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Remittances, Financial Intermediation,  
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Moroccan Migrants as Unlikely Captains of Industry:  
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In 1963, Morocco signed a labor export agreement with West Germany and began sending Moroccan workers to remedy that nation's labor shortage. Similar treaties with France, Belgium, and the Netherlands were ratified in quick succession, and over the next decade, over two hundred thousand Moroccans were recruited from the rural areas in the north and south of the Kingdom to work in Europe's factories and mines.<sup>1</sup> Many more migrated to Europe as "tourists," securing employment and a labor contract once they arrived.<sup>2</sup>

The work was arduous, and the pace on assembly lines and in mine shafts was relentless. "I didn't even think I would be able to complete my one year contract, it was so hard," recalls one Moroccan immigrant employed in a mine in the north of France. "It was all just work, then exhaustion, and starting all over again [the next day]."<sup>3</sup> The living conditions were equally difficult. Lodged in employer-supplied barracks where workers were often assigned beds in shifts, in shanty-towns that sprung up on the edge of industrial complexes in shacks that were, as one resident remembered, "soaked to the nails in water and mud,"<sup>4</sup> or in substandard public housing, the immigrants lived segregated by nationality and isolated from the rest of the population. In France, destination country for the vast majority of Moroccans, they were subject to intensive policing, both on the street and on the factory floor.<sup>5</sup> French authorities in major cities conducted frequent checks of North African workers' identity papers and work permits;

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<sup>1</sup> Groupe d'Etudes et de Recherches Appliquées (GERA). "Etude Des Mouvements Migratoires Du Maroc Vers La Communauté Européenne." (Rabat: Université Mohammed V, 1992)

<sup>2</sup> Georges Tapinos. *L'immigration Etrangère en France*. (Paris: Presses Universitaires de France, 1975.)

<sup>3</sup> Quoted in Yamina Benguigui. *Mémoires D'immigrés: L'héritage Maghrébin*. (Paris: Canal + editions, 1997), pp 37-38.

<sup>4</sup> Brahim Benaïcha, quoted in Pascal Blanchard, Eric Deroo, Driss El Yazami, Pierre Fournié, and Gilles Manceron. *Le Paris Arabe*. (Paris: La Découverte, 2003) p. 183.

<sup>5</sup> Alexis Spire. *Étrangers À La Carte: L'administration De L'immigration En France*. (Paris: Bernard Grasset, 2005).

those who could not prove current employment were detained and deported for being “vagrants.” Likewise, immigrants who were injured on the job or challenged their working conditions were reported to the authorities as “unfit” and many were summarily extradited.<sup>6</sup> In Paris, Moroccan immigrants, at their jobs on factory assembly lines before daybreak, began to call themselves “the tunnel people, those that never see the light of day.”<sup>7</sup>

These same workers, favored by European employers as a source of manpower that was strong, abundant and cheap,<sup>8</sup> paid for Moroccan industrialization. From their posts on Europe’s factory floors or in its mineshafts, Moroccan immigrants were, collectively, one of the most important financiers of Morocco’s national development initiatives. From the late 1960s onward, their wages –though consistently lower than those of their European co-workers– helped bankroll the construction of dams and massive irrigation systems for agribusiness, and financed major industrial investment in Morocco’s growing coastal cities.<sup>9</sup>

In the context of current debates about the relationship between migration and development, the role of Moroccan migrants as sponsors of national development seems improbable. Despite the significant volume migrant remittances can often attain, the monies migrants send home are generally viewed as having a marginal impact on

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<sup>6</sup> Ibid, pp. 189-205; Vincent Viet. *La France Immigrée: Construction D'une Politique, 1914-1997*. (Paris: Fayard, 1998), pp 281-290.

<sup>7</sup> Zakya Daoud. *Travailleurs Marocains En France: Mémoire Restituée*. (Casablanca: Tarik éditions, 2004), p. 12.

<sup>8</sup> Anne Frennet-De Keyser. "La Convention Belgo-Marocaine De Main D'oeuvre: Un Non-Événement?" In Nouria Ouali ed., *Trajectoires Et Dynamiques Migratoires De L'immigration Marocaine De Belgique*. (Louvain-La Neuve: Bruylant-Academia, 2004.) The Belgian Consul-General in Casablanca, for example, lauded Moroccan labor as a source of manpower employers “appreciate[d] very much” for being just as capable but more malleable than workers from other North African countries (Frennet 2004: 220).

<sup>9</sup> Natasha Iskander. *Creative State: Forty Years of Migration and Development Policy in Morocco and Mexico*. (Ithaca: Cornell University Press, 2010).

economic development— so marginal, in fact, that whether or not remittances actually foster the structural transformation on which economic development depends is a matter of controversy, with many observers arguing that migrant transfers can depress economic growth.

This narrow assessment of remittances' impact on development stems from a set of assumptions about remittances and the migrants who send them. Although remittances can represent several percentage points of a nation's income when summed, they are in effect very small payments sent from one person to another. Precisely because the disbursements are small and because the monies are spread out among the many people who receive them, numbering even more than the migrants who send them, they are generally viewed as having too diffuse an effect on an economy to catalyze structural change. For the same reasons, remittances are also viewed as difficult to aggregate. Grouping together tiny amounts of money that are dispersed throughout an economy in order to transform them into capital for targeted investment has been characterized as a herculean task. This is in part because of whose hands the money is in: the migrants, who make up the vast majority of remittance senders worldwide, as well the family members, who receive their wages, are viewed as difficult to bring into the formal banking system, for reasons ranging from lack of financial literacy, to geographic mobility, to legal status. Daunted by the challenge of providing financial services to this population, governments, banks, and donor organizations have turned their attention instead to the mechanisms for money transfer, focusing on in particular on reducing the cost and complexity of sending money across borders.

The role that Moroccan migrants played in financing their country's industrialization suggests that this assessment of remittances represents a lost opportunity. It reveals that the challenge of using remittances to fund development may rest neither with migrants nor with the small size and large volume of remittance transfers, but rather with the way financial intermediation for migrants has been conceived. Moroccan migrants became the kingdom's unlikely captains of industry not because of the remittances they sent home, but because of the kind of financial institutions the Moroccan state set up to channel those funds to national development. From 1969 onward, the Moroccan government used its state-controlled bank, the Banque Centrale Populaire (BCP), to create a set of financial tools that allowed migrants to send money home, to save and invest, while at the same making those funds available to the government for state-sponsored investment. The bank directed the remittances it had aggregated and transformed into capital toward large-scale projects viewed as centerpieces of the nation's development plan. The Moroccan state, through the BCP, devised a system of financial intermediation that allowed the government to borrow from migrants to pay for projects that promoted industrialization.

To design financial services that would appeal to migrant workers with little previous exposure to formal banking, the bank had to engage intensively with Moroccan migrants. It had to collaborate with migrants in order to identify what obstacles prevented them from accessing formal money transfer channels and to translate their financial aspirations into workable banking services. After a few false starts, the cooperation between migrants and the state bank produced a wide range of innovative transnational financial instruments. It also yielded substantial capital for Moroccan

national investment: by 1980, migrant deposits in the Banque Centrale Populaire represented 20 percent of total national deposits in the Moroccan banking system.<sup>10</sup> That proportion continued to grow, and emigrant participation into Morocco's formal banking structure is an achievement that still remains unparalleled today.

The Moroccan experience with the BCP brings the process of institution building into the center of the narrative about the relationship between migration and development. The effect of remittances on the Moroccan economy grew out of the institutions for financial intermediation that migrants and the state constructed together. Rather than a story of impact, the way migration transformed Morocco and its economy was a story of engagement. Migrants did not *act on* a country of origin that was reduced to a passive recipient of remittances. Neither did the state *act on* migrants to seize their remittances. Rather, migrants and state actors *acted with* one another to create institutions that allowed migrants to support the aspirations they had for themselves and their communities even as they enabled the government to capitalize on the monies migrants sent home.

The engagement between migrants and the state – the process of *acting with* – not only allowed for the wholesale integration of migrants into Morocco's formal financial system but it also created an opening for the redefinition of what development was and where development, in Morocco, should occur. In a classic two-sector model, the Moroccan government defined development as a national project of rapid urban industrialization and the promotion of large agribusiness, to the deliberate and explicit exclusion of the traditional agriculture systems that prevailed in the communities most migrants were from. As Moroccan migrants became more invested in the financial

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<sup>10</sup> Ibid., p. 139.

system, they began to challenge the national development schemes their wages were supporting. They used both the financial tools the bank provided them and the political leverage the sum of their deposits afforded them to push for development in rural areas long neglected by their government. They advocated for the extension of basic infrastructure services, essential to support small-scale agricultural production and micro-enterprises emerging in semi-urban centers that they were building throughout the countryside. In time, they edged sustainable rural development and poverty alleviation in rural communities onto the list of the government's main economic development priorities. This shift was arguably the most transformative, if unintended, impact of the Moroccan government's aggressive efforts to capture migrant remittances, and had even greater influence on Morocco's development trajectory than the large industrial projects the government bankrolled with migrant wages.

This essay opens with examination of the assumptions that underpin debates about the effect of remittances on economic development, and the ways those suppositions crowd out discussions about ways to create more room for institutional innovation, particularly with respect to financial intermediation. Drawing on historical research and ethnographic fieldwork I conducted in Morocco and France, the narrative moves on to explain why the Moroccan government escaped the constraints of those assumptions, and *acted with* migrants to design financial services that met migrants need, even as they drew them and their income into Morocco's formal banking system. The ways Moroccan migrants were able to leverage their participation in the financial sector, and their role as financiers of industrialization, to change the government development models is then explored. This essay concludes with a review of the challenge that

Morocco's experience offers to claim that "banking" migrants, the quintessential "unbankable" population, is still too daunting a task.

### 1. Debating Remittances, Debating Development

In recent years, the money that migrants send home has risen to unprecedented levels, surpassing foreign direct investment by a large margin, and providing a quorum of countries with one of their most important sources of national income. Given the sums of cash at stake, it is no wonder that the debates about how migrant remittances foster development, if they do so at all, have been heated. Some have observed that remittances accelerate economic growth rates and reduce poverty levels,<sup>11</sup> generally through standard Keynesian effects.<sup>12</sup> They have noted that remittances provide income support to families,<sup>13</sup> act as insurance against income shocks,<sup>14</sup> and allow households to make investments in housing and education.<sup>15</sup> Critics have countered that remittances have modest impact on growth and that their positive effects are limited to specific socio-

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<sup>11</sup> Quentin Wodon, Diego Angel-Urdinola, Gabriel Gonzalez-Konig, Diana Ojeda Revah, and Corinne Siaens. "Migration and Poverty in Mexico's Southern States." Regional Studies Program, Office of the Chief Economist for Latin America and the Caribbean, World Bank, Washington, DC. 2002

<sup>12</sup> Devesh Kapur and John McHale. "Migration's New Payoff." *Foreign Policy*, no. 139 (2003): 49-57; Dani Rodrik. Feasible Globalizations. National Bureau of Economic Research Working Paper 9129, 2002; Germán Zarate-Hoyos. "Consumption and Remittances in Migrant Households: Toward a Productive Use of Remittances," *Contemporary Economic Policy*, vol. 22, no.4, 2004. pp. 555-565; Stuart Brown. "Can Remittances Spur Development? A Critical Survey." *International Studies Review* 8, no. 1 (2006). Pp. 55-76.

<sup>13</sup> Alejandra Cox-Edwards and Eduardo Rodríguez-Oreggia. "Remittances and Labor Force Participation in Mexico: An Analysis Using Propensity Score Matching." *World Development* 37, no. 5 (2008): 1004-14.

<sup>14</sup> Reena Argarwal and Andrew Horowitz. Are Remittances Altruism or Insurance? Evidence from Guyana Using Multiple-Migrant Households. *World Development* 30 (11):2033-2044. 2002; Catalina Amuedo-Dorantes, Cynthia Bansak, and Susan Pozo. On the Remitting Patterns of Immigrants: Evidence from Mexican Survey Data. Paper presented at the Payments in the Americas Conference. Federal Reserve Bank of Atlanta, October 7-8, 2008.

<sup>15</sup> Fernando Borraz. Assessing the Impact of Remittances on Schooling: The Mexican Experience. *Global Economy Journal* 5 (1):9, 2005.

groups and region.<sup>16</sup> Moreover, they add that remittances may dampen labor market participation, increase inequality, and create inflationary pressure.<sup>17</sup>

Despite the diversity of positions articulated in this debate, a set of shared assumptions broadly demarcate its contours. Most of the evaluations of remittances view them as categorically distinct from other monies flowing into and circulating within a given national economy. Remittances are seen as being added on to an economy and are considered a resource that is only integrated into mainstream economic exchange through the investment and consumption behavior of migrants themselves. Institutions do play a role in informing these behaviors: a favorable institutional environment, observers have noted, can attract increased remittance flows into an economy.<sup>18</sup> A stable macroeconomic environment that keeps currency values from ricocheting tends to do the same: migrants transfer more money when they enjoy some assurance that their earnings will not abruptly lose value. However, remittances themselves have little impact on the features of institutions that structure economic production and promote economic development. With few exceptions,<sup>19</sup> remittances remain a supplemental resource, with minimal transformative effect on the economy. To be sure, they may accelerate existing

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<sup>16</sup> Ralph Chami, Connel Fullenkamp, and Samir Jahjah. "Are Immigrant Remittance Flows a Source of Capital for Development?" *IMF Staff Papers* 52, no. 1 (2005): 55-81; Barry McCormick and Jackline Wahba. "Overseas Employment and Remittances to a Dual Economy." *The Economic Journal* 110, no. 463 (2000): 509-34.

<sup>17</sup> Jorge Durand, Emilio Parrado, and Douglas Massey. "Migradollars and Development: A reconsideration of the Mexican Case," *International Migration Review*, vol. 30, no. 2, 423-444. 1996; Hinojosa-Ojeda, Raul. Transnational Migration, Remittances, and Development in North America: Globalization Lessons from Oaxa California Transnational Village/Community Modeling Project. Report prepared for IMF-IADB on behalf of the North American Integration Department Center, UCLA, 2003; Susan Eckstein. "Dollarization and Its Discontents: Remittances and the Remaking of Cuba in the Post-Soviet Era." *Comparative Politics* 36, no. 3 (2004), pp. 313-30.

<sup>18</sup> Catrinescu, Natalia, Miguel Leon-Ledesma, Matloob Piracha, and Bryce Quillin. "Remittances, Institutions, and Economic Growth." *World Development* 37, no. 1 (2009): 81-92.

<sup>19</sup> Eckstein 2004.

economic patterns,<sup>20</sup> through the multiplier effect consumption and that local spending can have, and they may accentuate economic differences, like income inequality, but for the most part they are not considered a factor that can alter the fundamental organization of production in an economy, either locally or nationally.<sup>21</sup> The predominant industries remain largely the same, and the economic institutions that govern them remain basically unaffected.

The analytic distinction of remittances from the rest of the money in an economy stems from the attributes associated with them. Remittances are primarily defined as person-to-person payments of low monetary value. Furthermore, these small sums of money are characterized as being sent to individuals for uses already determined before the money is transferred. Thus, with remittances so tightly wedded to migrant and migrant family expenditure practices, the assumption is that it very difficult to aggregate these small transfers like other money in the economy and transform it into capital that can be reinvested for production.

Not only do these characteristics supposedly make remittances resistant to financial intermediation, but migrants themselves are portrayed as difficult to bring into the formal financial system. To use the vernacular of development organizations, migrants are viewed as “unbankable.” The reasons are myriad: the transaction costs to process large numbers of small transfers are too high to be profitable for traditional banking institutions, even given rapidly evolving information technology platforms;

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<sup>20</sup> Douglas Massey and Emilio Parrado, “Migradollars: The Remittances and Savings of Mexican Migrants in the United States,” *Population Research and Policy Review*, vol. 13, no. 1. 1994

<sup>21</sup> Raúl Delgado Wise and Héctor Rodríguez, “The Emergence of Collective Migrants and Their Role in Mexico’s Local and Regional Development,” *Canadian Journal of Development Studies*, vol. XXII, no. 3, pp. 747-764. 2001.

migrants' lives, and their monetary transfers, often reflect their legal liminality and the informal aspects of migrants lives makes meeting security requirements on international finance more complex; the mobility of migrants and the remoteness of many of their communities of origin creates challenges for banking systems that still rely to a great extent on the static physical infrastructure of bank branches; and a widespread, but increasingly inaccurate, perception that migrants have had limited exposure to banking systems and that as a result, extending financial service would also require significant resources to build financial literacy.<sup>22</sup> Migrants' tendency to have low savings amounts (as opposed to saving rates, which tend to be relatively high) or to use funds immediately for household expenditures compounds these perceptions and makes dedicating the resources to overcome those obstacles seem like a poor investment.<sup>23</sup>

Initiatives ostensibly geared toward providing migrants with greater financial access reflect this perspective. The emphasis has been on reducing the price associated with remittances transfer.<sup>24</sup> Significantly less attention has been paid to ensuring that migrants have easy and reliable access to mainstream financial institutions, especially traditional banking services in their countries of origin.<sup>25</sup> This is true even though recent surveys have demonstrated that migrants do in fact want greater access to formal

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<sup>22</sup> Anna Paulson, Audrey Singer, Robin Newberger, and Jeremy Smith. "Financial Access for Immigrants: Lessons from Diverse Perspectives." (Washington, D.C.: Brookings Institutions, 2006.)

<sup>23</sup> Sheila Bair. "Improving the Access of Recent Latin American Migrants to the U.S. Banking System." In Donald Terry Ed. *Beyond Small Change: Making Migrant Remittances Count*. (Washington DC: Inter-American Development Bank, 2005).

<sup>24</sup> IADB -- Multilateral Investment Fund; *Sending Money Home: Remittance to Latin America and the Caribbean*. Inter-American Development Bank, 2004; Donald Terry and Steven R. Wilson, Eds. *Beyond Small Change: Making Migrant Remittances Count*. (Washington, DC: Inter-American Development Bank, 2005)

<sup>25</sup> Brown, p. 69.

financial services, and have a somewhat higher propensity to have bank accounts in the countries to which they migrate.<sup>26</sup>

Instead, governments, development organizations, and financial institutions have attempted to alter the behavior of migrants themselves. Policy interventions designed to turn remittances into an economic input that can change the structure of an economy have focused on changing the preferences and practices of migrants, specifically on shifting migrant spending from expenditures viewed as consumption toward expenditures viewed as productive investment.<sup>27</sup> The line between spending and investment is a movable one, with some policy makers considering expenditures on housing, health, and education consumption, whereas others consider them investment. Regardless of where the distinction is drawn, the policies share a marked propensity to *act on* migrants: they endeavor to redirect a portion of migrant remittances toward development projects; they attempt to turn migrants into philanthropists or entrepreneurs; and they encourage migrants to invest in schemes for income generation in their communities of origin.

Financial experiments of this ilk have explored tactics ranging from marketing government bonds to migrants to pooling remittances into small funds for local development projects.<sup>28</sup> Matching-funds program for remittances in countries like Mexico and others, for example, have provided migrants with incentives – in the form of government grants that equal or exceed migrant donations – to pool a portion of the

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<sup>26</sup> Manuel Orozco and Rachel Radewa. "Leveraging Efforts of Remittances and Financial Intermediation." Inter-American Development Bank – Integration and Regional Programs Department Working Paper Series. Working Paper No. 4. ( Washington D.C.: IADB, 2006).

<sup>27</sup> Iskander, N. "Social Learning as a Productive Project: The Tres Por Uno (Three for One) Experience at Zacatecas, Mexico." Organisation for Economic Co-operation and Development (OECD) ed. *The Development Dimension: Migration, Remittances and Development*. (Paris: OECD, 2005.)

<sup>28</sup> Suhas Ketkar and Dilip Ratha. Development Financing during a Crisis: Securitization of Future Receivables. World Bank Policy Research Working Paper 2582, 2001; Suhas Ketkar and Dilip Ratha. "Development Finance via Diaspora Bonds". Suhas Ketkar and Dilip Rathe Eds. *Innovative Financing for Development*. (Washington. D.C.: The World Bank 2009).

remittances they would otherwise have sent to their families and use those monies for development project. What qualifies as development project has been a matter of tense contest between migrants and their governments, with migrants electing projects that have symbolic or cultural value for them, like churches and rodeo-rings, while governments instead vying for projects viewed as “productive,” such as infrastructure investment and small business support.<sup>29</sup> Efforts by small community banks and credit unions, in both countries of origin and destination, to create banking services for migrants also reflect some of this tendency to *act on* migrants to change their spending practices. These local institutions often already have a deep knowledge of their customer base and the specific linguistic, cultural, and financial challenges that the migrants among them may face, and creating tailor-made services for immigrants requires minimal additional investment.<sup>30</sup> Even so, they have concentrated on providing remittances transfer services that are competitively priced.<sup>31</sup> When they have offered additional financial products to migrants, such as current deposit, savings accounts, and micro-credit, they have tended to pair those services with financial education to alter the mix of migrant spending practices away from consumption and toward investment considered productive. This drive to reorient migrant expenditure occurs at both the individual and community level, through campaign that argue that saving with the credit union enables it to support local business development, with an emphasis on businesses started by migrants in particular. Their

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<sup>29</sup> Iskander, 2005. Rafael Fernández de Castro, Rodolfo García Zamora, and Ana Vila Freyer. *El Programa 3x1 Para Migrantes: Primera Política Transnacional En México?* Mexico City: Instituto Tecnológico de México and Universidad Autónoma de Zacatecas, 2006.

<sup>30</sup> Paulson et al. 2004.

<sup>31</sup> A few large banks in the US and Europe have started to follow suit with modest initiatives targeted at migrants, and have begun offering bilingual services, training courses in financial literacy that expose client to a full range of products from current accounts to mortgages, and products that are low-cost, such as accounts with no minimum balance and overdraft protection. Still, these initiatives are extension of their community banking services. (Blair, 2005; Orzoco and Fedewa 2006)

ability to channel to remittances toward development projects that affect the structural constraints that keep many migrant communities economically marginalized to begin with has proved limited.<sup>32</sup> Thus, while small community banks may integrate some migrants into formal financial systems, they have little influence on larger conversations about the direction national development policy should take.

The Moroccan government's approach to remittances was not constrained by concerns about the feasibility or cost of integrating migrants into the country's formal financial systems. The Moroccan administration viewed Moroccan emigrants as an arm of the national economy and the wages they earned in Europe as a source of hard cash for its national investments, a source to which it was fully entitled, and as a result, no transaction was too small and no aspect of migrants viewed as too socially complex to discourage the government from bringing migrants into the national financial system. Neither did it reflect an attempt to change migrant spending behavior such that they direct more of their wages to expenditures considered investment. The Moroccan government had little interest in *acting on* migrants in this fashion because the government had no desire whatsoever to involve migrants or their communities in development policy. Quite to the contrary, it was keen on using their wages to fund the megaprojects in what it defined as the modern industrial sector – a sector in which rural economies most migrants were from had no part. Ironically, the government's ambitious and determined approach to banking migrants integrated them into the financial system so deeply that migrants were ultimately able to amend the government's development strategy to include the rural areas it had deliberately sidelined for so long.

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<sup>32</sup> David Grace. "Exploring the Credit Union Experience with Remittances in the Latin American Market." In Samuel Maimbo and Dilip Ratha Eds., *Remittances and Development: Development Impact and Future Prospects*. (Washington, D.C.: World Bank, 2005.)

## 2. Wages for development

The Moroccan government had two goals when it launched its policy of exporting workers: to reduce the level of unemployment within its borders, and to use the wages of Moroccan emigrant workers as capital for national investment.<sup>33</sup> In all the accords it crafted with European labor recruiting nations, it was careful to include language contractually protecting the flow of worker earnings to Morocco: “Moroccan workers shall be able to transfer their savings to Morocco in compliance with existing legislation and regulations,” read the compact signed with France in 1963 for example.<sup>34</sup> The kingdom’s national development policy codified the function of migrant wages even more explicitly. The 1968-1972 National Development Plan predicted that labor emigration “would permit the increase of transfers of foreign currency which would finance internal investments” and stated that the government's goal was thus “to achieve the augmentation of workers abroad by the end of the five-year period [covered by the plan],” especially since labor export ensured “the employment of a portion of our population that cannot be absorbed within our frontiers.”<sup>35</sup> The 1973-1977 National Development Plan continued in a similar vein, deeming emigration to be “the equivalent, in economic terms, of the export of a product produced in Morocco” that promoted cash flow into the country.<sup>36</sup>

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<sup>33</sup> Iskander, 2010.

<sup>34</sup> Government of Morocco. "Convention De Main D'oeuvre Entre Le Maroc Et La France." (Rabat, Ministry of Labor, 1963), article 13.

<sup>35</sup> Abdelkrim Belguendouz. *Les Marocains À L'etranger: Citoyens Et Partenaires*. (Kénitra: Boukili Impression, 1999), p. 34-35

<sup>36</sup> Ibid. p. 39

Although unemployment remained high, migrant transfers quickly yielded a sizable addition to national income. In 1964, a year after the first labor export agreements were signed, Moroccan migrants remitted an estimated 93 million dirhams. Within three years, by 1967, that sum doubled to more than 208 million dirhams, or a little over 1.3 percent of the country's GDP.<sup>37</sup> With the number of Moroccan workers that the Moroccan government formally sent abroad under the auspices of labor agreements growing by about 20 percent annually, and the number of “tourist” workers increasing even more, remittances were expected to rise substantially.<sup>38</sup> Much to the Moroccan government’s consternation, however, Moroccan migrants bypassed the formal transfer channels their government had gone to pains to protect – primarily postal money orders in the 1960s. Emigrants sent their money home informally instead, bringing back their earnings in cash when they returned or sending money home through trusted couriers. These informal transfers, and the black market currency exchanges that went with them, bypassed the formal banking system completely. Short on hard currency and running a deficit that amounted to a third of its operating budget, with its shortfall growing,<sup>39</sup> the Moroccan government was already taking aggressive steps to pull cash into the national financial system. It had launched an all-out public relations campaign in the mid-60s to promote savings and investment government: it pressed citizens to deposit their money in bank accounts, and made purchases of treasury bonds equivalent to no less than 30 percent of deposits compulsory for all banks. Although successful with domestic

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<sup>37</sup> The World Bank. *The Economic Development of Morocco*. (Baltimore: Johns Hopkins Press, 1966).

<sup>38</sup> Abdelkrim Belguendouz. "L'émigration des travailleurs marocains." In *La Grande Encyclopédie Du Maroc*, 37-64. Rabat, 1987.

<sup>39</sup> The World Bank, 1966; The World Bank. *Morocco - Economic and Social Development Report*. (Baltimore: Johns Hopkins University Press, 1981).

savings, which doubled between 1968 and 1974,<sup>40</sup> the initiative failed with migrants and their families, and migrant wages remained unavailable for national development use.

In response, the Minister of Finance took the extraordinary step in 1968 of issuing an official missive to the Banque Centrale Populaire (BCP), directing it to bring migrant wages into the formal financial system. The BCP was a state-owned bank, based on a network of credit unions, was already the main implementing institution of the government's private savings and investment initiative. It had embraced “bancarizing the masses” as both its mission and its slogan, and had introduced banking services to wide swathes of Morocco’s merchant class in cities and small towns.<sup>41</sup> The Minister ordered the bank to complete “the elaboration of a very refined system such that the repatriation of savings by the workers abroad no longer escape state control”<sup>42</sup> Had the “workers abroad” the bank was charged with targeting remained in Morocco, the bank would never have extended their services to them. Before their departure, migrant workers belonged to an economic stratum that did not attract the bank’s interest. They had been poor, largely illiterate rural laborers: according to one household survey, only 23 percent of migrants who left Morocco between 1965 and 1975 had any formal schooling at all, and only 7 percent were more than marginally literate. Although the wages migrants earned catapulted them into the Moroccan middle class, the BCP had little sense of how to approach a demographic group that bank staff viewed as inherently “unbankable.” Moreover, the bank had no experience offering financial services to people whose everyday financial practices stretched across national borders, with wages earned in

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<sup>40</sup> The World Bank, 1981.

<sup>41</sup> Banque Centrale Populaire. *25 Ans D'expansion: 1961-1986*. (Casablanca: Banque Centrale Populaire, 1986).

<sup>42</sup> Laftasse, Boujemaa, Abderrahim Haoudi, and Meryem Fhal. "Les Transferts D'epargne Des R.M.E." (Rabat: Université Mohammed V, 1992).

Europe and family expenditures in Morocco. Its lack of expertise in this area was unremarkable: save for one bank in Portugal that was just beginning to experiment offering financial service to migrants, no other bank anywhere was providing banking access to emigrants in the 1960s. As one former BCP director recalled, “everyone thought [the minister] was crazy. No one – no one! – at the bank or anywhere else – thought it could be done.”<sup>43</sup> Under Morocco’s authoritarian government, the BCP was nevertheless bound by the minister’s stern dictate to ensure that remittances “no longer escaped state control.” Unable, however, to design financial services for migrants on its own, the bank was compelled to *act with* migrant workers to discover how to bring them into the Moroccan banking system, and to direct their wages to the government’s development priorities.

### 3. Tea and the art of *acting with*

Within months of receiving the Ministry of Finance’s executive order, the BCP sent an exploratory delegation to Paris to come up with a prototype of financial tools that would capture remittances. Operating out of provisional offices set up in the Moroccan embassy in Paris as well as suburban consulates, the BCP staff set out to “map the circuits” through which migrants moved their money from Europe to Morocco. To discover this information, BCP initially attempted to conduct an informal survey of migrant workers about their remittance practices, but were sharply rebuffed by migrants who were deeply suspicious of the Moroccan bureaucrats’ sudden interest in their financial affairs. The BCP staff abandoned their direct line of questioning, and instead, began simply trying to forge relationships with migrant workers that were easeful enough

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<sup>43</sup> Iskander, 2010. p. 93.

to encompass, eventually, the discussion of money transfers. The bankers visited migrants at their worker dorms and factory trailers; they went to the barbers in shantytowns for Moroccan workers and spent time chatting with workers who had come in for a shave or a haircut; they prayed with them in basement prayer rooms; they had lunch with them outside the factories where they worked; they relaxed with them over a glass of Moroccan tea when workers' finished their shifts. BCP veterans recall running competitions over who had had the most glasses of tea during the course of day.<sup>44</sup>

Over time, the relationships that the BCP staff forged with Moroccan emigrants in Paris opened up the space for discussions about the informal transfer systems the workers used. They explained that they relied on trusted representatives from their communities, from their Berber tribe, to travel to Europe, pick up their wages, and hand carry the cash back to their families for a fee. Moroccan emigrants called this arrangement, in a riff off of the formal postal service, "playing postmen – *faire de la poste*."<sup>45</sup> In addition to transporting money, "postmen" fulfilled a host of other quasi-social service functions for migrants and their families. They provided loans, using future remittances as collateral; they extended the equivalent of insurance against illness, crop failure, or the migrants' unemployment, deducting a fee from the remittances they carried for workers; and they organized collections among their clients for unfortunate expenses like burials and the repatriation of bodies. They also offered social and community support, providing migrants with information about their families, their harvests, and local disputes, but also

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<sup>44</sup> Iskander, 2010. p. 94

<sup>45</sup> R. Bossard. "Un Espace de Migration: Les Travailleurs du Rif Oriental (Province De Nador) et L'Europe." (Université Paul Valery, 1979). p. 172.

about employment opportunities at other factories and other cities in Europe.<sup>46</sup> “I take care of the business and family affairs of my relatives,” explained a postman from rural community in the north of Morocco. “The money repatriated varies by year, you know, there are illnesses, ups and downs. I take care of twenty-seven workers (eleven in Germany, seven in Holland, five in Belgium, four in France) and even if they are hardworking, sometimes there is nothing you can do about destiny.”<sup>47</sup>

For emigrant workers, these informal arrangements were invaluable but costly. “Postmen” charged high fees for their service, taking a cut of the remittances when they picked them up from workers in Europe but also when they delivered them to families. Reported charges hovered around 10 percent of the money delivered.<sup>48</sup> Moreover, it took several weeks for the monies migrants sent to their families to arrive and they were not infrequently lost in transit, with couriers claiming either that they had been robbed or that migrants mis-remembered the amount they had sent home. “Postmen” also handled currency exchange, generally on the black market because of Morocco’s stringent regulation of currency exchange during this period: not only did the government control prices carefully, but it only authorized a limited number of institutions to change currency and impose onerous reporting requirements on them. Postmen exacted a fee for currency change that was commensurate with the difficulty of providing them.<sup>49</sup>

Eventually, conversations between migrants and the BCP turned to the obstacles that prevented migrants from using formal money transfer alternatives, and explored

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<sup>46</sup> Bossard, 1979; Iskander, 2010. Charef, M. "Les Transfers d'épargne des émigrés Marocains en France: Évaluation de leur importance et de leurs effets." L. Talha ed. *Maghrébins en France: Émigrés ou Immigrés?* (Aix-en-Provence, 1981), pp. 217-228.

<sup>47</sup> Charef, 1981. p. 220-221

<sup>48</sup> Ibid., p. 221

<sup>49</sup> Bossard, 1979; Iskander, 2010; Charef 1981.

ways a transnational banking system could respond to them. Specifically, the discussion brought to the surface barriers that prevented Moroccan workers from accessing formal transfer channels in France, and the disconnect in Morocco between the government services and the financial needs of Moroccan emigrants and their families.

In France, prevalent social attitudes toward North African immigrants made government offices, including post offices, inaccessible to Moroccan workers. Entering an official institution at a time when North African workers were often barred from grocery stores was daunting for many Moroccan migrants. Even those who braved offices that they experienced as exceedingly inhospitable reported being treated dismissively; they described receiving poor service and little help filling out postal orders. Furthermore, Moroccan migrants, like all North African workers during this period, were subjected to policing and frequent identity checks in public spaces and government offices. Leaving worker barracks or Arab shantytown meant risking police harassment, and if a worker could prove legal employment, possible deportation.

Even if Moroccan workers did make it to a post office, the second barrier that made using formal transfer mechanisms difficult had to do with low levels of literacy, and specifically, illiteracy in French, or rather in a Latin alphabet. Sending money to a postal money order required filling out a basic form in French, indicating personal information and the address of the recipient in Morocco. For workers who were functionally illiterate, this was an impossible task, and even those who were able to fill out the forms made frequent errors in the address noted for the recipient. When error made funds impossible to deliver, the formal transfer agreements stipulated the monies were to be returned to the postal office where the transfer order was submitted, but in

practice the funds were often lost or absorbed by either the French or Moroccan postal service.

In Morocco, the transfer services the government provided did not meet the needs of Moroccan emigrants and their families. Postal transfers were unattractive to migrants because they represented a logistical hurdle for the families of migrants in Morocco. In the 1960s and 1970s, post offices in rural mountains of the north and south of Morocco, the regions most migrants were from, were sparse and often at some distance from migrants' villages of origin. More saliently, the post offices were often too far for a woman to travel to alone given gender norms of the period, and migrants had to grant a male relative given power of attorney to pick up funds, a bureaucratic process that was prohibitively convoluted. Moreover, postal transfer services did little to address the challenges of exchanging foreign currency in Morocco's tightly regulated market, nor did they fill migrants' and their families' needs for occasional loans, insurance, and information.

Based on the insights that emerged out of the conversations between Moroccan workers and the BCP staff, the bank devised a two-part response that resolved the obstacles that kept migrants from using formal postal transfers even as it brought migrants into the Moroccan banking system. The new services were packaged in an initiative formally launched in 1969 as "Operation Moroccan Workers Abroad," and reflected a new way of conceptualizing banking: more than simply providing financial access, bringing migrants into the formal banking system involved *acting with* migrants in the context of a larger relationship of which banking services were only a part.

To ensure that migrants had access to formal money transfer systems, the bank staff engaged in what the BCP termed “a strategy of accompaniment.” Bank staff literally went with Moroccan workers to French post offices, and filled out the money order for them. When accompanied by a Moroccan professional, fluent in French and able to advocate for migrants rights, Moroccan workers received markedly better service than when they had gone alone. “Postal clerks became much more patient with Moroccan workers when they saw us with them,” remembered one BCP veteran. Once the BCP staffer completed the transfer form, the migrant worker who was with him only had to sign his name – “in the early years [of the program], sometimes they just used a thumbprint” explained one BCP staffer – resolving challenges that marginal literacy had posed. The migrant’s money was then wired to a general BCP account in Casablanca, at no cost. (The nominal fee charged by the French postal service for transfer services were absorbed by the BCP). Migrant wages were brought into the formal banking system as part of remittances transfer – not as an additional service offered alongside remittance delivery. Once migrants felt confident enough to use postal transfers on their own, the BCP supplied them with pre-printed transfer forms with all the necessary information, save for the amount to be transmitted and the sender’s signature.<sup>50</sup>

Once at the BCP headquarters in Morocco, each migrant’s funds were rerouted to individual personal accounts at the bank, which the migrant or whoever else was a signatory on the account could access at will. The transfer from Paris post office to migrant account took only two or three days, which in 1969, when the technology available was telex and filing card accounting systems, was considered highly efficient,

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<sup>50</sup> The BCP was able to provide these pre-printed forms after 1972, thanks to an agreement it concluded with the French postal service. (Iskander, 2010. p. 101)

and certainly faster than the several months it often took an informal courier to deliver funds. The migrant's family could withdraw funds at the bank's extensive and growing network of branches and regional centers or from any one of its mobile "van-branches" – Volkswagen vans that were refurbished to serve as ambulatory bank branches – as they ambled through small towns and villages in rural Morocco on market days.<sup>51</sup> It was not door-to-door service, but it came very close.

The BCP complemented these logistical solutions with the same social support that informal "postmen" had provided. In France, the bank's staff helped migrants with various day-to-day tasks, like going to the doctor, reading or writing letters, or filling out administrative forms relating to their employment. This engaged style of banking became core to the BCP's approach, so much so that three decades later, the BCP delegate general remarked that the functions that the BCP staff performed were "not exclusively commercial. They are often called upon to provide a whole menu of other services. They are called upon to write a letter or resolve an administrative problem."<sup>52</sup>

In Morocco, the BCP, through its decentralized network of credit unions, offered migrants and their families many of the same financial services "postmen" had provided informally, including small loans and crop insurance policies. The bank very quickly developed a compendium of products designed specifically for their migrant clients, including insurance policies for the repatriation of bodies and for travel expenses incurred due to family emergencies. The mobile van-branches, and later the hundreds of physical offices that the BCP would open throughout the Moroccan countryside, became gathering places for migrant families, and information about migrants and employment

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<sup>51</sup> Banque Centrale Populaire. *30 Ans: 1961-1991* (Casablanca: Banque Centrale Populaire, 1991).

<sup>52</sup> C. Monnard. "L'éternel Retour: La Population Marocaine Dans Le Monde." *Jeune Afrique* 1998.

opportunities in Europe was exchanged organically. BCP staffers were also on-hand to extend financial advice if requested. Other providers of services important to migrant families, like village scribes, also gravitated to the bank branches. The BCP viewed this strategy as broader than just extending their banking network into rural areas. As Benaces Lahlou, director for emigrant services at the bank would later remark, “We are not satisfied with opening branches. We bring the bank to the emigrants. We follow them all the way to their homes.”<sup>53</sup>

#### 4. Money in the bank

“Operation Moroccan Workers Abroad,” with its engaged style of banking based on “accompaniment,” showed remarkable results within a very short time. By the end of 1969, transfers through the BCP reached 13 million Moroccan dirhams a month, a sum equal to almost a quarter of all remittances to the kingdom that year. Moreover, an impressive 16,550 migrants had opened accounts at the BCP in the first year the initiative, and their accounts represented 9 percent of the deposits held by the bank. Over the next several year, the BCP reach among Moroccan migrants continued to grow apace: by 1970, the number of migrants the institution counted among its clients had doubled to 35,000, and by 1975, the number had increased fivefold to 159,000 at a time when the total population of Moroccan migrants in Europe was estimated at only slightly more than 300,000. By 1976, the BCP was handling 50 percent of all remittance transfers to Morocco, with all transfer held for some period of time as deposits in migrant current accounts. With the remittances as a whole representing close to 5 percent of the GDP by

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<sup>53</sup> Rafik Ikram, and Malika El Jouhari. "Essoufflement Des Transfers Financiers." *L'Economiste* DATE 1997.

that time, the BCP was bringing in about 2 percent of national income by banking on those who by today's standards would be considered plainly unbankable.<sup>54</sup>

**[Table 1 about here]**

The Moroccan government was keen on strengthening its financial intermediation such that it could access a larger portion of migrant funds for long-term investments. In late 1974, the government, through the BCP, offered a 3 percent interest rate on savings accounts. The government complemented these incentives for savings with compensation for variable gaps between European currencies and the Moroccan dirham. When the French franc began to slip in relation to the Moroccan dirham in 1978, for example, the Moroccan treasury stepped in to cover the difference and mandated the BCP to extend a 3 percent "fidelity bonus" on all deposits into the bank. Although the government, struggling with its own budget constraints, was not always able to offer bonuses on deposits, it was careful to protect migrants from shifts in exchange rates, especially at times when a drop in phosphate prices (the country main export), a war, or a rise in petroleum costs increased the government's need of foreign currency.<sup>55</sup>

Through the provision of these services, the BCP brought migrants and their remittances into the formal banking system, and kept them as loyal clients who continued to increase deposits and savings with the bank. During the 1970s and 1980s, this was no small feat. Europe fundamentally redefined its immigration policy in 1974: major

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<sup>54</sup> Banque Centrale Populaire, 1986 & 1991; Office des Changes. "Data on Remittances - Sources and Types." Data series. Rabat: Government of Morocco, 1963-2006.

<sup>55</sup> Jean-Pierre Garson and Mohamed Bennabou. "Les Marocains." In *L'argent Des Immigrés: Revenues, Épargne et Transferts de Huit Nationalités Immigrées en France*. (Paris: Presses Universitaires de France, 1981); Groupe d'Etudes et de Recherches Appliquées (GERA). *Étude des Mouvements Migratoires du Maroc vers la Communauté Européenne*. (Rabat: Université Mohammed V, 1992).

importers of Moroccan labor brought worker immigration to a complete halt, and allowed for limited family reunification. Just as Moroccan workers began to bring their wives and children to join them in Europe in the late 1970s and early 1980s, European heavy industry began shedding large segments of its workforce, invariably laying off its immigrant workers first. Still, remittances rose throughout this turbulent period, from about 5 percent in 1975 to somewhere between 6 and 8 percent throughout the 1980s.<sup>56</sup> The BCP continued to expand its emigrant client base. By 1990, when the total population of Moroccans living in Europe was estimated at 1 million<sup>57</sup> – a number that included men, women, and children – the BCP had an astounding 400,000 emigrant clients.<sup>58</sup> And deposits held in the BCP continued to swell. During the 1980s, the emigrant deposits that the BCP held averaged at 20 percent of total deposits in all Moroccan banks, peaking at close to 30 percent in 1987.<sup>59</sup>

**[Graph 1 about here]**

Such a large emigrant contribution to the liquidity in the Moroccan financial sector would have necessarily had a significant impact on the Moroccan economy, but the effect of migrant remittances was magnified by the BCP's position in Moroccan banking system. As a state-controlled bank, BCP was also one of the Moroccan state's main financiers.<sup>60</sup> Definitive data on exactly where and to whom the BCP tendered its funds is impossible to obtain: the boundary between the state and the bank's accounting columns were porous, and laws against reporting the crown's income, investments, and

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<sup>56</sup> Office des Changes, 1975-1990.

<sup>57</sup> Groupe d'Etudes et de Recherches Appliquées (GERA), 1992.

<sup>58</sup> Banque Centrale Populaire. *Rapport Annuel*. (Casablanca: Banque Centrale Populaire, 1991)

<sup>59</sup> Banque Centrale Populaire. *Rapport Annuel*. (Casablanca: Banque Centrale Populaire, 1980-1990); International Monetary Fund. *Balance of Payments Statistics Yearbook*. Washington, DC: International Monetary Fund, data series, 1977-2002.

<sup>60</sup> Banque Central Populaire, Annual Reports, 1977-2000

expenditures made the BCP's funds especially fungible. Nevertheless, the evidence available suggests that its involvement in national development investments was substantial. In addition to the 30 percent of its equity the bank was required by law to invest in government bonds, which the state used to fund major infrastructure projects ranging from dams in the 1960s and early 1970s to transportation from the mid 1970s onward, the BCP annual reports indicate it was a major creditor to the phosphate industry, through the Office Chérifien des Phosphates, to the energy sector with loans to state's Office Nationale d'Electricité, and to the fishing and food processing industry, through investment in large companies and port upgrades.<sup>61</sup> Accounts in the Moroccan press also suggest that the BCP played a significant role in the kingdom's "Moroccanization" program, launched in 1973 but lasting throughout the 1970s, to buy majority ownership in the country's dominant firms, and that it underwrote the Moroccan government's war in the Western Sahara, which began 1975.<sup>62</sup> The BCP also supported capital-investment in public, semi-public, and to a lesser extent, private enterprises in the Morocco's coastal cities.<sup>63</sup> By banking with the BCP, Moroccan migrants were bankrolling the development of heavy industry and agribusiness. With their depository and saving accounts, they were transforming the structure of the Moroccan economy. They were never the direct authors of those changes: development initiatives did not result from a supposed shift in migrant expenditure behavior from consumption to productive investments. Migrants continued to spend on themselves and on their

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<sup>61</sup> Ibid. 1977-2000.

<sup>62</sup> Jean Francois Clément and James Paul. "Morocco's Bourgeoisie: Monarchy, State and Owing Class." *MERIP Reports* 142 (1986): 13-17.

<sup>63</sup> A. Claisse. "Makhzen Traditions." I.W. Zartman, ed. *The Political Economy of Morocco* (New York: Praeger, 1987); A. D. N. "Resultats Bancaires Pour 1992: BCP -- Les RME Constituent 65% des Dépôts." *L'Economiste* DATE 1993; Iskander 2010, p. 141.

families in the ways that reflected their aspirations. However, this did not mean that they did not take note of the fact that they help fund a development strategy that bypassed the communities from which they came and where many of their families still lived.

### 5. How close is too close?

Although Moroccan migrants relied heavily on BCP financial transfer and banking services, with the majority of migrants in Europe using the bank to send money home, it was not without a degree of ambivalence. The mistrust that many migrants felt when BCP first approached them in the late 1960s was never completely dissipated, and several migrants who would later emerge as labor activists accused the BCP manipulatively trying to co-opt migrant workers' wages.<sup>64</sup> This perception was bolstered by the fact that BCP staffers were often not the only people associated with the Moroccan government on European worksites. Shortly after concluding labor export compact with its European clients, the Moroccan government sent a number of shadowy "management consultants" to large firms that were especially heavy users of Moroccan labor. These consultants were dispatched to factories and mines to "protect the Moroccan brand name,"<sup>65</sup> as one migrant activist wryly put it: they were sent to assist in the supervision of Moroccan workers and ensure that they remained "obedient and hardworking."<sup>66</sup> BCP staff occasionally resolved administrative issues for Moroccan workers that were related to their employment but they tended to steer clear of labor disputes. Nevertheless, many migrants suspected collusion with the Moroccan consultants who assiduously if unofficially exercised a disciplinary function. "You saw the working conditions in the

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<sup>64</sup> Daoud, 3002. p 25-27. Iskander, 2010.

<sup>65</sup> Interview, Paris, 2004.

<sup>66</sup> Daoud, 2003; Spire 2005.

smelting factories, you saw the Moroccan police, you saw the Banque Chaabi [Banque Centrale Populaire] collecting the workers' money – it was enough to make your blood boil,” recalled one migrant activist.<sup>67</sup>

Beginning in the early 1970s, these management consultants were largely replaced by a more informal but more brutal form of labor control. The Moroccan government organized a network of “Friendship Societies,” ostensibly cultural associations, but made up of migrants who were government loyalists and who collaborated closely with Moroccan consular offices in Europe. Their members functioned as agents of the Moroccan government in labor disputes that involved Moroccan workers. They informed on labor activists to the Moroccan and European authorities, which resulted in retaliation against labor leaders ranging from difficulties in renewing worker contracts to arrest upon return to Morocco, and they intimidated workers both verbally and physically.<sup>68</sup> As one worker employed in a mine in the north of France recounts, “The representative of the Friendship society came to our mine and he told [us]: “You are here to work, not to protest or to go on strikes. Anyone who doesn't want to work, I'll send him back to Morocco, and his problems will start as soon as he clears customs.”<sup>69</sup>

As production in European heavy industry began to slow down and then contract from the mid 1970s onward, and as companies began laying off large segments of their workforces, labor battles around working conditions and employment became more pitched. Much to the Moroccan government's consternation, Moroccan workers were at the vanguard of migrant protest movements first against layoffs and then for parity with

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<sup>67</sup> Interview, Paris, 2004.

<sup>68</sup> Iskander, 2010. Daoud 2004.

<sup>69</sup> Benguigui 1999, p. 40.

non-migrant workers in severance benefits, especially in France and in Belgium.<sup>70</sup> Beginning with a massive and highly publicized strike over safety violations at the Pennaroya foundries in Lyon and Paris in 1971, Moroccan workers mobilized protests at automobile factories, steel mills, mines, and chemical processing plants throughout Europe.<sup>71</sup> Retaliation by the Moroccan government through their Friendship Societies turned thuggish: in labor disputes through the end of the 1980s, striking workers were beaten up, their families in Morocco were threatened, their cars and homes subjected to arson, and a number of workers were incarcerated when they traveled to Morocco.<sup>72</sup> The Moroccan government viewed migrant employment as essential to maintaining the remittance flows it had come to rely on, and deemed what it considered “labor agitation” as jeopardizing its revenue stream. In addition to cracking down on labor organizing, the Moroccan government attempted to discourage Moroccans from mobilizing for greater civic rights in destination countries, such as the right to vote in local elections and more accessible naturalization procedures. Hassan II, Morocco’s authoritarian monarch, complemented the government’s use of on-the-ground dissuasion by its Friendship Societies with stern public pronouncements in European media throughout the 1980s warning Moroccan migrants to refrain from seeking integration in destination countries.<sup>73</sup>

The Moroccan government’s heavy handed attempt to control migrants began to affect the delicate relationship that the BCP had established with Moroccan emigrants

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<sup>70</sup> A. Zancarini-Fournel. "La Question Immigrée Après 68." *Plein Droit* 53-54 (2002); Antoine Dumont. "Polarisation et Fragmentation Identitaires au Sein Du Mouvement Associatif des Migrants Marocains en France (1956-2006)." Conference paper presented at *Classe, ethnicité, genre...: les mobilisations au piège de la fragmentation identitaire?* (Université de Poitiers. Poitiers, March 8-9, 2007).

<sup>71</sup> Daoud 2004.

<sup>72</sup> Ibid, 2004. Mohamed Baroudi. "Marocain Du Mois." *Wafin.be: Au service des Belgo-Marocains* 2005. Association des Travailleurs Marocains en France (ATMF). *Ils Ont Écrit...Dignité*. (Gennevilliers: ATMF, 1984).

<sup>73</sup> Iskander, 2010. p. 159-160

through its “strategy of accompaniment.” Moroccan activists remembered the late 1980s as a time when they “grieved for [their] country and let it go – *on a fait le deuil de notre pays*.”<sup>74</sup> At a plenary organization of Moroccan labor and community organizations in Europe, held in Paris, one representative summed up the sentiments of Moroccan workers, activists and laymen alike: “the maneuvers of the Moroccan authorities weigh heavily on us. They isolate us...By compelling us to work here and not return to Morocco, they oblige us to remain more than loyal; [they demand] a complete loyalty to the Moroccan regime...It weighs heavily on us and we need to make an effort to free ourselves from it.”<sup>75</sup> Moroccan activists pushed for a complete disengagement with the Moroccan government. In a reflection of this shift, naturalization rates of Moroccan migrants shot up: the acquisition of French nationality, for example, rose abruptly from 3,000 in 1988, a number which had stayed steady throughout the 1980s to 12,000 per year in 1992.<sup>76</sup> More troublingly to the Moroccan regime were the explicit calls for “remittance boycotts.” While it is impossible to say whether these calls had an impact on remittance flows, transfer levels (adjusted for inflation) dropped by 20 percent between 1986 and 1988.<sup>77</sup> Furthermore, Moroccan emigrant deposits in the BCP as a percentage of national deposits fell steadily after 1987 and would never recover their previous levels.

**[Graph 2 about here]**

In an effort to revive Moroccans’ connection to their homeland, and more saliently, to boost flagging remittance receipts, the Moroccan government, and Hassan II

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<sup>74</sup> Ibid., p. 158

<sup>75</sup> Association des Travailleurs Marocains en France (ATMF). “La Communauté Marocaine En France: Quelles Evolutions? Quelles Perspectives?” Association des Travailleurs Marocains en France (ATMF) ed., *Recontre Nationale ATMF 28/29 January 1989*. (ATMF: Paris, 1989), p. 68.

<sup>76</sup> Zoubir Chattou and Mustapha Belbah. *La Double Nationalité En Question: Enjeux Et Motivations De La Double Appartenance*. (Paris: Editions Karthala, 2002), p. xxx

<sup>77</sup> Office des Changes, 1986-1988.

personally, established a set of new institutions to re-engage with migrants. In 1990, the king created a royal foundation, the Hassan II Foundation for Moroccans Living Abroad, a Ministry for the Moroccan Community Abroad, and opened the doors of a new bank, Bank al-Amal, to support migrant business investment. The government's attempt to broaden the BCP's style of engagement, with its "strategy of accompaniment," to cultural and political realms was clumsy, and ultimately backfired. The foundation's board was stacked with presidents of Friendship Societies, and in what one emigrant activist called "the biggest hold-up in history," it was funded through a diversion of the bonuses that had previously been offered to migrants for their deposits in BCP savings accounts. The Ministry was downgraded to a department in the Foreign Affairs ministry just three years after its founding and then shut down completely in 1995 because it had become disturbingly clear to the crown that it could not co-opt emigrant political organizing. Bank al-Amal never got off the ground: the BCP, unwilling to broker any state-sanctioned competition in the emigrant market it considered its territory starved the new initiative by delaying indefinitely the transfer of start-up funds the king had mandated.<sup>78</sup>

Calls for remittance boycotts continued throughout the 1990s and into the 2000s, occasionally spiking in stridency depending on the political issues at stake. After the Ministry for the Moroccan Community Abroad was dismantled, the Hassan II Foundation positioned itself as the main intermediary between emigrants and their government and excluded migrant groups it viewed less than loyal to the Moroccan regime, sidelining migrant labor and rights groups in particular. These organizations reminded their constituents that the BCP was a de-facto arm of the same Moroccan government that was

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<sup>78</sup> Iskander, 2010; Laurie Brand. "States and Their Expatriates: Explaining the Development of Tunisian and Moroccan Emigration-Related Institutions." Center for Comparative Immigration Studies Working Paper No. 52. (San Diego: UCSD, 2002)

refusing to acknowledge them and their concerns. In 1998, when the ailing Hassan II allowed for a transitional government to midwife limited political aperture, migrant issues were completely overlooked in the detailed review of government portfolios and the preparation of new strategic plans.<sup>79</sup> Migrant groups bristled at this political erasure (*oubli*) and underscored an appeal, issued through the Forum for Immigrants in the European Union, that the Moroccan government “give the Moroccan diaspora its rightful place and role in Morocco” with a reminder of how important remittances were as proportion of national income.<sup>80</sup> Increasingly, statements that Moroccans were akin to the “goose that hatches golden eggs”<sup>81</sup> were tied to complaints about the government’s abject and longstanding neglect of Morocco’s rural areas in its development policy. Emigrants widely derided “the state’s complete abandonment – *la démission totale de l’état*” in rural Morocco, critiquing low levels of service provision and government development investment in their communities of origin, and demanded a broader role in shaping development policy in exchange for their contribution to national income, and for the role their monies had played in financing the government’s development initiatives.<sup>82</sup> “Moroccans living abroad want political compensation for their economic contribution...They want real participation in the management of the country; if not, they will shut off the [remittance] faucets,” summed up the lead editorial in one of Moroccan’s best selling economics magazines in the summer of 2003.<sup>83</sup>

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<sup>79</sup> Chattou et al. 2002.

<sup>80</sup> Ibid., p xxx.

<sup>81</sup> Nizar Al-Aly. "Morocco: Emigrants Press for True Citizenship Back Home." *Africa News* (August 20,1999)

<sup>82</sup> Iskander, 2010. Zakya Daoud. *Marocains De L'autre Rive*. (Casablanca: Editions Maghrébines, 2005).

<sup>83</sup> *Economie & Entreprise, Hors série, MRE*. (Casablanca: July-August 2003), p. 5.

Certainly, calls for remittance boycotts were politically powerful, and suggested an awareness among migrants generally, and migrant activists more pointedly, of the role their remittances had played in bankrolling national development, thanks to Moroccan government's determination to bring remittances into the formal banking system. However, migrants may have ultimately had a more substantial impact on the direction of Morocco's development strategy through their quiet everyday use of the financial tools to which they had access, thanks to their integration into the financial system and into the BCP in particular.

#### 6. Building a different vision of development

The Moroccan migrants that traveled to Europe during the 1960s and 1970s, and who made up the BCP's first emigrant client base, were overwhelmingly from the rural areas in the center-south region of Morocco, called the Souss, or the northern mountainous regions of the Rif. Those areas have, since the 1970s, experienced accelerated processes of micro- and meso-urbanization.<sup>84</sup> In other words, villages located in these regions have "urbanized," expanding into towns and experiencing internal migration from within their provinces. The growth and emergence of secondary cities, particularly in provinces that were overwhelming rural, has been significant throughout the country, with small and medium cities growing at twice the rate of

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<sup>84</sup> Khachani, Mohammed. "The Impact of Migration on the Moroccan Economy." *Journal of Ethnic and Migration Studies* 35, no. 10 (2009): 1609-21. Hein de Haas. "Morocco's Migration Transition: Trends, Determinants, and Future Scenarios." *Migration and Development Revisited (MDR) Working Paper No. 3*, 2005. Hein de Haas. "The Impact of International Migration on Social and Economic Development in Moroccan Sending Regions: A Review of the Empirical Literature." *International Migration Institute Working Paper No. 3*. (Oxford: University of Oxford, 2007.)

Morocco's largest city, Casablanca,<sup>85</sup> and rates of growth have been highest among towns with populations between 20 and 50,000 inhabitants.<sup>86</sup> However, localized evidence suggests that this process has been most intensive in areas with the highest historical numbers of out-migration.

Studies tracking the accelerated micro-urbanization in historical emigration areas of Morocco posit that migrant investment in housing driven this process. A national survey conducted in 1975 as well as a follow-on survey published in 2000 both found that roughly 70 percent of Moroccans had invested in housing in Morocco.<sup>87</sup> However, the construction of houses has not always been located in the community of origin. Instead, migrants of rural origin have gravitated toward the small but growing towns near the villages and hamlets they were from. As a result, secondary cities such as Agadir, Taroudant, Tetouan, Ouarzazate and others have experienced marked if disorganized growth over the last three decades, and several cities have emerged as completely new urban settlements, such as Nador in the Rif, and Zagora and Tinghir in the south. In the isolated Todgha valley in the south of Morocco, for example, only 5 percent of houses financed by migrants have been built outside the region. However, fully 20 percent of the houses migrants have built are not in their villages of origin, but rather have been constructed in Tinghir, the valley's local boomtown.<sup>88</sup> Although migrant investment in sectors other than housing has been marginal, at less than 16 percent of total investment

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<sup>85</sup> United Nations Human Settlements Programme. *The State of African Cities 2008*. (New York: United Nations, 2009), p. 41.

<sup>86</sup> Haas 2005, p. 24.

<sup>87</sup> B. Hamdouch, A. Berrada, W. Heinmeyer, P. de Mas, and H. van der Wusten. *Migration De Développement, Migration De Sous-Développement?: Une Etude Sur L'impact De La Migration Dans Le Milieu Rural Du Maroc, Série Etudes Et Recherches*. (Rabat: INSEA, 1979); INSEA. *Les Marocains Résidant À L'étranger : Une Enquête Socio-Économique*. (Rabat: Institut National de Statistique et d'Économie Appliquée, 2000).

<sup>88</sup> Haas 2007, p. 22-24.

according to the most recent survey,<sup>89</sup> even those ventures follow similar patterns. When migrants have invested in small businesses for example, they have chosen to locate them in the burgeoning secondary cities near their hometowns.<sup>90</sup>

Migrants' access to credit through their participation in Morocco's formal financial system may have accentuated this process of micro-urbanization. In the discussions that the BCP had with their migrant clients throughout the 1970s, the emphasis that migrants' placed on the construction of homes in Morocco became clear. In keeping with its tradition of acting with migrants meet their financial needs, the BCP launched a program in 1978 to offer migrants subsidized loans to construct or purchase housing in Morocco. The bank used migrant deposits as collateral and their remittance transfer history as a proxy to predict their creditworthiness. The product was an instant hit; within a couple of years, the bank had provided close to 8,000 migrant mortgages, and in an amount that represented 85 percent of the loans the bank had made for real estate investments during that same period.<sup>91</sup> After 1982, the bank no longer disaggregated its mortgages by migrant and non-migrant status of its borrowers, but staff accounts suggests that the program continued to expand. BCP data on the location of the homes purchased or constructed with its loans is not available. However, not only is there no evidence to suggest that the locations would have differed from general trends in migrant housing investment, a parallel but much smaller Moroccan government program in subsidized housing in the 1980s also shows migrants vastly preferring homes in secondary cities near their villages over offering in Morocco's more established littoral

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<sup>89</sup> INSEA 2000

<sup>90</sup> Mohamed Berriane. "La ville, le développement sectoriel et la relance des provinces du nord." Mohamed Berriane and Abdellah Laouina Eds., *Le Développement du Maroc Septiregional: Points De Vues De Géographes*. (Neustadt an der Aisch: Justus Perthes Verlag Gotha, 1998).

<sup>91</sup> Banque Centrale Populaire, 1979-1982.

cities.<sup>92</sup> In addition to financing housing, the BCP was also an important supplier of micro-credit for small businesses in emerging secondary cities. Those loans have never been disaggregated by the migrant status of the borrower, but the BCP's evisceration of bank Hassan II set up for migrant investment suggests that the proportion of migrant clientele was not insignificant.<sup>93</sup>

As secondary cities grew in migrant sending areas grew throughout in the 1980s and 1990s, providing them with basic infrastructure services became a political imperative the government could not ignore.<sup>94</sup> Morocco in the 1970s and 1980s had strikingly low rates of rural infrastructure provision given its status as a middle income country: rural electrification rates barely made it above 20 percent, access to potable water in villages was less than 15 percent, and fewer than 40 percent of rural residents had access to roads of any kind, paved or unpaved.<sup>95</sup> Once the government finally extended service to burgeoning secondary towns, often as late as the 1980s and 1990s, continued neglect of nearby villages became politically untenable. In the late 1990s and early 2000s, the Moroccan government improved its rural infrastructure delivery dramatically: by the end of the 1990s, rural electrification surpassed 90 percent,<sup>96</sup> access

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<sup>92</sup> Gera 1992, pp. 94-100.

<sup>93</sup> Iskander 2010.

<sup>94</sup> Mohammed Berriane. "Fonctionnement Du Système Migratoire Et Naissance D'un Petit Centre Urbain (Taouima) Dans La Banlieue De Nador (Maroc)." Robert and Pierre Signoles Escalier Eds., *Les Nouvelles Formes De La Mobilité Spatiale Dans Le Monde Arabe* (Tours: URBAMA, 1995).

<sup>95</sup> Daoud 2005; Iskander 2010.

<sup>96</sup> The World Bank. "Implementation Completion Report: Morocco, Second Rural Electrification Project." (Washington, D.C.: World Bank, 1998)

to water topped 80 percent,<sup>97</sup> and the government was expanding the rural roads network by 11,000 km or 20 percent.<sup>98</sup>

The strides the government made in infrastructure provision were soon matched by an explicit policy shift in its approach to rural development. In 1999, shortly after Mohammed VI ascended to the throne after his father's death, he directed his cabinet to abandon, at long last, the two-sector model of development and marginalization of traditional rural production and areas that came with it. The king issued a directive indicating that his top priority for the forthcoming National Development Plan was, "the promotion of neglected regions and their integration into the dynamic of economic development, notably by reducing the delay that rural areas suffer in the matter of basic infrastructure and social service provision."<sup>99</sup> In subsequent official communication, Mohammed VI formally acknowledged the role of migrants in shifting the development paradigm that the country had relied on for so long. In a letter to the Prime Minister on development policy, he called emigrants "dynamic agents" of development, and praised "the laudable efforts of Our loyal subjects living outside the national territory in the matter of investment," encouraging them to "continue in this vein given the numerous and great benefits that they have generated for themselves and for Morocco."<sup>100</sup> He stressed in particular their involvement with "the reduction of vast poverty and the improvement of basic service provision in rural areas bring Us great satisfaction."<sup>101</sup>

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<sup>97</sup> The World Bank. "Morocco: A Watershed for Education and Health". (Washington, DC: World Bank, 2003).

<sup>98</sup> The World Bank. "Rural Roads Project for Morocco: Project Appraisal Document. Project ID P082754." (Washington, DC: World Bank, 2004).

<sup>99</sup> Mohammed VI. "Lettre De S.M. Le Roi Mohammed VI Au Premier Ministre, M. Abderrahmane El Youssoufi Définissant Le Cadre Et Les Orientations Du Plan Quinquennal." December 1999.

<sup>100</sup> Mohammed VI. "Discours De Trône De Sa Majesté Le Roi Mohammed VI." December 1999.

<sup>101</sup> Mohammed VI. "Allocution De S.M. Le Roi Mohammed VI Devant Les Membres de la Communauté Marocaine En France." September, 2000.

With these royal pronouncements, migrants were recognized as more than purveyors of money for development, whose wages should “not escape state control”; they were formally acknowledged as important authors of social and economic transformation in their homeland.

#### 7. Lessons for financial intermediation and the dangers of losing touch

The excuses proffered for failing provide migrants with greater access to formal banking services are legion: the technological infrastructure to manage large volumes of small transfers and depository accounts in cost effective manner does not yet exist; migrants are too dispersed and geographically mobile; they have special cultural and linguistic needs; their financial literacy, to say nothing of their actual functional literacy, is weak; and the regulatory structure governing international transactions is rigid and complex. This list goes on and on. The historical example of Morocco’s Banque Centrale Populaire reveals that these excuses are, for the most part, hollow. The Moroccan government established a compendium of services that enabled it to integrate the vast majority of its citizens abroad into the nation’s formal banking system. It did so beginning in 1968, when paper ledgers and the telex were the technology of the day. And it serviced a clientele that was in many cases only marginally literate, and faced significant obstacles when attempting to use formal money transfer channels. As a result of its initiative – Operation Moroccan Workers Abroad – it brought an amount equal to several percentage points of Morocco’s national GDP through the formal banking system each year, and a sizable portion of those funds were transformed, through traditional financial intermediation, into capital that funded the nation’s major development project.

However, its success hinged on its partnership with its migrant clients: never did it attempt to alter migrant spending practices, by acting on their clientele to shift their expenditures toward investments considered productive. Instead, the bank, and the government that stood behind it, acted with migrants to create financial products that would allow them to meet the objectives that they had set for themselves and for their families.

The BCP continues to enjoy success. Even though other Moroccan banks have entered the remittance market and have worked hard to attract migrant clientele, the remittances held in its accounts still represent about 12 percent of total national deposits.<sup>102</sup> Its outreach to Moroccan migrants in newer destination countries, like Spain and Italy, has been aggressive and effective. Through its tried and true “strategy of accompaniment,” it has drawn significant segments of new migrants into formal banking and into a system of financial intermediation that still supports government development priorities, even though BCP has become a public company, albeit with majority state ownership of shares, in 2004. By continuing to act with migrants, the BCP has rolled out new and innovative services, from cell phone banking to new payment and borrowing mechanisms tailored to their emigrant clientele.

However, some troubling indicators show that the BCP, and the other Moroccan banks that have followed its lead, is beginning to lose touch with segments of its emigrant client base have emerged. Of particular concern is the discrepancy noticed in France between the remittance sending behavior of migrants who arrived at different historical moments. Those migrants who came in the early waves of Moroccan emigration in the 1960s, 1970s, and even 1980s, continue to be strong senders of remittances, both in terms

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<sup>102</sup> Banque Centrale Populaire. *Rapport Annuel*. (Casablanca: BCP 2009)

of the amount sent home and proportion of the migrant population that remits. This appears true despite the prediction of most theories of migrant remittance behavior that transfers decline with length of stay, in an effect that could arguably be attributed to the BCP's efforts. Significant lower proportions of migrants who arrived in the 1990s or later in France send money home, and fewer make investments of any kind in their country of origin. On the whole, these newer waves of migrants to France are more highly educated, and although they maintain strong ties to Morocco, fewer have plans to return permanently.<sup>103</sup> It seems that the BCP has failed to connect to this category of migrants, and has fallen short of creating transnational banking services that meet their needs. The BCP seems caught in a model of engagement with migrants based on an understanding of who they are and what they need that is stuck in the past. To continue its remarkable success in drawing Moroccan migrants into the national financial system, and using traditional financial intermediation to make remittances available as capital for a growing economy, the bank, and the government that stands behind it, need to reconnect with Moroccan migrants, in all their diversity. The bank needs to draw on its own historical memory of the art of acting with migrants, because thanks to its engagement with migrants, not only were funds channeled to development but, more importantly, alternate approaches for development were explored and elaborated, to the great good of the country.

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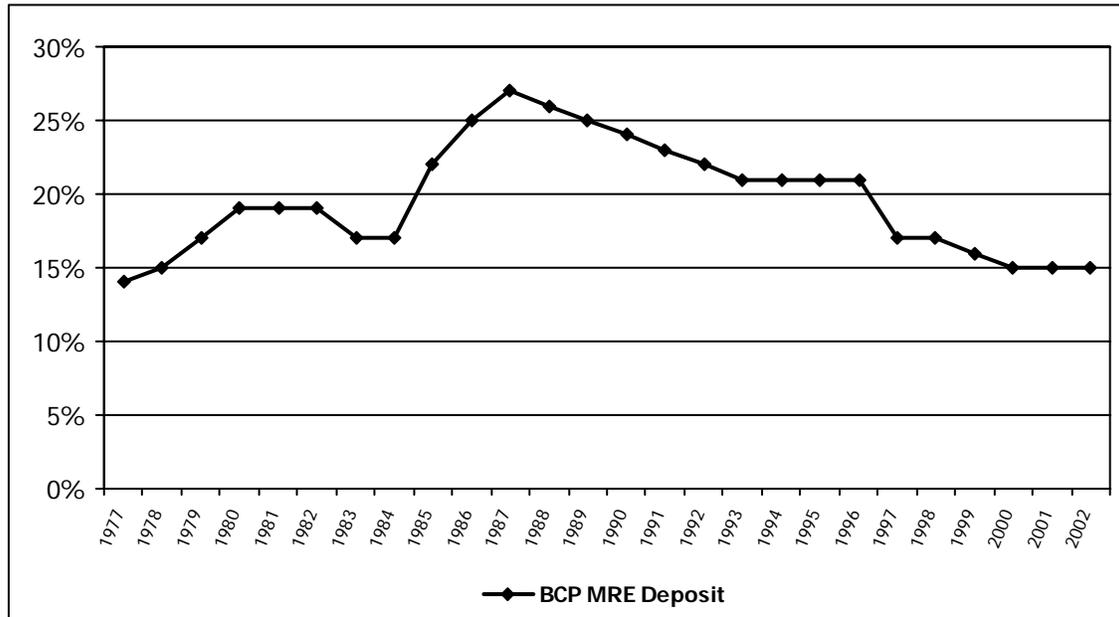
<sup>103</sup> Luis Miotti, El Mouhoub Mouhoub, Joel Oudinet. "Migrants and Determinants of Remittances to Southern Mediterranean Countries: When History Matters!" Conference paper for The Second International Conference on Migration and Development. (Washington D.C.: World Bank, September 10-11, 2009)

**Table 1: Remittances and BCP results, 1969-1976**

	<b>1969</b>	<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>
Remittances (in millions of Dh)	302	316	480	640	1020	1557	2159	2417
% of GDP	1.6	1.6	2.2	2.8	4.0	4.6	6.1	4.7
Proportion of transfers through BCP (%)		22.3				49		72
Number of BCP migrant-held accounts	16,550	35,000					159,000	
Number of Moroccan migrant workers in Europe	143,397	170, 835	194,296	218,146	269,680	302,294	322,067	347,984

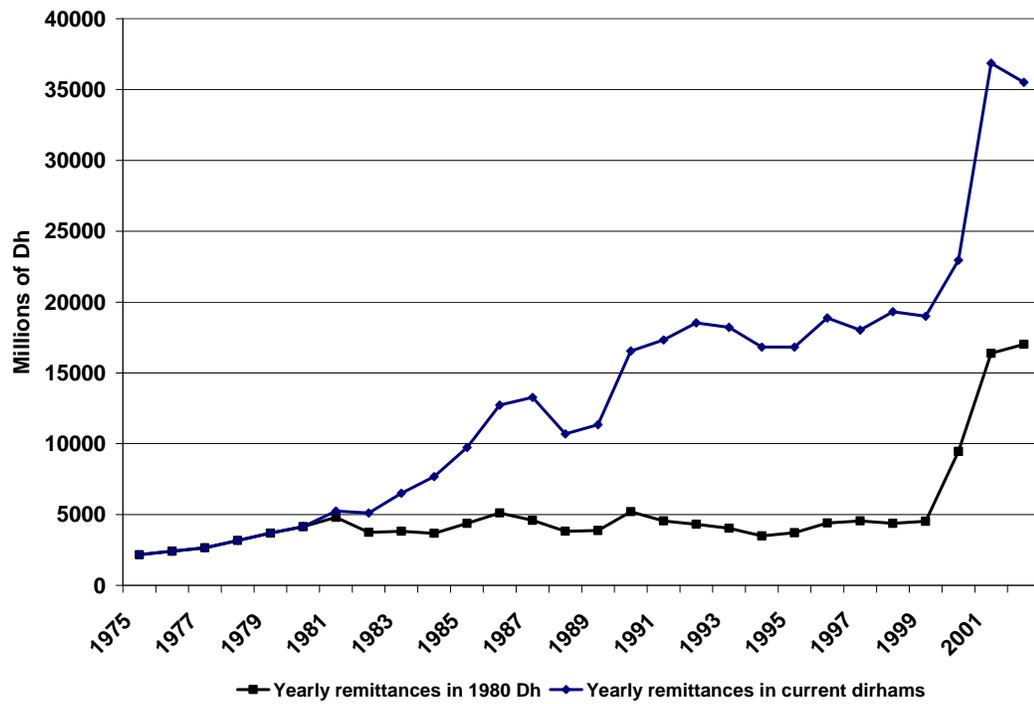
Sources: BCP in Bossard 1979; World Bank 1966 and 1981; BCP 1986.

**Graph 1: BCP Moroccan emigrant deposits as a share of total national deposits, 1977-2002**



Source: BCP Annual Reports, 1978-2002; IMF Balance of Payments Statistics Yearbooks, 1977-2002

**Graph 2: Annual recorded remittances to Morocco, 1975-2003**



*Source:* Government of Morocco, Office de Changes. Yearly remittances – data series: 1975-2002; IMF Balance of Payments Statistics Yearbooks, 1975-2002