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OVER the past two weeks, the *Advertiser* has both broken and led the story about the collapse of money transfer business First Solution. As police finally probe possible wrongdoings, thousands of immigrant Bangladeshi workers remain millions of pounds out of pocket. After reading our investigations, DR ROGER BALLARD, Director of the Centre for Applied South Asian Studies at Manchester University and a former Government adviser, wanted to add his views. He asks whether our own Government might be at least partly to blame.

First Solution: a safety-first plan backfires

THE First Solution disaster has much deeper roots than is currently appreciated – and by no means all of them run back to Bangladesh. There are good reasons to suppose that the British Government might also have a hand in these developments. For years, migrants in Britain have been looking for cheap, efficient and reliable ways of sending money back to relatives overseas.

Using a bank has always been expensive, and the money can take months to arrive. So settlers began to devise their own strategies. The money's arrival made a big difference. New houses could be built, children educated, and elders requiring medical treatment at last had the funds they needed. At first, few outsiders noticed, but in recent years specialists in economic development began to wake up to the potential of these cash flows. For many Third World countries, the amount of money sent back home by migrant workers far exceeds that sent by rich countries as development aid.

In 2001, the World Bank and Britain's Department for International Development (DFID) realised that making the most of the potential of migrant remittances was as important a means of eliminating poverty as was overseas aid, and began to commission research into such matters. As a result, a major international conference was held in Dhaka in June 2003, and the papers delivered there (including my own) appeared in a book published by the University of Dhaka in 2005.

But unknown to the contributors, both the DFID and the World Bank were losing interest in devising schemes to maximise the developmental potential. A new priority emerged: ensuring that the migrants' own carefully constructed and highly efficient value transfer networks were not surreptitiously used by terrorists and drug smugglers. Not that there was any evidence this was happening. Rather, post-9/11 hysteria led to a supposition that if these networks could be used for such purposes, then they must be. As a result, DFID launched a major programme to persuade everyone to send their money home through 'approved' channels, instead of through migrants' own trust-based informal networks. Yet although the programme was primarily driven by post 9/11 security concerns, DFID's public relations justified it differently. They suggested that value transfers through approved 'formal' channels would be cheaper, and above all safer, than those sent through unregulated informal channels.

In a further initiative, not widely publicised, DFID funded a £7.5million programme to help the Central Bank of Bangladesh set up the financial infrastructure required to ensure the bulk of incoming remittances would pass through 'formal' rather than 'informal' channels. At much the same time in late 2005, First Solution Money Transfer Ltd appeared from nowhere. It soon opened agencies in almost every city with a significant Bangladeshi population, and heavily advertised the superiority of its services in Bengali TV channels and newspapers in Britain.

First Solution also had exceptional success in Bangladesh: it set up transfer arrangements with virtually every banking institution in the country.These people were evidently extremely well connected, so much so they were able to set up precisely the kind of formally organised money transfer system DFID recommended, and which its agreement with the Bank of Bangladesh was designed to promote. However, there was one big difference. The 'informal' networks most people had hitherto used had grown out of their own communities and were run by people they knew and trusted. But First Solution was quite different: like all 'formal sector' initiatives, it expanded from the top down. It also had all sorts of official backers in Bangladesh and Britain, and operated through a network of limited companies registered at Companies House. It was just the kind of 'more reliable' enterprise DFID was seeking to promote.

But no matter how formally constituted such a value transfer business may be, it is only as reliable as the people who run it. The people who ran First Solution were undoubtedly well connected, but they were not drawn from the Sylheti communities, whose members their enterprise set out to serve. Rather, they were 'bhadralog' from Dhaka. How much loyalty did they turn out to have to the 'small fry' who sent their money through First Solution?

Beyond that, some much wider questions also need to be asked. Would First Solution have been so successful if it had not been given a fair wind by the Bank of Bangladesh—and indeed by DFID? Could it be that First Solution was the first fruit of DFID's £7.5million effort to make remittance transfers 'cheaper and safer' for members of Britain's Asian communities?

If so, their experiment has been costly. Hindsight suggests everyone would have been much better off without the efforts of DFID's system to fix something they did not understand. Worse, the people they were trying to help have lost a lot of money. There is an urgent need to ensure that what went wrong is properly investigated. If it shows British Government initiatives – of omission or commission – were at least partially responsible for the growth and collapse of First Solution, it should at least consider making good the financial damage of those who lost out.