The FFR Brief

Five years of the Financing Facility for Remittances

Promoting innovative remittance markets and empowering migrant workers and their families

IFAD · Ministerio de Asuntos Exteriores y de Cooperación · Le Gouvernement du Grand-Duché de Luxembourg, Ministère des Finances · CGAP · IDB · MIF Multilateral Investment Fund, Member of the IDB Group · UNCDF Microfinance • Capital Development

The FFR Brief

Five years of the Financing Facility for Remittances and the road ahead

IFAD

Enabling poor rural people to overcome poverty

Acknowledgements

It is with great pride that we present the FFR Brief. The Brief reflects the strategy followed and results achieved by the Financing Facility for Remittances to date and lays out the future direction of the programme. Most importantly, however, the Brief reflects the hard work and dedication of the almost 200 project partners – including private companies, government entities, NGOs and migrants' organizations – who are pushing the boundaries of innovation between remittances and development. It is an honour and a privilege for the Facility to support their pioneering work and we hope this document helps to illustrate their unique role as powerful actors for development.

I would like to extend my personal thanks to our donors for their essential technical and financial backing, to the entire FFR team who work tirelessly to make the programme a success, and to Robert Meins in particular, for leading the drafting of this document.

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International Fund for Agricultural Development

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Acronyms

ADA	Appui au Développement Autonome
AFD	Agence Française de Développement
AfDB	African Development Bank
AFFORD	African Foundation for Development
ATIKHA	Atikha Overseas Workers and Communities Initiative
ATM	Automated Teller Machines
BCI	Business Consulting Institute
CamCCUL	Cameroon Cooperative Credit Union League
CEPROM	Centre for the Advancement of Women
CGAP	Consultative Group to Assist the Poor
CMF	Centre for Micro-Finance
DIA	Diaspora Investment in Agriculture
FFR	Financing Facility for Remittances
FINCA International	Foundation for International Community Assistance
GRET	Groupe de recherche et d'échanges technologiques
GWGR	Global Working Group on Remittances
HFHT	Habitat for Humanity Tajikistan
HIRDA	Himilo Relief and Development Association
HNB	Hatton National Bank
IASCI	International Agency for Source Country Information
IDB	Inter-American Development Bank
IFS	International Finance System
INAFI	International Network of Alternative Financial Institutions
INMIGRA	Institute for Migration and Development of the Andean Region
IOM	International Organization for Migration
LAC	Latin America and the Caribbean
MFI	microfinance institution
MFIC	Microfinance International Corporation
MMA	Moldova Microfinance Alliance
MTO	money transfer operator
POS	point-of-sale
PSDG	Payment Systems Development Group
SIDC	Soro-soro Ibaba Development Cooperative
SME	small and medium-sized enterprise
SNV	SNV Netherlands Development Organisation
UNCDF	United Nations Capital Development Fund
UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
UPU	Universal Postal Union
WSBI/ESBG	World Savings Banks Institute/European Savings Banks Group

Foreword

More than 220 million people live outside the countries and communities they call home. The individual stories of those who leave their rural villages for cities and destinations abroad are stories of great dedication, but also of tremendous sacrifice. The ramifications of the personal decision to migrate have direct effects on development that reach far beyond migrant workers and their families. While the money sent home is a potent force for poverty reduction and for providing individuals with new opportunities, remittances also stimulate local economies and play a vital role in national development.

IFAD's multi-donor Financing Facility for Remittances (FFR) was created with the purpose of maximizing the development impact of remittances and empowering families to advance on the road to financial independence. Through its operations, advocacy and outreach, the FFR brings worldwide attention to the importance of remittances, bridges the divide between urban and rural financial services, and drives innovation and competition in the remittance marketplace.

Together with its donors and partners, and by drawing upon the lessons learned from its projects, the Facility has identified a series of tremendous opportunities for scaling-up its outreach globally. The FFR's innovative work in developing new initiatives, and its pioneering of partnerships with the private sector, illustrates the vital role the FFR plays in maximizing the impact of remittances on rural development.

Kanayo F. Nwanze

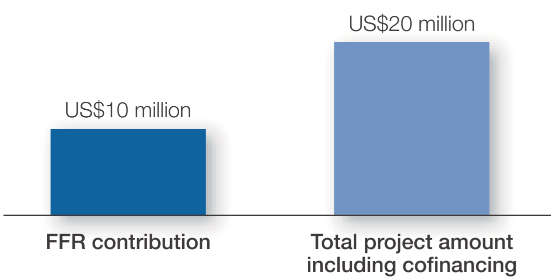
President

International Fund for Agricultural Development

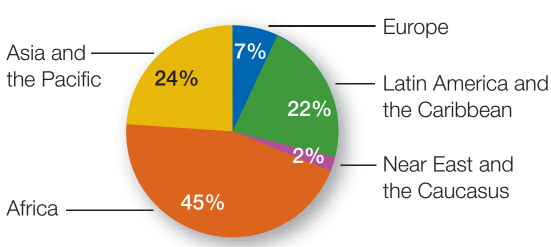
The FFR: Key facts & figures

- 50 projects in 40 countries across the globe
- US$20 million total invested in projects
- US$10 million in cofinancing
- 170 project partners

How we mobilize resources

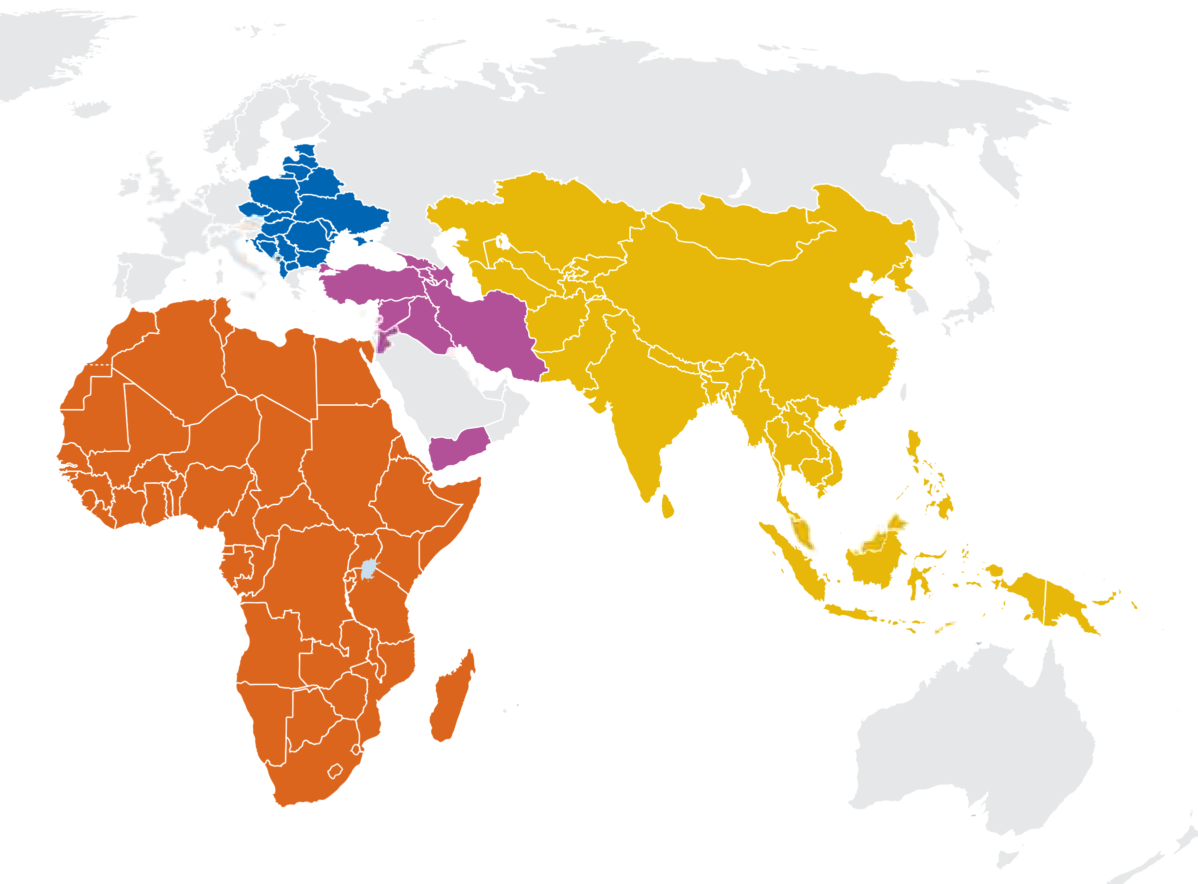


Where we invest



Latin America and the Caribbean

Bolivia
Colombia
Costa Rica
Ecuador
Haiti
Jamaica
Paraguay
Peru



Africa

Benin
Burkina Faso
Cameroon
Ethiopia
Ghana
Madagascar
Malawi
Mali
Mauritania
The Niger
Senegal
Sierra Leone
Somalia
Uganda

Europe

Albania
Kosovo
Republic of Moldova
Romania

Near East and the Caucasus

Georgia

Asia and the Pacific

Bangladesh
China
India
Indonesia
Kazakhstan
Kyrgyzstan
Malaysia
Nepal
The Philippines
Sri Lanka
Tajikistan
Uzbekistan

Setting the stage

Until recently, the perception of migrant workers has been one of people working in the shadows of society to provide a better life for themselves and their families. Since migrant works often work in challenging fields, their incomes and the remittances they sent home were seen as too limited to be of any significance in development.

Ten years ago this perception started to change. Development actors, policymakers, regulators and the private sector began to understand that these individuals were actually sending money home in amounts far larger than previously believed. The Inter-American Development Bank (IDB) undertook the first systematic mapping of remittances in Latin America and the Caribbean (LAC). This process, in turn, fuelled a discussion on the developmental impact of remittances that placed the topic on the agenda of the 2004 Sea Island Group of Eight (G8) Summit. In 2007, IFAD carried out the first global mapping of remittance flows to developing countries, revealing their true magnitude for the first time – US$300 billion sent home every year.

Today, there are few who do not recognize the tremendous impact that migrant workers have on the lives of their families, their communities and their nations. Despite difficult economic times, IFAD estimates that in 2013 migrant workers will send home over US$450 billion to their families – 40 per cent of which will go to rural areas. These cash flows represent almost three times total official development assistance provided to developing countries annually. Whether in terms of remittances, savings or migrant investment, migrant workers possess a powerful set of instruments to change their own lives and the lives of those around them.

Because of the centrality of remittances to development, it is vital to explore ways to maximize the impact of migrants' funds. It is with this purpose in mind that the Financing Facility for Remittances (FFR) was created. Housed at IFAD, the FFR has developed into a centre of expertise. The Facility's operations aim to ensure that access to remittances and related financial services are made available even to the most rural of clients. The FFR works with public, private and civil society partners driving innovation, with the goal of empowering migrant workers and their families to use their funds to improve their livelihoods and those of their communities.

This document reports on the remarkable achievements of the FFR in its five years of operation. It provides an overview of the importance of remittances to development, the strategy that the Facility has adopted to date, and the lessons learned from the innovative projects it has financed. Looking forward, the report highlights the tremendous opportunities offered by large-scale distribution networks, adoption of new technologies, mobilization of migrant capital and partnering with the private sector.

Each chapter has been designed to be readable as a stand-alone discussion of the specific topic area it addresses. As a number of projects resulted in lessons learned in multiple areas, projects may be mentioned more than once, and their impact in each topic area will be discussed separately.

Contribution of migration to development

When IFAD released its first *Sending Money Home* report in 2007, the sheer size of the global flow of funds to developing countries was met with disbelief. Few could fathom that domestic labourers, construction workers, gardeners, plumbers and agricultural workers could collectively send home over US$300 billion every year.

As the costs of telecommunications and travel have declined, countries and communities that once seemed worlds apart have been brought together. Today, there are about 215 million people living outside their countries of origin. While this number has never been greater, the percentage of the population living abroad is actually far lower than at the beginning of the last century.

Fundamentally, voluntary migration is driven by a developmental imbalance between two regions which forces people to seek opportunities abroad. The decision to migrate profoundly affects the lives of migrants, their families, their communities and their countries. Before addressing the impact of remittances, however, it is vital to understand what we mean by the term.

Remittances are – first and foremost – a private flow of funds between family members. The term is used colloquially to describe transfers of funds from migrants to family or friends in the communities of origin, but from a definitional point of view the following distinctions can be made:

- Migrant *remittance*s
  Funds transferred by one person to another – generally within the family – to help purchase daily necessities
- Migrant *philanthropy*
  Funds transferred as donations by migrant workers to their home communities (e.g. for the construction of a church or school)
- Migrant *savings*
  Funds saved by migrants or host countries
- Migrant *investment*
  Funds transferred by migrant workers for investment purposes

The following sections provide a brief overview of the main channels through which migrants' financial flows influence economic development. In explaining the impact of the funds migrant workers send home, three levels will be considered: country, community and household.

Importance of access to finance in rural areas

Developmental imbalances exist just as readily between rural and urban communities as they do between nations. Rural migration to urban areas is far more significant in terms of numbers than international migration, and often serves as a stepping stone for those thinking of working overseas. Whether people migrate domestically or depart for destinations abroad, the remittances they send home can be of particular importance in stimulating job growth in rural areas. For this reason, the FFR focuses on the dual goals of *expanding access to financial services in rural areas*, and *broadening the range of financial products offered to rural remittance recipients*.

According to the Consultative Group to Assist the Poor (CGAP), some 2.7 billion people are unable to deposit or borrow funds from formal financial institutions. Thus, savings cannot accrue interest in deposit accounts or be lent out to be reinvested in the local economy, and no credit history can be built to judge creditworthiness. In many communities, lack of access to financial services means that people are only able to save informally (through the purchase of land or durable goods, or money saved 'under the mattress').

While rural populations actively make use of informal financial services, traditional financial institutions are either unwilling or unable to provide the formal services that suit their needs. Remittances, however, offer the prospect of bridging the gap between the commercial interests of financial institutions and the needs of rural people.

There is a commonly held misperception that rural people are badly informed, do not save and do not make use of financial services. The reality is that financial services are essential to everyone, and even those living on two dollars a day make use of financial services, albeit often informally.

This misperception is a serious challenge for an industry that has not traditionally considered rural remittance recipients as a client base. For this reason, the FFR is actively partnering with various types of institutions, such as full-fledged banks, microfinance institutions (MFIs), post offices and mobile phone companies, among others. The Facility is working to change the perception of what it means to work with migrant workers and their families by means of the innovative models developed through its projects.

Redressing the developmental imbalance between rural and urban areas is a core priority for IFAD. Remittances can play an important role in this process. If saved in formal financial institutions and reinvested in the communities themselves, remittances can act as a motor for local development and function as a buffer at the macroeconomic level as well. To understand just how important remittances are, it is essential to understand their effects at national, community and household levels.

Effects at the national level

Aggregated at the macroeconomic level, remittances are a potent force. Approximately 40 countries receive 10 per cent or more of their GDP from remittances. In some countries, such as Tajikistan, remittances account for over 30 per cent of GDP, while this number is higher still in Haiti and Somalia, where estimates range from 30 to 50 per cent.

The simple impact of such a large inflow of cash is monumental in its own right, but there are further effects as well. Remittances provide recipient countries with a source of *hard currency*, making it easier for governments to borrow money at a lower cost. During times of political instability, economic strife or natural disaster, remittances also tend to increase as the greater needs of family members cause migrants to send more money home. This contribution provides an important economic buffer during periods when foreign investors are likely to withdraw their funds. Another more indirect benefit comes from the fact that remittances act as a safety net, lifting families out of poverty and reducing the demand on public social programmes.

Naturally, there are also negative externalities. As is the case with exports, large volumes of remittances tend to increase the value of a country's currency. This fact, in turn, makes the country's products and services more expensive on world markets.

Effects at the community level

The effects of remittances at the community level receive little attention from policymakers, but they provide an infusion of cash into local commerce and help develop financial infrastructure. While the extra demand for products and services helps develop local markets and supports businesses, expanding financial infrastructure provides access to services that are often not available in rural areas.

Migrants also invest in and donate funds to their local communities. Investments help create jobs so that others do not need to migrate, while migrant philanthropy can play an important role in helping communities supplement their locally available services through the building of schools, community centres, medical facilities, religious buildings and infrastructure.

Migrant investment is perhaps one of the most interesting areas to take into consideration, owing to its inherently long-term impact at the community level.

Tapping into the market for products that migrants import to host countries from their home communities can be of particular interest to migrant investors. The niche market for these *nostalgic goods* can be lucrative for those who can take advantage of local production for export to the diaspora.

Effects at the household level

Remittances have been called the world's largest poverty reduction programme. While this label may be considered controversial, it does illustrate an important fact: families receiving remittances are – by virtue of the remittances – no longer among the poorest of the poor. While the numbers vary from country to country, an average remittance-receiving family receives between US$200 and US$300 from 5 to 12 times per year.

Remittances normally contribute 50 per cent or more to family income, most of which is spent on basic necessities such as food, clothing and shelter. While often referred to in economic terms as a 'non-productive' use of assets, these funds are vital in lifting millions of families out of poverty. After necessities have been purchased, up to 40 per cent of remittances are available for some form of savings or investment.

Migrant workers generally emigrate with the fullest intention of returning home after having earned a sufficient amount to take care of their families. However, financial realities faced by migrants can be significantly more challenging than originally envisioned. A *transnational household* has different costs than a *traditional household*, as two domiciles must be maintained, the overall cost of living is much higher for those living abroad, and there are the high costs of travel home and extra fees associated with telecommunications and remittance transfer.

Work of the FFR

Hosted at IFAD, the FFR was established in 2006 by the Fund, the European Commission and the Government of Luxembourg. Subsequently, the Consultative Group to Assist the Poor (CGAP), the Inter-American Development Bank (IDB), the Ministry of Foreign Affairs and Cooperation of Spain, the United Nations Capital Development Fund (UNCDF), and most recently the World Bank, joined the FFR as members of the steering committee and contributors. The Facility was created specifically to identify and explore innovative ideas that maximize the development impact of remittances. It finances and supports projects with great potential for changing the lives of migrant workers, their families and communities. The FFR works directly with governments and the private sector to create and support an enabling environment that promotes access to finance in rural areas where people receive remittances.

The FFR approach merges activities on three fronts – projects, advocacy and partnerships – and is rooted strongly in evidence-based learning. Drawing from these three areas of intervention, the Facility carries out a broad range of action-oriented advocacy, including studies of key market challenges and opportunities, government advocacy on vital regulatory issues, and the fostering of a collaborative network among stakeholders.

Projects: the FFR body of evidence

At its heart, the FFR is intended to spur innovation in the remittance marketplace. Its partnerships and advocacy work serve to build on real-world experience, formed through the financing of almost 50 projects throughout the world. The Facility takes a strongly competitive approach to the selection of its projects and places special emphasis on innovation and cross-sectoral partnerships. In this spirit, it has carried out four successive calls for proposals (2007-2010), which have attracted well over 1,000 innovative project ideas.

The first call centred on three core ‘windows’: (i) promoting access to remittances in rural areas; (ii) linking remittances to financial services and products; and (iii) developing innovative and productive rural investment opportunities for migrants and community-based organizations. During the course of the successive calls, the windows were further refined into specific areas of intervention identified by the FFR and its donors. In keeping with the Facility’s role in recognizing innovation, there has always been an area open to innovative proposals.

Each call for proposals generates 200-300 concept notes submitted via the Facility’s online submission tool. Experts from the FFR and its donor institutions subject the proposals to rigorous evaluation and selection. Once each proposal has been analysed, discussed and scored, some 50 applicants are typically given the opportunity to submit a full proposal.

The projects financed by the FFR systematically report on their activities, achievements and challenges through the Facility’s online reporting tool. This tool provides a full history of the entire portfolio, available in real time to donors and FFR staff, enabling coordination between the FFR and project partners.

Advocacy: helping shape an enabling environment

Having brought together a network of stakeholders, it is vital to foster an enabling environment that will enhance competition and innovation in the marketplace. In the same way that systematic data and advocacy first generated interest in the topic of remittances, data, research and project experiences are at the heart of the FFR’s policy advocacy today. The Facility undertakes this work to (i) promote recognition of the importance of remittances; (ii) mobilize the interest of both government and the private sector in reaching out to remittance recipients; (iii) bring government, the private sector and civil society together to highlight mutual interests and potential joint interventions; and (iv) encourage the creation of an enabling regulatory environment that fosters competition and attention to the financial inclusion of remittance recipients in rural areas.

The advocacy efforts of the FFR began in 2007, with the release of *Sending Money Home*, the first volume of its flagship publication series. The report marked the first time that a uniform methodology was developed to estimate remittance flows to developing countries throughout the world. Due to the limited number of central banks estimating remittance flows at the time, the publication served to bring government attention to the importance of remittances and spurred the compilation of national estimates of these flows.

Sending Money Home to Africa was released during the FFR’s 2009 Global Forum on Remittances in Tunis and focused specifically on the African remittance marketplace. It identified market and regulatory issues and formulated the FFR’s approach to expanding access to finance through the use of multiple conduits for remittance services. The report identified anticompetitive practices, such as exclusivity agreements blocking competition, and highlighted the importance of allowing a range of bank and non-bank financial service providers to offer remittance services. These conclusions helped drive policy discussions regarding the role of various institutions and market practices and directed global attention to the high price of remittances in Africa. The latest edition of the series *Sending Money Home* focuses on the Asian continent. The publication was presented in May 2013 on the occasion of the Global Forum on Remittances, jointly organized by IFAD and the World Bank in Bangkok, Thailand.

Building on the attention generated by the reports and the Global Fora, the FFR uses a number of instruments to disseminate information on a day-to-day basis. During the 2009 Forum in Tunis, the FFR launched the RemittancesGateway.org web portal. The Gateway is an institutionally neutral site dedicated to monitoring and collecting the latest information on international remittance flows from international institutions, think tanks, academic institutions, project partners, central banks and the press. The FFR's remittance flows database is integrated into the portal and covers more than 50 countries, building on the data collected for the various issues of *Sending Money Home*.

Lastly, the FFR also communicates through its corporate website (www.ifad.org/remittances), the *FFR Update* newsletter, periodic thematic sheets on topics of interest, and through its regular participation in international conferences and interactions with the press.

Partnerships: fostering cross-sectoral relationships

The flow of remittances is inextricably linked to migrant workers and their organizations, the private sector that conducts transfers and offers related financial services, and the governments that create the regulatory frameworks within which the industry operates. For this reason, encouraging partnerships between public, private and civil society organizations is central to the Facility’s work.

In the field of remittances, the private sector is the principal conduit for global remittance flows and is also the most strategically placed to take innovative ideas to scale. Encouraging the private sector to invest in areas that might otherwise be ignored can provide concrete proof that working with remittance recipients is as good for business as it is for development. For this reason, the FFR pioneered the inclusion of the private sector in the range of institutions eligible for grant financing within IFAD.

The Facility’s partners now include all types of institutions active in the remittance nexus, each operating from a slightly different angle, with different goals, priorities, capabilities and limitations. Understanding the body of evidence that arises from these different approaches allows the FFR to build its expertise, identify gaps and offer solutions.

Tapping into the expertise of member technical agencies and funding from its donors enables the FFR to generate projects, models and ideas for its donors and partners, as well as for IFAD. The Facility’s philosophy of partnership also permeates the selection criteria for project proposals. Projects are chosen not only on the basis of their innovative nature, but also on their capacity to involve key partners in their operations, thereby ensuring enhanced project performance by complementing each other’s knowledge and expertise.

As an effective means to bring together representatives from public, private and civil society organizations, the FFR hosts the Global Forum on Remittances. This event provides regulators, private companies and civil society with an opportunity to present their current work, connect with potential partners and develop projects that transcend their individual competencies. The *Sending Money Home* reports launched at each Forum identify the most relevant opportunities in and constraints on specific markets and serve as the starting point for joint discussions on vital topics.

A central pillar supporting the FFR's partnerships and advocacy is its membership in the Global Working Group on Remittances (GWGR). Established as a result of the 2007 G8 Summit in Berlin and the 2008 Tokyo Summit, the GWGR was formally inaugurated in 2009 under the Italian G8 presidency. Following joint organization of the 2009 Global Forum with the African Development Bank (AfDB), IFAD presented a series of recommendations adopted by the entire conference before the GWGR meeting in Rome later that year.

Building on collaboration during the 2009 Global Forum, IFAD also joined with the Agence Française de Développement (AFD) in supporting the AfDB's regional programme for remittances. The FFR works closely with the AfDB and jointly finances projects that meet the criteria of both institutions.

The Facility has also initiated a successful collaboration with the World Bank's Payment Systems Development Group, starting with the organization of the 2013 Global Forum in Asia, as well as on the concurrent release of the *Sending Money Home to Asia* report.

Moreover, the FFR is expanding its operations in Africa. In collaboration with the World Bank's Africa Regional Integration Department, the FFR put in place a partnership aiming at fostering linkages between diasporas and local stakeholders in their home countries by facilitating sustainable investment.

Finally, in an effort to scale up results through successful partnerships, the FFR, with support from the European Commission, recently launched the Postal Financial Services initiative in Africa. This three-year innovative programme, led by IFAD in partnership with the World Bank, the Universal Postal Union (UPU), the World Savings Banks Institute/European Savings Banks Group (WSBI/ESBG) and UNCDF, aims at enhancing competition in the African remittance marketplace through enabling African post offices to offer financial services.

Advancing migrant workers and their families on the road to financial independence

The guiding principle behind the FFR is that of a proving ground for innovative projects linking remittances with access to finance. The next five chapters outline topic areas the Facility has identified as having the potential to make a real difference in the lives of remittance recipients and their families, including results realized to date and opportunities identified for future FFR operations.

In total, the Facility has financed almost 50 projects around the world in partnership with public, private and civil society groups. The portfolio encompasses a broad range of objectives, but all projects share a common thread and focus on the following core areas:

1. Reducing the cost of remittances and related financial services;
2. Broadening the geographical reach of financial services;
3. Enabling migrant workers to best use their resources through financial/entrepreneurial education;
4. Deepening the variety of financial services available to migrant workers and their families; and
5. Encouraging migrant workers to be agents of change.

This categorization is closely aligned with the financial interactions of migrants and their families. The following table illustrates the various needs of *transnational families*, the kinds of financial services that go with each need, and the point at which financial education becomes vital in empowering migrant workers and their families to use financial services to their maximum beneficial effect. The process begins with ensuring basic physical access to financial services; the final goal being the enhancement of the family's long-term financial independence.

Table 1 **The road to financial independence**

Basic				*Advanced*	
Daily necessities	*Informal saving*	*Human capital investment*	*Financial education*	*Basic financial services*	*Advanced financial services*
• Food • Clothing • Shelter	• Cash 'under the mattress' • Housing • Land • Livestock	• Education • Health care		• Savings accounts • (Micro)loans • (Micro)insurance	• Mortgages • Home improvement loans • SME loans • Education loans • Insurance (health, life, repatriation, remittance) • Pensions

1 Enhancing competition:

Reducing the cost of remittances and related financial services

The strategy

With well over US$450 billion transferred every year (2013 estimate), remittances are big business. However, the true size of the worldwide flow has only recently come to light. In 2007, IFAD was the first to release a global estimate of remittances to developing countries, helping to bring the topic from near invisibility to the top of the agendas of business, policymakers and development institutions.

The most important factor in ensuring that migrant workers and their families keep as much of their hard-earned funds as possible is the *cost* of remittances. Transferring funds is very competitive in some corridors – such as that between the Russian Federation and Kazakhstan, for instance – where costs are as low as 1.5 per cent of the total amount remitted. In other corridors, however, transfer costs can reach 25 per cent of the total amount remitted, greatly reducing the purchasing power of recipient families.

While there are various factors that determine the market price of remittances, fostering greater competition is key to ensuring efficient markets. Because of the vast efforts made in mapping remittance flows, enabling competitive regulatory frameworks, and bringing together private-sector players, the cost of sending money from the United States to Latin America and the Caribbean (LAC) has declined by almost 10 per cent from 2000 to 2006. Those savings translate into a US$25 price drop for a transfer of US$250. While this drop is significant in its own right, the region receives more than US$60 billion every year, making the aggregate effect even greater. The 10 per cent decline in transfer costs implies that migrant workers and their families save an amount almost equal to the level of official development assistance to the entire region every year.

Reducing transfer costs and boosting competition are vital to ensuring that migrant workers and their families are able to benefit fully from the results of their labour. The importance of this has been underscored by adoption of the '5 by 5 Initiative' by the Group of Twenty (G20) at the Cannes Summit in November 2011. The goal is to reduce the global average cost of remittance transfers from 10 to 5 per cent over five years.

The FFR is actively working to achieve this goal through the whole spectrum of its activities. Virtually every FFR project that deals with the remittance marketplace enhances competition at either the local or the national level. The Facility's project and advocacy work at national and international levels have an even greater impact, as they foster enabling regulatory frameworks and enhance remittance conduits. Regulatory frameworks that enhance competition are vital to these efforts. For this reason, advocacy takes centre stage in reducing the cost of remittance transfers.

Advocacy

The FFR's greatest impact on the remittance marketplace is achieved through its groundbreaking research programme and its awareness-raising activities at the international level.

The most effective advocacy instruments used by the FFR are its Global Forums on Remittances and the *Sending Money Home* series of publications. Each release of *Sending Money Home* focuses on central issues facing the remittance marketplace and serves to set the agenda of each Global Forum. The Forum, in turn, brings together government, the private sector and civil society actors to share experiences, identify common interests and create partnerships. The value of the Forum is underscored by the following results:

- In 2007, IFAD organized its first Global Forum in collaboration with IDB. The first *Sending Money Home* study was released, generating vast media attention and energizing policy discussions on the importance of global remittance flows. The event encouraged central banks and government institutions alike to conduct in-depth research into their own remittance markets and highlighted the experience of the LAC region as an example of the potential scale of impact of enhanced competition.
- In 2009, the FFR organized the Global Forum in collaboration with AfDB. *Sending Money Home to Africa* was released, highlighting some of the key regulatory and market challenges faced by the region, including the use of exclusivity agreements and the restricted role non-bank financial institutions play in the pay-out of remittances. The report also provided a series of suggestions that could help enhance market competition and reduce the high cost of remittances in Africa.

  The Forum to led the adoption of the *Tunis Recommendations on the African Remittance Marketplace* – a series of policy recommendations that were drafted jointly by representatives of public, private and civil society and endorsed at the plenary session. Following the Forum, the recommendations were presented by IFAD to the GWGR.
- Organized in close cooperation with the World Bank, from 20 to 23 May IFAD held the 2013 Global Forum on Remittances in Bangkok, Thailand. The Forum focused on the Asia and the Pacific region. Centring on the potential role of postal networks and mobile technology in the region, the Forum had a strong focus on public-sector engagement. The *Sending Money Home to Asia* report was launched at the event.

Table 2 **Tunis Recommendations on the African Remittance Marketplace**

Increase competition • Encourage more actors to enter the marketplace • Widen the types of payment networks • Discontinue exclusivity agreements when they hamper competition	*Adopt new technologies* • Modernize technology in pay-out networks • Improve payment systems, infrastructure and integrate at regional and subregional levels • Encourage development of standards and interoperability • Minimize the risk for end-users
Empower market actors • Facilitate market actors' access to payment system infrastructure to the maximum possible extent • Build the capacity of market actors to meet regulatory requirements • Foster cooperation and partnership between stakeholders	*Achieve effective and efficient regulation* • Ensure that regulations are robust, but also commensurate with the level of risk and for the benefit of all • Consult and evaluate impact before regulating • Identify and adhere to minimum standards of client protection • Encourage consistent standards of regulations across jurisdictions
Make more financial services available in rural areas • Encourage market actors, especially MFIs, postal offices, credit unions, etc., to act as pay-out locations • Build the capacity of MFIs and non-bank financial institutions in rural areas to provide remittance services • Encourage the ability of MFIs to take deposits of rural savings • Identify specific ways to link rural areas with non-cash (including mobile) instruments	*Expand access to financial services* • Encourage remittance recipients to maintain their assets in financial institutions • Promote financial literacy to all stakeholders, particularly to migrants and their families • Design financial services with the specific needs of women and men in mind • Encourage the ability of the undocumented to access formal financial channels • Use the worldwide postal network to give customers access to financial services • Ensure that remittances are not subject to specific taxation

Project achievements and lessons learned: The importance of new technologies

The FFR's portfolio of projects represents its most direct impact on the remittance marketplace. Projects develop and test business models designed to serve remittance recipients and rural communities. The introduction of new technologies has been of particular importance in this regard.

Post offices and remittance services

Sending remittances to 350 rural localities of Western Africa is now half as expensive through the UPU dedicated software.

As will be discussed at length in the next chapter, post offices represent one of the most effective means to impact the lives of rural remittance recipients. A project implemented by the Universal Postal Union (UPU) modernized 355 rural post offices in six West African countries. By simply providing computers, point-of-sale (POS) terminals and telecommunications equipment, the project enabled rural post offices to offer their clients timely remittance transfers at half the price. Triggered by the lower transfer costs offered by post offices, a sharp increase in competition caused a reduction in the fees of other money transfer operators (MTOs) in the region. This reduction is all the more significant given the fact that a single MTO controlled some 65 per cent of the pay-out locations in all six countries addressed, and almost 80 per cent of pay-out locations in Mali.

Electronic transfer systems

Thanks to CamCCUL's *Telecash* money transfer system, travelling across rural Cameroon to the nearest urban centre by motorbike is no longer necessary.

Through the use of improved electronic transfer systems, a project implemented by Oxfam Novib and the Microfinance International Corporation (MFIC) in Ethiopia introduced the ARIAS transfer system, which allows more efficient, real-time remittance processing – simultaneously cutting transfer times and lowering costs. As a direct result of the project, fees are now as low as half what is charged by major competitors.

The Cameroon Cooperative Credit Union League (CamCCUL) demonstrated that investing in electronic cash transfer systems can be sustainable even with low transaction volumes. The implementation of a new electronic cash transfer system, 'Telecash', reduced transaction costs by almost 20 per cent. Around US$1.8 million was mobilized during the 18 months of the project. A critical success

"The gruesome one-day, US$10 journey to collect money sent by my daughter is now history!"

Mami Mbah, Cameroon

factor was CamCCUL's promotional strategy, which focused on traditional markets, credit unions, village churches, schools and meeting points.

Debit cards

One of the most interesting examples of the integration of debit/credit cards across borders comes from a project undertaken in Haiti and the United States by Fonkoze. As the leading MFI serving poor women in rural Haiti, Fonkoze launched a prepaid Visa card to facilitate cheap, instantaneous transfer of payroll deposits between the United States and Haiti. The cards allow transfers of up to US$2,500 for a cost of only US$6.

FINCA International's electronic debit cards reached over 3,000 customers in rural areas of Uganda.

The microfinance pioneer Foundation for International Community Assistance (FINCA International) also introduced a card-based solution and piloted the use of POS terminals in its branches in rural Uganda. FINCA International issued nearly 3,000 debit cards to its clients, enabling real-time authorization and processing of transfers at fees among the lowest in the country. Almost 35 per cent of the cards were in active use by the end of the project, and FINCA International reports that this share continues to increase.

The project also generated a number of important lessons about what drives account usage. In order to be successful, deployment of new technologies requires intensive in-person sales, training and on-site servicing. FINCA International's customer care officers travelled to the field to familiarize clients with card activation and the use of POS terminals.

The successful model piloted in Uganda will now be replicated in the Democratic Republic of the Congo and Ecuador.

Impact

- In *Sending Money Home to Africa*, IFAD revealed that 64 per cent of all pay-out locations in Africa are controlled by just two MTOs.
- The *Tunis Recommendations*, adopted during the 2009 Global Forum and presented to the GWGR, are significantly enhancing competition in the African remittance marketplace.
- In six West African countries, the cost of sending remittances through the postal network was reduced by up to 50 per cent in 355 rural localities as a result of the UPU project.

- Sending money from the United States to Ethiopia now costs half as much, owing to the introduction of a more efficient transfer system by Oxfam Novib.
- In Cameroon, the cost of domestic remittances has been reduced by 20 per cent in 24 rural areas, thanks to the new electronic money transfer system set up by CamCCUL.
- In Uganda, FINCA International issued nearly 3,000 electronic debit cards to clients in rural areas, providing cheaper, faster remittance transfers.

The way forward

Reducing the cost of remittances in high-cost corridors is the single most effective tool in maximizing the hard-earned funds remaining in the hands of remittance senders and their families. Together with its partners in the GWGR, IFAD is striving to ensure a competitive marketplace by building on its project experience.

One vital issue hampering competition in Africa is the use of exclusivity agreements that prohibit agents (e.g. banks, grocery stores or phone kiosks) from signing contracts with competing MTOs. Other practices identified through project experience include principal-agent issues, where an MTO may pay a commission to individual branches of a given agent, as opposed to its mother institution. This gives branches an incentive to make choices in their own best interests, as opposed to the best interests of the institution and/or the customer.

The prevalence of these types of practices can significantly distort the ability of the market to find a competitive equilibrium. It is for this reason that the FFR ensures that grant financing to its projects is used to support and foster competitive practices.

The most effective means of reducing the cost of remittances is to scale up successful business models. In this way, the best practices of FFR projects can be used to leverage successful results. The following chapter focuses on areas with the greatest potential for scaling up – and that are likely to have the greatest impact on minimizing the cost of remittances – and on the significant new initiatives the FFR is undertaking to encourage these developments.

2 Reaching rural areas:

Broadening the geographical reach
of financial services

The strategy

Up to 40 per cent of international remittances are sent to rural areas. While this represents a vast sum, there are a host of major challenges in transferring remittances to rural recipients. Addressing these challenges is essential if the potential impact of remittances in these regions is to increase.

The FFR seeks to ensure that low-cost, reliable and timely remittance services are accessible to as many people as possible. While financial services naturally focus on urban areas, there are great opportunities in rural areas for institutions willing to adopt a tailored approach, which is essential, as urban and rural clients require different financial services.

Rural clients face 'hidden costs' that result in lost time, travel costs and security risks, including long journeys to pick up their money. These add to the financial cost of each transfer. Hidden costs, coupled with the lack of competition in rural areas, make remittances to rural areas much more expensive.

"Up to 40 per cent of international remittances are sent to rural areas"

Through the testing of business models that can bridge the rural/urban divide in financial services, the FFR has taken an active approach that seeks to stimulate competition and bring both traditional banks and non-bank financial institutions into the marketplace in order to promote innovative rural financial services. To this end, three promising conduits have been identified through which these services can be brought to rural people:

- Postal networks
- Mobile financial services
- Microfinance institutions

Each conduit has a very specific set of characteristics in terms of its nature (for-profit, non-profit, public), size of the diverse types of networks and fundamental underlying goals. Moreover, the degree to which different types of institutions are able to offer services is highly dependent on the local regulatory framework and competitive environment. The FFR does not have a preference for any one of these conduits, as each offers its own particular insights and generates innovative ideas specific to its method of operation. The FFR's intention is to stimulate competition among them, in the firm belief that increased competition results in the best service to the rural client base.

Project achievements and lessons learned: Postal networks

Postal networks offer the unique combination of a broad global presence of brick-and-mortar locations and a long tradition of offering financial services. With 660,000 post offices around the world, there are twice as many post offices as there are agents of the world's largest MTOs. Three quarters of these post offices are located in developing countries.

International agreements in place since the founding of the UPU in 1878 have facilitated transfers between countries through postal networks. Moreover, the technical infrastructure of post offices facilitates direct payment of remittances.

Traditionally, post offices have played a central role in providing financial services. In many countries they facilitate the disbursement of pensions and other government-to-person payments, payment of bills and savings accounts. Because post offices offer such a wide array of products, national postal agencies can earn as much as 70 per cent of their revenues from financial services, as opposed to traditional mail delivery.

Despite these facts, the share of the international remittance market conducted through postal networks is still less than one per cent in Africa, Asia and LAC. This statistic represents a major opportunity for postal agencies to expand into the market. By doing so, postal networks would be providing rural people with enhanced access to finance, while generating extra revenue for the postal system.

"With 660,000 post offices around the world, there are twice as many post offices as there are agents of the world's largest MTOs"

Maximizing the development impact of remittances flowing through postal networks depends on a number of variables. Ideally, the postal operator is able to: (i) capture and disburse remittance transfers directly (as opposed to being an agent, which generates less revenue); (ii) offer a variety of related financial services (either directly or as an agent); (iii) mobilize deposits through a postal savings bank; and (iv) reinvest these mobilized savings in the local community. However, the exact kinds of services that can be offered by post offices are dependent on the national postal regulations, which can vary significantly from country to country.

While post offices have a remarkable global presence and a trusted place in the community, enabling rural development through postal financial services can be a challenge. In countries where post offices rely on paper-based transactions, the system can be slow, expensive and prone to inaccuracies. As the remittance marketplace generally prizes convenience and speed over lower costs, post offices can be at a disadvantage.

Because of their tremendous potential, the FFR is actively engaged in turning rural post offices into centres of rural financial inclusion. The activities undertaken to realize this goal include: (i) improving the technical capacity of rural post offices through the provision of computers, software, stable power and Internet or telephone connections; (ii) training staff in the use of this equipment, new products and marketing skills; (iii) advocating the importance of postal networks to regulators, as a conduit for the provision of financial services to the rural 'unbanked'; (iv) addressing competitive aspects that make it difficult for postal networks to expand their remittance services; and (v) introducing advanced technologies and financial services that build on the previous points.

Through the modernization of rural branches, cheaper and faster remittance services can be offered and access to postal savings accounts provided, together with an array of other financial services tailored to the needs of clients. Thus, the agencies will generate additional revenue to enhance their sustainability, while continuing to fulfil their vital role in providing access to postal and financial services.

Project experience

One of the FFR's high-impact projects in terms of improving rural access to financial services was undertaken by UPU in six West African countries. The project provided training and equipment for rural post offices in Benin, Burkina Faso, Mali, Mauritania, the Niger and Senegal, with the aim of facilitating delivery of domestic and international remittances.

UPU's cash transfer services are now available in remote rural areas of West Africa.

While the intervention was straightforward, the results have been impressive. Through technological upgrading and use of the UPU's International Financial System (IFS) software suite, 355 rural localities are now connected to remittance transfer services. Sending money from these locations now costs half as much as previously, and transfer times have been brought down from two weeks to two days. To date, more than 50,000 families have benefited from these new services and money orders through the postal offices have more than doubled in the areas addressed by the project.

As the postal agencies rolled out their services, significant results were obtained in a very short time. The project had a strong impact on the entire marketplace, and competitors reduced their costs significantly to compete with the postal service.

The success of the project led to further assistance from the World Bank's Payment Systems Development Group (PSDG). Postal agency staff were trained in vital aspects of the money transfer business to ensure that services would be efficient and reliable, and that transactions would meet international standards.

New projects

Building on past experience and lessons learned, IFAD and UPU have launched two new projects related to postal networks. The West African project is currently being scaled up by IFAD and UPU in other regions of the world, beginning with Asia.

Home to some of the most populous nations, the Asian continent has one of the highest remittance flows to rural areas. The project in Central Asia extends remittance services to some 1,000 post offices in Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. UPU and IFAD have also launched another intervention on a larger scale in important remittance-receiving countries of Southeast Asia.

UPU's cash transfer services are gradually being extended to rural post offices in Kazakhstan.

Furthermore IFAD, in close cooperation with the World Bank, UNCDF, UPU and WSBI/ESBG, started an innovative programme on *Postal Financial Services in Africa*. The programme aims at enhancing competition in the African remittance marketplace by means of enabling African post offices to offer financial services and to transfer remittances in a way that is cheaper, more convenient, safer, and more rapid. By building on this vital flow of funds, and linking remittances with a broader range of related financial services, the intervention will enhance access to finance and provide remittance-recipient families with the tools to improve their long-term financial independence and help reduce the pressure to migrate.

Project achievements and lessons learned: Mobile financial services

Nine people in ten own a mobile device in developing countries. This almost ubiquitous network of interconnected machines holds the promise of universal access. Enabling migrants and their families to use mobile phones to instantaneously transfer and receive funds domestically and internationally can significantly reduce the gap in financial access.

With inspirational examples of pioneer systems such as M-Pesa in Kenya, WIZZIT in South Africa and GCASH and SMART Money in the Philippines, the transformational potential of banking through mobile phones can be considered the cutting edge of expanded access to financial services.

Through the GCASH network, sending money to rural areas of the Philippines will be half as expensive.

The clear advantage of mobile financial services is that the bank is brought to the customer, as opposed to having to bring the customer to the bank. The ubiquity of mobile phones and the broad geographical coverage of phone networks minimize the time, transport costs and risks associated with travel to a bank. As a result, the hidden costs of receiving remittances are significantly reduced.

The conditions under which the aforementioned examples have emerged have been very specific. Evolving from a strong need for a more efficient domestic transfer system, the creation of the international transfer market is highly dependent on a sufficient volume of domestic mobile transfers. The regulatory treatment of such transfers, the competence of regulators and the main actors driving mobile financial services are each still being defined in many countries.

The success of the emerging market for international mobile transfers is linked to development of domestic mobile payments infrastructure. Moreover, in line with existing regulation, mobile financial services need to be fully compliant with anti-money laundering regulations before international money transfer services can be conducted. Despite these challenges, even traditional MTOs, focused on cash-to-cash transaction models, have now developed partnerships with mobile financial service providers.

In terms of the development impact, however, there is a significant difference between the ability to make a transfer and full-fledged access to finance. Balances kept on mobile phones are usually limited, and 'mobile wallets' are not the same as a bank account; they do not accrue interest nor build the client's credit history. These services certainly enhance access to payments, but do not 'bank the unbanked'. Mobile services that do link to bank accounts, on the other hand, generally allow clients to use mobile phones to conduct limited banking transactions, but are based on a pre-existing banking relationship.

In order to stimulate rural development through mobile technology, the FFR seeks to facilitate the adoption of services that ensure true access to finance for people in rural areas. To allow access, it is vital that remittance recipients are able to make deposits and withdrawals linked to an interest-bearing bank account, as well as mobile payments.

Setting the stage for mobile banking: The FFR experience in Georgia

The first project financed by the FFR focused on the potential for mobile financial services in Georgia. As part of the project, the International Organization for Migration (IOM) conducted research into the remittance market between Greece and Georgia and examined the demand for mobile financial services and investment opportunities for migrants' families. While the research yielded a large number of interesting results, the vital contribution made by the project was that it brought together key regulators, banks, telecommunications companies and other stakeholders interested in the prospects of mobile financial services in Georgia.

Building on the success of the IOM project, the FFR provided a grant to Crystal Fund, an NGO operating in Georgia, to develop a mobile remittance platform. The unique characteristic of this platform is that it brings together a broad range of key financial actors, including cash service providers and pay-out agents, three Georgian mobile network operators, an MFI, two commercial banks and two MTOs. These and all future partners will have equal access to the system, and mobile phone users will have the ability to move funds from one service provider to another.


Technology providers, mobile network operators, commercial banks and other financial service providers discuss the new mobile banking platform developed by Crystal Fund in Georgia.

The project resulted in policy dialogue between the electronic payments industry and the regulator, accelerating the drafting of the new Law on Payment Systems by the National Bank of Georgia. A newly established service will benefit at least 15,000 migrants and their families in rural areas by offering better access to remittances and value-added financial services, such as microloans, microinsurance and savings.

The truly transformative potential of Crystal Fund's initiative lies in the nature of the platform. The project not only addresses the geographical limitations of traditional financial services, it also provides users with access to a wide range of service providers. The platform is open to all regulated financial institutions, and local businesses are encouraged to take advantage of its merchant payment and bulk payment services.

The active support and open regulatory stance of the Government of Georgia have been key factors in the success of this project. In less than two years, the value of private-sector investment being mobilized has reached 10 times the grant amount initially allocated by the FFR.

Building on lessons learned: the FFR experience in Paraguay

In Paraguay, Konecta S.A. launched a mobile platform for rapid money transfers based on electronic cash. With one mobile phone for every person over the age of 15, Paraguay is an appealing market for mobile financial service providers.


Through Konecta S.A., by simply signing up with an ordinary ID, Paraguayan remittance recipients can open a mobile bank account and pay their bills through over 700 enabled points of sale.

Each subscriber to Konecta's service is able to open a dedicated bank account at one of the two partner commercial banks, Banco Atlas and Banco Continental SAECA. Opening a 'microaccount' is cheaper and faster through the platform, as Konecta negotiated lower fees with the partner banks, which, in turn, have access to a wider client base.

The outcomes of the project are noteworthy. In just 18 months, Konecta attracted 14,100 new clients. The factor driving the success of the project was Konecta's ability to attract private banks and develop a profitable model that allowed the project to pioneer an unexplored market.

New projects

One new project selected for funding under the FFR's 2010 call for proposals addresses mobile financial services. In the Philippines, Globe Telecom is expanding its network of GCASH partner locations in rural areas by drawing on lessons learned from M-Pesa in Kenya. GCASH is also delivering additional services, from bill payments to mobile loan repayments.

Project achievements and lessons learned: Microfinance institutions

MFIs are ideally suited to working with people living in rural areas. In contrast to traditional financial institutions, they have both a profound understanding of and interest in serving the needs of poor rural clients. The revenue earned from facilitating remittance transfers can contribute to an MFI's bottom line, but it is the prospect of attracting deposits from remittance savings that holds the greatest opportunity. This prospect entails paying interest to depositors – thus increasing the size of the lending base, which in turn lowers the MFI's costs and ultimately the interest they charge borrowers. Through reinvestment of these savings, the last fundamental step can be taken in using remittances to stimulate local development.

The challenges that must be overcome to allow MFIs to become true engines of rural growth are significant. First, national regulation needs to permit them to handle remittance transfers, deposit and credit services. MFIs can act as agents for banks and MTOs, but this status reduces their revenue share; hence, their incentive to provide remittance-related services. Second, they must have the human, technological and financial capacity to offer these services. Lastly, they must be large enough and have broad enough geographical coverage to operate at scale, and be able to negotiate effectively with MTOs and diversify the risks associated with money transfers.

Many of these issues are especially pertinent to MFIs that are NGOs. In addition to basic infrastructure such as reliable communications and electricity services, appropriate liquidity management and security at local branches need to be ensured. In order to offer reliable services, they must maintain substantial cash-on-hand to pay multiple remittance recipients. Since the necessary liquidity may quickly surpass the revenues of a local MFI, identification of innovative ways to replenish funds is fundamental.

The FFR's MFI strategy consists of using the capillarity of these institutions to reach rural areas in order to promote access to cheaper and faster remittance transfer services. In this way, MFIs can bridge the gap between rural and urban areas, while attracting new clients to whom they can offer other kinds of financial services.

Regulatory framework

One of the most interesting projects submitted to the FFR in 2008 came from Oxfam Novib. The project sought to take advantage of a pending relaxation of the regulatory framework in Ethiopia. Working with MFIC and three local MFIs, the project sought to modernize local branches and introduce the ARIAS transfer system in order to facilitate cheaper and more rapid remittance transfers from the United States to Ethiopia. The MFIs involved showed keen interest, given the potential for access to foreign currency transactions.

As the project progressed, however, the changing regulatory framework in the country caused the incentive structure for the MFIs to diminish. This decline caused Oxfam Novib to redirect project activities away from the MFIs and towards building the relationship with the Commercial Bank of Ethiopia, which implemented the ARIAS platform in its own services. The project succeeded in achieving cheaper and more rapid remittance services in the target corridor, yet the opportunity to expand the ability of MFIs to capitalize on the new regulatory framework was not realized.

Despite the above, two important lessons can be drawn from the project. First, experience revealed that MFIs working with remittances are interested in being more than simply subagents that pay remittances at their branches. Second, it illustrated that this interest is greatly affected by the way the regulatory framework is drafted. In this particular case, it was not remittance revenues per se that were of interest, but access to foreign currency transactions.

Improving capacity

One of the greatest challenges facing rural MFIs is the need to invest in modern technology, information systems and human capacity.

In Nepal, the Centre for Micro-Finance (CMF) created the country's first network, with 16 participating MFIs. CMF invested in the human capacity of MFI staff by providing training in financial management and business planning. The capacity-building exercise was targeted at allowing the network's members to deliver better-quality services to clients and resulted in an increased size and variety of products in their portfolio. The MFIs benefiting from the training reported that in a very short time their deposit

Sending money from the United States to Ethiopia is now cheaper with the introduction of the ARIAS real-time remittance transfer system.

balance had more than doubled as a result of the project, and that the number of enterprise loans had increased by almost the same rate.

Moreover, the MFIs linked with MTOs, banks and government agencies. As a result, they are now able to offer tailored products at lower costs, and operational indicators of MFI 'well-being' – such as return on assets and return on equity – increased significantly during the life of the project.

Over 1,000 migrant workers attended CMF training courses on enterprise development in Nepal.

Another project dealing with MFI modernization is being implemented by Opportunity International, which upgraded its existing technology in rural branches in Malawi and trained MFI staff to conduct remittance services through a new software platform. Thanks to this upgrade, its customers in rural areas will be able to send and receive domestic remittances not only through bank offices, but also through electronic access outlets such as POS terminals, automated teller machines (ATMs) and mobile vans.

In Bolivia, the SNV Netherlands Development Organisation (SNV) set out to improve incomes and create jobs for families receiving remittances by modernizing the way MFIs conduct their remittance transfer services. SNV launched a new electronic platform that streamlines money transfer procedures through two MFIs. The number of locations attached to the network has been expanded to 200, including family-run stores and gas stations.

As a result of these interventions, MFIs have automated their processes and are able to collect remittances more securely, while increasing the speed and ease with which customers conduct their business.

Using her smartcard, this OIBM client was able to access remittances and make a withdrawal through a local POS device with her Banki M'khonde account.

Partnerships

The forging of strategic partnerships can greatly enhance the technical and human capacity of MFIs. In Sierra Leone, the African Foundation for Development (AFFORD) worked closely with three local MTOs, facilitating use of an innovative online remittance platform and creating strong and tangible links between remittances, enterprise development, investment and personal savings. The RemitPlus™ product enabled Finance Salone, the local MFI with the largest network of rural branches, to become a remittance-paying agent and to seek a deposit-taking license from the Central Bank. The project helped Fadugu, a diaspora-owned MTO, develop the capacity to operate in 20 countries. It also helped Afro International, the largest independent MTO in Sierra Leone, link remittances to enterprise development.

More recently, an FFR project implemented by PlaNet Finance in the Philippines is establishing a network of four remittance service providers and five MFIs from four different regions of the country. The goal of the project is to provide faster and cheaper transfer of remittances to rural areas of the Philippines.

Ms Patricia Machaca can easily receive remittances from Peru at the call centre next door through the newly established SNV platform.

Finding innovative ways to overcome infrastructure challenges

One of the great challenges faced by rural institutions is inadequate or absent infrastructure. Innovative solutions adopted by FFR have overcome these barriers, while also limiting the impact of natural disasters.

In earthquake-stricken Haiti, Fonkoze, the country's largest MFI, was one of the few institutions able to deliver remittance services in rural areas within days of the disaster. This service was made possible through a project cofinanced by IFAD and IDB. The initiative enabled Fonkoze to purchase satellite telephones and diesel generators, which allowed branches to operate even when telephone and electricity services were down. The equipment helped Fonkoze's 22 rural branches increase the number of remittance transactions per month by 81 per cent.

"Through Opportunity International bank, people are now able to send and receive money in a lot of places in the country!"

Project beneficiary, Malawi

What is even more significant, however, is one of the unintended benefits of the project: the fact that the equipment was crucial in keeping Fonkoze running after the 2010 earthquake. This achievement was vital to its customers, as their main needs after the disaster were, first, humanitarian (food, clothing and shelter), and, immediately after that, the ability to access funds from family members in order to help them rebuild.

As a result of the equipment, Fonkoze enabled its clients to receive money from their families despite the massive devastation of infrastructure. The project serves as an impressive example of a sustainable and viable model of enhanced access to remittances in remote and devastated areas.

Microfinance in times of financial instability

The onset of the global financial crisis in 2008 provided an ideal 'stress test' for MFI initiatives related to remittances. Until the outbreak of the crisis, MFIs had been growing at an exponential rate. The crisis, however, raised the level of perceived risk in the industry, restraining access to funding and requiring MFIs to adopt a more conservative credit policy.

While the sector proved to be much more robust than many expected, the financial crisis did have a serious impact on the project undertaken by FINCA International in Tajikistan, whose client portfolio was reduced by almost 50 per cent over the course of the crisis. Despite this severe negative impact, however, FINCA International succeeded in setting up a remittance transfer network with four MTOs (Migom, Unistream, Money Gram and Western Union). The network will be extended to 19 branches in rural areas of Tajikistan by the end of 2011.

New projects

Building on past experience and lessons learned, FFR partners have launched three new projects related to MFI networks.

The first project, implemented by the MFI Appui au Développement Autonome (ADA), will encourage productive investment of remittances being transferred between France and Mali. The project will also carry out a sensitization campaign to build awareness of savings as a productive investment for generating long-term income, and will provide information on ADA's real-estate financing products.

FINCA International's money transfer services piloted in Dushanbe will be extended to 19 rural localities of Tajikistan.

In Senegal, the International Network of Alternative Financial Institutions (INAFI) is empowering remittance recipients to set up a low-cost, user-owned remittance service, supported by local MFIs. The service will be launched through traditional banking agents. It is expected to take full advantage of MFIs' geographical presence and capacity to deliver efficient and adapted services to rural customers.

Together with AfDB, IFAD is supporting Opportunity International in its extension of remittance-related services, including those of savings and microloan facilities to some 60 localities in rural Ghana. The project will address the challenges of inadequate infrastructure through capacity assessment and installation of power generators in branches with intermittent access to electricity.

Impact

- Over 600 Ethiopian migrants in the United States used the new ARIAS system for cheaper remittance services.
- In Nepal, deposit balances of 16 MFIs increased by 100 per cent thanks to training provided by CMF.
- In Malawi, rural customers of Opportunity International are now able to send and receive domestic remittances through bank offices, and to use a range of service points such as POS terminals or ATMs and mobile vans.

- In the Plurinational State of Bolivia, SNV extended MFI financial services to a network of 200 agents such as family-run stores and gas stations.
- In Sierra Leone, AFFORD has connected 16 rural localities to RemitPlus, an innovative platform for cheaper remittance transfers.
- In the Philippines, a network of five MFIs and four remittance service providers set up by PlaNet Finance are enabling faster and cheaper remittance transfers to rural areas.
- In Haiti, Fonkoze equipped 22 rural localities with a natural disaster-resilient remittance platform.
- In West Africa, the UPU's IFS software suite has enabled 355 rural localities to offer remittance transfer services. Sending money now only takes two days, as opposed to the former two weeks. To date, 50,000 families have used the service and money order volumes have doubled in project areas.
- In Paraguay, over 14,100 new clients joined the new mobile banking platform and global service provider Konecta S.A.

The way forward

Reaching rural areas is at the core of the FFR mandate. In this report, the Facility has identified three conduits that represent diverse methods for achieving broader geographical coverage through institutions with a proven record of servicing remittance recipients in rural areas: postal networks, mobile financial services and microfinance institutions.

It is regulatory frameworks that largely determine the degree to which these conduits are able to do so. As a result, advocacy and outreach to regulators on this issue are priorities for the Facility. After ensuring that formal services are provided in a manner that protects the interests of consumers and the payment system, the next priority is to enhance the ability of service providers to meet the needs of their clients. For institutions that are already focused on the target group, this priority involves extending their branch networks, investing in new technology and training staff. Where necessary, innovative solutions to logistical and infrastructure challenges must be found. For institutions that are considering whether or not to provide services to client groups, institutions such as IFAD can help encourage collaboration in exploring business models that can be simultaneously pro-poor and pro-business.

All the interventions listed above are costly and time-intensive. To be sustainable, they must generate a sufficient return on investment. To ensure that this is the case, innovative business models must be identified, tested and scaled up.

Paradoxically, as the goal of reducing the cost of remittances for recipients is achieved, revenues for transfer companies decline, reducing the incentive to facilitate remittance flows. As the most competitive markets show us, however, offering a full range of financial services helps maximize revenues for service providers. In the end, this approach has the benefit of meeting the needs of remittance recipients and broadening their options for using their funds.

Providing access to financial services in rural areas is at the core of the FFR mandate. Building on its experience to date, the Facility is targeting each conduit with a dedicated initiative that will extract the lessons learned from the current portfolio, adapt their underlying models to new markets and help project partners replicate and scale them up.

In fact, this scaling up – and scaling out – have already begun in the case of the FFR's *Postal Networks Initiative*. The success obtained from the first project implemented in West Africa is being scaled up by UPU, in partnership with national postal authorities, in Central Asia and in Southeast Asia, where projects have the potential to impact an enormous number of rural clients. Scaling-up interventions are also being carried out in several African countries, through the new *African Postal Financial Services Initiative*, in partnership with the World Bank, UNCDF, UPU and WSBI/ESBG.

Virtually every person in the developing world now owns a mobile phone. Realization of the potential of this vast network to improve access to finance is central to the FFR's *Mobile Financial Services Initiative*. Without the additional cost of brick-and-mortar institutions to maintain, mobile financial service providers have an edge in terms of cost, convenience and geographical coverage. This initiative will seek to ensure not only that a convenient method of both paying and saving is provided, through a very low-cost microaccount at a partner bank, but that migrant workers' families and rural people are also provided with equal access to the financial system. The initiative will address the challenges of the rural business model specifically, and will identify how best to ensure that mobile service providers help drive rural development.

Of the three conduits, MFI networks are by far the most familiar with providing financial services to rural clients. By offering remittance services, MFIs stand to gain from both revenues and deposits, which can be used to provide loans to local community members. In this light, the FFR is developing its *Microfinance Networks Initiative*, which aims to integrate remittances more deeply into the MFI business model and, thus, increase the impact of rural MFIs on local development.

3 Empowering through education:

Enabling migrant workers to best use their resources through financial education

The strategy

While most migrants move abroad with the fullest intention of returning home, the realities of migration are often different than migrants' aspirations. This fact is especially true for those unable to save.

The budgetary situation of transnational families is markedly different from that of traditional ones. While migration increases income, the voyage is generally financed through debt. When migrants reach their destinations, the cost of living is significantly higher than in their home country and the expenses associated with living apart are far greater than those for a family living under one roof.

Simple actions such as tracking income and expenditures, budgeting and financial planning can help migrant workers and their families gain control of their financial lives and make realistic plans for the future.

Attention to migrant family dynamics is fundamental. Migrant workers' newfound 'wealth' changes the way family members view them and introduces a difficult power dynamic. Family members will call on migrant workers to finance expenses ranging from emergency care or productive investments to consumption purchases. This places migrant workers in the difficult position of having to discern which requests are vital, and which are secondary, all the while being a world apart from their families.

This practical dilemma is usually entwined with strong feelings of obligation or guilt felt by many migrants, especially migrant women. As a result, the toughest and most important lesson is often to learn when to say 'no'.

One of the most effective mechanisms to avoid a situation in which the migrant becomes the sole pillar supporting a family's finances is to share the responsibility. The FFR actively encourages financial literacy programmes that address both sides of the transnational family. By involving the families 'back home' in the budgeting and decision-making process, every choice becomes a shared responsibility.

Reducing risks

Migration goes hand in hand with a series of risks. Especially when financed by debt, it is essential that migrants are able to work and mobilize resources in a stable manner to pay back loans and begin to save. Financial literacy programmes can help migrant workers better understand how these risks impact their lives and how to mitigate them. The FFR has financed a number of initiatives that mitigate risks through insurance products; they are discussed in chapter 5.

A number of events can have a deeply negative impact on the financial lives of remittance recipients. In the worst instance, family income can be reduced or cut altogether when a migrant worker loses his or her job, becomes ill, disabled or passes away. When similar events occur within a migrant's family, the increased costs place extra pressure on the migrant. In each of these cases, there is a very real risk of a need to turn to informal lenders or to lenders that charge high interest rates for emergency loans. The financial consequences of such loans, and especially of not being able to repay loans, can be severe.

Financial education can help provide migrant workers with risk-mitigation strategies – from the setting aside of funds in an emergency account to the various types of insurance that can help minimize the detrimental impact of unforeseen events.

Savings and investment

FFR projects have demonstrated that migrants who believe they can only make ends meet are often able to save much more than they had expected. As migrant workers advance in their host communities and in their professions, earnings and savings increase, and the types of services they demand expand. Financial education can help migrant workers plan and save, but also identify new services that meet their specific needs.

Through many of its projects, the FFR encourages migrant workers to save part of their remittances in deposit accounts, establishing a history of a steady income stream; this results in financial institutions being willing to provide migrant workers and their families access to credit.

One risk that receives little attention is that of the unplanned separation of those who live apart for long periods of time. This separation can have catastrophic financial consequences for families in which there is a strongly dependent financial relationship. Financial dependency can come in a number of forms, including that of a family without alternative income streams, but is also faced by migrant workers who send their entire disposable income home and are cut off from the family's savings. In order to deal with these issues, it is vital that migrant workers are frank in their assessment of how to mitigate risks, and it is wise for them to maintain an emergency fund or savings account for themselves in the host country.

When basic finances are under control, risks have been mitigated and migrant workers have a comfortable amount of savings, attention can be turned to maximizing long-term financial independence through investment, as will be expanded on in chapter 5.

Project achievements and lessons learned: Financial education

The most striking example of the impact of financial literacy is a project undertaken by the Atikha Overseas Workers and Communities Initiative (Atikha) and the Filipino Women's Council. Of the 8 million Filipinos working overseas, up to 70 per cent are not able to save enough to return to their home country. This fact results in migrant workers needing to stay abroad for a much longer period than originally planned, in addition to having to cope with a host of associated negative consequences.

"Financial literacy has given a sense of direction to our lives. I never thought I would be able to save in my life… Now, we migrants are proud to have become investors."

Minda, Filipino migrant in Torino, Italy

In order to change this situation and empower Filipino migrant workers living in Italy, Atikha provided financial education to more than 1,500 domestic workers, mostly women, through training courses in financial planning, budgeting, goal setting, savings and investment.

The project was a comprehensive example of how a training programme can be tailored to include the entire range of migrant workers' needs. Key to its success was the practical nature of the training provided, addressing concrete problems confronted by migrant workers and their families. The training stressed that working abroad is meant to improve migrant workers' financial independence and not to encourage their family's dependence on remittances. By sharing information and strategies acquired with family members in their home country, a sense of mutual commitment and support to the family's overall goals was created.

Financial education to boost small and microenterprise development

Financial literacy training also proved to be central to the success of the project undertaken by CMF in Nepal. The project offered training to local migrant families, as well as a capacity-building programme that helped local MFIs improve the quality of the financial services they offered. CMF held more than 50 financial and business literacy classes, attended by 1,000 migrant worker family members. A further 250 were trained in enterprise development.

Some of the women trained by CMF have set up their own small poultry business in Nepal.

The approach adopted by CMF increased the number of migrant workers obtaining loans by more than 200 per cent, and the number of enterprise loans doubled. By project end, more than 900 jobs were created through new investments in local cooperatives.

Financial education in home countries

The project implemented by the Himilo Relief and Development Association (HIRDA), a Somali diaspora organization based in the Netherlands, relied on financial literacy training to enhance the impact of its new online cash transfer system. This system is based on collaboration between MTOs and local store owners in three villages in the Gedo region of Somalia, allowing recipients to collect their remittances directly from local stores in the form of groceries and other vital goods.

The request for training arose from the remittance receivers themselves. As the project progressed, it became clear that basic mathematics and literacy skills were a challenge, since many could not read or write. Thus HIRDA offered basic courses in math, reading and writing, before proceeding with its financial literacy training. Through this training, participants were provided with very practical information and tools for optimal use of the funds received. Local shop owners also attended classes, resulting in the training of 220 persons from the three villages.

One of the success factors of the project was that HIRDA, being a Somali diaspora organization, clearly understood the local context, customs and existing needs of its clients. Moreover, courses were endorsed and supported by village elders, a key factor that ensured ample participation.

Remittance recipients and shop owners from the Gedo region of Somalia practised on the use of remitted funds together with HIRDA staff.

"It is easy for me to pick up my remittances from the shop in the village. I don't have to walk much and it is nice to come back with food."

Miryam, Somalia

Impact

- In Italy, Atikha and the Filipino Women's Council provided 1,500 Filipino migrant workers with financial literacy training to allow them to formulate and achieve specific savings goals.
- In Nepal, CMF trained 1,000 migrant workers, mostly women, in financial options and 250 in enterprise development. The number of migrant workers obtaining loans increased by more than 200 per cent, and the number of enterprise loans doubled. By project's end, more than 900 jobs were created through new investments in local cooperatives.
- In Somalia, HIRDA provided financial literacy training to 220 remittance recipients and local shop owners in three villages in the Gedo region. The training provided practical information and tools for optimal use of the funds received.

The way forward

Financial literacy is a fundamental step in empowering remittance senders and recipients to make the most of hard-earned funds. Project results point to the fact that migrants and their families are keen to save and invest their resources, but often lack access to options. Financial education enables them to use the knowledge acquired to their maximum benefit.

By sharing the responsibility for financial decisions with family members and minimizing risks, migrants can build a solid financial foundation. Many of these financial strategies are new to migrants, and sometimes outside their cultural comfort zone. Thus, broadening migrant workers' understanding of their financial options is essential to FFR projects.

Financial education must remain a central pillar of every project dealing with the provision of financial services. To this end, the FFR will develop a financial literacy toolkit.

4 Promoting a full range of financial services:

Deepening the variety of services available to migrant workers and their families

The strategy

Helping migrant workers and their families achieve financial independence depends on more than remittances alone. Both sides of the transnational family must be able to leverage their funds as efficiently as possible and be given the tools to do so – financial services are those tools.

Virtually all FFR projects seek to improve access to basic financial services, with the intention of strengthening rural financial institutions and increasing the range of services they offer. By doing so, the FFR introduces remittance recipients to the marketplace and, at the same time, assists financial service providers in tailoring their services to meet the needs of their clients.

To achieve maximum results, a thorough understanding of the marketplace is essential. In many countries, basic information on remittance flows is scarce, as is analysis of the demand for rural financial services. While encouraging private-sector entities to offer tailored services is the most effective way to ensure large-scale impact, convincing them to expand the range of products they offer requires a clear indication of inherent benefits. Through joint partnerships in researching and developing financial services that companies might otherwise consider too risky, business models are developed that can be scaled up and replicated by other commercial enterprises.

When it comes to the provision of services that transcend borders, regulatory issues are fundamental. Regulatory frameworks are often drafted based on the needs of high finance, as opposed to rural finance, and are rarely drafted with the particularities of transnational migration in mind. Regulators face the difficult challenge of ensuring the stability of payment systems, while providing a level playing field for a broad range of bank and non-bank financial institutions. Maximizing the inclusion of these institutions is the most effective way to unlock access to financial services in rural areas. The examples in this chapter will illustrate this reality and highlight some of the differences between traditional and transnational financial services.

Project achievements and lessons learned: Basic financial services

Cross-selling of basic financial products

In Uganda, FINCA International provides a good example of how an MFI can leverage its client base to cross-sell financial products, and at the same time widen the range of options available to rural households.

FINCA International piloted the use of debit cards in increasing low-cost cash transfers in rural areas. Prior to the project, roughly 60 per cent of new savers were using informal financial services or none at all. FINCA International opened over 2,100 new savings accounts, mobilizing US$90,000 in savings since the project launch.

Over 2,100 new savings accounts were opened, which use FINCA International electronic cards.

To maximize impact, it further developed a follow-up strategy based on the main project findings. It noted that the key reason preventing potential clients from signing up with the programme was that its brick-and-mortar branches were distant from their clients' homes and closed too early. Based on these findings, FINCA International is now expanding its outlets by using a network of agents, thereby allowing clients more convenient access to their savings at merchant locations near their homes.

In Tajikistan, another project implemented by FINCA International has set up a remittance transfer network in cooperation with four MTOs. By leveraging its customer base, FINCA International also designed and launched a loan product for potential migrants, with 1,000 loans, for a total of over US$600,000 disbursed to Tajik households seeking to pre-finance the migration of a family member. A post-project client satisfaction survey showed that some 90 per cent of customers were happy with the credit product and would borrow from FINCA International again.

Working with the private sector to tailor financial services

Launch of the pilot 'Adhistana' savings product for migrant families in one of HNB's branches in rural Sri Lanka.

In Sri Lanka, Hatton National Bank (HNB) designed a remittance-linked savings product that grants access to two financial products highly aligned with the needs of migrant workers and their families: insurance and productive loans. Just two months after introduction of the service, more than 200 savings accounts were opened, with a total value of some US$50,000. HNB originally intended to pilot these products in four of its branches, but due to the overwhelming response, the product will be introduced in all 231 branches during the first year of project implementation.

"Our new products empower migrant workers and their families with greater financial inclusion. They lead towards improved standards of living and a stable and independent future."

Chandula Abeywickrema,
HNB, Sri Lanka

Significant drivers of success included HNB's well-established remittance services, strong brand and branch network, and the easy integration of the new products into its management information system. Moreover, HNB staff attended training sessions to help them inform new customers of the benefits of the new services.

The encouraging results obtained by HNB clearly illustrate the value of using donor funds to encourage the private sector to undertake pilot projects. With the potential to scale up successful operations, private-sector companies can have impact far beyond the envisaged original scope of the pilot.

Project achievements and lessons learned: Housing loans

Housing finance is particularly important for migrant workers, as it is generally the first significant investment they envision after providing for the day-to-day needs of their families. Yet they face major constraints in financing housing improvements and mortgages. The problems range from lack of access to finance in host countries to the fact that financial institutions in their home country ignore the remittances as an income stream for their families. All too often, as a result, houses are 'permanently under construction'. Being able to secure home-improvement loans or mortgages from trusted financial institutions could help reduce this phenomenon.

However, financial institutions wishing to provide housing loans also face important challenges. In host countries, a foreign mortgage may be treated as an international investment, complicating matters significantly for financial institutions. The overlap in legal jurisdiction between the two countries in the case of a borrower's default is another, making it expensive and risky for firms to engage in this area.

The FFR has piloted two initiatives in the provision of housing loans to families of migrant workers. Beyond the actual outreach, the main outcome of these projects has been the establishment of viable models suitable for scaling up within institutions and for replication in other markets.

In Senegal, the Groupe de recherche et d'échanges technologiques (GRET) piloted the provision of loan products for the families of Senegalese migrants working in Italy. These products are tailored to meet the following needs: purchase of land, construction, purchase of pre-existing housing, and home improvement. The project resulted in 100 families opening a housing savings account, of which 10 families signed housing savings plans by the end of the project. These customers became eligible for loans of from US$1,600 to US$16,000 for a period of up to three years.

The new housing loan launched by GRET helped Senegalese families build new houses with remittances received from Italy.

As a result of the project, borrowers were given a mandatory savings period with a minimum threshold of savings. These stipulations were made a condition for obtaining the loan. The project not only offered housing loans, but resulted in an increase in regular savings as well (about half of the remittances sent by migrants during the project remained in the savings accounts). Beyond its quantitative achievements, GRET demonstrated that housing finance can work without a mortgage guarantee. The key condition is a sound analysis of the migrant client's risk profile.

Habitat for Humanity Tajikistan (HFHT) also tested a remittance-based housing product. Over 250 rural households in the Rasht district learned how to use their remittances to invest in housing by saving part of their remittances and by further accessing remittance-linked loans offered by HFHT. Because of the innovative nature of the loans in the local marketplace, they were subsidized to encourage people to make use of the service.

Borrowers of the new remittance-linked housing loans offered by Habitat for Humanity stand by their newly built house in the Rasht district of Tajikistan.

While the families receiving loans from HFHT were overwhelmingly enthusiastic, the housing loan model was not replicable by commercial enterprises. Due to the tight spread between the banks' lending costs and the returns on the loans, banks felt that their return was not sufficient.

Another issue was regulatory in nature, as making loans conditional on savings was a new model for regulators. As a result of the project, various MFIs entered into dialogue with local and central authorities, describing the methods used to lend to their customers and exploring the possibility of setting preconditions for these loans. This first step taken by HFHT will contribute to the establishment of a formal dialogue having the potential to broaden the way in which financial services are provided.

Project achievements and lessons learned: Insurance

While housing is often the first thing migrant workers wish to invest in, insurance can be one of the most essential. Many migrants begin their journey abroad by taking out a loan to finance their travel and, thus, start from a vulnerable financial position even before reaching their destination. Faced with unforeseen high costs of living and a limited salary, income shocks can have very negative effects on the financial lives of migrant workers and their families. Insurance can help mitigate the impact of negative shocks and protect migrant workers and their families alike.

One of the holders of the new savings products offered by HNB in Sri Lanka.

Sudden demands for money can result from the illness or death of a family member, loss of the job, or sickness or death of the migrant. Insurance can help protect migrant workers and their families against insolvency, thus avoiding the need to take out high-interest loans to cover expenses or sell assets to make ends meet. Insurance products are especially important when the lack of access to formal financial services forces migrants to make use of informal lenders, with all the associated disadvantages.

The Asia and the Pacific region hosts two FFR projects involving cross-selling of insurance products for migrants and their families.

In Sri Lanka, HNB is developing solutions that are tailored both to migrant workers' needs and to increasing revenues for the bank. In addition to its savings product, HNB will also offer migrant insurance packages for account holders one year after account opening. This facility is especially relevant in a country such as Sri Lanka, where insurance penetration is reported to be 10 per cent and where the close-knit culture does not give much prominence to insurance. In the meantime, HNB is providing information to migrant workers before their departure on how to insure family members, making sure that families can discuss the options open to them beforehand.

In Nepal, CMF has enabled development of insurance products for migrants through 10 local MFIs. Two products were designed: the Cooperative Unemployment Return Facility and the Cooperative Unemployment Allowance. These products were introduced to over 270 young Nepalese and later rolled out to 40 financial institutions in the country.

On the basis of past lessons learned regarding insurance, another FFR project, implemented by Lanka Orix Finance Company Ltd., will offer insurance products to Sri Lankan migrants. These will include coverage for sudden termination of employment, life insurance policies or unexpected travel expenses to Sri Lanka to attend the funeral of an immediate family member.

Impact

- In Uganda, FINCA International opened over 2,100 new savings accounts at rural FINCA International branches, mobilizing US$90,000 in savings since the launch of the project. Sixty per cent of new savers were relying on informal methods or were not saving at all prior to the project.
- In Tajikistan, FINCA International extended 1,000 loans totalling over US$600,000 to migrant families. Some 90 per cent of customers were happy with the credit product and would borrow again.
- In Senegal, GRET offered a housing loan product for remittance-sending migrants, adapted to their specific needs, which resulted in the activation of 100 housing savings accounts and a new revenue stream for MFIs.
- In Tajikistan, HFHT trained over 250 rural households in the Rasht district on the role of savings (of part of their remittances) in obtaining credit to invest in housing.
- In Sri Lanka, HNB opened more than 200 savings accounts during the first two months of project implementation. The savings product was rolled out to all 231 HNB branches during the first year of project implementation.
- In Nepal, CMF introduced two new unemployment insurance products to over 270 young Nepalese and rolled the product out to some 40 financial institutions in the country.

The way forward

Based on project experience to date, the FFR's initial approach to expanding the range of financial services through its operations has proved sound. Projects have brought to light three areas in which the Facility sees opportunities for expansion: (i) provision of insurance services tailored to the needs of migrant workers and their families; (ii) cross-border financial services such as mortgages; and (iii) pensions and other government-to-person payments. Each of these areas focuses on the provision of advanced financial services that could help meet the needs of the target group.

Migration-related insurance initiative

The case for a separate initiative on insurance products for migrant workers and their families is especially compelling. While the number of institutions willing to provide insurance products to this client base has been limited to date, the FFR has identified a number of opportunities in this area and is working with commercial partners to identify the specific challenges migrants face, their impact on financial well-being, and financial strategies employed to mitigate risk. As a result, well-tailored insurance products will be designed to meet the needs of migrants and their families.

Government-to-person payments initiative

While this is an area that has received limited attention, pensions and other international government-to-person payments are by volume much greater than international remittances, yet are indistinguishable as they flow through identical channels. As travel costs continue to fall and migration increases, cross-border government-to-person payments will become more prevalent. For this reason, the FFR believes that the topic warrants consideration, in terms both of identifying regulatory best practices and of challenges to cross-border government-to-person payments. It offers an opportunity to explore how these payments can lead to increased formal savings and reinvestment.

5 Migrant investment and migrant entrepreneurship:

Encouraging migrant workers to be agents of change

The strategy

Only when daily needs have been cared for and money has been put aside for emergencies can attention be turned to investment. In terms of development impact, investment in small or medium-sized enterprises (SMEs) can be a highly effective way of creating jobs and generating income 'back home'. Migrant workers possess tremendous assets, not only in financial terms, but also in terms of their knowledge, skills and networks. Effectively used, this migrant capital can be of great benefit to migrant entrepreneurs and their home communities. But while migration is a highly entrepreneurial act, not all migrant workers will become entrepreneurs. For this reason, FFR projects related to investment distinguish between investment in financial instruments and active entrepreneurship.

Project achievements and lessons learned: Investing in financial instruments

In order for remittance senders, recipients and entrepreneurs to invest, the financial infrastructure must be in place to allow access to deposit, credit and insurance services. While there are many investment opportunities for large-scale investors, finding these for smaller-scale investors is far more difficult. Migrant investment funds and diaspora bonds are two types of vehicles for investment in financial instruments. However, there is a need to identify other models that mobilize higher returns and at the same time have broader appeal.

Partnering with the private sector

The International Agency for Source Country Information (IASCI) developed a successful collaboration with commercial banks in mobilizing migrant capital. The project created migrant-tailored financial products that promote higher returns, increase migrant earnings and attract migrant savings to the country of origin.

"We used to migrate to survive. Now, we migrate smarter. We have one objective – saving and return better."

Albanian migrant

In Albania and Kosovo, over 1,100 migrants made use of the new products, ranging from the 'flexible deposit account' (combining higher interest rates with the possibility of withdrawing capital and interest, as needed), to the 'welcome migrants account' (a one-to-two-year term deposit with no minimum deposit amount required, and with a high interest rate).

IASCI, in collaboration with the Raiffeisen Zentralbank Österreich Group, built a solid network of partners to launch these innovative products. The network includes FINCA International, the Tirana Bank, and the International Centre for Community and Enterprise Development – increasing the project's sustainability and attracting other investors from the market.

In addition to a dearth of concrete financial options, another major constraint encountered in migrant entrepreneurship projects is the lack of an enabling regulatory framework in both home and destination countries. In this regard, the project devoted great efforts towards disseminating the main outcomes of its market research. As a result, a new initiative was developed with the Office of the Diaspora in Kosovo and the Ministry of Labour in Albania to improve the management of migrant diaspora contributions.

Helping local government maximize the benefits of migration

Veneto Lavoro, a government agency in Italy's Veneto region, undertook a project that is the FFR's most comprehensive example of support to migrant entrepreneurship. The focus of the initiative was fourfold. The agency first developed an innovative guarantee fund model for migrants, to act as co-guarantor (together with the Romanian National Guarantee Fund for SMEs) in financing the start-up phase of selected businesses run by Romanian migrants in their home country. As a next step, the project established a one-stop shop to provide assistance to migrant-run enterprises in order to enhance the capacity and the skills of migrant entrepreneurs. This was followed by the creation and launch of a series of financial products specifically targeting migrants' needs. An example of these products is the new 'transnational bank loan', addressing Romanian nationals or Romanian entities operating in Italy that want to invest in Romania. Lastly, Veneto Lavoro built a network of collaborating government authorities – including the Ministries of Labour and of Foreign Affairs of Romania and the Italian Institute for Foreign Trade – to increase awareness of the newly developed solutions for migrant investment and to gain additional support for replication and scaling up.

The help desk sponsored by Veneto Lavoro provides technical backstopping for Romanian migrants' start-up enterprises.

Migrants investing in their home communities

Atikha took a very realistic approach to investments – identifying migrants who expressed a desire to start their own businesses back in the Philippines and recognizing that many required specific training before they could do so successfully. The courses offered by Atikha led some group members to use their savings to start small businesses, while others invested in less hands-on investment vehicles that would still earn them a better return than a normal bank account.

As a result, 900 migrants pooled their savings in order to join the Soro-soro Ibaba Development Cooperative (SIDC). In addition to providing members with cheaper remittance transfer options, SIDC allows the pooling of migrant savings for reinvestment in the start-up of new businesses in the provinces of Batangas, Cavite Laguna, Pampanga and Tarlac. Moreover, many of those who did not join SIDC invested in the start-up of their own small activities, or saved for a predetermined goal (weddings, durable goods, etc.).

Over 1,000 Filipino migrant workers in Italy are now able to set financial goals and save thanks to Atikha's financial literacy courses.

In addition to maximizing their own financial gains, participants sought to contribute to the development of their home communities. To that end, participants identified investment in agriculture as the best way to create local jobs, taking advantage of local conditions and expertise to maximize their return on investment. By mobilizing relatively small monthly savings and jointly investing in an agricultural cooperative, these migrant workers have become agents of change for themselves and their communities.

Project achievements and lessons learned: Migrant entrepreneurship

For many migrant workers, starting a business of their own is the highest form of success. A thriving enterprise can provide income and security, at the same time providing jobs to family members and relatives. Migrant workers bring with them experience, expertise and connections. Investment in SMEs helps energize local development by creating employment, boosting family income, fostering educational opportunities and leading to infrastructure development in villages and small centres.

"With the opportunities made available to us by SIDC, we can see a bright future for us in our home town. The time to come back is getting closer."

Minda, Filipino migrant in Torino, Italy

In Peru, a project carried out by the Centre for the Advancement of Women (CEPROM) trained 63 transnational families in business development. CEPROM's project partner, the Institute for Migration and Development of the Andean Region (INMIGRA), is working closely with the Peruvian Ministry of Labour and Employment Promotion to coordinate the work of municipalities in assessing the impact of migration on their communities. Through a series of training sessions with local government officials, the project is raising awareness of the opportunities associated with migration and helping develop plans for fostering the productive use of migrant capital.

In the case of the CEPROM project, the involvement of project partners and the Government was a key factor in ensuring the project's success and sustainability. It also catalysed the commitment of the municipalities and migrant organizations involved, as their role was being acknowledged by the central authorities.

In Republic of Moldova, the FFR projects implemented by the Moldova Microfinance Alliance (MMA) and the Business Consulting Institute (BCI) have the development of migrant-run small enterprises in rural regions of the country.

MMA selected 10 business models through a competitive process, and entrepreneurs were assisted in the development of their businesses and in obtaining access to funding from financial institutions. The businesses selected all have a strong focus on rural agriculture.

In the case of BCI, training in business start-up was provided to some 500 remittance senders and recipients. As a result, 80 new businesses were registered and launched, and 180 new jobs created.

CEPROM's training program for transnational family enterprise development is advertised at a local fair in the Junin region of Peru.

BCI supported the start-up of small migrant-run businesses in rural Moldova.

Impact

- In Albania and Kosovo, over 1,100 migrants made use of the new products for migrant investment developed by IASCI.
- In Italy, Veneto Lavoro developed an innovative guarantee fund model for Romanian migrant workers and established a one-stop shop to provide assistance for migrant-run enterprises, along with financial products targeting the needs of migrant workers.
- Atikha trained 900 Filipino workers (mostly women) in Italy, who then invested either in SIDC or in small businesses in their rural communities in the Philippines.
- In Peru, 63 transnational families were trained in business development by INMIGRA and CEPROM, and 31 families have established businesses as a result of the project.
- In Republic of Moldova, MMA helped incubate and develop 10 businesses with a strong focus on agriculture.
- In Republic of Moldova, BCI trained 500 migrants and their families in business start-up. This training resulted in the development of 80 new businesses registered and launched, and 180 new jobs created.

The way forward

The perception of the role of migrant workers in development is beginning to shift. Both governments and institutions are quickly coming to realize the vast potential of mobilizing migrant capital for the development of national and local economies.

Migrant workers around the world will send home well over US$350 billion to their families in developing countries by the end of 2011. The World Bank estimates that migrant workers maintain additional savings of US$400 billion that they could invest in their home communities. By setting up new enterprises or simply investing in financial products tailored to their needs, migrant workers secure a better future for themselves and their families, while simultaneously stimulating job growth in their home communities.

Diaspora Investment in Agriculture initiative

The inspirational migrant investment schemes pioneered by Atikha, as well as the experiences of those FFR projects addressing SME development, have led to the creation of one of the most innovative initiatives to emerge from the FFR – the Diaspora Investment in Agriculture (DIA) initiative.

Migrant workers have a strong affinity with their home communities and are far better informed in terms of the language, culture and religion of their country than most foreign investors. This affinity makes migrant workers willing to take on risk by investing ‘back home’ when others will not. Together with migrants' financial resources and transnational contacts, this unique combination has been the driving force behind the creation of the DIA initiative, launched in May 2011 by United States Secretary of State Hillary Clinton and IFAD’s President Kanayo F. Nwanze.

Secretary of State Hillary Clinton and IFAD President Kanayo F. Nwanze launched the DIA initiative at the Global Diaspora Forum 2011, at the United States State Department in Washington, D.C., from 17 to 19 May.

Inspired by FFR projects and the experience of FFR donor institutions, DIA aims to encourage members of the diaspora to invest in agriculture in their home communities. Because the initiative specifically focuses on post-conflict countries and fragile states, it aims to tackle some of the most challenging environments imaginable.

By identifying opportunities and building the capacity of local institutions in the countries included, DIA seeks to improve food security, tap niche markets that offer high returns and catalyse job creation in rural communities. By taking a market-oriented approach that maintains joint ownership of projects by local communities and migrant investors, initiatives to be funded by DIA will be designed to maximize sustainability and impact in order to enhance stability.

By fostering collaboration between migrant investors and local communities, DIA will strengthen bonds among communities and help transcend some of the issues that make local collaboration difficult. The final goal of the initiative is to help migrant investors build a bridge between the end of conflict and the beginning of development in their home communities.

Under the DIA initiative, in early 2013 IFAD launched the programme 'Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture'. The US$1.5 million programme is being implemented by the Business in Development (BiD) Network Foundation. It aims at financing innovative diaspora projects in Somalia and Djibouti, encouraging multifaceted strategies that bring diasporas across the world in contact with private enterprises and the civil society in their home communities, local and national governments, and the international community. The programme aims at building capacity to promote the transformation of diasporas into agents of development.

6 Gender

The strategy

The dynamics of how women and men send money home are significantly different. Recognizing this fact and tailoring interventions to the needs of each is vital to achieving the maximum benefit for the sacrifices migrant workers make. Global trends, including the feminization of migration, make it all the more vital to understand the impact of migration from a gender perspective.

In effect, the topic of gender transcends each of the five areas of intervention that have been described in this document and, hence, should be addressed as a golden thread that runs through each. The FFR has approached the topic of gender in its projects not by dedicating specific projects to the topic, but by placing a priority on projects that adopt innovative approaches to gender issues. It is perhaps not surprising that projects incorporating gender dimensions have been among the best designed, and have shown some of the most significant results as well.

Project experience

Ram Kumari Poudel, wife of a former migrant worker in Malaysia, participated in the enterprise development training offered by UN Women and started her grocery business in Pokhara, Nepal.

"Thanks to UN Women's trainings, my family is now united… I have started my own grocery business and convinced my husband to come back to Nepal."

Ram Kumari Poudel, Nepal

Returnee migrant women workers and family run businesses

The most notable example of an FFR project focused on empowering women is one undertaken by the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) in Nepal. The project provided training sessions on enterprise development to some 900 women migrant workers, leading to impressive results. As a direct consequence of the lessons, 450 women established or upgraded their businesses, with a further 150 in the early stages of doing so at the time of the last progress report. Various entrepreneurial pilot schemes were adopted, varying from vegetable farming to clothing boutiques and tailoring, candle-making and weaving. Moreover, 300 women organized themselves into entrepreneurial groups and initiated a programme to pool savings in order to lend to each other. All participants in the programme reported increased income and better living conditions as a result of the project, in addition to growing self-confidence and a strong willingness to teach relatives and friends what they had learned.

Migrant women workers investing in agriculture in home communities

Another project that specifically addresses the financial needs of women is one undertaken by Atikha in the Philippines. It builds on the results of a study undertaken by IFAD in conjunction with UN Women, which found that up to 70 per cent were not able to meet the financial goals that were the reason for their migration in the first place. Through training courses offered by the Filipino Women's Council, the project enabled migrant women workers to learn about financial planning, budgeting, goal setting, saving and investment opportunities.

The first step was to consider the (often minimal) amounts that migrants managed to save every month and to identify the main challenges faced. One of the most important lessons learned by migrant women workers was when to say 'no' to family requests for money that did not meet an essential need. Despite initial difficulties (in light of the Filipino context), they realized that this was as vital to their ability to prepare for a rainy day or for their eventual return as it was to making sure that their families did not become dependent on remittances. In just a few months, participants went from saving minimal amounts to saving up to US$300 a month. Because of their wish to earn a good return on their money, while also helping develop their home regions, they pooled their funds to join SIDC and invest in small agro-based enterprises.

The women who participated in the project expressed great enthusiasm that they were able to put what they had learned into practice and ultimately achieve their savings goals. Most importantly, they involved their families in the financial planning, ensuring that the family's well-being became a shared commitment.

Some of the Filipino women trained by Atikha invested in a poultry business in their home country.

Enhancing women's access to finance

FFR projects are sometimes undertaken in even the most difficult conditions. HIRDA sought to develop an online remittance transfer platform that would reach rural remittance recipients in three villages of the Gedo region of Somalia.

Through the innovative system set up by HIRDA, shop owners periodically travel to urban areas to cash remittances, rather than individual recipients needing to travel. Remittance recipients simply pick up their transfer in the form of groceries and other vital goods directly from local stores. This arrangement ensures that family members can safely pick up their daily necessities without being exposed to potential security issues, while at the same time providing remittance senders with a higher degree of control over how their hard-earned money is spent.

Prior to its planned financial literacy training, HIRDA provided basic literacy courses to remittance recipients. These courses were attended with great enthusiasm by all participants, of which 80 per cent were young women who learned to read and write within the first module, allowing them to attend the financial literacy courses on remittances, savings and access to credit.

Meeting the need of woman-headed households for financial services

As a result of government prioritization of male migration from Sri Lanka, HNB sought to create a series of products specifically designed for woman-headed households. Working together with Women's World Banking, HNB created a product for depositing remittance transfers into a specialized bank account, with the express purpose of graduating from savings to insurance and loans for productive enterprises.

Impact

- In Nepal, UN Women provided 900 women migrant workers with training sessions in enterprise development. Of these, 450 established or upgraded their businesses and another 150 reported that they were in the process of doing so. Some 300 of these talented women formed entrepreneurial groups and pooled their savings in order to lend to one another.
- In Italy, Atikha trained Filipino migrant workers (mostly women) to save and invest in existing cooperatives and new enterprises in the Philippines, enhancing their financial security and making it easier for them to return home.
- In Somalia, HIRDA trained 320 women in financial literacy, providing them with strategies for the use of remitted funds, savings and access to credit.
- In Sri Lanka, HNB opened over 200 savings accounts as a result of a project targeted to woman-headed households in the first two months of implementation alone.

The way forward

One preliminary lesson drawn by the FFR from its current projects is that investing in the empowerment of women migrant workers and woman-headed households through financial literacy and enterprise development training has demonstrated impressive results.

Given the very specific migration patterns for each country in terms of male/female balance, destinations chosen and types of professions practiced, gender strategies must be driven by national contexts. The project led by HNB illustrates the type of approach that the FFR will see adopted more broadly in its future portfolio, encouraging projects that deal with the provision of financial services to recipients to address differences in the needs of women/men migrant workers and women/men heads of households 'back home'.

To sum up, the FFR experience has confirmed there is a multiplier effect in providing innovative solutions to better financial access for women. Projects investing in migrant women workers have proved to be beneficial and rewarding for all concerned – the women themselves, their households and their communities.

Conclusion

Over the next five years, migrant workers will transfer home more than US$1.5 *trillion*. Remittances are no longer calculated in the ‘errors and omissions’ column of balance-of-payments statistics. Instead, they contribute double-digit percentages to national economies.

The FFR has been working since its inception in 2006 to quantify the size of remittance flows and highlight their importance; bring together governments, companies and civil society organizations; build partnerships with international institutions; and help drive the agenda for rural financial inclusion. Through its 50 projects piloted throughout the world, the FFR has focused on making real changes on the ground. With the completion of the projects from its first two calls for proposals, the time has come to take inventory of the lessons learned and to plot out the road ahead.

High-impact interventions

The core mandate of IFAD and the FFR is the guiding principle of all projects implemented. By focusing on how best to improve access to financial services in a rural setting, the Facility is simultaneously driving financial inclusion, helping develop rural financial infrastructure and facilitating rural development. It has identified three main conduits for facilitating the flow of remittances to rural areas: (i) postal networks, (ii) mobile phone networks, and (iii) MFI networks. Building on the individual projects financed by the Facility to date, the FFR is consolidating its knowledge in each area and launching focused initiatives to address each one.

Innovation

The FFR has been a stalwart source of innovation. From the publication of the first-ever estimate of global remittance flows to developing countries, to working together with the private sector to finance innovative projects that can be taken to scale, the Facility has sought to continually push the boundaries of financial access. Through the new Diaspora Investment in Agriculture initiative, the FFR remains true to its innovative nature, recognizing the vital role that migrant workers play in bringing stability and growth to their communities of origin.

Advocacy

Whether it is through the *Sending Money Home* series of reports, the Global Forums on Remittances, active participation in international conferences and events, or building partnerships, the FFR has adopted an actionable as opposed to an academic approach to advocacy. Its interventions are short, to the point and generate real change in the marketplace. Subsequent to the Global Forums in 2007 and 2009, which focused on LAC and Africa, in 2013 the FFR's regional focus shifted to the world's most populous continent – Asia. In partnership with the World Bank, IFAD organized the 2013 Global Forum on Remittances, conveying lessons learned and highlighting opportunities that reside in the largest remittance marketplace.

Partnerships

Whether through the consortium of donors who founded the facility, participation in the GWGR, organization of the Global Forums together with IDB and AfDB, launching of the DIA initiative with the United States Department of State, or its newest collaborative efforts with the World Bank's Africa Department and Payment Systems Development Group, the FFR actively works with its network of partners, encouraging the exchange of information, knowledge and experience with institutions, experts and project partners alike.

The road ahead

To date, the FFR has focused on attracting innovative proposals for a broad range of project ideas. It has mobilized more than 1,000 such proposals through four calls for proposals. The body of experience generated has allowed the FFR to identify the most relevant areas in terms of innovation and impact.

The *Postal Payment Services Initiative* seeks to leverage the existing network of international postal payments and the 660,000 post offices that reach out into rural areas throughout the world. In close collaboration with UPU and national postal agencies, the initiative aims to modernize and stimulate innovation in postal payments based on the experience of a project completed in six West African countries, and subsequently replicated in Central and Southeast Asia, and through the new *African Postal Financial Services Initiative*, implemented directly by IFAD in cooperation with the World Bank, UNCDF, UPU and WSBI/ESBG in the entire African continent.

The *Mobile Financial Services Initiative* seeks to use the well-over 5 billion mobile phone handsets worldwide to bring financial services to the customer, rather than bringing the customer to the financial service provider. The FFR strives to stimulate true access to finance for mobile users, allowing them to send and receive funds domestically and internationally, deposit funds in interest-bearing accounts and stimulate the building of a credit history.

Highly innovative and solidly rooted in the core mandate of IFAD and the FFR alike, the *Diaspora Investment in Agriculture Initiative* builds on the experience of a number of projects from the FFR and its donors. The DIA initiative is designed to facilitate agricultural investment in post-conflict countries and fragile states, with the goal of creating local jobs and fostering stability through sustainable investment, further seeking to support migrant workers willing to invest in their home communities in some of the most challenging countries in the world.

In this context, the FFR started its activities in one of the most challenging regions – the Horn of Africa – through the programme 'Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture', implemented by Business in Development (BiD) Network Foundation.

The *Microfinance Networks Initiative* is the intervention most closely aligned with the goal of maximizing the development impact of remittances on rural areas. The initiative seeks to improve the ability of MFIs to offer vital services in rural areas, while mobilizing revenues and deposits for reinvestment in the areas at the heart of rural-to-urban and international migration. By fostering local enterprises and creating rural jobs, MFIs can help remittance recipients and their communities create viable livelihoods.

It is the intention of the FFR to use open calls for proposals and targeted interventions in the framework of each initiative to address the specific needs of rural clients. Interventions in each initiative will be scaled up to achieve the desired impact. To this end, the FFR actively seeks collaboration with new partners in order to mobilize expertise and resources.

Final thoughts

Despite the aftershocks of the financial crisis, the flow of global remittances continues to grow strongly. In light of the continuing decline in the cost of transportation and telecommunications, the stage is set for increased migration, as traditional destination countries recover from the effects of the financial crisis.

In the meantime, migration patterns are shifting with the economic winds. As growth in much of the developing world outpaces that of traditional destination countries, intraregional migration is increasing and new migration hubs are developing. A growing number of remittance-receiving countries are actively integrating remittances into their national development strategies and are shaping their financial regulations to ensure the maximum impact of these funds.

The remittance market is changing at a rapid pace, with technology transforming payment systems through reduced costs and transfer times, making it ever more vital to cross-sell financial services in order to maximize returns. By adopting an integrated approach, the options for accessing financial services also increase. The FFR is working to ensure that technological innovation is centred not only on urban areas, but also reaches into the rural areas where remittances have the greatest effect on families and on rural development.

Remittance senders and recipients alike are now recognized development actors, with the power to significantly improve their lives and the reality of their home communities. Through investment and philanthropy, the political clout of international migrant workers continues to grow. Recognizing, facilitating and supporting them and their families is key to ensuring that their sacrifices and hard work are brought to fruition, ensuring that migration becomes a choice rather than a necessity.

Annex I **The FFR Portfolio since 2006**

#	*Organization*	*Project name*
1	ABM	Improving access to remittances in Madagascar's rural Malagasy highlands
2	ACA	Remittances, financial democratization and entrepreneurship opportunities
3	ADA	Enhancing migrants' savings
4	AFFORD	RemittancesPlus – Multiplying money sent home: access to financial services and business support to rural remittance recipients
5	ATIKHA	Mobilizing migrant resources towards agri-based cooperatives in the Philippines
6	BCI	Support the innovative use of remittance in productive rural investment
7	BURO	Remittances in enhanced food security
8	CamCCUL	Expansion of Telecash in rural Cameroon – Telecash Rural
9	CEPROM	Pilot programme on entrepreneurial leadership aimed at transnational migrant family networks
10	CMF	Promotion of migrants' savings and alternative investment through selected microfinancing institutions (MFIs) in Nepal
11	Crystal Fund	Reaching Georgia's rural poor through mobile remittances
12	FEBOCAC	Electronic transfer system for remittances from Spain to rural areas of the department of Santa Cruz through Bolivian credit unions
13	FINCA International	Enabling affordable remittance services using card-based technology
14	FINCA International	Remittances and remittance-linked financial services for Tajikistan's rural poor
15	FONKOZE	Enhancement of the remittances services to and within rural Haiti
16	GRET	Design and testing of a housing loan product for Senegalese migrants living in Italy
17	GXI	GCash network activation
18	HFHT	Financial services for rural areas
19	HIRDA	'Banking Groceries' – Remittance transmission to rural areas
20	HNB	Remittance-linked savings for rural Sri Lankan women
21	IASCI	DEVINPRO 2008/09: Strengthening the link between migration and development through developing and testing replicable migration-related business models, products and services for migrants and their communities
22	IFB	Promoción de sistema de remesas como medio de impulsar la inclusión financiera de los receptores
23	IGS	Technology-assisted financial inclusion

Countries	Total cost (US dollars)	Cofinancing (% of total)
Madagascar	487 000	50%
Costa Rica	540 271	50%
Mali	500 000	50%
Sierra Leone	282 847	20%
Philippines	359 000	30%
Republic of Moldova	309 000	21%
Bangladesh	349 000	28%
Cameroon	331 440	49%
Peru	171 720	32%
Nepal	247 205	16%
Georgia	321 000	22%
Bolivia	265 680	30%
Uganda	342 693	37%
Tajikistan	172 845	58%
Haiti	582 465	30%
Senegal	380 816	41%
Philippines	925 000	73%
Tajikistan	137 686	30%
Somalia	306 935	24%
Sri Lanka	368 000	33%
Albania and Kosovo	418 958	44%
Peru	337 350	29%
India	31 249	64%

#	*Organization*	*Project name*
24	INAFI	Implementing a user-owned, low-cost remittance service that will become a platform for local social and economic development
25	IOM	Testing new channels and products to maximize the development impact of remittances for the rural poor in Georgia
26	Jardín Azuayo	Improve efficiency in remittances transfer and improve access to financial services in rural areas of the southern region of Ecuador
27	JNBSF	Bridging the gap to financial services for the rural poor in Jamaica
28	Konecta	Transferencia de remesas a través de monedero electrónico en terminales celulares
29	LOFC	Economic prosperity for rural poor through remittances disbursed via Lanka Orix Finance Company Limited
30	MECE	Fonds des émigrés pour le développement rural au Sénégal
31	MMA	Facilities of orientation-attraction of remittances into rural economic development
32	Opportunity International	Expanding the availability of remittance services in rural Malawi
33	Opportunity International	Building remittance services for the poor in Ghana
34	Oxfam Novib	Enhancing microfinance and remittances services to Ethiopia
35	PlaNet Finance	Remittances and rural microfinance in Madagascar
36	PlaNet Finance	Remittances building linkage for development of migrants and their families through microfinance services
37	Servei Solidari	Reinversión del talento de la inmigración en España a través de la inversión productiva de sus remesas en zonas rurales de Ecuador y Colombia
38	SNV	Micro-transactions platform for remittances
39	Swisscontact	Fomento de la Vinculación de Remesas con Servicios Financieros
40	UNIFEM	Economic security of women migrant workers
41	UPU	Extension of international remittances to rural areas of French-speaking countries in West Africa through domestic postal payment services network
42	UPU	Development of social payment and remittance services through postal networks in underserved areas in the central Asia region
43	UPU	Development of access to remittance services through postal networks in underserved areas in the Asia region
44	Veneto Lavoro	Support to migrants' entrepreneurship (SME) – creating innovative facilities to support migrants' economic initiatives in the countries of origin
45	YID	Expanding financial services to rural China through remittances

Countries	*Total cost (US dollars)*	*Cofinancing (% of total)*
Senegal	322 000	25%
Georgia	154 294	23%
Ecuador	50 662	72%
Jamaica	300 000	30%
Paraguay	214 483	28%
Sri Lanka	369 000	33%
Senegal	276 000	19%
Republic of Moldova	333 050	19%
Malawi	515 000	55%
Ghana	3 378 000	96%
Ethiopia	253 303	36%
Madagascar	280 000	30%
Philippines	302 000	20%
Ecuador and Colombia	325 048	24%
the Plurinational State of Bolivia	727 000	66%
Ecuador	529 362	47%
Nepal	307 000	26%
Benin, Burkina Faso, the Niger, Senegal, Mali, Mauritania	631 627	61%
Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan	381 000	34%
Cambodia, India, Indonesia, the Lao People’s Democratic Republic, Malaysia, Viet Nam	640 000	28%
Romania	320 175	19%
China	38 550	20%

During its years of operations, besides its regular staff, the FFR has been actively supported by its Steering Committee members and a number of experts which we wish to acknowledge.

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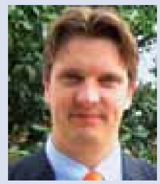

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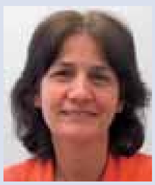

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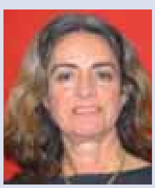

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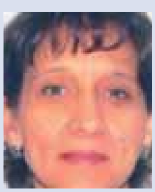

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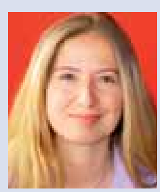

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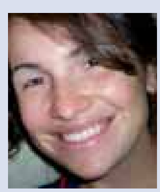

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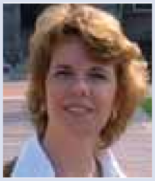

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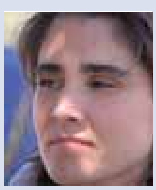

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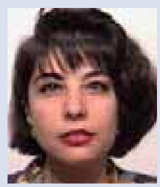

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Our project beneficiaries and their partners

AB Bank Ltd.
Academia de Centroamérica (ACA)
AccèsBanque Madagascar (ABM)
African Development Bank (AFDB)
African Foundation for Development (AFFORD)
Amhara Credit and Savings Institutions (ACSI)
Appui au Développement Autonome (ADA)
Asia-Pacific Postal Union (APPU)
Asociación de Bolivianos en España (ASBOE)
Asociación de Instituciones Peruanas de los Estados Unidos y Canadá (AIPEUC)
Asociación Peruana Virgen De Cocharcas (AVICO)
Association of Ethiopian Microfinance Institutions (AEMFI)
Atikha Overseas Workers and Communities Initiative Inc. (ATIKHA)
AUX-EL
AUXFIN
Banca Popolare Etica
Banco Continental S.A.E.C.A.
Banco de Oro (BDO)
Banco Hipotecario Dominicano (BHD)
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Basic Unit for Resources and Opportunities of Bangladesh (BURO)
BASIX
Business Consulting Institute (BCI)
Business in Development (BiD) Network Foundation
Cameroon Cooperative Credit Union League (CamCCUL)
Casa de Bolivia
Centre for Economic and Social Studies (CESS)
Centre for Micro-Finance (CMF)
Centro de Educación y Capacitación del Campesinado del Azuay (CECCA)
Centro de Fomento a Iniciativas Económicas S.A. (FIE)
Centro de Incubación de Empresas del Instituto Tecnológico de Costa Rica (CIE-TEC)
Centro de Promoción de la Mujer y el Desarrollo (CEPROM)
Centro Studi di Politica Internazionale (CeSPI)
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Confédération des Institutions Financières d'Afrique de l'Ouest (CIF)
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DolEx
ECOBANK Ghana Limited (ECOBANK)
Espíritu de Santa Cruz de la Sierra
Fadugu
Federación Boliviana de Cooperativas de Ahorro y Crédito (FEBOCAC)
Federación de Asociaciones de Peruanos en España (FEDAP)
Federación de Cooperativas de Ahorro y Crédito de Santa Cruz (FECACRUZ)
Federation of Associations of Senegalese Migrants in Catalonia (CASC)
Federazione delle Associazioni Senegalesi del Nord Italia (FASNI)
Femme Développement Entreprise en Afrique (FDEA)
Filipino Women's Council (FWC)
Finance Salone Limited (FSL)
FINCA Tajikistan
FINCA Uganda
First MicroFinanceBank – Tajikistan (FMFB-T)
Fondasyon Kole Zepòl (Fonkoze)
Fondo Financiero Privado Ecofuturo S.A. (ECOFUTURO)
Foundation for Economical Development and European Integration (FEDEI)
Foundation for International Community Assistance (FINCA International)
Fundació Privada Servei Solidari per la Inclusió Social (Servei Solidari)
Fundatia Dezvoltarea Popoarelor Prin Sustinere Reciproca
Giros y Finanzas Compañía de Financiamiento Comercial S.A.
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Habitat for Humanity Tajikistan (HFH Tajikistan)
Hatton National Bank, PLC (HNB)
Himilo Relief and Development Association (HIRDA)
Humana People to People (HPP)
Indian Grameen Services (IGS)
Ingenicard Inc.
Instituto de Formación Bancaria (IFB)
Instituto de Migración y Desarrollo en la Región Andina (INMIGRA)
International Agency for Source Country Information (IASCI)
International Network of Alternative Financial Institutions (INAFI)
International Organization for Migration (IOM)
Jamaica National Building Society Foundation (JNBSF)
Jamaica National Money Services (JNMS)
Jamaica National Small Business Loans Ltd. (JNSBL)
Junín Gobierno Local
Konecta S.A.
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Lider
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Ministry of Women, Children and Social Welfare, Nepal
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Pourakhi
Prime Bank Ltd.
Programme d'appui aux mutuelles d'épargne et de crédit au Sénégal (PAMECAS)
ProRuralInvest
Red Nicaragüense de la Sociedad Civil para las Migraciones
Red Transaccional Cooperativa (RTC)
Redeban Multicolor S.A.
Regional Commonwealth in the field of Communications (RCC)
Regione Veneto
Réseau des Caisses d'Epargne et de Crédit du Mali – Nyèsigiso
Schweizerische Stiftung für technische Entwicklungszusammenarbeit (Swisscontact)
Sèvis Finansye Fonkoze (SFF)
Síntesis S.A.
SMART Communications Inc.
Soro-soro Ibaba Development Cooperative (SIDC)
Sri Lanka Bureau of Foreign Employment (SLBFE)
Sri Lankan Embassies in Italy and Middle East
Tahiry Ifamonjena Amin'ny Vola (TIAVO)
Telefónica S.A.
Telegiros S.A.
Training and Marketing Professionals Inc. (TMPI)
Transfer Express Inc. (TE)
Transformando Cooperativa, Corporación cívica Daniel Guillar (CECAN)
UMVA
Union des Institutions Mutualiste Communautaire d'Epargne et de Credit (U-IMCEC)
Unistream Commercial Bank (JSC)
United Nations Capital Development Fund (UNCDF)
United Nations Development Programme (UNDP)
United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)
Unitransfer Inc.
Universal Postal Union (UPU)
Universidad de Cuenca
Veneto Banca
Veneto Lavoro
Visa Inc.
Western Union
Women's World Banking (WWB)
World Bank
World Savings Banks Institute/European Savings Banks Group (WSBI/ESBG)
Yunnan Institute of Development (YID)

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