providers play only a marginal role in most countries, alternative models exist that highlight the potential role of post offices, foreign exchange bureaus, retail stores and microfinance institutions (MFIs). Post offices, for example, constitute 95% of institutions that pay out remittances in Algeria, while MFIs constitute 29% of such payers of remittances in the Central African Republic (IFAD 2009). Other measures could include improving access to savings-based credit, including for informal workers; encouraging the establishment of formal migrant support groups and hometown associations; encouraging collective investment in community improvements; and providing opportunities and credit enhancements for documented and undocumented migrants with NGOs operating in the Southern African region as well as engaging policy-makers to formulate appropriate policies that encourage migrants to use registered money transfer operators, in order to keep accurate national records of the stock of money flows (IIUD 2008).

The recommendations presented in this chapter outline policies that could help improve conditions for migrants and their families in Africa, with a specific focus on regional migrants in Southern Africa. Pilot projects are also recommended in which policy-makers can work with Mozambican migrants, remittance recipients and experienced regional partners in Mozambique. The focus on Mozambique and South Africa derives from the prevalence of poverty in Mozambican households, and the working relationship between the Mozambican and South African governments.

Despite their low wages and the hazards of their profession, miners are able to transfer money and goods through TEBA Bank and Kawena Distributors. In addition, a special arrangement for Mozambicans gives them access to personal loans corresponding to their employment contract (usually 18 months), guaranteed by their deferred salary. Given the positive record of this programme, extending it to other legally contracted nationals will improve migrant savings and investment.[18] Attempts are still being made to implement mobile payments and new technologies (see Black et al. 2006a). Cross-Border mobile payment is a real-time mobile payment system, which is crucial for both remittances (person-to-person), and for formal or informal cross-border trade (business-to-business) transfers or settlements. New technologies offer improvements to remittance services and reduction in transaction costs: mobile phones should hold the greatest promise for Africa.

Notes

1. Transnational migration is used as defined by Portes and Glick Schiller. It implies the migrant's continuous participation in the economy, the politics and social organization of their country of origin, and at the same time a more or less advanced integration to the structures of their host country.
2. In addition to official macro statistical data, data from secondary qualitative and quantitative research has been the main source for the analysis. This is more reliable in giving account of the realities and features of labour migration activities of families.

3. Another factor contributing to continuous circular migration is that of the estimated 350,000 refugees who fled warfare from southern Mozambique to South Africa, many remained in South Africa after peace agreements in 1992 (Raimundo 2009).
4. Migration and Remittances Survey in the frame of Southern African Migration Project (SAMP).
5. Survey on rural labour markets in northern Mozambique corroborates these trends (Massingarella et al. 2005).
6. http://www.un.org/en/development/desa/population/theme/international-migration/index.shtml.
7. Available sources on undocumented migration in South Africa (DHA 1994; SA Police 1995; HSRC 1995) present very strong disparities.
8. Another major feature of post-war Mozambican migration is its undocumented nature, due to the attraction of South Africa for work.
9. Personal remittances comprise personal transfers and compensation of employees. Personal transfers consist of all current transfers in cash or in kind made or received by resident households to or from non-resident households. Personal transfers thus include all current transfers between resident and non-resident individuals. Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Data are the sum of two items defined in the IMF's *Balance of Payments Manual: Personal Transfers and Compensation of Employees*.
10. http://www.indexmundi.com/facts/mozambique/workers%27-remittances-and-compensation-of-employees.
11. The remittances market from South Africa is estimated at 11.2 billion rand, from which 6.7 billion rand is sent to Zimbabwe and around 7.6 billion transmitted through informal channels (Truen et al. 2012: 57).
12. Annual transfers through formal channels amount to US$32 million. In addition, if one takes into account informal and in-kind transfers, the global value of transfers results in a major contribution to Mozambican livelihoods as well as to the external trade balance of the country (Black et al. 2006a).
13. For example, shoe repair and cleaning services.
14. For those who continually stress the importance of agriculture (and ignore migration) in rural development, relatively few households in each country reported income from the sale of farm produce.

Mozambique was the highest at 21% of households, followed by Swaziland (9.5%) and Zimbabwe (7%) (Pendleton et al. 2006: 23).

15. *Lobola* is the cultural practice of paying a bride price, especially with cattle.
16. Recent analysis has sought to develop a more nuanced position. One survey of the remittance literature suggests that these transfers have considerable developmental potential. First, there is the argument that the definition of the 'development' value of remittances should be extended beyond economic growth, employment generation and increased productivity. Second, recipients do spend a portion of remittances in human capital (improving nutrition, health and education) and thus have a social development impact: 'If development is defined in broader social terms, then family remittances can be understood as making an important contribution to development.' Third, some argue that the definition of 'remittances' could be extended to include social remittances (practices, ideas and values) and technical remittances (knowledge, skills and technology).
17. Mozambican migrant miners, 60% of whose income goes directly into a savings account based on a bilateral agreement between Mozambique and South Africa, live in mine hostels and remit the vast majority of their earnings. Through a bilateral agreement between Mozambique and South Africa, Mozambican mineworkers have 30–40% of their net income automatically transferred to personal accounts at the Central Bank of Mozambique through TEBA Bank. In 2005, an estimated $86 million were transferred in this way according to TEBA (IIUD 2008). In South Africa, TEBA established a banking arm in 2000 and 'Create a Dream Home Loan' through which South African mineworkers can service loans using automatic deductions from salary payments. TEBA has applied to the South Africa Reserve Bank to expand the programme into Mozambique.
18. According to a Witwatersrand Native Labour Association (WENELA) presentation, WENELA/TEBA plans to transform itself from a labour contractor to a service agency paid by miners themselves for forwarding their baggage, arranging insurance and delivering remittances (O'Laughlin 2001).

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