



FReDI: Financial Literacy for Remittances and Diaspora Investments

A Handbook on Methods for Project Design



Introduction and Main Components

FReDI – A Handbook on methods for Project Design

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List of Abbreviations

BDS	Business Development Services
EBRD	European Bank for Reconstruction and Development
FI	Financial Institution
FL	Financial Literacy
FSFM	Frankfurt School of Finance & Management
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IAD	Inter-American Dialogue
IADB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IOM	International Organization for Migration
JMDI	Joint Migration and Development Initiative, of the European Union and the United Nations
KPI	Key Performance Indicator
MFI	Microfinance Institution
MTO	Money Transfer Operator
MIF	Multilateral Investment Fund, of the IADB
MIS	Management Information System
MSME	Micro, Small and Medium Sized Enterprises
NGO	Non-Governmental Organisation
OFW	Overseas Filipino Worker
RSP	Remittance Service Provider
SCA	Savings & Credit Association
SME	Small and Medium Sized Enterprises
TA	Technical Assistance
TOT	Training of Trainers

1 Introduction

1.1 Background

The GIZ Sector Project Migration and Development requested the production of this **handbook on financial literacy for remittances and diaspora investments (FReDI)**.

The **purpose of the handbook** is to guide the design of development projects that:

- ▶ support increased financial inclusion and independence of migrants and their families
- ▶ link remittance flows to other financial products/services (savings, insurance, loans)
- ▶ foster migrant savings and diaspora investments in their countries of origin.

The methods highlighted in the handbook always include financial literacy tools to empower migrants and their families (“transnational families”) and strengthen their financial management.

The GIZ Sector Project Migration and Development has been commissioned by the German Federal Ministry for Economic Cooperation and Development to develop technical cooperation instruments that reduce the risks and exploit the potentials of migration to contribute to the development of the countries of origin. The Sector Project is also in charge of mainstreaming migration and development initiatives in German technical cooperation. The production of this handbook is part of its brief.

1.2 Target group

This handbook is designed primarily for the staff of **development organisations and agencies implementing technical cooperation** to help them design effective projects based on past experience in similar projects. More specifically, the handbook targets those who are designing and implementing

projects and who do not (yet) have extensive knowledge and experience in the field of migration and remittances. It may also be of value for NGOs, civil society, banks, microfinance institutions (MFIs), money transfer operators (MTOs), training institutions and development consultants.

1.3 Methodology

The researchers collected and analysed information on existing financial literacy programmes for migrants and/or remittance recipients. These materials were collected through desk research, which in some cases was supplemented with direct information from project executors. Important sources of information included reports from the IADB’s Multilateral Investment Fund’s (MIF) remittance programme, the IFAD’s Financing Facility for Remittances (FFR) and the Joint Migration and Development Initiative (JMDI)¹. The analysis focused on indicators such as project objectives, main project components, results, costs and sustainability. Lessons learned and key success factors were also reviewed.

The research resulted in a wide range of projects with different approaches and project activities or ‘components’. **The projects have been classified according to five main methods**, which reflect the project’s final objective. This structure is further explained in section 1.4 ‘Financial literacy as a means to an end’. The projects can be found in the Master List in the annex, listed by method.

1 Ten Years of Innovation in Remittances: Lesson Learned and Models for the Future – Independent Review of the Multilateral Investment Fund Remittance Portfolio, IADB 2010; The FFR Brief – Five Years of the Financing Facility for Remittances and the road ahead, IFAD 2012; Migration for Development: A Bottom-Up Approach. JMDI 2011.

1.4 Remittances and diaspora investments

According to the World Bank definition, **remittances have three components**: 1) workers' remittances, which are transfers by migrants considered as residents, 2) compensation of employees, which includes transfers by non-resident migrants, seasonal workers and cross border workers, and 3) migrant transfers, which usually include transfers of goods or financial assets. This definition is also relevant for the preparation of balance of payment statistics. In this handbook, remittances are not analysed in the sense of the balance of payments statistics. Instead, the term **remittances is used to cover all (i.e. formal and informal) transfers of goods and money by all persons with a migrant background to their country of origin**, whether these person are naturalised or not, have jobs with social security or not, or are temporarily or permanently resident in their country of destination².

One should be aware that **remittance data is not particularly reliable** for various reasons, including: methods of compiling and reporting data vary from country to country, the data can be out of date, and flows via unregulated channels are difficult to estimate³.

In 2011, roughly USD 351 billion sent to developing countries by migrants around the world were officially recorded as remittances, which represents an increase of 8% to the previous year⁴. Despite the current global economic weakness, **remittance flows are expected to continue growing**, with global remittances expected to exceed USD 593 billion by 2014, of which USD 441 billion will flow to developing countries. The real numbers are significantly higher – it is thought that official numbers

might cover only half or even less of what migrants remit in total to their families in the countries of origin. A significant percentage of these remittances are transferred without the involvement of regulated financial institutions.

Moreover, remittances are often cashed in at the sending side and directly cashed out at the receiving side. Hence, **financial intermediation of remittances is low**. As migrants and their families at home (i.e. transnational families) may not all have bank accounts, **linking remittances to other financial products is a good way of promoting financial inclusion**. Likewise, channelling remittances to productive uses can support wealth creation and the development of countries of origin. Examples include: accumulating savings that earn interest; investing in a business; and channelling funds to investment vehicles targeted to the diaspora. Although attempts to put remittances to productive use are widespread, these efforts often fail due to a lack of financial instruments, financial literacy and business capacity.

This handbook also includes projects that focus on these other types of financial flows between migrants' countries of destination and countries of origin, especially investments. The study of these so called 'diaspora investments' in the context of development policies is relatively recent compared to what has already been done on remittances. The concept of investment assumes that the investor has already accumulated savings or other assets, possibly thanks to remittances. In 2011, the World Bank issued a *Migration and Development Brief* that provides **preliminary rough estimates of diaspora savings** based on the size of the diaspora stocks in different countries of destination, the average income of diaspora members, and their propensity to save. According to their calculations, annual diaspora savings of developing countries could be around USD 400 billion. The brief points out, however, that there is a lack of reliable and comparable data on

2 GTZ, Remittances in Development Cooperation, Guidelines for practice, 2010.

3 World Bank Migration and Remittances Factbook 2011.

4 World Bank Migration and Development Brief, December 2011.

the variables of interest. It is interesting to note that diaspora savings are usually allocated between sending remittances to their family and friends, investments in the country of origin, and savings/investments in the country of destination.⁵

Diaspora investments are gaining more attention as a potential source of capital accumulation in migrants' countries of origin. **Migrants can finance different types of investments such as land and housing acquisitions, (micro)enterprises/cooperatives and financial assets such as diaspora bonds and equity funds.** Booklets 4 and 5 of this handbook provide some insight on **channelling migrant savings to productive investments** in migrants' countries of origin.⁶

GIZ aims to support an increase in remittance transfers via regulated channels and their linkage to other financial products and services, as well as to foster migrant savings and diaspora investment.

1.5 Financial literacy

Financial literacy is defined as **“the ability to make informed decisions** and to take effective actions regarding the current and future use and management of money. It includes the **ability to understand financial choices, plan for the future, spend wisely,** and manage the challenges associated with life events, such as a job loss, saving for retirement, or paying for a child's education”.⁷

As one looks more closely at the principal elements of financial literacy that are relevant for migrants and their families, the following points stand out:

- Acquiring knowledge and skills to make

informed decisions about financial topics and instruments goes hand in hand with understanding issues that are specific to transnational families and the culture/society of migrants' countries of origin.

- The educators, instructional strategies and training materials must create trust, build self-confidence and empower the target group; they must be adapted to the needs and context of the target group.
- Financial literacy refers to an evolving state of competency; a one-off exercise is not sufficient, particularly as the target group's needs, context and environment change.
- The impact goes beyond the migrant's personal financial situation, e.g. the (extended) family, the community.

This booklet expands upon the **financial literacy components** that were encountered in the review of projects and provides recommendations on how to implement successful financial literacy initiatives linked to remittances and diaspora investments.

1.6 Financial literacy as a means to an end

It is important to note that the **specific context and needs of the migrants and their families are the starting point of an effective project.** Furthermore, one should always keep in mind that **remittances and investments are primarily a private source of income and wealth** for migrants and their families. Financial literacy should enable them to make informed financial decisions and to take actions that allow them to build an asset base and better manage financial risks. This in turn will reduce their exposure to financial risks and improve their quality of life. However, providing financial literacy training in itself does not guarantee that these benefits will materialise. For example, what should one

5 World Bank Migration and Development Brief, February, 2011.

6 It is not the purpose of this handbook to provide in-depth information about remittances, migrant savings and diaspora investment and how they are linked. If necessary, readers can refer to the extensive literature on these topics to gain a more thorough understanding of these concepts.

7 Government Accountability Office, USA.

do if a trainee wishes to open a savings account but there is no bank nearby? For these reasons, booklets 1-5 will show that financial literacy should be considered a means to an end and that training activities should be integrated in a comprehensive set of project components.

In most projects it was found that financial literacy is indeed part of a larger array of project activities. The other activities focus on achieving various “intermediate” results that in turn support the ultimate goals of building an asset base, reducing exposure to risk, and improving quality of life. These other project objectives provide the basis for defining the various methods presented in this handbook. The graph below illustrates this.

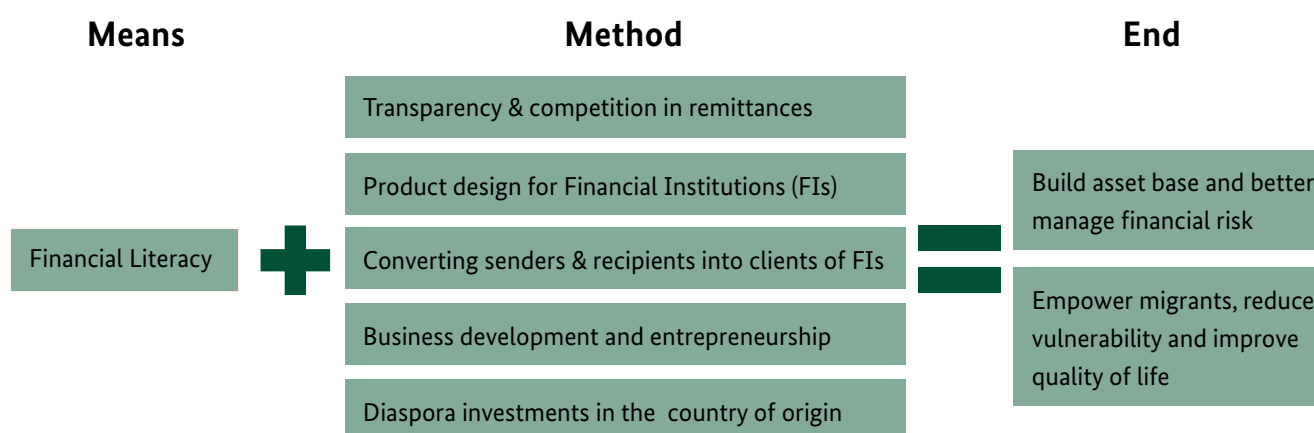
The handbook starts with a description of financial literacy components (see below). This is followed by a description of the five aforementioned methods (see Booklets 1-5).

1.7 Developmental objectives underpinned by financial literacy programmes for remittances and diaspora investments

Projects combining financial literacy and migrant remittances and investments contribute mainly to the following developmental objectives⁸:

- **Financial capability:** Financial literacy components aim to empower migrants and their families to manage their finances and make sound financial decisions. Migrants and their families acquire knowledge about financial concepts, and develop an understanding of financial products and how using them can reduce exposure to external shocks. As a result, this should influence their attitude and be reflected in a change in behaviour and actions, for example increasing their savings or obtaining insurance products.
- **Responsible finance:** Consumer awareness and financial literacy programmes increase project beneficiaries’ self-protection and help them take rational financial decisions, select appropriate financial products and avoid unnecessary risk-taking.

Figure 1: Financial Literacy as a Means to an End



⁸ GIZ Competence Centre Financial Systems Development, GIZ discussion on Responsible Finance, November 2011, internal presentation.

- **Financial inclusion:** Implementing financial literacy programmes and offering remittances and remittance-linked products in financial institutions increases the financial inclusion of migrants and their families.
- **Strengthening financial institutions:** Involving financial institutions (FIs) in the remittance market, developing remittance-linked products and providing IT/MIS to support these activities builds capacity in these FIs.
- **Private sector development and micro and SME finance:** Financial literacy programmes focusing on business development and entrepreneurship and linking (potential) entrepreneurs to FIs contribute to private sector development and access to finance for MSMEs (micro, small and medium-sized enterprises). Projects that focus on channelling investments to projects in the country of origin can also contribute to this goal.
- **Gender equality:** In many cases, the project beneficiaries are women. Financial literacy programmes and support to MSMEs run by women contribute to their financial and social independence.

In the table below, the abovementioned developmental objectives are linked to the methods described in this handbook.

1.8 Conclusion

Financial literacy is one of the building blocks within a wider set of variables that play a role in achieving the development objectives summarised in section 1.5 above. First, **financial literacy and training activities should be integrated in a comprehensive set of project components** as presented in the project methods covered in booklets 1 to 5 of this handbook. Second, **beyond these project methods and this handbook, several other aspects need to fall into place** in order to achieve a meaningful and lasting development impact. For example, the payment system infrastructure and the regulatory and business environments in countries of origin need to be conducive to improving the remittance market and attracting diaspora investments. The projects designed with the help of this handbook should therefore be seen as one of several contributors to financial inclusion and other development goals.

Figure 2: Overview Development Objectives

Development Objective	Financial Literacy Components	Supply Side		Demand Side		
		Method 1	Method 2	Method 3	Method 4	Method 5
		Transparency & competition	Financial product design	Converting into clients of FIs	Business development & entrepreneurship	Investment in country of origin
Financial Capability	X					
Responsible Finance	X	X	X			
Financial Inclusion	X		X	X		
Strengthening (M)FIs	X		X		X	
(M)SME Finance & PSD	X				X	X
Gender Equality	X				X	

2 Financial Literacy: The Main Components

A **financial literacy component** is defined as an education activity, the production of materials for training sessions, or, more generally, creating awareness about financial services, investment vehicles and/or remittances. Information and knowledge covering issues that range from budgeting to specific savings and investment instruments are transferred to the beneficiaries, most often senders and/or recipients of remittances.

A number of organisations have funded several projects in which the financial literacy for migrants and their families is either the main focus or part of a broader approach, including: IADB-MIF, IFAD-FFR, ILO and JMDI. The link between financial literacy and migrant remittances and investments can take several forms, as the methods in this handbook will show.

The main types of financial literacy activities or “components” are:

- ▶ Developing training materials
- ▶ Training of trainers
- ▶ Training migrants and family members in the country of origin (classroom and one-on-one counselling)
- ▶ General awareness campaigns targeting remittance senders and recipients
- ▶ Supporting migrant activities (migrant organisations, hometown associations, etc.)

These components are detailed below.

2.1 Main objectives

A review of several projects in this field has shown that financial literacy components contribute mainly to the following objectives:

- ▶ **Understanding the current financial behaviour** of the target group (budgeting, saving, indebtedness, financial instruments used).
- ▶ **Informing migrants and their families** about financial responsibilities and financial management concepts (budgeting, inflation, interest, insurance, financial instruments, risk, etc.) and helping them to make sound financial decisions for diverse life and risk situations.
- ▶ **Strengthening behaviour** of remittance senders and recipients to foster increased savings, reduce risk and encourage more productive and responsible spending, borrowing, savings and investing.
- ▶ **Empowering** migrants and their families through financial planning, building an asset base and getting insurance.

2.2 Target groups

- ▶ Remittance senders and recipients
- ▶ Migrant associations in the destination countries

2.3 Stakeholders

- ▶ National and local governments of migrants’ countries of origin and destination as potential promoters, funders and providers of on-going financial literacy programmes
- ▶ NGOs and private sector firms that provide training
- ▶ Financial institutions that participate in/provide financial literacy training
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

2.4 Main financial literacy components

2.4.1 Developing training materials and manuals

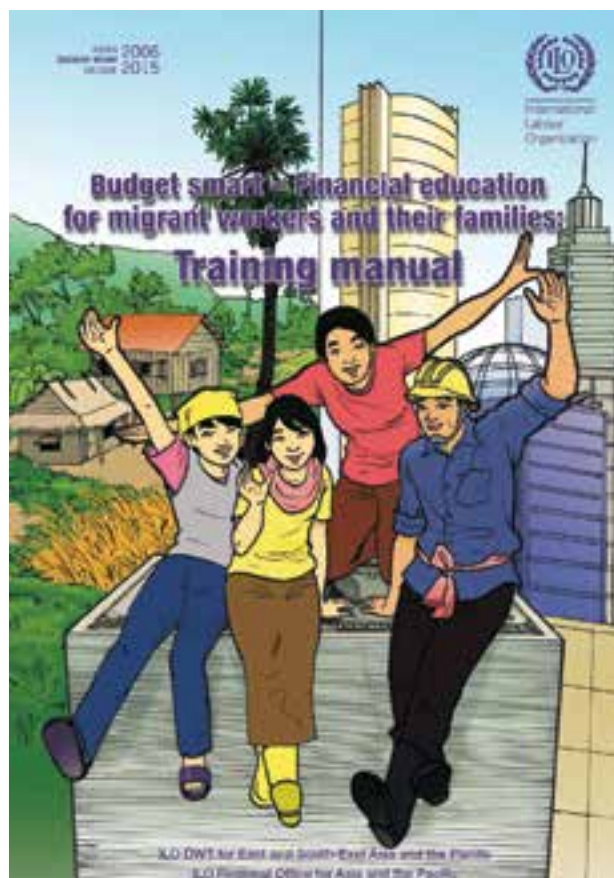
A curriculum and training materials need to be developed to conduct training. The **local environment and culture need to be taken into account** to define the contents of the training, include **appealing and relevant examples**, and select the appropriate training medium (classroom, one-on-one, theatre, film, etc.). A complete training manual should also provide instructions for the trainer, including training tools and other guidance. A number of training materials have been developed and are **available in the public domain for re-use**. ILO in particular has done much work in this area, for example:

- ▶ Budget smart – Financial education for migrant workers (part of ‘Asia decent work decade 2006-2015’) – Training Manual
- ▶ Financial literacy training in the programme Migrants et Finances Solidaires, Senegal (in French, 2011)

When using existing materials, it is important to adapt them to local circumstances, which often involves translation.

Financial literacy training for migrants and their families tends to cover the same financial concepts as financial literacy training intended for a general audience. Typical topics include:

- ▶ Identifying the benefits of **planning**
- ▶ Setting **financial goals** and assessing how much it costs to achieve them
- ▶ Financing your goals: building a **financial plan**
- ▶ Managing your money, making a **budget**, staying within your budget



- ▶ Understanding and comparing **financial products and services** (savings, loans, investments, money transfers and payments)
- ▶ **Risk management and insurance**

Training may also include topics that respond to specific needs of migrants and their families or that address specific project objectives, such as:

- ▶ Understanding and comparing **payments and money transfer services** (fees, exchange rates, reliability, availability of other services)
- ▶ Setting goals and family decision-making, such as a **transnational family budget**
- ▶ Planning ahead: **Coming home**
- ▶ Dangers of **over-indebtedness** and default
- ▶ Implications of **transferring pensions** to the country of origin

- ▶ Possible **tax deductions** of remittances to family members
- ▶ Education and consumer information about the financial/banking system in the country of origin
- ▶ Gender equality and roles of women in financial decision-making
- ▶ The **investment climate** and **investment options** in the country of origin
- ▶ **Non-financial topics** that are **specific to trans-national families**, such as taking the decision to migrate, the costs of migration and living in the country of destination, and implications for children of migrant workers
- ▶ Pathways to earning money: Wage-employment or self-employment?
- ▶ Skills and work choices for young women and men

Note that training for staff of financial institutions and training for promoting entrepreneurship are included under Methods 2 and 4 respectively. The Master List in the annex contains sources of training materials and manuals.

2.4.2 Financial literacy education of senders and recipients (classroom and one-on-one counselling)

This component comes top-of-mind when considering financial literacy projects. Financial education is a key dimension of all the methods detailed in this handbook as **migrants and their families in the country of origin often lack the awareness, information and knowledge necessary for managing their finances and making informed choices** about the financial products that are at their disposal. Other communication tools, such as marketing and awareness campaigns, may often not be sufficient to reach the target group and influence their attitude and behaviour.

Different **training methods** were applied in the studied projects, including **classroom sessions and one-on-one counselling**. The method developed by the Inter-American Dialogue⁹ is an example of the latter. Educators or trainers meet the remittance recipients in the financial institution when they visit to cash out the money transfer (see project #3.1 and #3.2 in the Master List and the showcase in Booklet 3).

Also, the IFAD-ADA project that focused on promoting savings accounts in Senegal to Senegalese migrants in Italy was effective thanks to the appointment of a special promoter who delivered combined training & marketing sessions with the individuals in Italy (see project #2.18).

Many training sessions also take place in the more traditional classroom setting. On the sending side, this can be organised via migrant organisations or in other settings where migrants convene and feel at ease. The projects implemented by Atikha are a good example of this approach (see projects #0.2 and #5.1).

2.4.3 Training of trainers

A **multiplier effect** can be achieved by using a ‘training of trainers’ (TOT) approach. In the projects that were reviewed, this was handled in two ways. Firstly, the focus can be on **training leaders in the migrant or remittance recipient communities** to train their respective communities. This approach has been used in several projects, including Atikha’s projects. They trained some 200 trainers both at the sending side in Europe and at the receiving end in the Philippines. Atikha is keen to ensure that the organisations that make persons available to be trained (such as Philippine government institutions or migrant community leaders) ensure also the rollout of the “echo trainings” with the ultimate trainees.

⁹ Orozco et al, 2010



The other approach is to train a **special workforce of trainers** or educators and then engage them in a rollout of the training. This approach is followed in the Inter American Dialogue's financial education projects that were mentioned before. The educators are trained in basic financial concepts (budgeting, saving, credit) and taught how to set up and engage in a conversation and create trust with the remittance recipient to discuss his or her current financial situation (savings methods used, loans, etc.) and to discuss alternatives.

2.4.4 General marketing or awareness campaigns on remittances

Another way to improve financial literacy is through general awareness campaigns, for example on the importance of remittances and putting them to good use. The **definition of a campaign** is that it has a clear message and that various tools are deployed to bring the message across (brochures, posters, TV commercials, radio shows, road shows,

street theatres, etc.). For example, the Philippine government has supported a nationwide campaign: "Be a Smart Saver: Campaign for Safe and Responsible Banking" (project # 0.1). However, most projects adopt a **more targeted approach**, such as executing the campaign in a limited geographical area or reaching the target group via their own media. IFAD supported a pilot programme in Peru where advertising material, datasheets and PowerPoint presentations were developed on investment opportunities for migrants (project #4.3).

2.4.5 Institutionalising migrant activities

Institutionalising migrant activities means creating a (more) formal setting to provide services to migrants or their families in the country of origin. It can also involve establishing a forum where the target group meets and engages in various business and social activities. **These structures can make it easier to reach out to the targeted population** and to implement financial literacy activities such

as training or campaigns. Examples include setting up migrant information centres in the country of origin or supporting migrants to establish or strengthen migrant organisations or even savings clubs. This approach was mostly found in projects in the Philippines (project #0.1, #0.2). In West Africa, local business centres were strengthened to provide business advice to remittance recipients (project #4.6).

2.5 Needs assessment, monitoring and evaluation

The design of a financial literacy component should include an initial needs assessment. Once the target group has been defined, e.g. migrants in the United States originating from the Dominican Republic and their families back home, their needs in terms of financial literacy can be assessed within the overall context and objectives of the project. One must evaluate the **target group's current level of knowledge, the level of knowledge required to reach the project goals and the number of people who need to be trained to reach quantitative targets**. Once this has been done, it becomes relatively easy to set **time-bound quantitative key performance indicators (KPIs)** and monitor results for the financial literacy components:

- ▶ # of persons trained
- ▶ # of trainers trained
- ▶ # of sessions organised
- ▶ # of people reached by an awareness campaign (less easy to measure)

Qualitative targets are more challenging. **Pre- and post-training surveys** can provide some indication of the quality of the training and help assess whether the trainees achieved a satisfactory level of knowledge. Monitoring and evaluation mechanisms should be defined up front, to ensure that the KPIs are tracked and measured.

As mentioned above, financial literacy components should be seen as a means to an end. They are most effective when deployed in combination with other project components that are discussed in the remaining part of the handbook. The objective of the projects will be a **change in behaviour**. Proposals for potential KPIs to be measured are presented under the methods presented in the Booklets 1-5. Some examples include:

- ▶ # of remittance transactions processed and amounts transferred
- ▶ # of persons who opened a (savings) account and sums deposited
- ▶ # of businesses established
- ▶ volume of funds channelled to investments

Note that attending a financial literacy training, or even stepping into the financial system by opening an account, does not in itself guarantee an improvement in an individual's social and economic situation. However, it can be seen as a first step towards improving one's financial planning and management and can provide new risk management options.

2.6 Lessons learned and key success factors

The research conducted for this handbook led to some **key recommendations** for the design of financial literacy components. The most important recommendations are:

- ▶ **Reflect the target groups' context, culture and needs** in the training; assess whether the training should address non-financial topics such as transnational family issues
- ▶ Ensure the trainer and venue **create trust**; the trainees must feel comfortable discussing their financial and possibly other personal issues

- **Combine financial literacy training with other project activities** that enable the trainees to apply their new knowledge, e.g. developing remittance-linked financial products in cooperation with financial institutions and linking the trainees to the financial institutions.

The following points should also be taken into account:

- In many cases, a **trusted trainer** is a person with the same cultural background as the target group and one who has personal experience with migration.
- When working with **migrant organisations**, it is important to: (a) **ensure they are competent**; (b) have the **capacity** to undertake the activity; (c) verify the **level of governance** (fair internal functioning of the organisation), and; (d) check how **representative** they are of the migrant population as a whole (rivalries may exist).
- Project design should include **tools for monitoring** (such as a database) for tracking data on migrants and families and for assessing the impact of the intervention. Group Facebook Accounts and group email accounts have proven effective for monitoring and mentoring the activities with migrants (Atikha project #5.1, Italy-Philippine corridor).
- Put in place a structured **monitoring and coaching mechanism for trainers** as well as a **financial remuneration plan and other financial means to ensure the further rollout** of training. Failing to do so can easily lead to a lack of training materials or an end to training sessions that are supposed to reach out to the ultimate beneficiaries.
- One-on-one sessions often contain elements of direct marketing. It is essential to ensure that the training provides **objective information** and gives the trainee a **full range of options** so that s/he can make an informed choice. Consumer

protection principles should be applied properly and the trainee should not feel pressured to buy a certain financial product.

- **Mass marketing campaigns** to influence the behaviour of remittance senders and recipients are **most effective if they are embedded in a wider educational programme** or approach. The effectiveness of isolated marketing tools (e.g. a brochure, a film) that are not part of a broader campaign is questionable.

For more lessons learned from a recent review and evaluation of overall financial education programmes, please refer to *Financial Literacy around the World, An Overview of the Evidence with Practical Suggestions for the Way Forward*.¹⁰

2.7 Results and sustainability

Many projects have provided financial literacy training to migrants and their families in the country of origin. These projects have generally been successful in identifying target groups, developing new or adapting existing training materials and implementing the training. Although not all projects incorporated effective monitoring and evaluation tools, several projects measured the qualitative and quantitative results achieved. Most projects reached their targets in terms of the number of beneficiaries/trainers trained. When asked, the trainees usually stated that they found the training useful, though it is often unclear whether, and if so how, behaviours were impacted. Booklets 1 to 5 show how financial literacy training, in combination with other project components, can empower migrants and their families and lead to change in behaviour.

It is unlikely that migrants themselves will pay for this type of education; therefore self-sustainability of financial literacy programs is challenging. **Financial literacy programmes will generally require**

¹⁰ The World Bank, Policy Research Working Paper 6107, *Financial Literacy around the World, An Overview of the Evidence with Practical Suggestions for the Way Forward*, June 2012

continuous support from donors or government agencies. Especially for projects that develop training materials or train the trainers, attention should be paid to the rollout phase of the training and to who will finance it.

In some cases funding by a donor of a successful project may be an incentive for a local government entity or a private party to take over. This may be most feasible in projects where the training is combined with activities that link migrants or their families to financial institutions (described in Methods 2 and 3). For example, some Eastern European banks that participated in IAD projects have hired the educators and continued the one-on-one sessions with remittance recipients.

3 Conclusions

For this handbook, a wide range of projects covering all regions of the world funded by **various public donors** (IFAD, IADB, ILO, EU, EBRD, etc.) and **private parties** (mainly banks) was analysed. The results show that there is a **large body of experience** in the area of financial literacy linked to remittances and diaspora investments, which ideally should be re-used for similar projects in the future. Lessons have been learned and key success factors have been identified. Material is available, such as comprehensive training manuals and workbooks.

A primary purpose of this handbook is to provide easy access to hands-on information on projects combining financial literacy and remittances/diaspora investments and thereby support the design of successful projects in the future. **It groups the projects into five main methods** to structure their analysis and guide users. Main project components, practical guidance on monitoring and evaluation, lessons learned and assessments of results and sustainability are provided for each method, in Booklet 1-5. The Master List in the annex summarises the relevant information of the projects that were reviewed and provides contact details and websites where more information can be found.

All five methods can contribute to the financial inclusion and empowerment of transnational families, and may sometimes work better when combined (Methods 2 and 3 for example). The context of a given project should guide the choice of method(s) and the project components.

A leading principle of this handbook is that financial literacy training should be seen as a means to an end. **Including financial education adds value** as it strengthens the results of the various methods, which focus on different objectives such as increasing migrant savings, supporting entrepreneurship, etc. **The reverse is also true:** financial literacy

training that is not linked to other activities, such as providing financial products and services to the target groups, are less effective. Note that most of the education targets remittance senders or recipients, but that other stakeholders also benefit from training, such as banks, MFIs and governments.

By setting clear project objectives one can better identify the components that need to be included in a financial literacy project for migrants. The education components should be seen as a part of a wider set of activities.

As with many educational projects, financial literacy is an on-going process. “New” migrants will travel the globe and their financial behaviour will change only gradually. Furthermore, it is unlikely that migrants will pay for the training, implying that on-going financial support is required. Methods 2 and 3, focused on product development and linking people to financial institutions, offer the opportunity of private funding and so improve sustainability. Even so, this will always be at the discretion of the parties concerned and cannot be taken for granted. For Method 1, price comparison websites, achieving financial sustainability has proven challenging. This method will require constant funding and can be best deployed as a catalyst to increase transparency and competition in a (regional or local) market.

It is important to plan how the project activities and results will be maintained in the longer run. Is there a government or other party interested in and capable of taking over the responsibility once the project closes? Setting up such a structure and identifying sources of funding should be integrated in the project to ensure continuity.

Specific issues should be considered when looking at Methods 4 and 5, which are **focused on**

promoting entrepreneurship and productive investments. These methods are generally costly and add complexity to project implementation. Instead of aiming at a direct impact, to channel remittances into a relatively simple and low risk financial product or service (e.g. a savings account), they aim for second-step impact: migrant savings to fund higher risk “productive” investments such as start-ups, family businesses or other more complex investment vehicles. In addition, it was found that migrant savings were often not sufficient to cover financing needs and had to be complemented by other sources of funding (e.g. a micro loan, government subsidy).

When considering a project, one should be aware of the complexity of Methods 4 and 5. Providing a conducive environment, especially in the countries of origin, is a pre-requisite that may also require interaction with local governments. Further research and pilot projects are needed to find ways to improve cost-effectiveness and increase development impact of these methods.

On a final note, remittances are primarily a **private source of income for migrants and their families.** Even though remittance inflows are larger than development aid and nowadays contribute to many countries’ economic growth, their primary purpose is not to support economic development. Donor interventions to promote competition and lower the cost of remittance services, or to assist migrants and recipients in better understanding financial products and how they can manage their financial risks and diversify their savings, are to be applauded. At the same time, **care should be taken when promoting specific investments or instruments** (in enterprises, company bonds, taking micro loans) that could have a relatively high risk level and may not match the needs and risk tolerance of the target groups.

Annex

Master List of Projects

In this Master List, the projects analysed are listed per method. **Website references** and **contact persons** are included if available. The **components** mentioned are a result of the analysis made by the researchers and are not necessarily directly reflected in the documents to which reference is made. Data for **costs** and **results** were sometimes publicly available or sometimes deduced from interviews. Greatest care was taken to do this correctly, but the researchers take full responsibility for any errors or omissions or in case a project is not correctly represented in the list.

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
0. Financial Literacy Projects											
0.1	Filipino Government	Financial Education Master Plan & Financial Literacy of OFWs	2006 – (?)	Philippines/South Korea, UAE	both		Development of FL training material receiving side			http://www.oecd.org/document/3/0,3746,en_39665975_39667065_40280579_1_1_1_1,00.html	
	Central Bank of the Philippines						Marketing/info/awareness campaign mass, receiving side			http://jedayang.com/2011/08/24/financial-literacy-campaign-and-the-philippine-government/	
	Financial Consumer Affairs Group						Consultation with stakeholders (banks, migrant orgs, local authorities)			http://jedayang.com/2011/08/31/advocating-financial-literacy-to-overseas-filipino-workers-ofws/	
	Embassies						► Education FL receiving side (ToT) ► Education FL receiving side (class room) ► Institutionalising FL and/or migrants activities, receiving side (centre, agency) ► Development of FL training material sending side ► Education FL sending side (class room) ► Education FL sending side (ToT)		► Seminars to over 400 participants	► http://buhayabroad.com/2011/09/12/financial-literacy-campaigns-focusing-on-filipino-ofws ► http://www.philembassy-seoul.com/forms/Vol_1_Special_Issue.pdf	
0.2	JMDI	Maximizing Gains and Minimizing Social Costs of Migration	Oct 2009–May 2011	Philippines/Italy	both		Consultation with stakeholders (banks, migrant orgs, local authorities)	USD 288,626	1 forum with local authorities, NGOs and migrants organizations; 8 consultations and fora	http://www.atikha.org/projects/ecunjmdi-maximizing-the-gains-and-minimizing-the-social-cost-of-overseas-migration-in-the-philippines.html	Mai Anonuevo (maia.nonuevo@gmail.com)
	Atikha						► Marketing/info/awareness campaign mass, sending side ► Education FL sending side (ToT) ► Education FL receiving side (ToT) ► Education FL sending side (class room) ► Education FL receiving side (class room) ► Institutionalising FL and/or migrants activities , receiving side (centre, agency)		► 2,000 copies of the Guide for Filipino migrants; 8 public meetings in Italy with 260 participants ► 29 migrant leaders trained as trainers; 2 seminars on legal rights involving 30 migrant leaders ► 4 training of trainers (115 persons in the Philippines); 110 trainees monitored and mentored ► 14 echo-seminars on Financial Literacy (419 migrants) ► 20 echo seminars conducted (885 migrants and families) ► 2 trainings on setting up OFW Centers (50 participants); 4 MOAs signed and 3 OFW centers set-up	http://www.migration4development.org/content/maximizing-gains-and-minimizing-social-cost-overseas-migration-philippines	
0.3	Oxfam Novib	Institutional Support to Enhance Formal Channel of Remittances and Investment in Financial Instruments	2009, 12 months	Bangladesh-Netherlands/Italy/Germany/Spain/France/UK	both		Development of FL training material receiving side		Two project operational manuals for MFIs	http://basug.nl/nl/index.php?option=com_content&view=article&id=61:project-institutional-support&catid=34:projects&Itemid=75	
	BASUG						Development of FL training material sending side		Documentary film “Sending money through formal channel” produced (educational and campaign tool)		
	INAFI						► Education FL receiving side (class room) ► Education FL sending side (class room) ► Consultation with stakeholders (banks, migrant orgs, local authorities)		► 10 trainings, 493 participants in Bangladesh ► 2 workshops, 1 in NL and one in the UK, 57 participants		
0.4	JMDI	Moldova: Improvement of financial Literacy for remittance senders and recipients	2009–2011	Moldova	receivers		► Development of FL training material receiving side ► Education receiving side (staff of MFIs or banks) ► Education FL receiving side (ToT) ► Education FL receiving side (class room) ► Development of specific marketing material (film, pamphlet, etc)	EUR 199,450	► Information flyer (1,000x), workbooks (5,000x) and posters (200x) to 69 participating SCAs throughout Moldova ► 40 SCA managers have been trained in providing coaching sessions on financial education ► 18 local trainers were trained ► 72 financial education seminars reaching 1440 participants	http://www.migration4development.org/content/moldova-improvement-financial-literacy-remittance-recipients-and-senders	bikash.chowdhurybarua@gmail.com

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
0.5	ILO	1) Budget smart – Financial education for migrant workers (part of 'Asia decent work decade 2006–2015') 2) In 2008 a Financial literacy training for Cambodia. This was not targeted on migrants but has overlaps with the 2011 product. 3) Financial Literacy Training, programme Migrant et Finances Solidaires, Senegal (in French, 2011)	2008–2011	Cambodja, Thailand	both		► Development of training material receiving side ► Development of training material sending side ► Education receiving side (ToT)			http://www.iom.md/materials/15_build_fin_cap_eng.pdf	Severine Deboos, ILO
See # 2.1	JMDI	Leveraging Remittances for Socioeconomic development in Sri Lanka	2009–2011, 18 months	Sri Lanka							
See # 2.8	IADB-MIF	Enhancement of the Remittances Services to and within rural Haiti	2007–2009, 32 months	Haiti							
See # 5.1	IFAD	Mobilizing Migrant Resources Towards Agri-Based Cooperatives	24 months	Philippines/Italy							
See # 5.2	JMDI	Enhancing the capacity of migrants as partners in economic development	Oct 2009–Mar 2011	Philippines/Netherlands, Switzerland, UK, Greece, South Korea, Hong Kong							
Method 1: Increasing Awareness And Competition In The Remittance Market											
1.1	Worldbank	Remittances prices worldwide	2007–ongoing	213 country corridors (31 sending and 91 receiving countries)	senders		Website/portal development (FL or remittances)	Website Release: USD 60–100 k Annual maintenance: USD 160 k		remittanceprices.worldbank.org/	payment-systems@worldbank.org
1.2*	Worldbank	Send Money Africa	2011	50 corridors (15 sending and 27 receiving)	senders		Website/portal development (FL or remittances)			http://sendmoneyafrica.worldbank.org/	
1.3*	AUSaid/NZaid	New Zealand and Australia: Send Money Pacific			senders		Website/portal development (FL or remittances)		8,000 hits per month	http://www.sendmoneypacific.org	
1.4*	IADB	Central America: Envía Centroamérica	Relaunched in February 2012		senders		Website/portal development (FL or remittances)			http://www.enviacentroamerica.org	
1.5*	Banca d'Italia/CESPI/Worldbank	Italy: Manda soldi a casa			senders		Website/portal development (FL or remittances)			http://www.mandasoldiacasa.it/english	
1.6*		Norway: Finansportalen			senders		Website/portal development (FL or remittances)			http://www.finansportalen.no	
1.7*	AFD	France: Envoid Argent	2010–2012	France to 21 countries	senders		► Website/portal development (FL or remittances) ► Consultation with stakeholders (banks, migrant orgs, local authorities)	EUR 50,000 (release) EUR 14,000 + 0.5 FTE (annually)	15,000 hits per month and increasing 17 MTOs and banks participate	http://www.envoidargent.org	berrietc@afd.fr
1.8*	GIZ/FSFM	Germany: Geld Trans Fair Mexico: Envío	2008–2010	Germany to 35 countries	senders senders		► Website/portal development (FL or remittances) ► Website/portal development (FL or remittances)	EUR 150,000 (GIZ and FSFM 50/50%)	2,000 hits per month and stable	http://www.geldtransfair.de http://www.profeco.gob.mx/envio/envio.asp	
1.9*	DGIS/IntEnt	Netherlands: Geld naar Huis	2008–2012	Netherlands to 34 countries	senders		► Market survey ► Website/portal development (FL or remittances)	EUR 150,000 (release, marketing) EUR 20,000 (annually)	2,500 hits per month and stable	http://www.geldnaarhuis.nl	info@intent.eu
1.10*	DFID	http://www.moneymove.org		UK to 20 countries	senders		Website/portal development (FL or remittances)			http://www.moneymove.org	
1.11*	GIZ	Demand for financial services from banks in Serbia among Serbian migrants in Germany	2008–2010	Serbia, Germany	senders		► Market survey ► Consultation with stakeholders (banks, migrant orgs, local authorities) ► Development of specific marketing material (film, pamphlet, etc)		► Conference for Serbian banks ► 30,000 brochures (printed)	http://www.gtz.de/en/dokumente/en-demand-financial-services-from-serbian-migrants-2009.pdf http://www.geldtransfair.de/download/Broschuere_Serbien2010-deutsch.pdf	

* National and Regional Remittance Prices Database Certified by the World Bank

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
Method 2: Product Development											
2.1	JMDI	Leveraging Remittances for Socioeconomic development in Sri Lanka	2009–2011, 18 months	Sri Lanka	both		Development of FL training material receiving side	EUR 197,400	3 training modules developed: Financial Literacy, Enterprise management, basic bookkeeping and accounting and BDS	http://www.migration4development.org/content/leveraging-remittances-socioeconomic-development-sri-lanka	
	INAFI Bangladesh/BASUG/SEEDS						► Development of FL training material sending side ► Education FL receiving side (ToT) ► Product development (MFI) ► Education FL receiving side (class room) ► Education entrepreneurship receiving side (classroom) ► Linking (SME/individual) clients to Banks. MFIs, MTOs ► Consultation with stakeholders (banks, migrant orgs, local authorities)		► 20 Trainers (SEEDS staff) were trained ► 1 National Remittances Forum Sri Lanka	http://www.basug.nl/nl/index.php?option=com_content&view=article&id=62:project-ec-un-leveraging-remittances&catid=34:projects&Itemid=55	
2.2	IFAD	Promotion of migrants' savings and alternative investment through selected MFIs in Nepal	2 years	Nepal	both		Education receiving side (staff of MFIs or banks)	EUR 191,000	10 MFIs trained (Product Diversification and Remittance Management, ToT on Enterprise Development)	http://www.ifad.org/remittances/projects/asia/nepal_promotion.htm	
	Centre for Microfinance						► Product development (MFI) ► Education FL receiving side (class room) ► Education FL sending side (class room) ► Consultation with stakeholders (banks, migrant orgs, local authorities) ► Linking activities between banks, MTOs, MFIs ► Education entrepreneurship receiving side (classroom)		► 2 unemployment insurance products designed, offered through 40 FIs in the country; MFIs deposit balance and enterprise loans doubled ► Over 50 classes reaching over 1,000 recipients, mostly women ► 3 training events ► Workshop on Linkage Between Community Based Cooperatives and Remittance Service Providers ► Linked MFIs with MTOs/banks: MFIs can offer tailored products at lower costs ► 250 people trained; women set up a poultry business; 900 jobs created in local cooperatives	http://www.ifad.org/remittances/pub/fiveyears.pdf	
2.3	IFAD	Remittance-linked savings for rural Sri Lankan women	2 years	Sri Lanka/Gulf countries/India	Receivers		Product development (Bank)	USD 368,000	200 savings accounts opened 2 months after introduction (USD 50,000 in deposits); Savings product rolled out to all 231 HNB branches during year 1 of implementation	http://www.ifad.org/remittances/projects/asia/srilanka.htm	
	Hatton Bank (HNB) & Women's World Banking						Education FL sending side (class room)		HNB providing information to migrants before departure on how to insure family members		
2.4	IFAD	Economic Prosperity for Rural Poor through Remittances Disbursed via LOFC	2 years	Sri Lanka/Italy and Middle East	both		Education FL receiving side (class room)	USD 369,000	Ongoing implementation	http://www.ifad.org/remittances/projects/asia/lanka.htm	
	Lanka Orix Finance Company (LOFC)						Education FL sending side (class room) Product development (Bank)				
2.5	IADB-MIF	Strengthening of Financial Services and Remittances	2002–2009, 6 years	El Salvador			Development of remittances platform (IT)	USD 2,300,000	Remittance operations more efficient (operating cost, and transfer time)	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=TC0202014#	
	Federation of Credit Unions of El Salvador (FEDECACES)						► Education receiving side (staff of MFIs or banks) ► Product development (Bank) ► Development of specific marketing material (film, pamphlet, etc)	USD 2.7M disbursed (MIF 100% and counterpart 157%)	► 325,000 remittance transfers in 2008, up from 3,009 in 2001; >20% of remittances channeled to savings account 11,000 remittance recipients became members of FEDECACES cooperatives; ► Marketing plan for the FEDECACES remittance service		

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
2.6	IADB-MIF/IFAD	Remittances and Rural Development in the Dominican Republic	2006–2010, 4.5 years	Dominican Republic	both		Market survey	USD 615,000	Provided information to design appropriate products for the target group	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=DR-M1006	
	ADOPEM (MFI)						▶ Linking activities between banks, MTOs, MFIs ▶ Development of remittances platform (IT) ▶ Development of specific marketing material (film, pamphlet, etc) ▶ Product development (Bank) ▶ Education FL receiving side (class room) ▶ education entrepreneurship receiving side (classroom) ▶ Education FL sending side (class room) ▶ Education entrepreneurship sending side (classroom)	USD 675,642 disbursed (MIF 100% and counterpart 122%)	▶ ADOPEM became a paying agent of an MTO; 7,584 new clients were attracted and USD 2.6M paid out ▶ IT/MIS platform was implemented; 34 offices equipped ▶ 5 remittance-linked products developed; 7% of remittances placed in savings product ▶ 5,641 people trained ▶ 74 business loans were approved		
2.7	IADB-MIF	The Role of Remittances in the Development of Low-Income Housing Market	2007–2010, 4.5 years	Columbia	both		Market survey	USD 2,925,000	28,000 Colombians profiled	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?oper=ATN/ME-10105-CO	
	Family Equalization Fund of Antioquia (COMFAMA)						▶ Marketing/info/awareness campaign mass, sending side ▶ Marketing/info/awareness campaign mass, receiving side ▶ Website/portal development (FL or remittances) ▶ Product development (Bank) ▶ Education FL sending side (class room) ▶ Linking activities between banks, MTOs, MFIs ▶ Development of remittances platform (IT)	USD 2.7M disbursed (MIF 84% and counterpart 112%)	▶ 3,000 people trained; 4 housing fairs ▶ 26 housing fairs ▶ Online database accessible ▶ Several products developed (loans, insurance, pensions) ▶ 2,418 housing loans (USD 88M) using remittances as guarantee; 2.15% default rate; Remittances recognized as income for loan due diligence ▶ 9 trainings in each participating “caja” ▶ Special software to manage the information on remittance characteristics		
2.8	IADB-MIF	Enhancement of the Remittances Services to and within rural Haiti	2007–2009, 32 months	Haiti	both		▶ Market survey ▶ Development of FL training material sending side ▶ Education FL sending side (class room) ▶ Linking activities between banks, MTOs, MFIs ▶ Development of remittances platform (IT) ▶ Education receiving side (staff of MFIs or banks) ▶ Product development (MFI) ▶ Marketing/info/awareness campaign mass, sending side	USD 572,565	▶ 2 community needs assessments completed ▶ 200 leaders were trained (15 migrant organizations) ▶ 4 active MTO partners; 5,000 transfers processed per month (up from 300) ▶ IT and MIS infrastructure for branches ▶ New products developed, including pre-paid VISA card; 45% increase in number of clients with savings product to 190,000; 18% increase in number of clients with loans to 55,000; Network expanded from 30 to 40 branches	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=HA-M1007	

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
2.9	IADB-MIF	Facilitation of Access to Housing Finance for Recipients of Remittances	2005–2009, 4 years 36 months planned, 12 month extension	Mexico	both		▶ Marketing/info/awareness campaign mass, sending side ▶ Marketing/info/awareness campaign mass, receiving side ▶ Development of specific marketing material (film, pamphlet, etc) ▶ Development of FL training material receiving side ▶ Education FL receiving side (class room) ▶ Education FL sending side (class room) ▶ Product development (MTO)	USD 3,400,000	▶ Promotional materials developed and 10,000 brochures distributed in the US ▶ 1,500 participants in 5 seminars ▶ Website to promote transnational mortgages ▶ Training modules on mortgages ▶ 7,050 people trained in mortgage loans ▶ Transnational mortgage product developed “Mi Casa en Mexico”, involving cross-border guarantees and legal issues; 2,000 credits disbursed to remittance receiving families, an 80% increase from baseline; Software license purchased for integrated mortgage statistics database	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?oper=ATN/MT-9138-ME#	
2.10	IADB-MIF/IFAD/ ILO/AECID (Spain)/ Banco Nacional de Costa Rica	Remittances, bankification, financial democratization and innovative investment opportunities in rural Nicaragua and Costa Rica: South-South and North-South comparative cases [South-South remittances – importance of the Costa-Rica Nicaragua Corridor]	2011	Costa Rica-Nicaragua	both		▶ Consultation with stakeholders (banks, migrant orgs, local authorities) ▶ Education FL receiving side (class room)			http://www.ifad.org/remittances/projects/lac/costarica.htm	
	IFAD portion of the project			Costa Rica-Nicaragua, US			▶ Education FL sending side (class room) ▶ Product development (Bank) ▶ Linking (SME/individual) clients to Banks. MFIs, MTOs				
2.11	Spanish banks	La Caixa – Caixa Giros Santander BBVA Banco Popular		Spain	senders		Product development (Bank)		Developed special products for migrants, including remittances (through branches, Internet, SMS, ATMs, cards), repatriation insurance, accounts, debit/credit/phone cards, Banco Popular: also transnational mortgage loans in Ecuador, Morocco and Dominican Republic	http://portal.lacaixa.es/extranjeros/extranjeros_es.html ; http://www.santanderenvios.com/files/santanderenvios/index.html ; https://www.bbva.es/TLBS/tlbs/esp/segmento/particulares/subsegmentos/extranje/index.jsp ; http://www.bancopopular.es/popular-web/extranjeros/ ; http://www.bancopopular.es/popular-web/tarjetas/hal-cash/hal-cash.htm	
2.12	Mobile operators	Telefonica/Movistar remittances initiative	2012 planned	Spain	senders		Product development		Developed a remittance product in collaboration with BBVA and MoneyGram; Note that it is not a mobile solution but a cash-in solution via the movistar agent network	http://remesas.movistar.es/ ; http://remesas.movistar.es/lightbox/comoEnviarDinero.php	
2.13	ILO/EU	Migrant Remittances to Tajikistan	2009	Tajikistan	receivers		Market survey		1. Market survey of 1,267 Tadjiek households 2. Survey of financial institutions on products on offer for remittance receivers 3. Recommendations on improving financial literacy of the receivers	http://www.ilo.org/public/english/region/eurpro/moscow/info/publ/tajik_migr_remit_en.pdf	
2.14							Product development (Bank)		Recommendations on suitable products		
2.15	EU/JMDI/IFAD	DEVINPRO Moldova 2009/2010: Strengthening the link between M&D through developing and testing replicab migration-related products	2009–2011	Moldova, Austria	both		▶ Market survey ▶ Product development (Bank) ▶ Consultation with stakeholders (banks, migrant orgs, local authorities)	EUR 198,000	1. Market research on the group of migrants 2. Development and testing of a variety of product options 3. Workshop with the participation of the partners, National Bank and the government	http://www.ifad.org/remittances/projects/central/albania.htm	Nicolaas de Zwager
2.16	EU/Oxfam Novib/ INAFI	Harnessing the potential of Migration for development for Africa: Linking MFIs and Migrant Organisations	2010–2012	10 EU countries to 10 African countries	both		▶ Education receiving side (staff of MFIs or banks) ▶ Development of remittances platform (IT) ▶ Education entrepreneurship sending side (ToT) ▶ Education receiving side (class room)	EUR 1.1 M	▶ 35 MFI staff trained ▶ IT platform implementation was stopped ▶ 100 migrant leaders trained Toolkit entrepreneurship was developed	http://www.inafi.org	Jean.Pouit@oxfamnovib.nl

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
2.17	IFAD/Oxfam Novib	Enhancing microfinance and remittance services for Ethiopia	2009–2010	Ethiopia-US Ethiopia-Europe	both		► Education receiving side (staff of MFIs or banks) ► Product development (MFI) ► Development of remittances platform (IT) ► Linking activities between banks, MTOs, MFIs	EUR 253,303	► > 600 Ethiopian migrants in US send money home ► Remittance fees were halved ► ARIAS system was implemented		Norbert. Abachi@oxfamnovib.nl
2.18	ADA/GRET	Pilot project for transfer service linked to financial products on the Italy-Senegal corridor (with PAMECAS)	2009–2011	Italy-Senegal	both		► Product development (MFI) ► Linking activities between banks, MTOs, MFIs				David Quien, ADA
2.19	IADB-MIF	Remittances and Rural Development	2006–2011, 5 years	Mexico/US	both		► Education FL receiving side (class room) ► Education FL sending side (class room) ► Market survey ► Product development (MFI) ► Education receiving side (staff of MFIs or banks) ► Linking activities between banks, MTOs, MFIs ► Development of remittances platform (IT) ► Marketing/info/awareness campaign mass, sending side	USD 617,342	► 325 community leaders trained in financial management Around 500 microbank clients and managers trained ► 4,102 new members of MF-banks, Savings volume increased around USD 1.6 M. 6 new products developed: insurance, loans and savings (Aug 2009) ► Financial Education Unit established and MFISTaff trained in cross-selling new products ► Monthly remittance transaction volume increased from USD 3,000 to 9,624; Signed contract with 3 MTOs (Aug 2009) ► AMUCSS and member institutions developed Envios Confianza, a centralized payment platform 23 member institutions are using it	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=ME-M1015	
See # 4.6	EU/JMDI	Migrants' Supporting Tools for Economic Projects: STEP	2010–2012	Senegal, Belgium and Italy	both		Product development (MTO?)				
Method 3: Linking People To Financial Institutions											
3.1	IADB/EBRD/IAD/MFC	Inter American Dialogue's Financial Education Project	2010	Georgia, Azarbaijan, Paraguay, Guatemala	receivers		► Education FL receiving side (ToT) ► Education receiving side (one-on-one) ► Linking (SME/individual) clients to Banks. MFIs, MTOs	USD 80,000 for half year	► 35,000 persons reached 40 % intended to open a bank account 15.3 % acquired a product on the spot	http://www.thedialogue.org/projects#Financial_Inclusion_and_Access http://www.thedialogue.org/page.cfm?pageID=32&pubID=2371&s=remittance	morozco@thedialogue.org
3.2	EBRD/DWM/IAD	Financial Instruction for Remittance receivers	2011	Tajikistan, Kyrgystan, Moldova and Armenia	receivers		► Education FL receiving side (ToT) ► Education receiving side (one-on-one) ► Linking (SME/individual) clients to Banks. MFIs, MTOs	EUR 150,000	► First results after 27 weeks: Tajikistan: 23,852 people were educated; 1,169 accounts were opened and USD 2.4 Mn were deposited Kyrgyzstan: 14,097 people were educated; 1,208 accounts were opened; USD 1.1 Mn were deposited		sarah.hugo@developing-markets.com
3.3	ING	Polish Language Support to Polish migrant workers in the Netherlands	2008–2009	Netherlands, Poland	senders		► Website/portal development (FL or remittances) ► Linking (SME/individual) clients to Banks. MFIs, MTOs ► Product development Bank	EUR 290,000	► Special client contact center (Polish language, 6 agents) ► IN NL 3,800 new clients after 4 months (on target) and in total 24,650 clients with Polish nationality (Oct 2008). Also increase in ING Belgium and ING Slaski in Poland		Inge.van.Dijk@ing.com

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
3.4	JMDI	Implementation of bi-national support tool from migrant entrepreneurs from the region of Kayes	2009–2011	France-Mali	senders		► Education entrepreneurship sending side (classroom) ► Linking (SME/individual) clients to Banks. MFIs, MTOs		► 125 members of the Malian Diaspora in France and indirectly their families ► 12 MFI loans (CAMIDE)	http://www.migration4development.org/content/mise-place-d%E2%80%99accompagnement-binational-service-entrepreneurs-migrants-issus-r%C3%A9	
Methodology 4: Entrepreneurship											
4.1	INAFI/Remittances and Payment Challenge Fund	Institutional Support for Productive Utilisation of Migrant Workers Remittances Project	2008–2009, 18 months	Bangladesh	Receivers and re-turning migrants		► Education receiving side (staff of MFIs or banks) ► Market survey ► Linking (SME/individual) clients to Banks. MFIs, MTOs ► Development of FL training material receiving side ► Education FL receiving side (class room) ► Development of FL training material receiving side ► Education entrepreneurship receiving side (classroom) ► Consultation with stakeholders (banks, migrant orgs, local authorities)	USD 256,588	► Project operational manual for MFIs TOT course for 109 staff of 5 partner MFIs ► 6,429 potential MFI clients assessed: 3,161 clients with enterprises and 1,288 other clients were selected; Loans disbursed to 1,184 clients (USD 4.79M); 498 clients requested loans following linkage workshops (USD 2.76M) ► Developed training materials including 4 modules ► 4,302 clients of MFIs participated	http://www.migration4development.org/fr/content/institutional-support-productive-utilisation-migrant-workers-remittances http://www.inafiasia.net/r_about_project.html?Q=db	
4.2	IFAD	Economic Security of Women Migrant Workers	2 years	Nepal	Senders and returnee migrants and families		Market survey	USD 307,000		http://www.ifad.org/remittances/projects/asia/nepal_economic.htm	
	United Nations (UNIFEM)						► Education entrepreneurship receiving side (classroom) ► Investing in country of origin ► Consultation with stakeholders (banks, migrant orgs, local authorities)		► Training sessions to 900 women migrant workers ► 450 women established or upgraded their business. 300 women organized themselves into savings& loan and entrepreneurial groups. Participants reported increased income and better living conditions	http://www.ifad.org/remittances/pub/fiveyears.pdf	
4.3	IFAD/IADB-MIF	Pilot program to promote business leadership through transnational migrant family networks	2008–2010 (?)	Peru	both		► Education entrepreneurship receiving side (classroom)	EUR 157,844	► 53 families trained in Entrepreneurial Leadership for Codevelopment; 28 families completed the 4 modules	http://www.ifad.org/remittances/projects/lac/peru.htm	
	INMIGRA-CEPROM						► Education entrepreneurship sending side (classroom) ► Investing in country of origin ► Development of specific marketing material (film, pamphlet, etc) ► Consultation with stakeholders (banks, migrant orgs, local authorities) ► Market survey		► Computer training and management of communications over the internet for transnational families ► 13 transnational families developed a business plan. Families invested remittances in housing for tourism ► Public presentations of business plans Develop advertising material, data sheets and presentations with migrant organizations ► Outreach and training activities with municipalities Municipalities supported program implementation and contributed to promotion activities ► Working paper on profile of beneficiaries	See Independent Review of MIF Portfolio	
4.4	JMDI/REDES-CAP	REDES-CAP: support to migrants ability in promoting development	2009–2011	Ecuador-Spain	both		► Education entrepreneurship sending side (classroom) ► Investing in country of origin	EUR 199,980	► 150 migrants and returnees received career counseling and training ► 4 micro-enterprises set up in Ecuador and 1 in Spain that will create 15 new jobs	http://www.migration4development.org/content/redes-cap-redes-apoyo-las-capacidades-las-personas-migrantes-para-el-desarrollo	Veronica Quintero, UNDP Ecuador

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
4.5	IFAD/IADB-MIF	Dekassegui Entrepreneurs	2005–2010, 4 years	Japan-Brazil	senders		Website/portal development (FL or remittances)	USD 3,100,000	Circa 150,000 people did the online assessment	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=BR-M1021	
	SEBRAE						► Education entrepreneurship sending side (classroom) ► Education entrepreneurship receiving side (classroom) ► Education entrepreneurship receiving side (ToT) ► Investing in country of origin	USD 1.9M disbursed (MIF 100%, counterpart 63%)	► 1,548 participants in Japan participated in capacity trainings offered via the Internet ► 18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in 4 different states in Brazil ► 950 new business proposals were provided with subsidized technical assistance. No ex-dekassegui has established businesses in the project	http://www.iadb.org/en/projects/project,1303.html?id=br-m1021	
4.6	EU/JMDI	Migrants' Supporting Tools for Economic Projects: S T E P	2010–2012	Senegal, Belgium and Italy	both		► Product development (MTO?) ► Education entrepreneurship receiving side (ToT) ► Institutionalising FL and/or migrants activities , receiving side (centre, agency) ► Development of FL training material receiving side ► Education entrepreneurship sending side (ToT)	EUR 190,164	► 10,000 direct beneficiaries of the financial services and the money transfer (in the Diourbel region), 300,000 indirect beneficiaries (realised?)	http://www.migration4development.org/content/migrants-step-supporting-tools-economic-projects-outils-d%E2%80%99aide-aux-projets-%C3%A9conomiques-oape	
4.7	IFAD	Supporting the innovative use of remittances in rural investment	2010-2012, 24 months	Moldova	both		Marketing/info/awareness campaign mass, receiving side	USD 309,000	Post completion workshop featuring the experience of selected entrepreneurs to mass media, local and national governments and NGOs	http://www.bci.md/en/	d.stamatopoulos@ifad.org
	Business Consulting Institute (BCI)						► Market survey ► Education entrepreneurship receiving side (classroom) ► Education entrepreneurship one-on-one (BDS) ► Investing in country of origin ► Consultation with stakeholders (banks, migrant orgs, local authorities)		► Study on local level priority needs for services and production units ► 500 people from 12 Moldovan districts (after a screening process); Entrepreneur Good Practices brochure ► Individual consultancy sessions on technology, marketing, bookkeeping and risk assessment; on-site monitoring and follow-up services to the new enterprises (by BCI) ► 154 innovative migrant-run business ideas selected for assistance; 100 businesses were launched, creating 400 new jobs; Business Start-up Guide for Moldovan migrants ► Local authorities actively supported the logistic aspects of the training and Ministries publicly recognized the positive outcomes		
4.8	IFAD	Support to Migrants' Entrepreneurship: creating innovative facilities to support migrants economic initiatives in the countries of origin	2009-2011, 36 months	Italy to Romania and Moldova	senders		Marketing/info/awareness campaign mass, sending side	EUR 233,000	Survey on good practices on migrant return initiatives; Built a network of collaborating government authorities to increase awareness on potential of returnee migrants	http://www.youtube.com/watch?v=s0YLZkNOlgo	d.stamatopoulos@ifad.org
	Veneto Lavoro, Italian regional government agency						► Market survey ► Institutionalising FL and/or migrants activities , receiving side (centre, agency) ► Investing in country of origin ► Education entrepreneurship one-on-one (BDS)		► Establishment of a help desk for would-be Romanian entrepreneurs ► Call for proposals for business ideas to select viable agribusiness ideas	http://www.youtube.com/watch?v=BKffjwkTQ6A http://www.youtube.com/watch?v=H8niXBGxVWQ&feature=youtu.be http://www.youtube.com/watch?v=OAL81Z3Dc70&feature=youtu.be	
See # 2.1	JMDI	Leveraging Remittances for Socioeconomic development in Sri Lanka	2009–2011, 18 months	Sri Lanka							
See # 2.2	IFAD	Promotion of migrants' savings and alternative investment through selected MFIs in Nepal	2 years	Nepal							
See # 2.6	IADB-MIF/IFAD	Remittances and Rural Development in the Dominican Republic	2006–2010, 4.5 years	Dominican Republic							
See # 2.16	EU/OxfamNovib/INAFI	Harnessing the potential of Migration for development for Africa: Linking MFIs and Migrant Organisations	2010–2012	10 EU countries to 10 African countries			Assistance provided to develop competences and return plans of individuals; start-up assistance for selected business ideas				

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
Method 5: Investing In Home Country											
5.1	IFAD	Mobilizing Migrant Resources Towards Agri-Based Cooperatives	24 months	Philippines/Italy	both		Market survey	USD 359,000		http://www.atikha.org/projects/ifad/mobilizing-migrant-resources-towards-agri-based-cooperatives-in-the-philippines.html	Mai Anonuevo (maia-nonuevo@gmail.com)
	Atikha						Marketing/info/awareness campaign mass, receiving side		10,000 persons reached with info&educ campaign	http://www.ifad.org/remittances/projects/asia/ph-atikha.htm	Charito Basa (FWC): charito.basa@gmail.com
	Filipino Women's Council						▶ Marketing/info/awareness campaign mass, sending side ▶ Education FL receiving side (ToT) ▶ Education FL sending side (ToT) ▶ Education FL receiving side (class room) ▶ Education FL sending side (class room) ▶ Investing in country of origin ▶ Education entrepreneurship sending side (classroom) ▶ Institutionalising FL and/or migrants activities sending side (centre, agency)		▶ 214 investment and coop organizing sessions covering 5,932 migrants and families on both sides ▶ 6 trainings for 172 trainers (Philippines and Italy) ▶ Financial Literacy Trainers Facebook Account and Skype for mentoring and monitoring ▶ 72 sessions, 2,706 participants sending and receiving ▶ International Facebook Account for mentoring and monitoring ▶ Packaged investment in agricultural cooperative (SIDC) for migrants and families i.e. Egg Layer Farm and Savings and Credit Cooperative Mayantoc Tarlac. 1,148 migrants and families invested PHP 10 M (around EUR 200,000) in 4 cooperative enterprises and became members of SIDC ▶ 6 seminars, 419 participants also covering livelihood skills ▶ 4 Multi-stakeholder Migration and Development Councils	http://www.ifad.org/remittances/pub/fiveyears.pdf	
5.2	JMDI/EU	Enhancing the capacity of migrants as partners in economic development	Oct 2009–Mar 2011	Philippines/Netherlands, Switzerland, UK, Greece, South Korea, Hong Kong	both		Marketing/info/awareness campaign mass, sending side	EUR 200,000		http://www.migration4development.org/content/enhancing-capacity-migrants-partners-economic-development	
	Commission for Filipino Migrant Workers						Marketing/info/awareness campaign mass, receiving side				
	Migrant Forum Asia						Education FL receiving side (class room)				
	Unlad Kabayan Migrant Services Foundation						▶ Education FL sending side (class room) ▶ Investing in country of origin ▶ Education entrepreneurship sending side (classroom)		▶ Savings and Investment Groups created		
5.3	IADB-MIF	Investment of Remittances	2002–2006	Mexico	both		Market survey	USD 920,000			
	Fundación para la Productividad en el Campo (FPC)		30 months planned + 24-months extension				▶ Marketing/info/awareness campaign mass, sending side ▶ Marketing/info/awareness campaign mass, receiving side ▶ Development of specific marketing material (film, pamphlet, etc) ▶ Education entrepreneurship receiving side (classroom) ▶ Education entrepreneurship sending side (classroom) ▶ Linking (SME/individual) clients to Banks. MFIs, MTOs ▶ Investing in country of origin	USD 1.8M disbursed (MIF 100%, counterpart 284%)	▶ 19 promotional workshops, 18 outreach meetings, 10 briefings, 3 workshops ▶ One international forum ▶ 3 videos ▶ 638 people were trained in the 23 projects selected ▶ Migrants received information about business opportunities in their home communities ▶ 53 productive projects identified of which 23 got technical assistance and 5 businesses formed	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=TC0108017	Trust fund established to fund business start-ups; Migrant organizations invested USD 237,000 in two investments and provided a USD 300,000 grant; their investment leveraged USD 1.15M in government donations and USD 1.181M in loans; One project benefited 140 female heads of household, who reported their income had increased by 50%

Project #	Donor/Implementing Agency	Project Name	Date/Duration	Country/Corridor	senders/receivers		Main Components	Total Cost	Results	Website	Contact
5.4	IADB-MIF	Promoting Diaspora and Local Support for Productive Initiatives	2007–2011	Regional			► Education entrepreneurship receiving side (classroom) ► Investing in country of origin	USD 7,345,000 The MIF disbursed 35.7% of its commitment and the executing agency 27.5% (total of USD 2.3M)	► Capacity building workshops and informational sessions were held ► Local NGOs were selected in participating countries to handle granting procedures. Transparent processes to vet applications were put in place. 4 donors committees created covering 4 countries. 6 projects were forged between local projects and migrant groups and received grants of USD 150,000 on average. Around USD 1.2 M were raised from foundations and individuals and USD 570 K was raised from diaspora organizations or individuals	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=RG-M1069	
5.5	IADB-MIF	Capitalization of Remittances for local economic development	2002–2006 30 months planned + 24-months extension	Mexico/US	both		► Consultation with stakeholders (banks, migrant orgs, local authorities) ► Market survey ► Education entrepreneurship receiving side (classroom) ► Investing in country of origin	USD 2,232,000	► Formation of 3 state-level subcommittees to identify and vet feasible project ideas and communicate with migrant organizations about opportunities ► 56 plans received TA for business plan writing ► Over USD 3.5M were raised from migrants, mostly individuals, for investments, channelled to 3 state-level trust funds. 225 proposals identified and 14 businesses formed	http://www5.iadb.org/mif/ProgramsandProjects/ProjectsList/ProjectProfile/tabid/85/language/en-US/Default.aspx?prj=TC0106003	
5.6	Oxfam Novib	Remittances for Community Development	2 years starting Dec 2010	Mexico, Ghana & Bangladesh-Netherlands	both		Market survey			http://www.basug.nl/uploads/files/Annual/2010%20BASUG%20Annual%20Report.pdf	
	BASUG/TNU/Triple L						Website/portal development (FL or remittances)				
5.7	JMDI/EU	Mobilising migrants' remittances for local development in Senegal	2009–2010	France-Senegal	senders		► Product development (MFI) ► Education entrepreneurship receiving side (classroom) ► Linking activities between banks, MTOs, MFIs ► Linking (SME/individual) clients to Banks. MFIs, MTOs	EUR 119,630	► Around 500 savers, total value of EUR 750,000 (EUR 1,000,000 – 25% guarantee) of potential investments volume in the regions of St Louis, Matam, Louga, Ziguinchor et Diourbel 200 concrete investment initiatives financed 200 people trained on marketing and admin	http://www.migration4development.org/content/mobiliser-remises-fonds-migrants-service-d%C3%A9veloppement-local-s%C3%A9n%C3%A9gal	

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FReDI – Method 1

Increasing Awareness and Competition in the Remittance Market

Method 1

Increasing Awareness and Competition in the Remittance Market

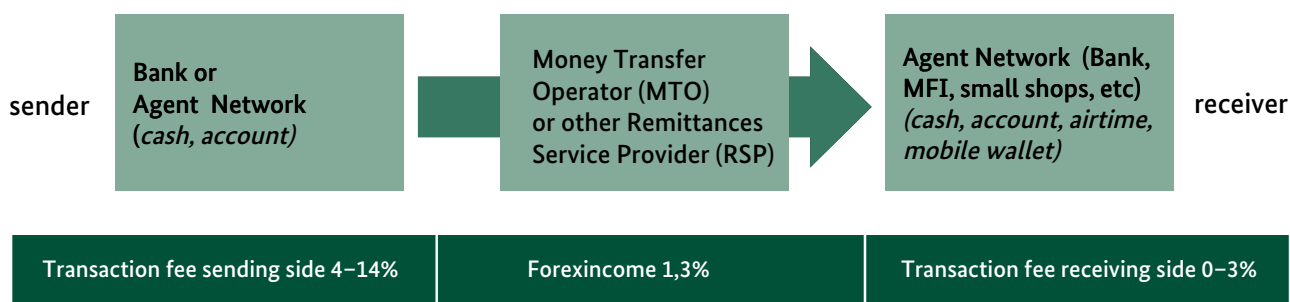
1 Introduction

Cash-to-cash transfers continue to dominate the remittance market. Cash products are most widely available in comparison to other services, such as account-to-account transfers, on-line, prepaid card and mobile services. Cash services are also one of the most competitive in the remittance market with an average price of 7.6% of the amount transferred.¹ **Cash-to-cash transfers** generally involve (small) agents at the sending and the receiving end: the migrant gives cash to an agent and the recipient withdraws cash at the other end. The actual transfer is done by the remittance service provider (RSP), in most cases a money transfer operator (MTO) or a bank. The RSP ensures that each transaction is administered correctly and confirms to the agent that the pay-out can take place. The payment processing function is mostly done via specific computer systems. **Migrants also use unregulated mechanisms to send cash home**, such as the “Hawala” system, truck drivers, or asking a friend to carry the money home.²

Account-to-account transfers via the international banking system are also available in most countries. However, not all migrants (can) open a bank account. This will, for example, depend on the level of financial inclusion in the country of destination and on the migrant’s legal status. Furthermore, in many countries the majority of the relatives at the receiving end are not banked.

In most cases the sender pays a fee for the money transfer service. Figure 1³ illustrates the remittances mechanism and provides some indications of fee levels (as % of the transfer sum). The global average total remittance cost, as measured by the World Bank’s Remittance Prices Worldwide database, has registered a general declining trend since 2008. Average total remittance costs fell from 9.8 per cent in 2008 to 8.7 per cent in the first quarter of 2010. However, they returned to 9.3 per cent in the third quarter of 2011. It is important to note that there is a large variance between corridors, as shown in Figure 2⁴. Remittance costs are still considered too high: in November 2011, the G20 heads of state

Figure 1: Remittances Mechanism



1 World Bank Remittance Prices Worldwide, issue no. 3, November 2011

2 ING, Payments in Focus, 2009

3 PHB Development Research

4 World Bank Migration and Development Brief, December 2011



committed to work towards reducing the average remittance cost to 5 per cent by 2014.

This booklet covers donors' initiatives to lower remittance costs, mainly by promoting competition and providing more information about the remittance market and prices.

The analysis **focused on the various remittance price comparison websites** that have been set-up. In 2008, the World Bank established a worldwide website that has been replicated on a regional basis (e.g. remittances to Central America, Africa and the Pacific). Moreover, some countries have established national websites.

Other components included in this method are developing marketing materials to promote the use of cheaper RSPs and organising consultations between banks and MTOs. However, only a few examples of these approaches were found.

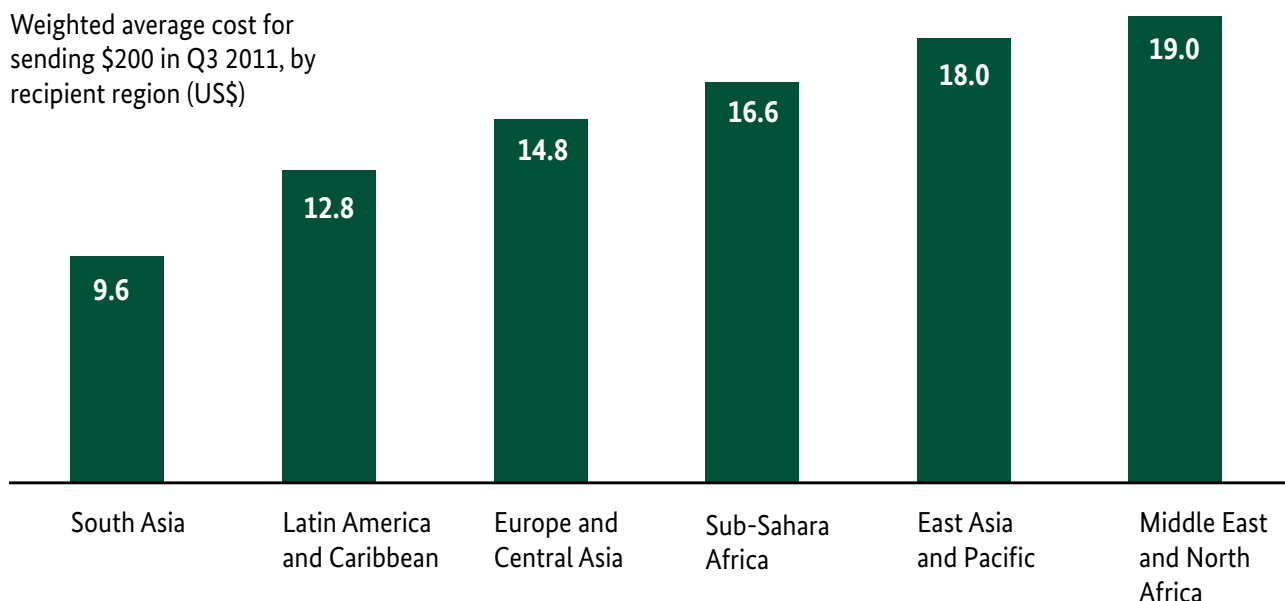
It is important to note that **many factors need to come together to achieve the objectives listed**

below. Among these are factors that are not addressed by the projects described in this handbook, such as improving payment systems' infrastructure, opening access to domestic payment systems and having appropriate legal and regulatory frameworks. **Initiatives that address these issues exist and contribute to reducing the price of remittance services**, but are beyond the scope of this analysis. Further information is included in the work of the Global Remittances Working Group, declarations of the G8 and G20, and other publicly available studies on this topic.⁵

⁵ Please consult the website of the Global Remittances Working Group: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTFINANCIALSECTOR/0,,contentMDK:22378309~menuPK:6681487~pagePK:210058~piPK:210062~theSitePK:282885,00.html>

Figure 2: Average Cost of Sending Remittances to Developing Countries

Weighted average cost for sending \$200 in Q3 2011, by recipient region (US\$)



2 Main objectives

The main objectives of this method include:

- ▶ **Providing migrants with accurate information** on available money transfer providers and costs of remittances, thus contributing to greater transparency and better-informed remittance senders.
- ▶ **Reducing transfer costs** and an improved price-quality ratio by promoting increased competition among providers.
- ▶ **Promoting greater use of regulated channels** for sending remittances.
- ▶ **Producing reliable data** on remittance flows on a regular basis and **providing benchmark proxies** for prices. This makes it possible to compare markets across countries and regions and also facilitates measuring improvements in transparency, efficiency, and competition within remittance corridors.

3 Target groups

- ▶ Migrants and their families in the country of origin
- ▶ Migrant organisations

4 Stakeholders

- ▶ Remittance Service Providers (mainly banks and MTOs)
- ▶ Governments of countries of origin and destination in line with their policy objectives regarding migration and remittances
- ▶ Researchers in the area of migration and remittances
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

5 Main project components

5.1 Website/portal development for remittance price comparison

The main component of this approach is developing a website where remittance senders can find an overview of various RSPs and the costs involved in sending remittances. It often contains a “calculator” to compare prices for sending a specific amount for a specific corridor.

The website may contain additional information such as financial literacy information explaining the importance of using registered RSPs and MTOs. Some websites also provide links to academic research or other relevant information for academia (e.g. World Bank website, Envoidargent.fr).

Marked differences between the various websites include:

- **Coverage and updating frequency of national versus global websites.** The individual country websites (e.g. GeldtransFAIR.de, Envoidargent.fr) only include information on corridors relevant to the country. They feature a frequently updated fee comparison calculator that provides users with a swift overview of providers and services. This functionality points to the development of the websites as a tool to aid consumers in choosing the most appropriate regulated RSPs. The World Bank’s global website covers a broader range of sending and receiving corridors. They are updated less frequently. They seem particularly useful for scientific research about remittance price development.
- **The data collection method.** This varies between obtaining the data (prices) directly from the RSPs and obtaining data from mystery shopping exercises to confirm the costs of transfers. The second approach provides a better idea of what fees actually are rather than simply what they are stated to be.

- **The price information included.** This can be limited to the transaction fee at the sending side or can also cover the exchange rate margin. This information provides a more realistic assessment of the total costs associated with making a transfer. Sometimes the paying entity on the receiving end charges a fee, which is usually not provided by the sites.

5.2 Development of marketing campaigns and specific marketing material

Some websites are supported by marketing campaigns to inform senders of the existence of the remittance price websites. For example, Geldnaarhuis.nl had a special campaign in 2009, which led directly to increased visits to the website.

There are other examples of specific marketing tools that have been developed to inform migrants about other channels for sending money home (safer, less expensive) such as a GIZ brochure promoting the use of banks amongst Serbian migrants in Germany (project #1.11).

5.3 Consultation with stakeholders

There are numerous initiatives and events for getting together with stakeholders and discussing how to improve transparency, lower prices and foster other improvements in the remittance market. The Global Forum on Remittances is one example. There are also local initiatives that focus on a specific corridor or sending/receiving country. GIZ and SECO organised a conference together focusing on the Germany-Serbia corridor, for example (project #1.11). Project #1.7 and the showcase below provide examples of linking migrant organisations with remittance service providers.

6 Needs assessment, monitoring and evaluation

Before developing an initiative to promote transparency in remittances, such as a price comparison website, developing a clear view on the needs of the target group is recommended. This makes it possible to assess which information is wanted about RSPs and to which sources of information the target groups normally have access (Internet, newspapers, word of mouth, etc.).

For price comparison websites, the following KPIs are useful:

- **Use of the site**, by measuring the number of new and return users, the preferred language and which parts of the website are visited (i.e. only the home page, the calculator, additional information pages)

- **Number and diversity of RSPs** displayed on the website
- **Completeness of the information** provided (such as applicable FX rate, FX margin, location of points-of-sale in country of destination, etc.)
- **Timeliness of information** (update frequency, inclusion of newly-registered RSPs, etc.)

It is far **harder to measure the impact** of components described in this booklet on increasing competition and **lowering transfer prices**. Price trends are now systematically checked by the World Bank's Remittance Prices Worldwide database, but these trends cannot be attributed directly to causes, such as use of the websites or conferences.

Showcase for Method 1

Sending remittances from France using

www.envoidargent.fr (Master List #1.7)

The website www.envoidargent.fr was started in 2007 and was commissioned by the French Inter-ministerial Committee for International Cooperation and Development (CICID). L'Agence Française de Développement (AFD), the implementing agency, soon realised that the site needed to be expanded beyond the five corridors that were initially covered and that to reach its objectives it should provide more than only remittance price information. Therefore, a new site was developed and went live in May 2010.

Donors: This project is a partnership between the Ministry of Internal affairs, Overseas and Local Communities and Immigration (MIOMCTI), the Ministry of Economy, Industry and Employment (MINEIE), and the Ministry of Foreign and European Affairs (MAEE).

Executing Agency: AFD, with support from a specialised communication agency for the website design and social media activation.

Project period: 2009-2012

Financing: The second release of the website cost around €50,000. Annual maintenance and animation costs for the website are €14,000. In addition, AFD staff (0.5 FTE) is assigned to the project. Note that the partner banks and money transfer organisations (MTOs) update the price information on the site directly.

Objectives:

- ▶ Encouraging more transparency about the costs of and detailed methods for remitting money and contributing to lower remittances fees in France
- ▶ Fostering a partnership approach, by offering a platform for information exchange between money transfer entities, migrants and government entities
- ▶ Promoting special actions and development projects linked to remittances

Target Groups:

- ▶ Migrants living in France who send money to the 21 countries covered in the website
- ▶ Migrant organisations, remittance service providers

Activities:

1. The site offers two types of information – one covers money transfer costs (the “cost comparison tool”) and the other addresses projects and other initiatives linked to remittances in France.
2. The site is launched and maintained in cooperation with various partners:
 - ▶ Banks and MTOs that have to sign a framework convention with the Ministry of Finance.
 - ▶ Migrant associations who have to sign a convention charter with AFD.

Refer to <http://www.envoidargent.fr/content/partenariats>.

3. The site provides editorial space for partners to present themselves, their products and their projects. For example, Société Générale and FORIM, the national platform of migrant associations, have used this facility.
4. A communications agency is charged with regularly updating news articles on the site and promoting the site via social media (Facebook, Twitter) and via a special blog (<http://envoidargent.solidairesdumonde.org/>). Campaigns are linked to events such as the two-year anniversary of the website and the planned certification of the website by the World Bank.

Results:

The website includes 17 remittance service providers and 21 partners from civil society (such as migrant organisations). In March 2012, the site counted 15,000 visitors per month, a number that is increasing by around 1,000 every month.

Sustainability:

The costs for the website are covered by the Ministry of Immigration for a period of three years (which might be extended), covering maintenance, editing, promotion and campaigns. The partners do not make any financial contributions but contribute in kind by regularly updating the information on the website (as agreed in the convention).

Lessons learned and key success factors:

- The partnership approach with remittance service providers ensures that transfer costs are updated regularly and leads to an active involvement of these parties.
- A dialogue has emerged between migrant associations and remittance service providers, for example at conferences and events, resulting in improved trade practices, new projects and other joint initiatives.
- The website requires on-going (human) resources to moderate and to monitor the site and to produce new items. Content that is produced and published by partners is not enough to guarantee the site provides sufficient, relevant and up-to-date information.
- Communication via social networks and articles and interviews on the blog has a “viral communication” effect. This serves to increase the site’s visitor numbers and to promote conferences/events on the topic of remittances.

7 Lessons learned and key success factors

Various parties who manage price comparison websites were contacted to obtain their input based on their experience. They made the following points:

- ▶ Securing funding to establish a website is comparatively easy, but the **key is to secure funding for on-going maintenance** to keep it up to date. Otherwise the website soon loses its relevance.
- ▶ **Attracting migrants to the site and regular marketing** is required. Linking the price comparison website to other (more popular) websites and other communication channels should be considered.
- ▶ The mystery shopping methodology is the most objective, but also an expensive one.
- ▶ It is more complicated to collect information on the various cost components (transaction fee and exchange rate costs) of a money transfer, but it provides a more complete picture of the actual cost.

It is important to note that it is **difficult to obtain real participation of remittance service providers in initiatives that promote transparency** and lower costs. Naturally, they will participate in large events organised by donors and governments, but getting business managers to actually change products for the benefit of migrants is more difficult.

8 Results and sustainability

Researchers and policymakers benefit considerably from the information the websites provide.

In some cases, it also seems as if the MTOs and RSPs use websites to compare their position with their peers. It is fair to state therefore that websites provide greater transparency and information about price trends in the market. They have also contributed to greater competition in the remittance market, particularly for specific corridors. But as mentioned above, websites are not sufficient to realise this. Additional factors and other types of initiatives, such as regulatory reform, remain necessary.

So far however, **the effectiveness of the price comparison websites in reaching the target group of migrants** is below expectations: for several websites the number of visitors reached is a small percentage of the total migrant communities. This reinforces the point made above that marketing of the site is key. **New approaches should be tested** to ensure target groups actually use these sites.

Some websites are experimenting to obtain private funding, e.g. via advertisements of remittance service providers or other parties interested in migrants. However, this may have a negative impact on the objectivity of the data. Receiving World Bank certification of a price comparison website requires: (i) independence of the researchers, (ii) a “no advertisement policy” for companies that have a direct or indirect interest in the remittance market, and (iii) free access to the information (a “no subscription policy”).

Another approach is to integrate the websites with migrant community websites or portals. The research has not found examples of this.

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FReDI – Method 2

Product Design for Financial Institutions

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PLATFORM
NETWORKING WITH THE SOUTH

Method 2

Product Design for Financial Institutions

1 Introduction

This method is essentially about **financial intermediation**: the aim is to increase the participation of financial institutions (FIs) in the remittance market in order to attract remittance senders and recipients as clients¹. This booklet **focuses on the supply side**: for remittance senders and recipients to channel their remittances away from direct consumption or to keep their savings in the financial sector rather than outside (“under the mattress”), the FIs must offer products that meet their needs.

This method has **two main approaches**, which can also be combined:

1.1 Introducing or improving remittance services

Because the remittance market is dominated by money transfer operators (MTOs), which generally only allow remittances to be cashed out, an important focus of remittance projects has been to **get FIs involved** in this market.

1.2 Designing and launching remittance-linked products

Once financial institutions are players in the remittance market, they can develop remittance-linked products that target and meet the needs of remittance senders and recipients and **help channel remittances to something other than direct consumption** (savings, loans, insurance). This is one approach to bank the unbanked: As a significant proportion of migrants and their families

are unbanked² there is an opportunity to attract them to regulated financial institutions via remittances. In addition, since remittances represent a significant and usually stable and recurrent source of income, financial institutions can “rely” on this source of income, for example for loan repayments or to attract more deposits from retail clients to supplement their funding base.

2 Main objectives

2.1 Introducing or improving remittance services:

- ▶ To improve access to remittances for recipients living in rural areas.
- ▶ To foster financial inclusion by increasing the chances that remittance recipients become banked, i.e. obtain another financial product.
- ▶ To increase competition in the market and reduce money transfer fees.

2.2 Designing and launching remittance-linked products:

- ▶ To strengthen the financial sector’s capacity and develop new business for FIs.
- ▶ To introduce financial products, which address the needs of remittance senders and recipients.
- ▶ To help transnational families achieve their life goals with appropriate financial products.

1 Involving new players in the remittance market also results in increased competition, which should contribute to lower costs and better service.

2 The percentage of unbanked remittance senders and recipients varies depending on a number of factors, including the country of origin/destination, rural vs. urban populations, the level of education, etc.

3 Target groups

- ▶ The main target groups for both approaches are financial institutions, including banks and microfinance institutions.

4 Stakeholders

- ▶ Remittance senders and recipients, as a secondary target group
- ▶ Migrant organisations as a source of advice/information on migrants' needs and as a channel to reach the migrants
- ▶ Financial sector regulatory agencies in countries of origin and destination
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

5 Main project components

5.1 Linking activities between financial institutions (FIs) and money transfer operators (MTOs)

It is often necessary to link FIs in the receiving countries with MTOs in the sending countries as MTOs still dominate the remittance market. Another option is for FIs to become a paying agent of a local bank or MTO(s). In both cases, **one or more suitable partners need to be identified**, legal agreements and commercial terms need to be negotiated, and IT systems have to be integrated. To be sustainable, sufficient volume needs to be generated, meaning that the FI on the receiving end must process a minimum number of transactions per month. It is therefore a requirement that the partner generating the transactions already has a foothold in the sending market.

Please refer to Projects #2.6, #2.8 and #2.17 in the Master List for examples of linking FIs to MTOs and expanding their reach in rural areas.

5.2. Information technology (IT) and management information systems (MIS)

Suitable systems and hardware are required to process remittances in a compliant, safe and efficient manner. **Remittance senders and recipients are accustomed to real-time money transfer services from MTOs.** To compete, FIs must have adequate systems supporting the money transfer process, as they play a key role in the level of service. Several projects provide support in this area.

In project #2.5 the Federation of Credit Unions of El Salvador (FEDECACES) was already offering remittances. However, the service was not automated within the FEDECACES network, which made the payment procedure inefficient and increased costs and risks. The project financed (i) a review of the requirements and the solutions' design to automate remittance services and integrate them in existing IT systems; (ii) the acquisition of hardware and software; and (iii) the design and implementation of a training programme for staff to promote and run the service.

5.3 Market survey/research:

This is an important first step to ensure the products being developed and offered by the FI are relevant for the target group, competitive (speed, price reliability) and sustainable (is there enough demand). It is useful to note that **many market studies have been conducted in the area of migration and remittances** covering several countries and corridors. It is advisable to first check the information that is already available before launching another market survey. In some cases, an update may be sufficient.³

³ A wealth of market data can be found on the Internet. One can check several sites including the World Bank, the Inter American Development Bank (MIF), the Asian Development Bank, the African Development Bank, the EBRD, the JMDI, the ILO, the Inter-American Dialogue.



5.4 Product design

This can be considered the core component of the method. Several types of products can be designed, depending on the needs of the target group and the objectives of the project. Examples include:

- ▶ **Savings products:** channelling remittances to savings products to earn interest and plan for expected or unexpected expenditures.
- ▶ **Debit/credit cards** linked to an account
- ▶ **Payment services**, e.g. for (utility) bills
- ▶ **Housing loans** (purchase, home improvement): remittances may be used to repay a loan. FIs may include the remittance history in their **credit scoring** methodology to evaluate the ability to repay a loan. Remittances deposited in a blocked savings account can serve as collateral.
- ▶ **Insurance:** remittances may be used to pay insurance premiums to mitigate exposure to risks such as illness, death and other events.

- ▶ **Business loans:** several projects have focused on encouraging entrepreneurship among remittance senders/recipients. Remittances can reimburse a loan to start or expand a business (see Method 4).

- ▶ **Technology** can introduce new ways of sending/receiving remittances: mobile phones, POS terminals, online/internet, prepaid cards.

For example, a project in Colombia supported the introduction of a **new housing loan product** (project #2.7). After project completion, 1,668 families had received a loan and an additional 825 were approved for disbursement. The project's final supervision report states that the most relevant success was that **remittances were now recognised as a valid source of income** and could be taken into account when assessing a family's ability to make mortgage payments.

In some cases, **banks have developed products linked to remittances independently**, i.e. without

support from development organisations. Several Spanish banks offer remittance services, cards, accounts and repatriation insurance designed specifically for migrants (project #2.11). In India, banks have developed several products and services for migrants' relatives, such as home-delivery of remittances and opening of bank accounts for the unbanked.

5.5 Developing marketing campaigns / specific marketing material

It often makes sense to include a marketing component in the project to ensure a timely and successful product launch. This component can be challenging for a number of reasons: (i) both senders and recipients need to be targeted, usually involving two countries; (ii) the target group has a low level of (financial) literacy; (iii) the target group resides in remote/rural areas. **This marketing often includes financial education to address low literacy levels.** Please refer to Method 3 for more details regarding financial education related to remittance-linked products.

The Remittances and Rural Development project in Mexico (project #2.19) included a marketing component, which involved **training MFI employees** to increase the effectiveness of their promotional contact with clients and training managers in developing a strategic vision for marketing the programme. The project also funded a **marketing plan, which took into account the specificity of the target group** by including (i) the design of an advertising strategy for broadcasting on rural radio, including translation into local indigenous languages; (ii) advertisement at points of sale; and (iii) corporate image enhancement and branding to reinforce MFI's physical presence in the market for migrant-oriented financial services.

5.6 Training for staff of the participating FI(s)

Staff of the FIs needs to be trained in order to pay out the remittances and sell the remittance-linked product(s) in an adequate and responsible manner. They have **to be able to identify clients who could benefit from the product** and explain the products' benefits in order to channel remittance flows to those products. As seen above, this component can be linked to a marketing component. It can also play an important role in the success of the project. A marketing campaign can create interest and awareness, but it is then up to the staff to sell the product.

6 Needs assessment, monitoring and evaluation

It is worthwhile emphasising the importance of (i) estimating the demand for the products that the project plans to develop; and (ii) tailoring the products to the needs of the target group. This needs assessment is generally covered by market research and surveys as described above.

KPIs for Method 2 include:

1. Introducing or improving remittance services:
 - ▶ Agreements signed and implemented with MTOs
 - ▶ (% increase in) # and volume of remittance transactions processed by the FI
 - ▶ (% increase in) # of clients/members of the FI
 - ▶ Installation of IT/MIS and whether it is operational
 - ▶ (% increase in) revenues/profit generated by the remittance business
 - ▶ % reduction of the transaction cost of remittance transfers

2. Designing and launching remittance-linked products:

- ▶ Type and number of products designed and launched
- ▶ % of remittances channelled to the new product(s)
- ▶ % of remittance clients using the new product(s)
- ▶ # of savings products “opened” and volume of savings generated
- ▶ # of loans granted/disbursed and volume of funds disbursed
- ▶ Maximum delinquency rate of the resulting loan portfolio
- ▶ # of insurance policies issued
- ▶ % of satisfied customers (although difficult to measure, even with surveys)

Proper monitoring and evaluation of this method requires automated tools that record and keep track of the KPIs. **Effective IT/remittance systems should provide these tools.** It is important to agree up front what will be measured.

7 Lessons learned and key success factors

Many Method 2 projects have been implemented and have generated many lessons learned. When designing new projects, the following main recommendations should be kept in mind:

- ▶ The **quality, characteristics and commitment of the participating financial institution(s)** are crucial for the success of the project. Prior assessment of the FIs is therefore essential. If necessary, project activities should include **capacity building** of the FIs.
- ▶ Introducing and managing remittance services are complex endeavours. **Capturing sufficient market share and attaining profitability** are challenging and take time. Many factors must be taken into account to get it right. See below for more details.
- ▶ The **needs and (evolving) circumstances of the target group**, as well as **customer protection**, must be pivotal when designing and implementing remittance-linked financial products.

In more detail the following lessons learned were found.

Characteristics of the financial system and the FI:

- ▶ **Trustworthiness:** there must be sufficient trust in the financial system and in the FI.
- ▶ The **quality of the FIs** is a dominant factor if projects are to succeed. Good **corporate governance** and a committed **management and board are needed**. Also, sufficient capacity, training, retention and motivation of the personnel are key and, if necessary, capacity building should be provided. Asking the FI to invest its own funds (counterpart funding) to increase its commitment should be considered.

- ▶ **The FIs understand and respond to the needs** of migrants and their families. They have a mandate to work with low-income people and have a pre-existing relationship with the diaspora.
- ▶ FIs should have a presence in regions with high levels of migration, there should be **sufficient demand** for the remittance or remittance-linked products and **limited competition** in the FI's geographical area (rural areas for example).
- ▶ FIs should have sufficient **IT infrastructure and connectivity**.
- ▶ **Monitoring and evaluation systems** must be put in place to measure the KPIs. If the (FI's) existing system cannot provide the information required, indicators should be changed or the project should include a component to improve monitoring systems.

Remittance services:

- ▶ The **regulatory environment** needs to be understood and taken into account in the project design. Regulatory issues can create hurdles, for example, if MFIs or cooperatives are not permitted to operate in the remittance market directly. In such cases, they can generally act as (sub)-agents to MTOs or banks.⁴ Remittances via mobile banking imply additional regulatory issues.
- ▶ **Compliance:** Institutions providing remittance services must comply with anti-money laundering (AML), combatting the financing of terrorism (CFT) and know-your-customer (KYC) legislation. This requires a good IT system and staff training programmes.
- ▶ **Negotiations with MTOs** can be challenging. A small FI may not have much negotiating power, and can, for example, lose out in terms of exchange rates or commit to exclusivity. Including activities to **create scale** can help, such as opening new points of service. In any case the FI must have sufficient points of service to run a viable remittance business. In most cases the FI does not have influence over remittance transfer costs, which are controlled by the partner MTOs.
- ▶ Remittance services require the **handling of cash**, which can lead to **security issues**. Offering remittance services requires good **liquidity/cash management**. It is important to have enough cash on hand to pay out remittances as well as to have security in place in case of excess liquidity.
- ▶ When a group of cooperatives/credit unions is involved, the **second-tier structure/ umbrella organisation** is important, for example for managing liquidity and providing a unified IT system.
- ▶ **Business model/profitability:** Setting up a profitable remittance business is not a trivial exercise. It may only become profitable when combined with **cross-selling** of other products, e.g. savings accounts. Commissions for payers can be low, and **costs are high**: security, IT system, staff training, compliance, etc. The business model should be assessed during the design phase and monitored during implementation.
- ▶ **IT/MIS is a critical, time-consuming and expensive component.** Rapid changes in the IT environment increase the challenge of implementing the right systems. The remittance system must be robust and adapted to the existing IT/MIS of the FI. The IT/MIS must support the FI's remittance operations (compliance, cash management etc.) and a platform that can link to multiple MTOs is preferable to facilitate scaling up.

4 In some cases, it may be preferable for the government to first create an enabling environment so that MFIs can become active in the remittance market. More generally, improvements to the regulatory framework governing remittances will encourage competition and facilitate participation in the remittance market.

Remittance-linked products

- ▶ Experience from the IADB-MIF funded projects indicates that the most successful remittance-linked products are linked to savings accounts and debit cards. When introducing a **card product**, ATMs need to be available in the geographic area and accessible for recipients.
- ▶ Different **types of migration** (e.g. seasonal vs. long term) create the need for different financial products. Remittance-linked products should be **flexible** and adapt to **changing circumstances and needs** of recipients and senders.
- ▶ **Communication and marketing strategies** are needed to reach prospective clients and they must follow customer protection principles.⁵ **Marketing to migrants can be challenging.** They often lack confidence in the financial sector of their country of origin due to past experiences (fraud, bankruptcies, etc.). The product itself must also be trusted, e.g. confidentiality must be safeguarded. See Method 3.

- ▶ **Well-run migrant organisations** can facilitate communication, marketing and financial education programmes. Please note that the capacity and reputation of the association need to be verified.
- ▶ **Incorporating financial literacy tools** in the project/communications strategy is essential to promote financial inclusion, protect customers, and ensure they can make informed decisions. See section on financial literacy and Method 3.
- ▶ **Designing, piloting and rolling-out remittance-linked products takes time.**
- ▶ **Transnational financial products** (e.g. transnational home loans) are complex (partnerships, promotion, due diligence) and involve (cross-border) legal issues.

⁵ There is a wealth of information on customer protection to guide efforts in this area. For example, the Smart Campaign for the microfinance industry, which promotes being fully transparent in the pricing, terms and conditions of all financial products. Please go to <http://www.smartcampaign.org/index.php> for more information on the Smart Campaign.

Showcase Method 2

ADOPEM: Remittances and Rural Development in the Dominican Republic (Master List #2.6)

This project is showcased because it helped a MFI successfully introduce remittances and remittance-linked products. Several components described in this handbook were included in the project's activities, including a market survey, linking an MFI to an MTO, product development, financial literacy and entrepreneurship training for remittance senders and recipients, and developing remittance and new product software and hardware.

Donors: Multilateral Investment Fund (MIF) of the Inter-American Development Bank and IFAD

Executing Agency: Banco de Ahorro y Crédito ADOPEM

Implementation period: 2005-2010

Financing: Total US\$615,000, of which MIF US\$321,500, IFAD US\$120,500 and counterpart funding US\$173,000. The MIF disbursed US\$318,551, while the amount disbursed by IFAD and ADOPEM reached US\$357,091 and surpassed the planned budget.

Objectives: The project's general objective was to help deepen the Dominican financial system by extending its reach and coverage in rural low-income sectors. The specific objective was to develop a safe, regulated system to bring senders and recipients of remittances into the Dominican Republic's banking system, so as to channel remittances into production-oriented projects to be executed primarily by low-income women.

Target groups: Low-income migrant communities who are remittance recipients, representing around 5,300 individuals, mainly female customers of ADOPEM.

Activities:

1. Rural Financial Services (US\$366,800): Enable ADOPEM to form partnerships with international money transfer operators to function as a recipient and payer (cash out point) of remittances in the Dominican Republic. Develop remittance-linked financial products structured around scheduled savings plans. The design of the new products involves designing the savings programme, implementing a pilot plan and monitoring a supply and demand study plan, designing policies and establishing standards, rules and procedures, forms and a description of IT needs.
2. Rural Productive Investment (US\$148,000): Promote the productive investment of remittances by rural families to generate income and employment. Training will be offered by ADOPEM to the rural Dominican community and their relatives, particularly in New York, in (i) business development, (ii) use of bank facilities and products; (iii) job creation; (iv) technical training; (v) human development; (vi) community development; (vii) environmental management and gender issues; and (viii) technical assistance for the development of new businesses.
3. Promotion and Dissemination (US\$11,000): Understanding the lessons learned from the project.

Results:

The alliance that was forged between an MTO, ADOPEM (an MFI) and its NGO made it possible to provide financial education, increase access to finance and leverage remittances for asset building. Thirty-four offices were equipped to process remittances. ADOPEM attracted 7,584 new clients versus the planned 5,300. ADOPEM processed US\$2.6 million in remittances vs. the planned US\$0.6 million. Five remittance-linked products were implemented. 5,641 people were trained in “Financial Education for Remittance Recipients”. By the end of the project, 74 business loans (start-up capital) had been approved, representing RD\$1,673,000. The percentage of remittances placed into a savings product was 7%, i.e. lower than the planned 10%.

Sustainability:

ADOPEM established a platform that allows it to continue offering remittances and remittance-linked products. The Business Creation Unit was created by ADOPEM’s NGO, which continues to provide training and technical assistance to clients. ADOPEM’s agreement with an MTO has led to other agreements for sending and paying local remittances as well as sending remittances to Haiti.

Lessons learned and key success factors:

- ▶ Creating a partnership with an MTO was the main obstacle during project implementation as the targeted MTO was sold. In addition, the requirements of the regulatory agency need to be checked, as sometimes they do not allow MFIs to launch remittance products.
- ▶ Lowering the cost of remittances was not possible as ADOPEM became a paying agent of an MTO that kept control of the fees charged to the clients. The market study made it possible to develop products specifically designed for the target group. It is easier and faster to increase remittances paid out than to sell other products to remittance clients.
- ▶ Financial education was key to attracting remittance clients to other products. The training was provided through ADOPEM’s training centre, which includes a programme for business skills training. The marketing strategy was adapted to the rural areas being targeted.

8 Results and sustainability

As shown in the Master List, several Method 2 projects have had a positive impact on financial institutions as well as on financial inclusion and financial literacy of migrants and their families. For example, several FIs have signed agreements with MTOs and grew their remittance business, also in rural areas. Remittance-linked products were designed and launched, and had an uptake in the market. Successful projects generally included several components to address the wide array of factors that come into play when a FI introduces a new financial product for migrants and their families.

Donors and development organisations have a role in kick-starting the design and launch of financial products for migrants and their families. Historically, FIs have not seen this section of the population as their target market. **New models** first need to be designed and piloted to demonstrate viability. While many projects have had good results, several have also failed to reach their objectives.

The lessons learned should help avoid mistakes that have been made and increase the chances of designing sustainable business models.

In the medium term, sustainability can be attained if FIs can make a return on remittances and remittance-linked products without subsidies. This depends mainly on the **level of demand** that exists for these products as well as the **efficiency of the financial institutions' operations**. The success factors listed above can help determine whether an FI and the market in which it operates have the characteristics to run a viable migrant-oriented business line. As discussed in the following section, demand for remittance-linked products can be increased by implementing projects/components that explain the benefits of these products to migrants and their families and link them to FIs offering these products.

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FReDI – Method 3

Converting Remittance Senders and Recipients into Clients of Financial Institutions

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EUROPEAN
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Method 3

Converting Remittance Senders and Recipients into Clients of Financial Institutions

1 Introduction

The previous section (i.e. Booklet 1 and 2) covered the supply side of the equation. This method looks at the **demand side**, i.e. **supporting migrants and their families to use financial products and services that meet their needs**. It seems that fewer projects of this type have been implemented to date. One should note that it is somewhat artificial to separate the demand and supply side into two methods, as the ultimate objective is the same. Having FIs develop new products for migrants and their families only makes sense if the products are actually used! In addition, the marketing component of the product development method could be incorporated in this section as well.

2 Main objectives

- ▶ Providing **financial education** to migrants and their families so they can evaluate their financial options and select the most appropriate financial products and services.
- ▶ **Financial inclusion**: increasing the use of financial products/services by migrants and their relatives.
- ▶ **Fostering the financial empowerment** of transnational families through better **planning and management** of their resources.

- ▶ **Increasing the flow of remittances to the financial sector** and away from informal savings mechanisms (“under the mattress”) or consumption.

3 Target groups

The target groups for this method are remittance senders and recipients.

4 Stakeholders

- ▶ Financial institutions, as providers of financial products and education
- ▶ Migrant organisations, to reach the migrants with information and training
- ▶ Other organisations providing training
- ▶ Governments, e.g. by promoting the importance of opening a savings account at a regulated institution
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

5 Main project components

5.1 Educating the receiving and/or sending side (one-on-one and/or classroom)

Financial education is an important dimension of this method as remittance senders and recipients often lack the awareness, information and knowledge necessary to make **informed choices about financial products**. Marketing and awareness campaigns may not be enough to reach the target group and attain the level of education and understanding required to better manage their finances and to access financial products and services. For example, the **one-on-one sessions** of the Inter-American Dialogue approach (IAD, project #3.1 and #3.2 and Showcase) include a presentation of basic financial concepts, an overview of available and relevant financial products and services, and the provision of a point of contact at the FI. Please refer to Booklet 0 for more details on financial literacy components.

5.2 Training of trainers (TOT)

A **multiplier effect** can be achieved by using a TOT approach. Migrant leaders/NGO staff/government agency staff/bank staff in the migrant and/or remittance recipient communities are trained to train their respective communities or clients. For example, the IAD projects first train a task force of educators that conduct the training at participating financial institutions. The educators can be bank staff or external hires. **Follow-up and monitoring** is necessary when using a TOT approach to make sure the trainers do actually train the targeted communities and train them well. It is also important to **secure funding** for the training of the communities, either as part of the same project or by establishing **partnerships with other stakeholders** who will continue to finance the training activities. Both **private and public sector actors** can play a role. Please refer to Booklet 0 for more details on financial literacy components.



5.3. Linking remittance senders and recipients to financial institutions

As mentioned above, financial literacy is a tool for achieving other objectives. The previous section explains that it is often necessary to develop appropriate products first. The financial literacy components then increase the chances that the target group uses these products. **It remains challenging, however, to actually achieve large-scale use of the products by the migrants and their families.** With one-on-one training conducted at the branch of the financial institution when a recipient came to pick up the remittance, IAD's projects in Georgia, Azerbaijan, Paraguay and Guatemala achieved the following results: 15% of the people trained opened an account on the spot and around 5% may have opened accounts at a later date. 40% of those trained said they would open a bank account. Results of the IFAD Italy-Senegal project show that 1,051 migrants used new products offered by PAMECAS (project #2.18). The volume of savings and loans reached €150,288 and €74,000 respectively. For both projects, the training was in fact a **combination of training and direct sales**. If the training is not done in partnership with an FI or by an FI itself, the training must provide a direct connection to one or several FIs that have remittance-linked products in order to be effective.

6 Needs assessment, monitoring and evaluation

The needs assessment is generally covered by market research and surveys as described under Method 2. The KPIs are similar to the ones for Method 2 as the ultimate objective is the same: supporting migrants and their families to use appropriate financial products.

- ▶ # or % of remittance senders and/or recipients trained (a % figure is relevant when the training is linked to the FI where the remittances are sent/received)
- ▶ # or % of people trained who acquire a financial product (conversion rate)
- ▶ (% increase in) volume of remittances channelled to a financial product
- ▶ actual ways that people save (formal, informal, which instruments)
- ▶ plans or intentions that people express regarding the use for future savings

If this type of project is not implemented in direct cooperation with one or several FIs, it is challenging to keep track of results and may in fact be difficult to achieve results.

Showcase Method 3

Linking remittance recipients to banks in Georgia and Azerbaijan (Master List #3.1)

Many countries in Eastern Europe and Central Asia depend strongly on remittances, especially if the inflow is compared to total GDP. It was one of the regions where donors started their intervention with specific projects. For example, in 2007 preparations started with a market study on remittances to Georgia, Azerbaijan, and Moldova. This was followed by the EBRD-ETC¹ Remittance Conference to discuss potential next steps for the region in March 2008. One of the results was a method for linking remittance recipients to banks. The project described here is one of the pilots that followed. At the time the project was also executed in Paraguay and Guatemala. The pilot is currently being extended to other countries in the region (such as Tajikistan and Kyrgyzstan).

Donors: EBRD

Executing Agency: Inter American Dialogue, Microfinance Center Poland (MFC). In addition, five banks and one MFI participated in Georgia and four banks in Azerbaijan.

Implementation period: 2009 (6.5 months in Georgia and four months in Azerbaijan).

Financing: On average US\$80,000 for a half-year programme in a country. This consists of project preparation and coordination (US\$40,000) and the expenses for 'educators' or 'promoters' (US\$300-400/month). One educator can conduct around 200 interviews per month.

Objectives:

- ▶ Deploying financial education of remittance recipients to promote access to financial institutions and to influence financial behaviour geared to formal savings products.
- ▶ Understanding the financial behaviour of clients (budgeting, saving, financial instruments used).

Target Groups:

For Georgia and Azerbaijan the main remittance corridor is with Russia where many (male) migrants go to work in the construction sector. They remit money to their parents or wives in the country of origin; to a large extent via regulated channels. The paying agent is often a bank. For this project, the target group are the recipients that enter the participating banks to cash out the money.

Activities:

- ▶ Preparing training materials (adapting the manuals and instruction materials to the local language, culture and economic environment)
- ▶ Training taskforce educators in the concept of financial literacy and how to have one-on-one conversations with remittance recipients
- ▶ Setting up the cooperation with the banks participating in the campaign (select participating branches, identify which products to offer, etc.)

1 ETC = Early Transition Countries

- ▶ Conducting one-on-one interviews with clients by educators of about 30 minutes each, covering the topics of finance/budgeting, personal day-to-day finance and a conversion moment (invite person to take action, e.g. opening an account at the bank)
- ▶ Reporting the client characteristics/behaviour and envisaged actions to the project (by the educator)
- ▶ Evaluating conversion success and adapting the approach if required (e.g. coach or replace educators, change locations)

Results:

18,862 people were educated in Georgia and 7,426 in Azerbaijan, of whom about 50% were actually receiving remittances. Of the people educated, respectively 13% and 19% acquired a product on the spot at the moment of the educational process, often a savings or current account. In addition, on average 40% of the people trained said they would open a bank account.

Conversion rates and other follow-up actions (such as telling friends, reading a brochure) varied depending on various factors such as budgeting habits, gender, type of job, income levels, whether people had previously had a bank account and where they lived (rural vs. urban).

Sustainability:

Many of the banks hired several of the external financial educators who were educated by the EBRD demonstration project. Also, some of the banks incorporated the method into their business in order to capture remittance recipients, such as the Bank of Georgia.

Lessons learned and Key Success Factors:

- ▶ A sufficient level of involvement from the participating banks is required.
- ▶ There should be low barriers for opening an account (not too strict Know-Your Customer, minimum balances, etc.).
- ▶ Higher income levels and financial skills translate into higher conversion rates of people trained.
- ▶ The physical infrastructure needs to be sufficient: the bank branches should be easy to reach and be easily accessible by the recipients.

7 Lessons learned and key success factors

When designing a Method 3 project, the main recommendations include:

- ▶ To effectively bank remittance senders and recipients, this type of project must be implemented in **direct cooperation with one or several engaged and motivated FIs**. During the early design phase, it is worthwhile assessing whether the project should **combine Methods 2 and 3** to ensure that the participating FIs have appropriate products to offer the target group.
- ▶ **Financial education plays a key role in order to reach scale** in terms of financial inclusion. It is important to **reflect the target groups' context and culture**, for example by selecting the trainers from within the migrant community. Also, **the migrant needs are key**: assess whether the training should address additional non-financial topics such as transnational family issues. See Booklet 0 for financial literacy components.
- ▶ A **target-driven approach** helps achieve results. The number of “conversions” (remittance recipients opening an account for example) must be tracked and the trainers/educators should be given the right incentives.

Other lessons learned include:

- ▶ The FIs offering the product must have a sufficient level of buy-in and involvement, which takes time. **Continuous engagement with the FI** and its staff is important for keeping motivation high.
- ▶ **Combining financial education with a social component** makes it more effective: life priorities should be reviewed to set goals and find the motivation to change behaviour in terms of managing finances/resources.

- ▶ **One-on-one training combined with sales/marketing** seems to have a higher conversion rate than classroom training. The trainer/FI staff must be trustworthy if participants are to feel secure enough to discuss private matters such as their financial situation. **Marketing and sales must follow consumer protection principles.**
- ▶ **Marketing to migrants** can be challenging. They often lack confidence in the financial sector of their country of origin due to past experiences (fraud, bankruptcies, etc.). Having a person from the migrants' country of origin in the country of destination doing **intensive (one-on-one) marketing combined with financial education** about the product may be effective but is costly/time-consuming.
- ▶ Marketing and information/awareness campaigns in isolation of other project components may not be sufficient to convert a large number of remittance senders and recipients into clients of FIs.
- ▶ There needs to be sufficient **infrastructure** so the target group can reach the bank. This is often an issue in remote or rural areas. The **requirements to become a client** of the FI/open an account must not be too demanding, for example, in terms of Know-Your-Customer.

8 Results and sustainability

Only four projects were reviewed under the scope of Method 3 and most are quite recent or still on-going. It is therefore early to evaluate this method's results and sustainability. In addition, unless a monitoring mechanism has been put in place to keep track of the KPIs after the end of the project, it will be difficult to assess on-going sustainability. However, preliminary results indicate that positive change can be achieved and that the target group is reached effectively, as is demonstrated by the EBRD-IAD projects (showcase and Master List

3.1. and 3.2). Moreover, the costs of the analysed projects were relatively low compared to other methods.

Sustainability can only be attained if FIs can make a return on remittance-linked products without subsidies. Therefore, the **conversion rate, number of new clients and attracted deposits** are important to them. Development impact can only be attained if a majority of remittance senders and recipients become banked and continue to use the products and services to manage their financial resources, build an asset base and can better cope with financial risks.

On-going financial education combined with training on other “softer” issues, such as family and social issues specific to transnational families, may well be a necessary ingredient to achieve the development impact that is sought. **It is unlikely that the training component can be self-sustaining** (migrants will not pay for the training for example). It seems **preferable to identify on-going sources of funding** for these components to achieve continuity and scale.

A successful pilot can demonstrate the benefits of the training and so attract additional sources of public and/or private funding. Following EBRD-IAD project in Georgia, some of the participating banks hired the external financial educators that were trained by the project. Some of the participating banks also adopted the methodology to capture remittance recipients.

Based on the research conducted for this handbook, there seems to be **a need to implement more Method 3 projects** and to **develop new approaches** to convert remittance senders and recipients into FI clients. For example, it is difficult to implement the IAD’s methodology in environments where banks are not or barely present in the remittance market. It may also be advisable for development organisations to **further invest in projects that combine Method 3 and Method 2.**² As mentioned above, the two methods go hand in hand. In many cases, both the demand and supply side need to be addressed to achieve the objectives that have been established (financial inclusion and independence, channelling savings to the financial sector, etc.).

2 Please note that several projects analysed for this handbook included components of Methods 2 and 3. As noted in the introduction to this booklet, it is somewhat artificial to separate the demand and supply side into two methods.

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FReDI – Method 4

Investments to Promote Business Development and Entrepreneurship

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Method 4

Investments to Promote Business Development and Entrepreneurship

1 Introduction

Migrant remittances and savings are often considered a potential **source of productive investment** for developing countries. One of the ways to contribute to this objective is to use funds from migrants to finance micro, small and medium sized enterprises (MSMEs), mostly in the country of origin. This is a way of supporting private sector development.

Investing accumulated savings can be seen as the next step following channelling remittances to savings vehicles and insurance products. Remittances first cover basic needs and then provide a safety net. Subsequently transnational families can invest if they have additional funds available. Investments that flow to **productive projects in migrants' country of origin** can potentially have a strong positive impact, both for migrants, their families and their communities: successful investing will help transnational families **build an asset base**; investments in local enterprises **can create jobs and generate income**; fostering a more vibrant local economy and job opportunities may **reduce the need for migration**. The rewards of investing can be high, but it also implies **high(er) levels of risk**. This may seem obvious but it is an important fact that should be taken into consideration when designing projects that follow the method presented in this booklet and in Booklet 5 (Method 5).

In Method 4 projects, funds from migrants are channelled to (family-owned) micro, small and medium sized enterprises (MSMEs), mainly in the country of origin. By supporting entrepreneurship,

these investments stimulate private sector development in the migrants' communities back home. Other types of investments in the country of origin are reviewed in Method 5.

A range of projects was discovered that include the promotion of entrepreneurship as part of their activities. Special training and **business development services (BDS)** are provided to the (prospective) entrepreneurs, focusing primarily on setting up/managing a business and often covering general financial literacy information as well. Moreover, some projects include cooperation with a (micro)finance institution to facilitate business loans or support business creation by the migrant in the country of destination.

Two important factors play a role when implementing Method 4 projects: (i) the **business environment** in the target region, including such things as infrastructure, government policies and regulations; and (ii) the **resources possessed by transnational families**, including their skills and savings.

Please note that there are many other projects that focus on supporting migrants in setting up businesses, either in the country of destination or origin¹. If the link with remittances was not made and entrepreneurship training was not included, they were not taken into account in the analysis for this handbook.

¹ Please refer to the JMDI handbook, February 2011.

2 Main objectives

The main objectives of this approach include:

- ▶ **Raising awareness amongst the diaspora** about the importance of productive investments in the country of origin.
- ▶ **Promoting the investment of remittances/savings in enterprises**, especially MSMEs and channelling remittances/savings towards the creation of family enterprises.
- ▶ **Enhancing the entrepreneurial capacity** of migrants or remittance recipients through training and promoting business creation in the country of origin or destination.
- ▶ **Providing BDS to strengthen existing businesses**, including improving the production and marketing of agricultural and micro-industrial products.
- ▶ **Sensitising local (M)FIs and NGOs** to link remittance inflows with business loans for local MSMEs. This is described further in Method 2.
- ▶ **Linking the enterprises of remittance recipients with (M)FIs** to obtain micro loans or SME business loans that are (partially) repaid using remittances.

3 Target groups

- ▶ Migrants in countries of destination and returning migrants who have entrepreneurial qualities
- ▶ Remittance recipients with entrepreneurial aspirations or those who already own a business

4 Stakeholders

- ▶ (M)FIs as providers of products, especially loans for businesses
- ▶ Providers of entrepreneurship training and business development services

- ▶ Government/public authorities in the country of origin, to foster a positive business environment for small businesses and/or to support returnee migrant entrepreneurship
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

5 Main project components

5.1 Market research or feasibility study of business opportunities

As explained below, defining the target group and the types of businesses supported up front is an important factor for the success of a project. Market research or a feasibility study focusing on the business opportunities for the remittance recipients or (returnee) migrants is therefore indispensable for this method. In Moldova, for example, the Business Consulting Institute (BCI) undertook a study on local level priority needs for services and production units using information from ad-hoc questionnaires, second-source data and focus group sessions. The findings provided valuable input for the BDS the project gave to start-ups (Project #4.7).

5.2 Developing marketing campaigns / specific marketing material

Raising migrants' and recipients' awareness about the importance of productive investments and the possibilities of starting a business requires targeted marketing activities and materials. These can guide them to screening events or (online) tools for example, to identify whether they have entrepreneurial skills and/or assess whether their business project is viable. Project partners, such as (M)FIs, can also participate in the marketing effort.

5.3 Entrepreneurship training and BDS for remittance senders and/or recipients

It was noted that migrants and/or their families often try to establish a business in the country of origin or destination. These efforts often fail, however, frequently due to a lack of business skills. Projects have been set up to address this issue through training and BDS. **In some cases, projects may specifically target female heads** of households whose husbands have migrated.

A **screening process** prior to selecting the training/BDS recipients is a useful tool to ensure that beneficiaries have entrepreneurial aspirations and potential. Not everyone can start or run a business. Projects have developed online tools to assess entrepreneurial skills and offer business advice, such as project #4.5 “Dekassegui Emprendedor”, focused on Brazilian migrants to Japan of Japanese descent. In Moldova, BCI conducted field visits and used ad-hoc questionnaires to screen applicants for comprehensive business start-up training (project #4.7).

The training can be given in a classroom format but projects also provide direct support tailored to individual entrepreneurs or companies. Sometimes training and business development services are provided by an MFI involved in the project. One project established a helpdesk in Italy to provide one-on-one support to would-be Romanian entrepreneurs (see Project #4.8).

Entrepreneurial training typically covers the following topics:²

- ▶ Market assessment and identifying business opportunities (e.g. ideas for a small business, a market)

- ▶ What it takes to be an entrepreneur, identifying entrepreneurship qualities
- ▶ Bookkeeping, financial management and banking. Sources of assistance and financing
- ▶ Improving the production process by better production planning, quality control and marketing
- ▶ Value chain aspects (especially for agricultural projects)
- ▶ Product commercialisation and export promotion
- ▶ Rules and regulations, and environmental aspects

Individualised programmes for business development assistance should be tailored to the needs of the recipient. Topics that can be covered include:

- ▶ Former experience in financing and investing in businesses
- ▶ Ambitions and current (financial) situation in relation to the planned investment
- ▶ Writing a business plan
- ▶ Conducting a market study
- ▶ Securing financing (own savings, loans, etc.)
- ▶ Making a personal action plan for your investment plans
- ▶ Issues specific to the business sector/type of enterprise
- ▶ For existing businesses, addressing areas that can be improved (e.g. quality, production techniques, greater access to markets, etc.)

² As for financial literacy training, a wealth of information on entrepreneurship training programmes/business development support was developed for different needs. It can be found in the public domain. One can also find evaluations of and lessons learned from past programmes.

5.4 Linking enterprises of remittance recipients to MFIs to obtain micro loans

In general, migrant remittances/savings are not sufficient to cover the funding needs of a business: **additional financial resources are required**. An approach is to link the selected and trained (to be) entrepreneurs to an MFI or local bank so they can apply for micro or business loans. Linking activities have been approached in different ways:

- ▶ Linkage workshops with target clients, local NGOs, the local business community, local banks, etc. to develop interaction between prospective clients and MFIs or banks and to link clients with financial services.
- ▶ Conferences for sharing experiences for FIs that offer products to remittance recipient families that want to start or grow their enterprises.
- ▶ In some cases the **training centre of the MFI is involved** to provide the entrepreneurial training, creating even more opportunities for linkage.

6 Needs assessment, monitoring and evaluation

Assessing the needs of the trainees/businesses is particularly important for this method as **different skill sets, knowledge and BDS are required**, depending on the type of business, the sector and of course the knowledge and experience of the entrepreneur. It is likely that time and effort are needed to **tailor the training/BDS to the recipients**.

Typical KPIs used for these projects are:

- ▶ # of persons screened and trained
- ▶ # of enterprises screened to assess if they qualify for entrepreneurship training or BDS
- ▶ #/% of businesses qualified to receive a loan from an (M)FI

- ▶ # of businesses established
- ▶ #/% of operational/profitable businesses after 1st year (or 2nd, 3rd year)

The development impact of a Method 4 project can only truly be measured after the project closes. It is important to have on-going monitoring and evaluation mechanisms to keep track of the entrepreneurs and businesses that benefited from the project. The last KPI listed above is therefore particularly meaningful.

7 Lessons learned and key success factors

The following key recommendations can guide the design of a Method 4 project:

- ▶ The **target group(s) selection** is essential. Opportunities and motivation to run a successful business will depend on the **context and characteristics of the migrants and their families**: e.g. the type of migrant, the timing in terms of the migration cycle, urban vs. rural environment, the business culture of the community. Screening the target group to identify those who can in fact successfully start and run a business - a **funnel approach** - is thus required to increase the success rate of the projects included in this method. It will also guide the projects as to who should participate in the education activities.
- ▶ The selection of the target group may influence the **target region** where businesses are intended to be created/developed and vice versa. Some regions have **environments that are more conducive to business development** than others. Working in a region that has a good business environment and where the (local) government supports private sector and MSME development should lead to better results. In addition, **focusing on specific sectors that are prioritised in local/regional/national development plans** can be effective.



- It was found that **start-ups need matching sources of financing in addition to the available remittances**, for example to provide working capital in addition to investment capital. Identifying sources of finance, e.g. by ensuring the participation of a financial entity to provide the source of financing is required.

Other relevant lessons learned include:

- Being an entrepreneur or running a business is not a suitable option for everyone. Migrants or their relatives may not have entrepreneurial motivations or the capacity to run a business. Also, remittance recipients may be reluctant to invest a portion of their remittances in business investments when they are accustomed to using them to cover their basic needs. When technical assistance is provided to (potential) entrepreneurs, a cost-sharing mechanism with the entrepreneur is advisable to ensure commitment to the project.
- Ensure that the entities providing the financial education and entrepreneurship training/BDS **have prior experience with these activities**

and can demonstrate impact. These training institutes or consulting firms should also have knowledge of the business development process and of investing in businesses. For example, training provided through ADOPEM's Training Centre, an MFI, was quite successful in offering a business skills training programme (project #2.1).

- It is important that **the party providing the additional financial resources is fully committed** to the project and its objectives. This will require sufficient time to set up the project to ensure all stakeholders are fully on board. Also, external factors (such as the sale of an MFI or bank) may influence the involvement of the credit partner negatively.
- Support from local and national public authorities of both the country of origin and destination can play a key role in the projects' success, for example thanks to the provision of financial/logistical/institutional support, public recognition of the initiatives and improving conditions for start-ups. Collaboration with these authorities can lay the foundation for replicating or pursuing the initiative after a project closes.

Showcase for Method 4

Channelling remittances to small enterprises in Bangladesh (Master List #4.1)

This project is considered successful as it reached out to a significant number of entrepreneurial migrants and their families. Apart from receiving training, many people set up or grew their business and obtained a micro loan. The project was therefore able to overcome the hurdle of moving from training and screening entrepreneurs to actually establishing businesses.

Donors: This project was financed by the Remittances and Payment Challenge Fund (RPCF, financed by DFID and Bangladesh Bank) and Oxfam Novib.

Executing Agency: INAFI Bangladesh in consortium with five member MFIs in Bangladesh (UDDIPAN, Padakhep, Shakti Foundation, POPI and SSS)

Project period: 2008-2010/18 months

Financing: US\$256,588 (RPCF's contribution was US\$166,782, and INAFI and its partner MFIs contribution was US\$89,806, of which OxfamNovib paid US\$50,000).

Objectives: The overall objective was to provide institutional support to remittance recipient families and returnee migrants to use remittances in productive investments, especially SMEs. More specifically, the project:

- ▶ Motivated remittance recipient families to invest a portion of remittances in productive purposes like company development

- ▶ Provided support services to the target clients (skill and enterprise development training, business development services)
- ▶ Sensitised MFIs and mainstream FIs to address the “missing middle” and to contribute to the micro, meso and macro level economic development of Bangladesh
- ▶ Piloted a remittances project successfully which can be replicated locally and globally (via INAFI)

Target Groups:

The target clients of this project were remittance recipient families and returnee migrants. These families were ‘moderately poor’, for example due to remittance flows and excluded from microfinance programmes to finance their businesses. They did not have alternative sources for business loans and were identified as the “missing middle”.

Activities:

- ▶ Developing training materials including four modules for entrepreneurs (Enterprise Development Training, Resource Book on Business Development Services, Bookkeeping and Basic Accounting for MSMEs, Training of Trainers course).
- ▶ Implementing Training of Trainers courses for the staff of partner MFIs to provide the training mentioned above.
- ▶ Developing a preliminary client assessment form to identify potential clients and two client selection forms (1) for recipients or returnee migrants who already have an enterprise and (2) for recipients or returnee migrants who are willing to start up an enterprise.

- ▶ Launching conference and discussion workshop on “Tapping Returnee Migrants with SME services: Prospect and Challenges” in Bangladesh.
- ▶ Linkage workshops with target clients, local NGOs/MFIs, the local business community and local banks to develop interaction between clients of MFIs and banks.
- ▶ Experience sharing conference between banks, NGOs/MFIs, government and migrant organisations on how to successfully link enterprises of remittance recipient families with banks and establish Bank-MFI partnerships to link clients with financial services.

Results:

109 staff of five partner MFIs participated in Training of Trainers courses. 6,429 potential MFI clients were assessed with the preliminary form. The partner MFIs then selected 3,161 clients who already have enterprises and 1,288 clients who are willing to invest in enterprises. 4,302 clients of MFIs participated in enterprise management, bookkeeping and basic accounting and business development services training. Partner MFIs disbursed loans to 1,184 clients who invested a total of around US\$4.79m.

Sustainability:

Funds are required to organise the financial literacy and entrepreneurial training, both for the trainers and the end clients. After the project ended, banks were not willing to provide funds and MFIs had insufficient funds to continue the financial literacy and entrepreneurial training. The MFIs and the banks grew their revenues through the increased amount of loans disbursed. Also, some MFIs have become active as pay-out agents for MTOs, which offers additional commission income.

Lessons learned and Key Success Factors:

- ▶ The close cooperation with five MFIs proved a key success factor for rolling out the training to the entrepreneurs and offering the micro loans.
- ▶ The concept of micro, small and medium sized enterprises (MSME) was not well known and it was important to allocate resources for communicating and raising awareness of the stakeholders (government, the central bank, banks and MFIs). Conferences were used to promote the concept and create links with the MSME clients.
- ▶ Banks and MFIs did not always have adequate products to service the entrepreneurial clients requiring a product in between MFI loans and bank loans (‘missing middle’). Also, the MFI staff sometimes had inadequate experience and knowledge to approach the new client group.
- ▶ In some cases, the participating MFIs did not have sufficient funds to provide business loans to the newly identified clients. Although banks had sufficient funds, they were reluctant to offer SME credit to these clients as they considered them too high-risk.

8 Results and sustainability

The success of Method 4 projects is mixed. Projects generally have good results in terms of delivering the training to target groups, even though in some cases there was only a limited demand for the training offered. Some projects screened and trained an impressive number of participants and resulted in a reasonable number of businesses being improved or set up (see projects #4.2 and #4.7 for example). However, other projects had a disappointing conversion rate of businesses actually established by trainees. In some instances, there was some impact on employment, particularly when investments were made in medium size companies.³

The projects that fall under this method can be lengthy and expensive. This is explained in part by the fact that **they are complex to organise and involve many stakeholders**. In addition, training activities are often outsourced to consulting firms and are therefore costly. In some instances activities take place in migrant destination countries, which makes them more expensive. Also, the cost of screening people to identify those with entrepreneurial potential prior to providing training/BDS should be taken into account.

Improving the target group screening and business selection techniques (funnel approach) could speed up project implementation and improve cost-effectiveness. Development agencies may want to run some pilots in this area. Project #4.7 may provide some specific ideas on this topic. With a project budget of US\$309,000 and a 2-year implementation period, BCI succeeded in conducting a screening in 12 Moldovan districts that identified 500 candidates for training and launching a call for innovative migrant-run business ideas. Eventually the establishment of 100 new businesses and 400 new jobs resulted.

As a final point, when a project includes providing loans to entrepreneurs, these should be financially sustainable from the perspective of both the entrepreneur (to prevent over-indebtedness) and the (M)FI.

- Some target clients lacked awareness about the option of starting a business or were very shy to invest or insecure about approaching a FI to request funding.
- There was a lack of market information and enterprise databases to identify small businesses that could be interested in the entrepreneurial training.

³ In this context the conversion rate is the percentage of people receiving entrepreneurship training that succeed in establishing a business following the training. However, given the generally high failure rates of start-up firms, conversion rates tend to be low in other projects that provide entrepreneurship training as well.

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FReDI – Method 5

Diaspora Investments in the Country of Origin

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NETWORKING WITH THE SOUTH

Method 5

Diaspora investments in the country of origin

1 Introduction

This booklet focuses on approaches **to fostering migrant investments in their country of origin**, often referred to as diaspora investments, including:

- ▶ Pooling the funds of a group of migrants to invest in their communities of origin.
- ▶ Establishing groups of producers in the country of origin and forming an enterprise to which investments can be channelled. These enterprises are often agro-based.
- ▶ Developing investment vehicles with banks, funds, cooperatives or other businesses.

Encouraging migrants to create and invest in their own family business, generally MSMEs, is covered in more detail under Method 4.

It is important to note that **contextual factors** in the country of origin/community of origin, such as the level of economic and infrastructural development and (local) government policies, influence the business environment and business development opportunities and therefore the attractiveness of local investments. Within one country, certain regions may offer a more conducive business environment than others.

2 Main objectives

Projects that focus on channelling diaspora investments to productive enterprises generally have the following objectives:

- ▶ **Providing asset building and income-generating vehicles** to migrants and their families

- ▶ **Fostering sustainable development of local economies** by supporting viable productive activities
- ▶ **Increasing revenues and creating job opportunities** in targeted communities that are affected by (high) migration

3 Target groups

The main target groups of this method are:

- ▶ Migrants and their families in the country of origin
- ▶ Communities affected by high migration and enterprises/(groups of) producers in these communities

4 Stakeholders

- ▶ Local/regional/national governments to promote a conducive business environment
- ▶ Migrant organisations to reach the migrants and channel/pool funds
- ▶ Enterprises in the country of origin, as investment targets
- ▶ FIs, funds, brokers and other parties that package and sell investment vehicles
- ▶ Public donors such as development organisations and implementing agencies for technical cooperation

5 Main project components

5.1 Financial literacy training for investors

Education is a key component of this method. Safely investing in businesses requires specific knowledge that many people lack; consumer protection principles should be included. Without education, it is unlikely that migrants and their families will have the level of understanding and trust required to invest their funds or create a new business. For the training to be effective, they must explain the type of financing the migrant is requested to provide and the risk it entails (see Booklet 0).

5.2 Institutionalising migrant activities

Several projects **partner with existing migrant organisations** or establish migrant groups to channel investments. The migrant groups often need education and capacity building to bring this new service to their members. It makes sense to work with groups of migrants: targeting individual migrants is inefficient.

A good example of organising migrant groups comes from the activities of the Unlad Kabayan Migrant Services Foundation in the Philippines (project #5.2). This foundation has many years of experience establishing Savings and Investment Groups (SIG) among Overseas Filipino Workers, with the first one established in 1994. In 2009, around 56 SIGs had been created in seven countries with a total of about 700 members. Education is a key activity of their approach. Interestingly, SIGs initially focused on savings, but education opened the door to entrepreneurship and investment. Several SIGs have built their own businesses or invested in existing enterprises.¹

5.3 Investing in the country of origin

This is the method's core component, the ultimate objective being to channel accumulated savings of transnational families to productive investments in the migrants' country of origin. Similar to the product development method, investment vehicles often need to be designed, structured and launched to offer appropriate investment options. Otherwise, existing investment possibilities need to be identified and brought to the attention of transnational families. The target group can also be encouraged to create and invest in their own enterprises, an option which is covered under Method 4. Several types of investment have been identified and the main ones are listed below.

- **Existing businesses/cooperatives:** The Mobilising Migrant Resources Towards Agri-Based Cooperatives project (#5.1) worked with the largest Filipino agricultural cooperative to package a savings and investment vehicle that allowed transnational families to invest in several of the cooperative's projects. A savings mechanism was developed to put aside the amount required to purchase one share (around €2,000). The shares provide a guaranteed annual return of 6% plus a variable return based on performance. In addition, the transnational families have access to the cooperative's training programmes and seminars once they invest. Please see the showcase below for more information.
- **Start-up businesses:** Several projects have tried to support the creation or strengthening of businesses in communities with high levels of migration. This is done by providing business development services and linking the projects to migrants to obtain funding and benefit from migrant networks, for example, to open markets for the goods produced. Contrary to Method 4, projects covered in this booklet generally focus on larger projects and enterprises involving groups of producers or cooperatives for example,

¹ Enabling Migrant Workers to Develop Their Local Communities, Maria Angela dlc. Villalba, 2009.

and on SMEs that are not owned by one family. For example, see the Investment of Remittances project in Mexico (project #5.3).

- **Diaspora bonds:** Several countries have already issued or are planning to issue such bonds, including India, Israel, Sri Lanka, Lebanon, Kenya and Ethiopia. This vehicle goes beyond the projects analysed in this handbook but is listed here as it represents a potentially growing source of investments for migrants. The World Bank is now advising several nations on this topic and these bonds could be included in future projects as an investment option. Financial education should be provided to raise awareness and explain the bond's characteristics (risk, return, liquidity, etc.) to migrants.
- **Public-private partnerships, private equity funds and real estate:** These types of investment are also outside the scope of the projects reviewed for this handbook. They are appropriate for members of the diaspora with above average incomes, who may have less need for the type of financial education described in the handbook. Even so, awareness-raising/information campaigns and transparent and accurate information on the investments are necessary to attract investors. Homestrings (homestrings.com), an on-line portal that connects diaspora to investment opportunities back home, illustrates how funds can be channelled to such investment vehicles.

5.4 Developing of marketing campaigns/ specific marketing material

Similar to other methods presented in this Handbook, raising migrants' awareness about their investment options requires targeted activities and material, and often goes hand in hand with an education component. The migrant groups that are involved in the project are an obvious channel for disseminating information. Other partners can also participate in the marketing effort, including

local government agencies, community organisations and NGOs working with migrants and their families, and private sector enterprises in need of capital.

5.5 Consultation with stakeholders and alliance building with local governments

This method often involves consultations and partnerships with local governments, as well as capacity building for government partners. The benefits of projects created and funded by migrants and their families need to be explained to government partners to **ensure approval and buy-in and secure additional funding or other contributions for the project**. Involving government partners can help **establish sustainable programmes** after a donor-funded project is closed. Consultations with (local) governments also aim to **improve the business environment**.

6 Needs assessment, monitoring and evaluation

The design of a Method 5 project should include a needs assessment covering several areas: the local economy (what kind of investment is needed to foster growth? Which policies are needed to improve the business environment and attract investments?); the potential investors (what kind of investment meets their needs?); the enterprises that will receive funds (what kind and how much financing do they need?); training/capacity building (who needs what kind of training?). In most cases, education/capacity building is required by different parties: the potential investors, the enterprises receiving funding, migrant organisations and local government.

Typical KPIs used for these projects are:

- # of migrants/transnational families who invest
- Volume of funds channelled to investments

- ▶ # of business groups established and trained
- ▶ # of businesses established/projects funded
- ▶ # of jobs created by new or existing businesses

As mentioned below, **attaining meaningful results with this method is a slow process**. Furthermore, the development impact of the investments can only be assessed after several years. Results achieved during project implementation are therefore often inconclusive or can appear unsatisfactory. The timeframe for measuring performance indicators should take this into account and an on-going monitoring system should be put in place up front. KPIs that can be used to measure impact, include:

- ▶ Returns on investment for the investors
- ▶ % of businesses established/projects funded that survived/that are profitable
- ▶ % of jobs created/maintained by these businesses/projects
- ▶ Volume of additional diaspora investments that were channelled to the country

7 Lessons learned and key success factors

The key recommendations when designing a Method 5 project are the following:

- ▶ Project success depends on the **local context, including the business environment and government policies**. It is essential to have the right partners in both the country of origin and destination: migrant organisations, local government, enterprises and financial institutions.
- ▶ Identifying, packaging and marketing suitable investments are complex activities that take time. **Investors must fully understand the risks involved**. Risk levels should match investors' risk tolerance.

- ▶ **Identifying, reaching out and providing education** to migrants/members of the diaspora that have the ability and interest to invest in their community of origin also **takes time**. The target groups must have or build up sufficient savings to invest. Building trust is essential.

More specifically, lessons learned include:

- ▶ **Select a target region with a conducive business environment and competitive advantages**. If the business environment is unsatisfactory (lack of infrastructure, poor regulatory framework, bureaucracy, corruption, high taxes, lack of skilled workers, etc.), it may be more effective to (first) engage the government to improve the local context before encouraging diaspora investment.
- ▶ **Promote investments that reflect the market of the target region**. What types of productive activities have potential? Which sectors are prioritised in local/regional/national development plans?
- ▶ **Include flexibility in the eligibility criteria of investments as well as investment options**. The investment vehicles provided should be in line with the context and needs of migrants and their families (risk, return, liquidity, duration, etc.) and preferably offer the possibility of diversifying investments. Limiting the investments to start-ups, which have a high failure rate, may lead to poor results. Linking migrants to existing profitable businesses that need capital may be a better alternative.
- ▶ Consider including a **financing component to supplement diaspora investments** or a guarantee fund to mitigate risk to maximise the chances of attracting sufficient funds.
- ▶ **Reaching a scale that has a meaningful impact** for the target groups is challenging. Putting in place structures that enable investments is

lengthy and expensive and requires follow-up/on-going management. Project execution periods and time frames to assess results should take this into account. The **cost effectiveness** of a project should be assessed during the design phase.

- ▶ When focusing on groups of entrepreneurs it is important to ensure the approach fits the **local culture** and preferences of the target group. There can even be regional differences in this respect (e.g. in some Mexican regions people preferred an individual over a group approach).
- ▶ The capacity and reach of the organisation(s) implementing the project (identify investment opportunities, vet proposals, etc.) are crucial for success. They should have **economic development, investment and business development/management experience** or should team up with an entity that has this experience.
- ▶ An executing agency with **presence on both sides of the remittance corridor** may be more effective by, among other, facilitating contact with migrant groups.
- ▶ A safe and compliant structure to **move money across borders for the investments** is needed. For example, the implementing agency of the Investment of Remittances project in Mexico established corporations on both sides of the border as well as an umbrella corporation to deal with anti-money laundering regulations (project #5.3). This had the added benefit of generating greater credibility for the businesses.
- ▶ Pooling and channelling funds through migrant organisations is complex and may ultimately fail. The project design phase should **assess whether**

migrant organisations are the right channel to find funding for investments. Do members have **common commercial and homeland interests** in order to invest as a group? Does the organisation have **experience with productive projects/investments**? If migrant organisations are the (main) source of funding, it is important to understand them and their members' profiles. Activities that can help include: (i) capacity building; (ii) **education** on topics such as money management, entrepreneurship and investing; (iii) building **alliances with business groups** in the home communities, such as chambers of commerce; (iv) putting in place a savings mechanism to build a funding pool. **Pooling funds is difficult** as migrants have different expectations about the investment's return, the terms, etc.

- ▶ Migrants often have a **low level of trust** in investments in their country of origin and can be **risk-averse**, particularly if they have lost funds in earlier investments. In some cases it may be more effective to initiate the search for funding in the country of origin rather than from the migrant side.
- ▶ The targeted **migrants' profile** must be taken into consideration to assess the likelihood of investing. For example, if a migrant left his/her country at a young age, investing in the country of origin is less likely.
- ▶ It is important to create an **effective means of communication** between communities of origin and the migrants or migrant organisations. Effective communication with the families is important, as is having clear goals that resonate with the target group.

Showcase Method 5

Atikha: Mobilising Migrant Resources Towards Agri-based Cooperatives in the Philippines

(Master List # 5.1)

This project successfully linked financial literacy programmes with practical savings and investment vehicles in migrants' home communities. Several components described in this handbook were included in the project's activities, including information and awareness campaigns, financial literacy, training of trainers and classroom training on both sides of the remittance corridor (Italy and the Philippines), entrepreneurship training, consultations with stakeholders, and investing in the country of origin.

Donors: IFAD

Executing Agency: Atikha Overseas Workers and Communities Initiative, Inc.

Implementation period: 2010-2012

Financing: Total US\$359,000, of which IFAD US\$250,000 and Counterpart funding US\$109,000.

Objectives: The project's main objectives were

- ▶ to facilitate links between Philippine migrant associations in Italy and their hometowns to support agri-based cooperatives and other productive remittance-based activities and services
- ▶ to build the capacity of Overseas Filipino Workers (OFWs) in Italy and their families in pilot provinces in the Philippines to enable them to direct their savings and investment towards the replication of successful agri-based cooperatives in their communities.

Target groups: Filipino migrants in Italy and their families living in the Philippines in the provinces of Batangas, Laguna, Tarlac, Pampanga and Ilocos.

Activities:

1. Information campaign and Financial and Entrepreneurship Education: multi-media campaign for OFWs in Italy and their families; financial literacy training of trainers and "echo seminars" by the trainers in Italy and the Philippines – the training included a social component to review life priorities and set family goals; entrepreneurship and livelihood skills training; monitoring and mentoring of trainers and trainees.
2. Packaging an agri-cooperative investment and support for agricultural enterprises: Feasibility study of the investment proposal; packaging and rolling out a savings and investment vehicle; developing agri-based enterprises in the target areas; developing a programme for ongoing savings, investment and entrepreneurship activities for Filipino migrants.
3. Consultations and Alliance Building with Stakeholders: Engaging national and local government, schools and rural financial institutions and other stakeholders to institutionalise migration and development programmes.

Results:

The information and education campaign reached 10,000 individuals. There were 214 investment and cooperative sessions covering 5,932 migrants and family members. 172 trainers were trained in Italy and the Philippines. There were 72 echo seminars with 2,706 participants (Italy and the Philippines). Six entrepreneurship and livelihood skills seminars were attended by 419 participants. The project set up a Facebook Account for trainers and trainees and packaged an investment vehicle in the Soro-Soro Ibaba Development Cooperative (SIDC). 1,148 migrants and family members became members of SIDC and invested around €200,000 in four cooperative enterprises. The project established four multi-stakeholder Migration and Development Councils.

Sustainability:

The project launched Pinoy WISE, an information and education campaign to encourage OFWs and their families to save, invest and engage in enterprises that provide a sustainable source of income for them and create jobs and economic opportunities in their home provinces. In 2011, a multi-stakeholder task force on migration and development was set up to coordinate the various initiatives on both sides of the remittance corridor. The Migration and Development Councils formed in the provinces have the task of helping to create an enabling environment for OFW investment in agriculture development. The councils identify and assist in developing agri-ventures that are critical to the province's development, require big investments and have good market potential. The councils also identify opportunities for individual entrepreneurs to create MSMEs.

Lessons learned and key success factors:

- ▶ Financial literacy should also address family issues and be linked to practical savings, investment and opportunities in enterprises in the migrants' home province. Both the migrants and the families left behind must be engaged: financial planning and goal-setting must be done as a family.
- ▶ Trainers should be part of the migrant community to establish a high level of trust. Monitoring and mentoring of trainers and trainees can be done effectively using social media such as Facebook accounts.
- ▶ Governments need to create an enabling environment for investment and enterprise development. Various stakeholders must be involved and coordinate activities and programmes: national and local government, financial institutions, rural banks, cooperatives, migrant organisations, NGOs, schools. These stakeholders generally require training to understand migration and development issues.

8 Results and sustainability

As explained above, this type of project is relatively new so it is early to assess success. Several factors come into play when implementing Method 5 projects. The analysis of the seven projects reviewed for this handbook shows that channelling diaspora investments to countries of origin is **a complex, lengthy and costly exercise**. In several cases, the volume of investments or number of projects supported is quite small relative to targets and/or project budgets. However, some success stories (see showcase, for example) have inspired **new initiatives in this area**, such as IFAD's Diaspora Investment in Agriculture initiative, which was launched May 2011.

It is important to focus on sustainability as the structures and initiatives put in place must continue to function after a project closes to achieve the expected development impact. **On-going education and capacity building** of migrant groups and other stakeholders such as local governments may well be necessary to ensure target groups continue to invest, for example. Sustainability also depends on the **future returns generated by the investments**. Will the new businesses that were set up be operating and profitable in five years?

There is certainly room for **further research and pilot projects** to identify ways to increase the cost effectiveness and development impact of this method, as well as to make the investment activities sustainable once a project ends.



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