Study results

TransferPlus –
Value-adding remittance services that expand the development potential of money transfers
‘We see that the current 3% flat fee is heading towards a “no fee” situation in future. We are pressed to define other means to generate business income from remittance. The best option is to connect the recipient to a wider range of financial services.’

Gabriel Solórzano, President of Findesa, Nicaragua.¹

¹ Findesa is one of the leading Latin American micro-finance institutions (www.findesa.com). Mr Solórzano’s statements are quoted from UPsides magazine (www.upsides.nl).
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1 Executive summary

Micro-finance has become a key vehicle for development. In particular, remittances have recently attracted broad attention, due to their remarkable volume and growth rates. The World Bank estimates the global volume of remittances carried out through formal channels to be US$318 billion (2007), i.e. more than twice the amount of official development assistance (ODA) worldwide. But although remittances primarily go to the poor, remittances alone are not a solution to the structural constraints of poverty and do not automatically lead to sustainable development in the receiving country. More recently, therefore, development agencies have sought to foster the link between migration and the development of countries of origin. Particular hope lies in combining remittances with measures for more sustainable local development and wealth-creation, e.g., with the proven concept of micro-financial services. Many actions have also been taken to facilitate transfers and reduce direct and indirect fees. However, such activities are still in their infancy, especially for European-African remittance corridors.

This study provides a methodological framework for conceptualising a more holistic, end-to-end remittance process, a process not limited to efficiently moving money from passive point A to passive point B, but incorporating and actively engaging a broader set of stakeholders in a wider range of activities. For this purpose, a value chain analysis is introduced below, separated into sections on senders, transfers and receivers and following seven steps: (1) understanding the diaspora; (2) empowering the diaspora, particularly individual senders; (3) collecting remittances; (4) transferring remittances, including cross-selling opportunities and education in sending and receiving country; (5) distributing remittances; (6) understanding the receivers; and (7) empowerment the receivers. The analysis is thereby not restricted to the value chain itself, but incorporates the regulatory, institutional and political framework.

As the study has been designed to serve practitioners as well as political stakeholders, each section examines two questions: What needs to be done? Who could do it (regarding roles and actors)? Since market-oriented solutions have been shown to be best suited, the study explicitly analyses the process from a commercial point of view rather than focusing on broader development issues. The study is supported by many international examples and best practices showing how banks and intermediaries, (local) governments and development agencies are jointly developing products and services specifically catering to remittance senders and/or recipients. Finally, an overview of donor activities in the area of remittances is provided.

The study provides three key results for further discussion:

1. The value chain of remittances offers a broad and complex field of action. It encompasses various stakeholders and thus various objectives and needs. Hence, understanding the main obstacles to and possible drivers of the development of efficient remittance markets calls for focusing on the process as a whole rather than specific institutions or transactions. Institutions engaging in the support of remittance markets (e.g., development or governmental agencies) therefore need to employ a holistic approach to the analysis and design of projects.

2. Most remittance markets are underdeveloped, don’t meet the existing demand, and their services are costly. Analysing such markets most often reveals obstacles to growth on each level of the value chain. However, experience from various countries has shown that these obstacles can be overcome by establishing partnerships among various stakeholders (private or public) along the remittance value chain. If

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2 The section on donor activities focuses on the institutions found to influence activities in the area of remittances the most. The list is explicitly not complete or arranged in a specific order.
designed adequately, market-driven collaboration can offer win-win situations and therefore result in sustainable improvements in remittances markets. Development agencies are called upon to initiate and foster such collaboration.

3. Global research on best practices has shown that the connection between remittances and value-adding services\(^3\) offers a great opportunity to strengthen the links among remittances, the development of sound financial systems and the local economy. It is assumed that public-private partnerships have particular potential, combining financial and social motivation for action. For example, international and local financial institutions can expand their business by offering competitive and specialised products to senders and receivers of remittances. On the other hand, poor people get access to appropriate financial services (financial inclusion) and thus a set of new opportunities, such as inexpensive money transfers, the accumulation of capital, the chance to take out a loan, etc. Overall, remittances can then be used more productively.

**Introduction**

Due to their remarkable volume and growth rates, remittances have lately attracted increasing attention as one of the key vehicles for development. The World Bank estimates the global volume of remittances carried out through formal channels to be US$318 billion (2007), i.e., more than twice the amount of official development assistance (ODA) worldwide. Detailed figures, however, are difficult to obtain due to the importance of informal channels. Comprehensive research is also lacking on transfer patterns and methods, as well as the amounts and usage of the funds. Despite the improvements that have been achieved in recent years, remittance markets still face the following obstacles and inefficiencies:

- Transfer fees for the entire process are difficult to calculate and compare, and are high in many places, partly due to monopoly-like structures and the proliferation of legal and regulatory compliance requirements (e.g., money-laundering/terror-financing prevention);
- Typically cash-to-cash mechanisms lead to the sender losing control over the process;
- Access to financial services is limited and financial literacy in the sending and receiving countries is lacking, especially among women, increasing the popularity of informal channels;
- The dependency of the receiver on remittances undermines entrepreneurship and motivation;
- Large proportions of remittances become diffused into consumption, resulting in low rates of saving and wealth creation.
- Financial service providers lack interest in the diaspora as a promising customer group. This fosters a high degree of regulation (Anti-Money-Laundering (AML), etc.) and few customised products;
- Diaspora groups need more information regarding their role, opportunities and possible impact on development in their home country, reflecting a lack of networking between individuals and associations.

Much remains to be done to promote efficient and fair remittance transfers. The international community started to realise the significance of remittances for developing countries less than a decade ago. The perception of migration has now changed from seeing it as an obstacle to growth through brain drain and the loss of labour force to seeing it as a new opportunity for developing countries to foster economic and social development. Thus, governments and development agencies have demonstrated today greater interest in the effects of migration, especially remittances. A lot of actions have been taken in the past decade to simplify transfers and reduce direct and indirect fees. But although remittances primarily go to the poor, remittances alone are not a solution to the structural constraints of poverty and do not automatically lead to sustainable development in the receiving country. The latest ambition has therefore been to foster the link between migration and development in the countries of origin. Particular hope lies in combining remittances with measures for sustainable local development and wealth creation. For example, money transferred through financial institutions paves the way for senders and recipients to gain access to other

\(^3\) Value-adding services are here defined mainly as financial products especially designed for senders and receivers of remittances.
financial products and services. Moreover, the provision of transfer services gives financial institutions a vehicle for reaching out to under-/unbanked recipients and consequently establishing a more long-term banking relationship with them.

German development cooperation agencies, such as the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, started to work in the area of remittances around 10 years ago. The work on remittances was embedded in projects on financial system development (FSD), since remittances were perceived as a financial service. The German Federal Ministry for Economic Cooperation and Development (BMZ) adopted a ‘Sectoral Policy Paper on Financial Systems Development’, deploying a holistic perspective from the beginning. Since then, a lot of research has been done and practical experience has been gained in the development community. The research has been guided by two objectives: (1) How can remittance transfers contribute to local economic development and thus poverty reduction by deepening and broadening the financial system? (2) What are currently the key obstacles to the growth of remittances markets and what is to be done in order to make money transfers easier, cheaper, faster, and more reliable? Activities addressing these questions carried out by German development agencies as well as the international community are still in their infancy and the increase in ideas and stakeholders has again led to an opaque, heterogeneous market.

This study therefore tries to provide a starting point for discussion by outlining a methodological framework for a more holistic, end-to-end remittance process. Thus the transfer process described here is not limited to efficiently moving money from passive point A to passive point B. It incorporates, on both process ends, a broader set of activities and stakeholders: organised, empowered migrant and diaspora groups, financial service providers, money transfer organisations (MTOs), local micro-finance institutions, collector and distribution agents, development agencies, and users seen as profitable customers with the potential for growth and multiplication. The analysis is thereby not restricted to the value chain itself, but incorporates the regulatory, institutional and political framework of each step.

In particular, the value chain of remittances has been studied from a rather commercial point of view. This focus has been chosen to highlight opportunities inherent in the cooperation among various stakeholders, particularly the private and public sector, and potentially supported by development institutions. Most of the remittance value chain is based on or closely connected to private actors, since financial infrastructure and institutions of various kinds are necessary to serve all segments of the financial market. Financial actors will, however, naturally avoid entering new market segments and customer groups (thus providing more people with appropriate products), if it is not profitable. Commercial success is therefore a condition for and a result of sound financial systems and can be seen as a considerable development driver. Consequently, commercial aspects of remittances need to be examined and best practices need to be reviewed and widely disseminated. Nonetheless, from a development perspective, commercial aspects should be seen as instruments rather goals in themselves. The primary focus should be on the potential of remittances to contribute to the development of economic and financial systems as well as to financial inclusion and poverty reduction.

It is an important but complex task to balance the objectives of private players, customers, and the public sector. Still, experience shows that win-win-situations are possible. The study is supported by many international cases, i.e., the best practices of banks, intermediaries, local governments and development agencies that are developing products and services specifically catering to remittance senders and recipients. It has been shown that solutions clearly focusing on market principles rather than on governmental intervention result in a stronger and more sustainable impact.

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4 The term ‘unbanked’ refers here to persons who have no contact to financial institutions; ‘underbanked’ describes people who do not make intensive use of financial products although they have some experience with financial institutions.

5 Naturally, development agencies play a significant role at this point.
In a nutshell, this study was designed to:

– provide a methodological framework for a more holistic remittance process that enhances ‘pure’ transfers with value-adding remittance services;
– promote transparency in functions and roles;
– evaluate opportunities for future cooperation between the private and public (development) sectors;
– identify trends in the remittance and finance world and their magnitude;
– describe international best practices linking remittances with sustainable economic development in the receiving country.

→ Ultimately, the aim is to provide the basis for partnerships and pilot projects linking migrants and remittances with the development of their home countries.

The results of the study, however, cannot be understood as ‘final wisdom’ but as an initial analysis and a basis for open controversy and stakeholder matching. Over time, the findings of this study need to be revised and adapted to the latest insights and best practices.

Formal channels have been the sole focus, as strengthening the formal sector should be a key development objective. Making sure that remittance transfers reach the rural areas through formal channels will automatically support the introduction of local financial services and ultimately stimulate relative local development.
2 Methodology

Building upon a transfer value chain analysis carried out by the UK Remittance Working Group, the remittance process through formal channels has been analysed and broken down into various steps. The process described here, however, is not limited to the pure transfer of money from A to B, but is enhanced by activities necessary for understanding and involving the sender/receiver sides and providing value-adding remittance services.

Each process step comprises a specific set of functional sub-activities addressing particular interests and objectives. For example, what is needed for establishing an efficient, customer-driven remittance process going beyond pure money transfers? What activities can complement an existing transfer to provide added value for the sender and/or receiver? For each step, different roles and exemplary actors can be identified. For example, what commercial and non-commercial market players typically engage in these sub-activities? This results ultimately in an overview of all stakeholders involved in public-private partnerships. Where appropriate, the analysis is supported by international project examples and best practices. Based on research and best practices, an overview and evaluation of the most promising products and value-adding remittance services is given.

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3 Value chain analysis

The findings have been grouped into three clusters: Diaspora and sender-related services (section 3.1); Transfer-related services (section 3.2); and receiver-related services (section 3.3). The three clusters have been sub-divided as follows:

The first cluster, ‘diaspora and sender-related services’, consists of an analysis of diaspora structure and behaviour, focusing on interconnections, accessibility and (individual) transfer behaviour. It is important to understand the financial interests and needs of individuals in diaspora, their remittance usage patterns as well as global remittance streams. This analysis provides the basis for empowering and stimulating the diaspora to send remittances and avail themselves of other financial services. Activities should offer support at the community level within the diaspora but also foster relationships to the country of origin so that the homeland’s acceptance and perception may increase. Above all, building up diaspora awareness of financial products and offering technical as well as financial assistance are essential steps in successful development.

After discussing the first cluster, the analysis turns to transfer-related services. The transfer value chain can be simplified into three major steps: collect the money via intermediaries, transfer it through various formal channels and distribute it to the recipients. At each customer touch point, cross-selling opportunities and education are important.

Product innovations designed around the specific needs of the target group shall facilitate remittance transfers for the diaspora and the recipients. The speed, cost, reliability and security as well as the enrolment and pick-up convenience of remittances are the key criteria for channel selection and should be considered for each product innovation.

Similar to the first section, the focus of the receiver-related section lies on capacity building, but here the capacity of the final, individual recipient is highlighted. Improved investment opportunities supported by an enabling environment may increase the economic development of receiving countries. A detailed analysis of the cultural and behaviour patterns in the receiving countries helps to understand, empower and stimulate the senders and forms the basis for offering specific financial services matching their needs and interests.

Section 3.4, ‘Influence environment’, takes into consideration that remittance services will by definition always have a multilateral aspect and therefore be embedded in a complex legal, regulatory and political context. It is, therefore, important to understand and involve policy-makers and regulators as important partners in successful projects.

An overview of this value chain analysis is attached in the Appendix.
3.1 Diaspora and sender-related services

Modern diasporas can be defined as ‘ethnic minority groups of migrant origins residing and acting in host countries but maintaining strong sentimental and material links with their countries of origin – their homelands. Members of such entities maintain regular or occasional contacts with what they regard as their homeland and with individuals and groups of the same background residing in other host countries.’ Migrants in diaspora create links between their home and host societies, building transnational networks on the basis of emotional and family ties. With advances in information technology, migrants are now more than ever able to maintain connections with people back home.

The benefits and unique strengths of both diaspora groups and international development agencies, combined with remittance providers, can all be magnified by effective collaboration. Diaspora groups offer: cultural awareness of their communities of origin; the ease of working in both cultures; the trust of their communities of origin; better awareness of specific needs; and long-term personal commitment to projects and commitments. International development agencies have: larger funding capacities; professional/technical expertise; and experience in development issues. Finally, remittance providers maintain high technology standards and operational efficiency. As there are at least as many diasporas as nations and due to this great diversity, a natural starting point should be the analysis of institutional and informal organisation and behaviour.

3.1.1 Understand market and customers

First, it is important to analyse and understand the structure and behaviour of the particular diaspora group with a focus on interconnections, accessibility and individual transfer behaviour. An outreach policy aimed at the community residing abroad is key to any migrant sending country’s economic strategy. This should be the first step in addressing the linkages with the immigrant community living abroad.

The following steps should be undertaken, including addressing questions such as those listed below.

**Statistical analysis/corridor analysis**
- How many people live in diaspora in Germany/Europe?
- How big is the remittance volume?
- What is the average size of a transfer?

**Actors**: public authorities; embassies; international organisations such as the World Bank, International Organization for Migration (IOM); central banks.

**Social and cultural activity analysis**
- What were the reasons of diaspora individuals for migrating?
- What are their attitudes to their home country?
- What is the best way to determine the level of engagement and commitment to the homeland?
- How strong is their social integration and what is the perception of them in their home country (e.g., as refugees)?

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**Actors**: local governments; embassies; professional analysts and research institutes; newspapers/journalists; diaspora-related associations/NGOs.

**Behavioural analysis**
- What is the general attitude of the diaspora towards financial issues?
- What are the most important factors affecting remittance transfers (methods, costs, convenience)?
- What are the remittance payments used for (ad hoc purposes, charity/donations, family subsistence, business/house-building)?

**Actors**: banks, MTOs; diaspora-related associations/NGOs; multinational development organisations; professional analysts and research institutes.

**Structural diaspora analysis**
- What are the key diaspora associations at the sending end of the process?
- How extensive is the geographical spread? Are there geographical centres?
- What is the average size of each diaspora group?
- Who are the spokesmen, multipliers and advocates?

**Actors**: embassies; diaspora-related associations/NGOs; multinational development organisations; regional authorities.

The aforementioned analysis can facilitate empowering diaspora and individual senders to enhance their development impact in their country of origin. Furthermore, it forms the basis for the development and provision of relevant products that serve particular diaspora needs and improve the linkage between remittances and development.

Because of missing data on exact amounts and the neglect of smaller transfers, it is often difficult to determine the volume of remittances. One of several methods used to estimate the amount of remittances is shown in the diagram below.

Based on the aforementioned analysis, the number of immigrants, their income and cost of living can easily be determined. Between 11% and 28% of the available pool of resources ends up as remittances, divided into real remittances and industry revenues.

It should be noted that migrant associations are not development-oriented by nature. Such organisations exist for many purposes, e.g., to provide social contacts for emigrants, preserve cultural traditions or fulfil religious obligations, to name a few examples. Donors, governments and non-profit organisations should
not attempt to change the behaviour of these associations by pushing them into development activities, but identify those players that have a direct interest in economic change.

3.1.2 Empower and stimulate diaspora and individual senders

The framework presented above provides insight into a diaspora’s geographical and organisational structure, cultural background, financial service needs and behavioural patterns. It can facilitate a higher level of organisation and accessibility, thus ensuring the effectiveness of development activities such as awareness building, promoting financial literacy and further development partnerships. Such an approach can also increase the impact of development-related activities when combined with remittances.

Higher level of organisation and developmental orientation

Development strategies that foster the linkage of remittances and development should not only focus on the money transfer process itself, but should identify activities that support the developmental orientation of the diaspora and its close relationship with the home country.

According to Manuel Orozco⁸, four critical factors contribute to the formation of a development-oriented diaspora group and foster its transnational engagement. These factors involve activities on the individual level, associational level and governmental/institutional level.

1. The level of community and awareness of the need for stronger linkages

Building a stronger organisational structure to improve the level of community in the diaspora calls for:

– enhancing initiatives to create migrant associations; promote and publicise diaspora activities, helping them to work effectively;
– offering an internet platform where diaspora groups can exchange information, articulate their needs and desires;
– fostering personal relationships through regular events like diaspora fairs and community meetings;
– installing a commission on remittances and development that involves parties from the diaspora, the local embassy, the government, the business community, development players, academics and civil society activists working with migrants.

**Actors:** internet providers; diaspora-related associations/NGOs; multinational development organisations; public/regional authorities; embassies; trade fair organisers (e.g., tourism).

2. The perception of emigrants in the country of origin

Strengthening awareness in society, especially in their home country, calls for supporting:

– the acceptance of emigrants among the whole population in their home country (not just among the relatives receiving payments);
– a substantial presence and possible influence of the diaspora in the home nation-state.

**Actors:** local government/authorities; local NGOs; local newspaper and advocates; multinational development organisations; NGOs familiar with good governance and political consulting (e.g., Friedrich Ebert Stiftung, Theodor Heuss Stiftung).

3. Government outreach policies in the homeland

An active local government that recognises the potential of an empowered diaspora and addresses their needs can:

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– convince public partners in the country of origin to recognise and validate communities abroad;
– establish a communication mechanism between the state and organised diaspora groups;
– develop a joint agenda between state and diaspora groups that addresses issues of common concern;
– build up capacity in local government to implement outreach efforts;
– offer better prospects for return to members of the diaspora.

**Actors:** local government/authorities; local NGOs; local newspaper and advocates; local government/authorities; multinational development organisations; NGOs familiar with good governance and political consulting (e.g., Friedrich Ebert Stiftung, Theodor Heuss Stiftung)

### 4. Relationships between the source and destination country

In order to increase the participation of migrants in society and strengthen the relationships between source and destination countries:

– offer an affordable communication channel;
– support institutions for investment promotion;
– distribute regular information and facilitate an exchange on recent development issues and business opportunities.

**Actors:** internet/telecommunication provider; NGOs with worldwide networks/local NGOs; chambers of commerce; local banks/companies.

Once a diaspora becomes a structured and interacting community leading to a higher level of accessibility, further actions should focus on increasing development expertise and building linkages to the private sector. Banks and MTOs must be involved as valuable, profit-driven facilitators of financial service development.

**Empower the diaspora for a balanced partnership**

The preceding sections focused on the provision of decision-critical information on and structured access to the diaspora community and its individual members. The following activities can facilitate the empowerment of diaspora individuals as product-savvy and well-informed customers.

**Building diaspora awareness of and savvy for financial products**

On a community level, steps should be taken to:

– identify existing problems and needs in the target country;
– offer a donation list of accredited development initiatives and institutions (schools, health care centres, NGOs);
– describe appropriate development projects;
– spread best-practice examples and lessons learned.

On an individual level, the steps should include:

– promoting awareness of and savvy for financial products, e.g., particular product promotions;
– discussing the difference between consumption and investments;
– introducing small-scale business opportunities for their relatives at home;
– building up awareness of personal expertise and knowledge;
– introducing investment opportunities with a developmental focus.
**Actors**: international organisations; development agencies; academics (especially in economics); investment and other banks; local chambers of commerce; local governments.

**Seeding financial literacy and capacity**

The main tasks should be to:

- build awareness around the necessity for formal transfer channels (e.g., reduce uncertainty, set up credit score education, promote access to other products, empower local institutions);
- explain the facilitating function of financial services;
- introduce and explain higher-yielding products (e.g., micro-credits, micro-insurance, health care, retirement provisions);
- clarify product-related risks;
- foster awareness of own financial needs (design your ‘own’ financial service);
- discuss the difference among gifts, donations and investments.

**Actors**: banks, especially micro-finance institutions (MFIs); NGOs; multinational development organisations; academics.

**Supporting initiatives through technical assistance**

The initiatives should aim to:

- improve the capacity to manage, promote and carry out rural development and small-scale business projects;
- facilitate the cross-border cooperation among senders, recipients and other cooperation institutions (e.g., linkage to local NGOs, authorities, governments);
- foster the exchange of knowledge and personal interaction among the cooperation partners (e.g., volunteer services, travel agencies);
- develop a convincing monitoring and feedback system.

**Actors**: NGOs; multinational development organisations; chambers of commerce; local authorities; governments; business networks/business angels; consultancies.

**Offer financial assistance**

The following steps should be taken:

- offer an overview of donor initiatives and co-funding opportunities;
- set up co-funding of the most promising projects;
- support fundraising cooperation (e.g., diaspora and NGO);
- provide incentives for sustainable investments in the receiving country (reduced taxes, attractive interests);
- extend start-up credits.

**Actors**: development agencies (donors); NGOs; local government; business networks/business angels.

**3.1.3 International project examples**

The following example shows how the Philippine government involves the Filipino diaspora in development efforts.
The Philippine government has come up with two interrelated programmes that focus on the mobilisation of diaspora and other migrant resources for development that incorporate such incentives as tax breaks and privileged investment options for the diaspora. The LINKAPIL (Link for Philippine Development) conceived in 1989 channels both financial and in-kind donations to development-related projects in 75 cities and 17 provinces of the country, thus covering approximately 14 million beneficiaries. The programme, administered by the Commission on Filipinos Overseas (CFO), successfully taps the potential of overseas Filipinos and other donors as partners for development.

**Objectives**

LINKAPIL is designed to:

- enhance participation among overseas Filipinos in national development efforts in their home countries;
- provide a mechanism for better coordination and feedback among overseas donors, government agencies and beneficiaries;
- promote awareness and understanding of existing procedures and guidelines for the processing of donations from abroad;
- foster confidence among overseas donors through an effective and responsive monitoring and feedback mechanism;
- espouse genuine collaborative partnerships between overseas Filipinos and those in the Philippine homeland in accordance with national development objectives.

In an effort to facilitate the matching of the needs of communities in the Philippines with the donations, the CFO has developed the Philippine Sectoral Development and Needs Profiling System (PHILNEED). The system promotes targeted assistance and services purchased by the diaspora by identifying priority problems and needs in the various localities in the Philippines. It also contains information on how to send donations, and a listing of government schools, schools and NGOs accredited by the Department of Social Welfare and Development that need support. The PHILNEED system is available in CD-ROM, and is intended for distribution to Philippine embassies and consulates and among Filipino groups and individuals overseas interested in participating in development projects and providing services in specific localities in the Philippines.

**The following example focuses on the cohesion of the diaspora.**

**AFFORD – The African Foundation for Development** (est. 1994), is supported, among others, by Voluntary Service Overseas and the UK Department for International Development (DFID). AFFORD is a London-based umbrella organisation formed to connect Africans and their organisations abroad working for African development directly with organisations on the continent working toward the same goals. The organisation’s mission is to expand and enhance the contribution that Africans in the diaspora make to Africa’s development. It currently runs projects like SEEDA (Supporting Entrepreneurs and Enterprise Development in Africa) in Ghana and Sierra Leone and HAIL (Helping Africans Influence London). The projects are designed to pro-actively involve the diaspora and diaspora organisations in development and development agenda-setting.

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11 Source: www.cfo.gov.ph/linkapil.htm
12 Source: www.cfo.gov.ph/philneed.htm
13 Source: www.afford-uk.org
AFFORD pursues its mission through a range of services, e.g.:

- sharing information through news, events and e-lists;
- facilitating networks through discussion forums and project facilitation;
- building capacity through a resource centre, training and workshops;
- signposting career opportunities through job alerts;
- influencing development policy through action research, policy advocacy and AD3 (African Diaspora and Development Day).

### 3.2 Transfer-related services

Once the sending side is understood, structured and empowered, money can be transferred through various formal channels. Building upon a money-transfer value chain analysis, it was decided for the sake of this study to simplify the transfer value chain into three major steps:

- reaching out to the customers and **collecting** the money through various collection channels;
- **transferring** the money through various formal channels;
- ensuring that the transferred money is appropriately and conveniently **distributed** to the recipient, leveraging complementary distribution channels.

Beyond these three steps, **cross-selling opportunities and education needs** become evident at each customer touch-point.

Value-adding services and partners can be identified in each stage. The following sections shed light on various transfer methods and complementary services.

#### 3.2.1 Collecting remittances

##### 3.2.1.1 Services

Before the physical money transfer can take place, remittances must first be collected. Typically remittance service providers make use of intermediaries (e.g., to improve pick-up reach for sender convenience). The challenge is now to understand and enhance the different roles and functions of innovative intermediaries.

**Tied agents** are financial service sales representatives that are authorised to give financial advice, but are only allowed to recommend products from their employer (e.g., Western Union requiring exclusivity), i.e. tied agents cannot be assumed to give impartial advice.

A multi-tied agent offers products from a limited panel of providers.

**Actors:** branch networks of associated banks; self-managed offices of traditional MTOs (e.g., Western Union office); offices of traditional MTO distribution partners (e.g., Reisebank).

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Independent agents are qualified to give financial advice to clients on financial products and are not tied to any financial institution, so their advice ought to be impartial.

A financial adviser may charge fees for his advice and, depending on his contract with product providers, may also receive a commission on the products that the client buys.

Actors: offices of traditional MTO distribution partners (e.g., Postbank); network of multinational banks.

The internet is a sophisticated and personalised web-based self-service, typically including newsletters and information on community services.

Actors: internet-based providers such as Moneybookers; homepages of traditional MTOs such as Western Union, MoneyGram.

The branch is the local entity (subsidy or branch) providing a restricted set of services on behalf of the mother organisation. Depending on the intra-organisational service level agreements (transfer prices), the branch may also receive a commission on the client products sold.

Actors: own branch network of multinational banks.

Mobile services (SMS, WAP) are sophisticated applications for mobile banking-related services.

Actors: local mobile service providers (e.g., Safaricom, M-Pesa, Paybox, Obopay, CellPay, Cable & Wireless).

Developing transfer-related services for remittance collection

This calls for activities to:

– extend the geographic coverage and outreach of the services;
– develop a customer and segment-specific approach through personalisation and trust building;
– define marketing (shared marketing funds);
– increase the product portfolio through after-sales services and use cross-selling opportunities on each customer touch point;
– increase efficiency and productivity by outsourcing the side business and concentration on core competencies;
– improve the quality of financial products (e.g., employing specialised employees);
– create financial and cash-flow benefits (e.g., intermediary as pre-finance);
– share risk by attracting underbanked consumers without increasing own risk exposure (e.g., identification is done by the collecting partner).

Actors: offices of traditional MTO distribution partners; internet-based providers; mobile service providers.

Each operator involved in the money transfer process should consider reputational risk. This concerns a bank or MTO that has encountered risk due to a transaction which has been linked to money laundering or terrorist financing. The danger is possibly overrated by banks for small value, regular transactions that migrants typically send. Moreover, operational risk is associated with operating sending and receiving networks. The services of a payment institution in the recipient country incur the most uncontrollable operational risk. In particular, money transfer operators are confronted with the financial risk which is associated with keeping a float of money between receiving the money and paying it out. This risk can be reduced if payouts are instantaneous.
In addition to the aforementioned professional intermediaries, successful attempts have been made to involve social, religious or ethnic communities in outreach and collection. The concept of affinity marketing reveals a high potential for complementary partnerships among diaspora communities, development organisations and financial service providers.

**Affinity marketing approach**

Affinity marketing campaigns typically involve a non-profit, a commercial firm, and consumers. The commercial firm develops an agreement with the non-profit to market the product to the non-profit’s members or constituents. When end-users accept affinity products, the non-profit benefits by getting a small percentage of the sale or a fee associated with that product, and the commercial firm gains through its access to new customers. The endorsement by the non-profit adds credibility to the product and commercial firm by capitalising on the non-profit’s established relationships with the targeted consumers. The financial return to the non-profit helps to provide motivation for the consumers to participate in the programme because doing so generates direct support for the non-profit. And the consumers benefit by accessing a set of financial products that are tailored to meet their needs.

### 3.2.1.2 International project examples

The following examples reflect a dual approach to remittances, i.e. they offer products that respond to the needs of senders and recipients. Their success, however, is based on distribution agreements in sending and receiving countries, thus providing wider outreach and reaching economies of scale.

**Banco Industrial (BI) in Guatemala** established an alliance with King Express, a US-based courier and money order company. As one of Guatemala’s largest private banks, BI acts as a complement to King Express by offering value-added services. Through the alliance, remitters can go to King Express to buy a money order, which will be immediately paid out to beneficiaries in Guatemala by presenting the document and a form of identification. BI promotes the service by marketing the immediacy of the money order retrieval, the fact that an account with the bank is not a requirement and that it offers a competitive market exchange rate. Its marketing strategies include direct mail, open advertising, raffles and participation in events in the communities where it has branches. King Express is responsible for marketing on the US side (direct mail marketing, maintaining a close relationship with the community, participating in many social events, promotions at Guatemalan fraternal organisations). Aside from these savvy marketing techniques, the mechanism itself is attractive to users in large part because of the widespread presence of both King Express outlets in the US and BI’s national network of over 850 points of service (branches, kiosks, ATMs, etc.).

The National Savings and Financial Services Bank (Banco del Ahorro Nacional y Servicios Financieros, **BANSEFI**), is a programme of the Mexican Government with the mandate of increasing the financial products and services available to the Mexican population, particularly those Mexicans with low incomes. BANSEFI has created a pool of popular banks, micro-finance institutions and credit unions that act as remittance distributors. It has also established arrangements with companies like GiroMex and Dolex and has extended its partnerships to Vigo, MoneyGram, El Camino Transferencias, Via America, and Meyda. BANSEFI also works with US Bank and has plans to expand agreements to other community and national banks. Together with BANSEFI, 69 savings and credit institutions have created a commercial alliance called **L@Red de la Gente.** This alliance has enabled the rural saving and credit institutions to participate in the remittance distribution network through contracts negotiated by BANSEFI. On the marketing side, the Mexican Foreign Ministry’s Institute for Mexicans Living Abroad and BANSEFI invite banks like US Bank, Wells Fargo, Bank of America, HSBC and Citigroup to discuss remittance and other services with leaders of hometown communities.

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associations. Furthermore, word of mouth has been effective in the US and proved the best strategy in Mexico.

**Banco Solidario (BSol)** has formed strategic alliances with international banks throughout Spain, Italy, Bolivia, Peru and the US, marketing its remittance transfer and other banking services under the name Andean Link (Enlace Andino). BSol’s alliances with Spanish cajas and Italian bancas allow clients to send money through nearly 9,500 European outlets. Meanwhile, BSol is receiving assistance from ACCIÓN Internacional to replicate its successful European model through an alliance with Citibank in the US.

### 3.2.2 Cross-sell and educate (in sending country)

The diaspora is a specific customer group with particular needs and concerns regarding financial services. Their migrational background from countries with typically underdeveloped financial sectors puts them in a special position in the financial environment. They experience anxiety and reluctance to use financial institutions, have a special interest in mostly ‘small volume’ products and play a multi-purpose role regarding individual, family and community welfare in their home country and abroad. Most of the financial service providers, however, do not yet consider this position unique enough to offer anything but the same, non-customised range of products offered their ‘ordinary’ customers.

A diaspora, though, empowered by the activities described in section 3.1, has particular requirements for financial services that go beyond ‘ordinary’ products and exceed the demand for pure transfer services. In addition to pursuing their objective of helping relatives and friends in their home countries with short-term financial support, engaging in more and more long-term investments and development-oriented projects then influences the transfer behaviour and usage pattern of remittance senders. Financial service providers face the challenge of developing adequate products that correspond to this new demand. At the same
time, this situation offers a new opportunity to develop unique value propositions and leave behind the highly competitive transfer market with its declining fees and margins. The transfer product thus becomes an entry-level service that, when appropriately managed, can result in greater demand for higher-yielding products.

To design target-group-specific value propositions, it is important to understand the reasons for remittance transfers.

The diagram on the left shows the motivations of migrants to send money home. 80% to 90% of the senders intend to **help their next of kin** with short-term financial support (daily needs, loans repayments or health care).

**Building wealth** for themselves or the **promotion of their own businesses** are reasons for around 10-15% of the remittances sent. Investment opportunities, insurance and savings can lead to an autonomous and secure future for the migrants.

Less than 5% of the diaspora send remittances to **help their country to develop** through, e.g., investment opportunities, health care or education funds.

### 3.2.2.1 Services

Once a relationship to the diaspora has been established based on basic remittance services, every customer touch point can be leveraged for cross-/up-selling opportunities. A first step is to offer bank accounts, savings and checking accounts, and small or large credits, paving the way for recipients to buy other financial services. Doing so, however, be embedded in an overall customer lifecycle and migration strategy to gradually move migrants to traditional, more profitable products.

Each product should be supplemented with additional information and training that provides the opportunity to increase financial literacy and customer retention. However, there are two key factors which define the ability of financial institutions to leverage remittances: the necessary financial resources as well as knowledge of and reputation in the community.

### Market and customer analysis

The aim here is to build upon and enhance market and customer analysis, as well as assess and analyse the diaspora’s financial needs, such as:
- remittance payments (transfer methods, costs, usage patterns);
- a need for value-adding services, personal provisions, etc.;
- existing product ideas and best practices.

**Actors**: professional analysts and research institutes; foundations and NGOs.

### Value propositions and product innovation

Design target-group specific value propositions, support the development of pilot products (product innovation) and focus on specific diaspora products with potential for standardisation:
- ‘Help your next of kin’;
- ‘Build wealth for yourself’;
- ‘Promote (your) business in your home country’;
- ‘Help your country to develop’.

**Actors**: financial service providers; marketing and sales experts/consultants; specialised NGOs; universities and think tanks; training providers; multinational development organisations; governments and multinational development institutions; local NGOs.
**Product introduction**

The key steps in introducing a new product are to:
- define a customer lifecycle and migration strategy, attract and integrate a diaspora as a specific customer group for the financial sector;
- define a marketing, sales and channel strategy;
- pilot/test products, provide a pilot-friendly user environment and key users;
- support and facilitate product introduction.

**Actors:** financial service providers; marketing and sales experts/consultants; specialised NGOs; universities and think tanks; diaspora associations.

**Education**

Remittance education services should:
- provide product-related training services and demand-driven capacity building;
- engage in the capacity building of training institutions.

**Actors:** financial service providers; universities and think tanks; diaspora associations; specialised NGOs; training providers.

**Institutional development**

Here the aim is:
- capacity building and service improvement of financial intermediaries: organisational readiness assessment, strategy development, roadmap planning, process improvement;
- HR development: building up product- and customer-related in-house resources, skills and capabilities, e.g., language and inter-cultural skills;
- The institutional strength of a business helps determine the distribution capacity.

**Actors:** financial service providers; universities and think tanks; specialised NGOs and consultancies; regulators/central banks.

**3.2.2.2 International project examples**

Financial institutions catering to immigrants should focus on three areas: building relationships, addressing the specific preferences of this new customer base (expanding hours, hiring bilingual tellers, opening branches near immigrants’ residences) and developing new products and approaches. The following are examples of banks focusing on formalised cross-selling and education.

**Banco Solidario (BSol)** is able to offer virtually seamless transactions by enlisting clients into its ‘My Family, My Country, My Return’ accounts. BSol transfer fees originating in Europe generally range between €6-9, but are waived for account holders, which naturally presents a strong incentive to become a BSol client. BSol’s main strategy has been to transnationalise its clientele with financial products designed for both remittance senders and recipients. The segment most frequently uses credit lines, housing- and home-buying credits, savings accounts and insurance. As part of its cross-marketing efforts, BSol will also soon be offering credit and smart cards.

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Banco Industrial (BI) – When clients enter a BI branch in Guatemala to use remittance services, the bank offers its other financial services. The bank tends not to overwhelm clients with many products at once, but instead takes a gradual approach. Savings accounts are usually the first product that remittance recipients select. The bank teaches the client how to manage the account. BI also offers special promotions for opening accounts through gifts and raffles. Advertising remittances, rather than other financial services, has proved a much more successful means of attracting clients.

Banco Salvadoreño (BSal) views family remittance recipients as potential clients for other services, such as insurance and certificates of deposit. Like Banco Industrial’s personalised approach, BSal has discovered that the most effective cross-marketing tools are its branches ‘Señoras de Bienvenidas’ (like hostesses) who demonstrate various products and instruct clients on how to use ATMs and kiosks.

 Stored value cards – La Caixa (4,500 branches in Spain) have arrangements with leading banks in Argentina, Colombia, the Dominican Republic, Ecuador, Morocco and Peru. Cash paid in will reach the recipient’s account on the same day. The fee is €9 (US$12) or €6 for La Caixa customers, for most countries. The bank in the receiving country advises the recipient by telephone of the arrival of the money. La Caixa claim to offer the ‘best exchange rates’. The bank also offers a service using pre-paid cards. The migrant receives two cards with the same account number, one for him/her to retain and the other for their friend/relative to use in the receiving country. It is not necessary for the sender to have a checking account. The sender charges up the card with cash, or transfers money to it from his/her regular account via the phone or the internet. The recipient withdraws money via an ATM or by using the card as an online debit card (e.g., Visa Electron) in a store. A relatively low daily limit reduces the risk of money laundering.

In Guatemala, Salcajá, a member of the National Federation of Savings and Credit Cooperatives (FENACOAC), is also heavily focused on education, particularly that of youngsters and pre-teens, who are the most susceptible to viewing migration as the only means to advancement. In addition to providing academic scholarships, the institution has designed products such as the Infant/Youth Savings Plan (Plan de Ahorro Infantil/Juvenil), which encourages parents to invest in their children’s schooling.

3.2.3 Transfer remittances

3.2.3.1 Services

According to a recent study by Deutsche Bundesbank (‘The German remittance market – an overview’) various players provide the following channels for remittances triggered in Germany. Almost all payments from Germany to EU countries within and outside the euro area are executed by the banking sector. The fees charged for those remittance transfers are quite low and payment execution is quite efficient in terms of the time it takes.

As for remittances to third countries, money transfer companies, i.e., non-bank remittance service providers, play an important role. Remittances through this channel are, in most cases, initiated in cash. The frequent use of money transfer operators may be attributable to the fact that bank penetration in the receiving country is limited or that high fees are charged for using the products offered by credit institutions.

For certain destinations, such as Turkey, the Philippines and Croatia, remittances are processed mainly by foreign banks or financial service providers, which usually belong to large institutions with an extensive branch network in their home country. The fees charged by those remittance service providers are usually low and should not give rise to any concern. In particular, Turkish banks with a location in Germany offer remittance transfers to one of their local branches in their home country via internal online systems. Another way of sending remittances is the postal money order (Postbank).
Neither the international **payment card** linked to a current account in the sending country (↔ withdraw cash from a local ATM) nor the transmission of an **international prepaid card** without any link to a current account (↔ withdraw cash from a local ATM) are relevant remittances channels on the German market.

New opportunities are available to make remittances by **mobile phone/SMS messages** and using other technologies such as **SWIFT** (Society for Worldwide Interbank Financial Telecommunications). SWIFT, together with banks, is considering the creation of a common and efficient platform for the transfer of workers’ remittances as well as **strategic partnerships** that bring together banks and money transfer operators with mobile phone companies.

The study did not include **innovative web-based solutions** such as moneybookers, etc. as well as various **informal channels** (mail, bus/taxi, couriers, etc.).

To better understand the sender’s criteria for channel selection, it is important to analyse his/her needs and requirements in regards to remittance transfers. Participants of a survey conducted by Appleseed\(^\text{18}\) were asked to rank a variety of factors affecting remittance transactions. The top five were:

- speed;
- security;
- reliability;
- low cost;
- convenience of pick-up locations and enrolment/identification process.

To compare the various service providers, it is necessary to define the various criteria more specifically. Based on information obtained on [www.geldtransfair.de](http://www.geldtransfair.de), which investigates the costs and speed of €100 sent from different countries, transaction fees vary between €1.50 (web-based transfer) and around €70, depending on the service provider and kind of transaction. The transfer usually takes between 0 and 10 days but the exact duration can’t be forecast.

The required identification process and the bad infrastructure in rural areas often hamper access to formal bank services.

The following table (adapted from Sander et al.)\(^\text{19}\) indicates how the different market players serve this market demand:


As the table shows, there is no current transfer channel providing all the services demanded by the sender. Remittance players who plan to focus on transfer services only (i.e. without value-adding services), should therefore start their product development with these top five decision criteria in mind. Interestingly, as all formal players seem to serve the demand for security, reliability and – more or less – speed acceptably well, there are two features left that should also get particular attention for product development: low-cost fees and convenience.

The following observations can be made regarding competitive strategy options in the market:

1. Cost leadership: Senders are very price-sensitive and show a low level of loyalty – at least towards formal channels. Attractive prices are a prerequisite for market entry; however, it is very difficult to compete on the cost level. Industry pressures and dynamics are high. Moreover, there are strong, financially sound players in the market and a general tendency towards drastically decreasing fees. To make a low-cost remittance transfer profitable, providers need to ensure economies of scale through a growing base of loyal customers and/or realise cross-selling opportunities. In the long-run, both will be difficult to achieve for a purely fee-oriented product.

2. Niche strategy: Although comprehensive know-how on specific niches or corridors is still lacking, it is
clear that niches can hold significant business potential. An in-depth analysis of corridor/country-specific diaspora needs can provide input for the development of customised products and ultimately lead to increased customer loyalty. However, remittance volumes could still be too low in the long-run to compete economically against intruding competition and tariff pressures.

3. Differentiation/innovation: It will be key to focus on product add-on values, such as convenience (outreach on the receiver side) and/or value-adding product features.

a) Convenience: Find eligible partners for wide geographic coverage (e.g., mobile phone providers, local retail banks). This might lead to a temporary advantage in competing for existing formal and informal remittance flows.

b) Value-adding services/features: Develop value-adding services and products with various partners (concerning replicable/standardisable products offered by housing companies, micro-finance institutions, development agencies and capacity-building organisations please refer to the sections ‘Cross-sell and educate (in sending country)’ and ‘Cross-sell and educate (in receiving country)’). This can attract existing remittances flows, perpetualise them (higher customer loyalty) and increase volumes on a mid-term basis (e.g., by providing high-volume, high-margin real estate products).

Value innovation is created in the region where a company’s actions favourably affect both its cost structure and its value proposition to the buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered before. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.20

Bottom line: Coming back to the aforementioned statement by Gabriel Solórzano, President of Findesa in Nicaragua, it can be observed that the transfer market is moving towards a ‘no-fee’ environment. It is, therefore, necessary to identify other revenue-generating opportunities. The future lies, therefore, in connecting the sender and recipient with a wider range of financial services (please see the sections ‘Cross-sell and educate (in sending country)’ and ‘Cross-sell and educate (in receiving country)’).

3.2.3.2 International project examples

Low-cost remittance transfers depend significantly on the nature of the agreement established between the financial institutions and the money transfer company itself. Those institutions that work with more competitive companies will likely be able to offer lower fees than others, which is, for instance, the case for the aforementioned BANSEFI and Banco Solidario (BSol) (section 3.2.1 Collecting remittances).

Additional example from Central America21

Fonkoze22, Haiti – Serving the Diaspora – Established in 1994, Fonkoze – Haiti’s Alternative Bank for the Organized Poor – is the island nation’s largest microfinance organisation, with more than 70,000 depositors, more than 25,000 active borrowers, and 24 branch offices throughout the country. Fonkoze offers a wide range of products, including individual and group loans, savings, currency exchange, and money transfer services, as well as literacy and business skills training. Fonkoze uses money transfers as the entry point and encourages Haitians to become clients and use the range of other financial services it offers. In 2004 Fonkoze transferred US$7.3 million in remittances through a partnership model with City National Bank of New Jersey (CNB). In February 2005 Fonkoze added a second system, a partnership among

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several remittance programmes and agencies and Fonkoze.

CNB Partnership – Fonkoze’s partnership with CNB, an African American-owned commercial bank in the United States whose president and CEO was born in Haiti, began in 1998. According to the agreement, Fonkoze keeps the majority of its reserves with CNB, CNB drops all bank fees, including fees for the acceptance of wire transfers, and CNB notifies Fonkoze daily of all deposits into its account and all wire transfers received. If the receiver in Haiti has an account with Fonkoze, the money can be deposited directly into that account. The remitter in the United States can mail a check, send a money order, or wire funds to Fonkoze’s account at CNB. If the recipient in Haiti does not yet have an account at Fonkoze, the remitter can open one for him or her. The accounts can be opened in US dollars or in gourdes with a minimum opening balance of 100 gourdes (about €2.50) or US$4. Once an account has been set up, remittance funds are available in the local Fonkoze branch in Haiti within 24 hours if sent by wire or within two to three days if a money order or check was sent by mail.

Operating with only one bank makes the transaction costs for Fonkoze and the senders of remittances comparatively low. The sender incurs a transfer fee depending on the value of the transfer: between US$10 (to send up to US$1,000) and US$50 (to send more than US$5,000) (www.fonkoze.org/sendmoney.htm). If either the sender or the receiver belongs to a church or other non-profit organisation, Fonkoze charges a flat fee of US$10, regardless of the amount transferred.

Opportunities and Challenges – The money transfer service became profitable last year. Fonkoze anticipates growing profitability because of the new clients the money transfer service attracts and the currency exchange fees Fonkoze collects. The main opportunities for cross-selling lie in the exchange of US dollars and the use of Fonkoze’s savings services. Fonkoze’s market share is still small and its major competitors include Western Union, Bobby Express, CAM, and Unitransfer.

Fonkoze’s main challenge is to attract clients. Once customers try it, Fonkoze’s money transfer service is well accepted, but it is difficult to encourage people to use the service for the first time. In 2000, Fonkoze started a public education campaign for Haitians in the diaspora in order to improve the flow of remittances to Haiti. At a day-long seminar, participants learned how to use banks in the United States, how to open savings and checking accounts, how to use credit and debit cards, and how to transfer money to Haiti. Subsequently, in 2004, Fonkoze invested in a marketing campaign to make its money transfer service more attractive to first-time users. During its advertised ‘family days’, Fonkoze offered both customers and non-customers in Haiti a free five-minute phone call to the United States. Non-customers were invited to open an account with Fonkoze using the amount of money they would have used for the phone call. In addition, with the agreement of its current customers, Fonkoze established a reverse directory and registered the dialled telephone numbers in order to contact the relatives abroad and send them a video or DVD and brochure about Fonkoze’s money transfer services.

Other key constraints Fonkoze has faced include the time and resources spent in seeking out other agents with which to set up partnerships; the poor connectivity in Haiti (today, 15 of Fonkoze’s 24 branches have an email connection, a grant will soon fund the connection of the remaining branches); and the burden of compliance with regulations that have been adopted since 9/11.

3.2.4 Cross-sell and educate (in receiving country)

Studies have shown that, on average, around 10% of remittances received are saved and invested, and a percentage of recipients are in a position to use their remittances for an enterprising activity. Local microfinance institutions (MFIs) in the receiving country should, therefore, be assigned a particularly important role in cross-selling and distribution. Given their in-depth know-how about markets and customers and their local/rural presence, MFIs should be institutionally strengthened and stimulated to participate in the remittance market as valuable partners for both traditional players and recipients.

But how can local/rural MFIs be encouraged to enter the remittance market? The most promising way to
link remittance payments with local development is to ensure that remittances are transferred through formal channels and reach the rural areas on an institutional road. Once the transfers have arrived at the local MFI, it is in the genuine commercial interest of the institution to leverage the money in the most profitable way. However, by moving parts of the remittance transfers into more profitable, traditional financial products, the MFI will automatically promote regional development as it will try to allocate the ‘passive’ money to the most promising products (e.g., micro-credits) or investment opportunities.23

Similar to the sending side, designing innovative products targeting a specific group requires an analysis of typical remittance usage. Up to 90% of recipients use the money to satisfy their daily needs through investments in socio-cultural life or consumer durables but also housing. Typical MFI products provided as deposits or loans are utilised by around 10–20% of the remittance receivers. Less than 5% use the money for products which lead to economic growth, such as income- and employment-generating activities.

### 3.2.4.1 Services

Following the same structural logic as presented above concerning the sending country, various activities are needed to successfully prepare and conduct cross-selling in the receiving country.

**Market and customer analysis**

- Financial sector analysis: Build upon/enhance market and customer analysis, assess and analyse customer needs;
- Behavioural analysis: Understand transactional data and identify critical lifecycle events (e.g., the first time the account goes into the red and they incur overdraft fees).

**Actors:** professional analysts and research institutes; foundations and NGOs.

**Value propositions and product innovation**

Design target-group-specific value propositions, support the development of pilot products (product innovation) and trace the key remittance usage patterns. The following factors should be examined:

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23 ‘Another effect of remittances is a strengthened deposit base for the domestic banking system. While remittances cover in large part daily expenditures of recipients, even the small amounts of between 1 and 10% frequently reported as flowing into savings constitute a significant expansion to typically low deposit bases in developing countries’ (Sander, C., Migrant Remittances and the Investment Climate: Exploring the Nexus, Case Study DFID, UK, 2005).
– daily needs and expenses – typically labelled as consumption or as improving the standard of living;
– medical/health care expenses or education;
– consumer durables (stereos, televisions, washing machines);
– building or improving/renovating housing, buying land or livestock;
– investments in socio-cultural life (baptisms, weddings, funerals);
– credit/guarantees, loan repayments;
– savings;
– income- or employment-generating activities; 24
– SME promotion and entrepreneurial education (e.g., business plan support, venture capital training, finding active markets and production networks).

**Actors:** financial service providers; marketing and sales experts/consultants; specialised NGOs; universities and think tanks; training providers; multinational development organisations; governments and multinational development institutions; local NGOs.

**Product introduction**

These steps are recommended:
– define a customer life cycle and migration strategy, attract and integrate underbanked immigrants as a profitable customer group for the financial sector;
– define a marketing, sales and channel strategy;
– offer attractive value propositions to intermediaries and other participants in new product distribution strategies, which is often critical to the adoption of these products;
– pilot/test products, provide a pilot-friendly user environment and key users;
– support and facilitate product introduction.

**Actors:** financial service providers; marketing and sales experts/consultants; specialised NGOs; universities and think tanks; diaspora associations.

**Education**

Several aspects are important in providing this service:
– training on general financial literacy;
– product-related training services and demand-driven capacity building;
– capacity building in training institutions.

**Actors:** financial service providers; universities and think-tanks; diaspora associations; specialised NGOs; training providers.

**Institutional development**

Effective institutional development in this context comprises:
– organisational development – organisational readiness assessment, strategy development, roadmap planning;
– human resource development – build-up of relevant product- and customer-related in-house resources, skills and capabilities, e.g., language or inter-cultural skills.

**Actors:** financial service providers; universities and think tanks; specialised NGOs and consultancies; regulators/central banks.

**The following financial services have been identified:**

Local banks or MFIs offer general check-cashing services beyond their own facility network, e.g., through supermarket chains as distribution partners.

In addition, introductory or ‘second chance’\(^{25}\) checking accounts are interesting financial services for the underbanked. Customers pay a monthly fee and receive no overdraft protection, but after a 12-month probationary period they are transitioned to a regular checking account. During the probationary period the customers receive additional training.

Local banks, credit companies and service partners such as MTOs provide reloadable prepaid debit cards connected, e.g., to paychecks, bill payments and remittances which include a savings component for earning interest on deposits.

Microloans, e.g., small loans, payday loans, short-term credit products, personal instalment loans, are target-group-specific products. They typically include a limited choice of features and are often sold at high interest rates, but also experience high renewal rates.

Another service offered by local banks is the direct-deposit advance product. This service provides an advance equal to, e.g., half an account holder’s usual monthly direct deposit amount; the advance is repaid automatically upon receipt of the next deposit greater than a specific amount.

Finally there are various financial services regarding the underbanked such as bill payments or bankers cheques. Micro-insurance and investment products, loyalty programmes and mortgage should also be mentioned here.

In a recent forum\(^{26}\), the Center for Financial Services Innovation (CFSI) and associated banks identified the following critical success factors and obstacles in serving the underbanked:

**Success factors:**

– ‘(…) the rewards of serving underbanked customers may be limited unless customers migrate from introductory and transactional products to traditional products. (…) In order to eventually move underbanked customers to more profitable traditional banking products, product innovation/design, effective communication, education, and the right migration strategy are essential.’

**Obstacles facing companies serving the underbanked market:**

– lack of market research;
– risk/fraud;
– marketing and access;
– small margins/profitability;
– regulatory issues;
– finding/reaching scale;
– product fit;
– finding partners;
– lack of capital.

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\(^{25}\) Specifically concerning the US: ‘According to a 2005 survey commissioned by CFSI, about half of unbanked customers are really formerly banked – that is, they may have had poor experiences with banks in the past or do not qualify for standard accounts.’

Traditional remittance players should, therefore, not try to find solutions for each of these critical success factors by themselves. Complementary partnerships can help them to overcome particular obstacles while focusing on their core business.

Based on their local expertise, development agencies can help with the identification, screening and development of the appropriate MFI partner. Key questions that affect these actions are listed below.

- Market: Does the MFI have a market? Is there demand for these services? Do clients trust the MFI?
- Capacity: Does the MFI have the capacity to adequately manage such a product?
- Network: Is the MFI part of or can it join a transfer network? How can these international agreements be facilitated?
- Regulation: Do regulatory requirements allow the MFI to engage in international or domestic money transfer services?

(For a more detailed discussion of the institutional capacity building of MFIs and their involvement in the remittance process, please see the various studies published by CGAP)

### 3.2.4.2 International project examples

The following examples highlight financial products offered in cooperation with the private sector.

**CEMEX**[^28], Mexico’s largest and the world’s third-largest cement company, created two key programmes to tap the potential for reaching the large poor population of Mexico, where 60% of the people survive on less than US$5 a day.

**Patrimonio Hoy** (‘Savings/property today’) targets the low income, do-it-yourself homebuilder segment of the population with the dual purpose of alleviating Mexico’s housing crisis and creating value for the company. It is set up like a micro-credit scheme, with small lending groups (socios), but the savings are used to purchase cement and other building materials. The programme also offers value-added services such as technical advice, architect visits, storage space for raw material and customer service. Patrimonio Hoy, launched in 1998, tripled the rate of cement consumed by its low income, do-it-yourself homebuilders by 2005, reaching more than 100,000 Mexican families and intending to reach more than one million by 2010.

CEMEX knew that a significant part of the US$10 billion in remittances to Mexico (about 10%) is used for the construction of houses. It then came up with the idea of creating an easier and cheaper way to help the diaspora build houses back in Mexico. A subsidiary, Construmex, was formed to address this need in 2001.

**Construmex** is an innovative way of tapping the diaspora community so that money sent home for construction can be transferred directly to the cement company without paying financial intermediaries. The service allows Mexicans living in the United States to send their money and their orders directly to cement distributors in Mexico, who then deliver cement to the site of the person’s future home or business. Two broad types of customers are served: individuals remitting money for building their homes in Mexico and hometown associations (HTAs) remitting money for public service projects in their home towns in Mexico. Construmex has reported US$2.5 million in sales since it started in July 2001, mostly from emigrants in Los Angeles. With its US sales potential estimated at US$160 million a year, Construmex is planning to expand to other cities with large Mexican communities, including Chicago and Houston.

Both programmes provide the poor with more cost-effective opportunities to build their homes and improve their livelihoods. CEMEX Philippines, for example, is very interested in replicating this model. This has great potential because Filipinos send much more money home than Mexicans do.

**DBP-SMART OFW i-NET NEgosyo program**

The programme (as a partnership between DBP and Smart) encourage overseas Filipino workers (OFWs) with a valid employment contract to take a loan and create livelihood opportunities for their family in the Philippines. The programme provides families or relatives of OFWs with a ‘Negosyo package’ which may support the beneficiaries in establishing a small internet business.

The ‘Negosyo package’ includes:

1. a new desktop computer with a Microsoft operating system and a one-year hardware warranty;
2. a one-year unlimited Smart Bro internet connection with a speed up to 384 KBPS;
3. streamers and flyers to promote the internet rental service;
4. a mobile handset;
5. a wireless broadband internet connection;
6. maintenance support and after-sales service through SMART’s customer care programme.

**Loan Features:** The loan can total up to PHP 45,000.00 per unit with the following components to be provided by SMART or another internet service provider:

- **Interest:** Up to 9.0% p.a. (fixed)
- **Terms:** Loan payable up to 12 months in equal monthly amortisations

The overseas Filipino workers (OFWs) need a valid employment contract of not less than six months with at least a joint monthly gross income equivalent to PHP 25,000.00 including other determinable/verifiable income. He should also have a corresponding work permit and identify a specified beneficiary as the co-borrower.

### 3.2.5 Distribute remittances

#### 3.2.5.1 Services

As mentioned in section 3.2, transfer service providers usually make use of intermediaries (see intermediaries in 3.2.1 Collecting remittances). There is one additional distribution intermediary:

**ATMs** (automated teller machines) provide access to financial transactions in a public space without the need for a human clerk or bank teller. On most modern ATMs, the customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smartcard with a chip, which contains a unique card number and some security information. Security is provided by the customer entering a personal identification number (PIN). Using an ATM, customers can access their bank accounts in order to make cash withdrawals or credit card cash advances and check their account balances.

**Actors:** ATM network of multinational banks; ATM networks of local associated partners.

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Developing remittance distribution

To develop the distribution:

– extend the geographic coverage and outreach;
– develop a customer- or segment-specific approach through personalisation or trust building;
– define a marketing strategy (shared marketing funds);
– increase the product portfolio through after-sales services and use cross-selling opportunities at each customer touch point;
– increase efficiency and productivity through outsourcing, value-chain shortening and concentrating on core competencies;
– improve the quality of financial products (e.g., specialised employees);
– create financial and cash-flow benefits (e.g., intermediary as pre-financer);
– share risk (e.g., identification is done by collecting partner).

**Actors:** offices of traditional MTOs; internet-based providers; mobile service providers.

Offering attractive value propositions to intermediaries and other participants in new product distribution strategies is often critical to the adoption of these products. From a developmental point of view, a particularly important role in distribution in the receiving country needs to be assigned to local micro-finance institutions. Given their local/rural presence, MFIs should be institutionally strengthened and stimulated to participate in the remittance market as valuable partners for traditional players.

### 3.2.5.2 International project examples

The following example ensures greater convenience by including courier and pick-up services.³⁰

The **Development Bank of the Philippines**, commonly known by its initials, DBP, is a state-owned development bank in Makati City, Philippines. It is the seventh-largest bank in the Philippines in terms of assets, and is the second-largest government-owned bank, next only to Landbank. It is also one of the largest government-owned and/or controlled corporations (GOCCs) in the Philippines. Capitalising on its 59-year history as a solid, stable institution, DBP expands its global reach and taps the growing OFW market by offering competitive remittance products and services to encourage overseas Filipino workers (OFWs) to take advantage of settlement options available through the banking system. The DBP Electronic Cash Remittance (EC Remit) Program provides OFWs with a secure, safe fast, easy, efficient, and reliable means to remit their hard-earned money to their designated beneficiaries in the Philippines through a combination of electronic-based and traditional remittance services. These include virtual payments, credit and debit card facilities, fund transfers and payments through ATMs/banks, non-bank service providers and door-to-door delivery facilities.

The **World Council of Credit Unions, Inc. (WOCCU)** is a not-for-profit trade association and international credit union development organisation headquartered in Madison, Wisconsin, in the US WOCCU is a representative organisation and lobbying agency for credit unions that unites regional and national credit union associations, cooperative associations and business service organisations worldwide.³¹ WOCCU sees its mission in assisting its members and potential members in the organisation, expansion, improvement and integration of credit unions and related institutions as effective instruments for the economic and social development of all people.³² WOCCU understands itself as a platform for education and networking that

³⁰ Source: www.developmentbankphilippines.com.ph
³¹ See www.woccu.org
³² Ibid.
serves the promotion of economic freedom and the sustainable growth of financial cooperatives globally through education, collaboration and community-based development projects.

The donors of the WOCCU include The Bill and Melinda Gates Foundation, the federal government of Mexico represented by BANSEFI and the Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) of the US government, represented by the US Agency for International Development (USAID) and the US Department of Agriculture (USDA), DFID, the World Bank and SIDA under the Financial Sector Deepening Trust (FSD), etc.

Programmes: Two of the most notable programmes initiated and administered by WOCCU are the International Remittance Network (IRnet®) and the more recent ServiRed initiative.

IRnet® WOCCU started its international remittance programme in 2000 to offer immigrants in the United States low-cost alternatives for sending money to relatives back home. IRnet® is a vehicle to bank unbanked remittance senders and recipients through WOCCU’s International Remittance Network available to credit unions in the United States and developing countries. An example of successful cross-border collaboration, IRnet® surpassed US$1.5 billion in total transaction volume since its inception in 2000. The latest plans for remittances included the extension of IRnet® to Spain, where at least half of international money transfers to Bolivia originate.

ServiRed is a shared software and hardware service network WOCCU developed, with funding from USAID and support from the Corporate One Federal Credit Union and the Ohio Credit Union League that enables credit unions to offer their members a safe and convenient way to manage their money when they are far from home. The project was of particular value and success in Bolivia, where poverty is concentrated in the 35% of the population that is rural and generally unserved by formal financial institutions. Development of the internet-based ServiRed network has meant that credit union members enjoy not only the convenience of shared branching transactions, but the security as well. For micro-entrepreneurs, those people operating very small businesses who must travel to different parts of the country to sell their products at markets, shared branching means they can now deposit through ServiRed the money they make directly into their home credit union account without risking the robbery of a large sum in the days it often takes to return home. ServiRed now connects 21 of the 23 credit unions in Bolivia and 62 of the 82 service points across the country. Bolivia’s population totals about 8.8 million, almost 6% of which is currently in the ServiRed network.

Additional examples focusing on distribution by mobile technology

Mobile stored value in a high-technology-penetration country – G-Cash in the Philippines

Globe Telecom is one of the two Philippine telecom companies that have recently introduced remittance payments by mobile phone. Their G-Cash system has been developed by Paysetter International Ltd.

Mobile phone subscribers have to register for G-Cash by keying in personal information, including their mother’s maiden name for ID purposes. Within the Philippines, cash can be credited to the phone account by visiting an authorised outlet, filling in a form and presenting ID. The fee for this is 1%, with a minimum of 10 pesos (US$0.20). The money can be transferred to another phone by keying in the sender’s PIN, a simple code and the recipient’s phone number. The cost is the same as sending a text message – one

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34 In Rural Bolivia, Credit Unions Reach Deep into Communities. News release, 3 April, 2006.

peso (US$0.02). The recipient receives the text message confirming the transfer and then withdraws the cash by visiting any authorised G-Cash agent. Outlets include Globe Telecom centres and selected retailers such as 7-Eleven and pawnshops. The commission is again 1%, with a minimum of 10 pesos.

Globe Telecom is creating a network of overseas outlets through which migrants can deposit cash. At present coverage is limited to Hong Kong, Italy, Singapore, Taiwan and the UK. Sending a payment from the UK costs £7 (US$13). The service offers an innovative, low-cost means of making cash-to-cash transfers. Neither party is required to have a bank account.

**Mobile stored value in a low-technology-penetration country – Celpay in Zambia and the DRC**

Customers are provided with a secure Celpay SIM for any GSM mobile that loads a new menu onto the phone. Funds are deposited into a Celpay account, using the mobile phone to transfer from a bank account or, if the user is unbanked, depositing cash at a partner bank. Purchases can be made via an SMS by entering the amount to be paid into the phone and authenticating the transaction with a PIN. The service provider instantly transfers the money to the merchant's Celpay-enabled account. Merchants pay a commission of 3.4% of the total transaction amount. Currently there aren't many Celpay outlets so rural outreach is negligible, but payout through Celpay outlets means ATMs aren't necessary.

**Hub and spoke network model for mobile payments**

The customer registers his/her telephone number with a local bank. This telephone number is linked to his/her bank account held at a UK bank. This confirms the ID requirement as it is linked to a pre-established bank account complying with money laundering regulations. The customer’s local bank originates the remittance payment via a dial-in number.

**3.3 Receiver-related services**

Remittance payments sent out by an empowered diaspora (both as individuals and as a group) through a satisfactory transfer channel now reach the addressee in the home country. As mentioned before, in an ideal world the remittance traffic reaches the rural areas on an institutional path. While ensuring this transfer, the tight tandem between sender and recipient and their interdependence is an informed choice rather than a sole option. Local development doesn’t depend solely on the relationship with a direct relative or friend on the receiver side but occurs when simply having a savings account with adequate interest in the home region. The associated micro-finance bank or savings cooperative stimulates local development by providing access to financial services, especially for poor people, and simply pursuing its genuine commercial interests. Nevertheless, the basis is a working environment surrounding the financial institutions that enables economic activities, facilitating savings and their mobilisation.

**3.3.1 Empower and stimulate receivers**

In addition to actions designed to strengthen the institutional capacity described in section 3.2, the focus of this section lies on the capacity building of the final (individual) recipient and customer of financial services. The empowerment of the receiver/customer is focused on activities in the economic sector, taking into account that empowerment also has a social aspect that may be even more important. Moreover,
the local economy and public authorities offering basic education and health services of adequate quality should be part of an integrated strategy that links remittances with development. Nonetheless, for the sake of a simple overview and regarding the economic focus of the study as a whole, this simplification seems justified.

The actions presented in the following table aim to increase the capacity of the recipient, either of a credit or a direct remittance payment, to invest in business opportunities supported by an enabling environment.

**Awareness building**

Awareness building should aim to:
- explain the necessity of opening an account in their local financial institution;
- attract economic activity and investment behaviour instead of consumption (reflecting/taking into account Maslow’s hierarchy of needs);
- present business opportunities and best practices.

**Actors:** NGOs; schools; universities, training providers; MFIs; banks; chambers of commerce; business networks.

**Financial literacy**

Promoting financial literacy involves:
- reducing the anxiety around using formal banking institutions;
- explaining the facilitating function of financial services;
- introducing higher-yielding products (e.g., micro-credits, micro-insurance, health care, retirement provisions);
- supporting the process in practice.

**Actors:** NGOs; multinational development organisations; MFIs; banks; training providers; academics.

**Capacity building** (vocational education and SME promotion)

**Vocational education:**
- course and programme development with a focus on start-up companies;
- establishing a direct link to remittance payments (e.g., education funds, paying school fees and materials).

**SME promotion:**
- strengthening SME associations and interest groups;
- staff skill development;
- policy dialogue with local governments and the diaspora;
- progress monitoring and evaluation of diaspora investments;
- establishing a direct link to remittance payments (e.g., invoice payments, salaries).

**Actors:** NGOs; development institutions; training providers; local governments; diaspora associations.

**Foster relationships:**
- establish partnerships with local and foreign entrepreneurs (e.g., business angels);
- support ‘brain gain’ activities with diaspora groups (e.g., joint ventures, volunteer service, travel);
- support investment promotion among the diaspora;
– institutional communication mechanisms that ensure systematic contact among the diaspora, SMEs, financial service providers, and local government.

**Actors:** business networks; chambers of commerce; NGOs; SME associations; diaspora associations; local governments.

**Enabling environment:**
– ensure an attractive investment climate (e.g., stable exchange rates, low inflation, absence of excessive bureaucracy and corruption);
– institutional resource investment for policy outreach.

**Actors:** international organisations; governments.

→ An empowered receiver or credit user is the basis for a productive local economy. The linkage of investment opportunities in developing countries with savings by the diaspora or other investors appears to be the crucial point of an economic development strategy.

### 3.3.2 Understand market and customers

Similar to the analysis of the diaspora, it is important to understand the problems and needs of the final recipient. The consideration of remittance corridors and receiver attitudes towards financial issues can facilitate the development of successful remittance transfers. Only an in-depth analysis of customer behaviour allows for the creation of target-specific financial products so that remittances can be used as effectively as possible.

**Statistical analysis/corridor analysis**

The analysis should address these questions:
– What is the incoming remittance volume per country/per single recipient?
– What are the high volume sending countries?
– Does this correspond to the biggest diaspora populations?

**Actors:** public authorities; embassies; international organisations such as the World Bank, IOM; local central banks.

**Social and cultural activity analysis:**
– What are the main attitudes toward the diaspora?
– Is there any relationship to the diaspora (family-run, business-driven)?

**Actors:** local governments; embassies; professional analysts and research institutes; newspapers/journalists; diaspora-related associations/NGOs.

**Behavioural analysis:**
– What is the general attitude towards financial issues?
– What are the remittance payments used for (basic needs, savings, investments, business, housing)?
– What are the main obstacles to remittance transfers (account opening, rural access, security)?

**Actors:** banks; MTOs; diaspora-related associations/NGOs; international organisations; professional analysts and research institutes.
3.3.3 International project example

The following example reflects the role of business in the diaspora network.

The Silicon Valley Indian Professional Association (SIPA) is a non-profit voluntary organisation based in Santa Clara, CA, dedicated to furthering the professional development and advancement of Indian-American technology professionals. As a business diaspora network, SIPA is first of all a platform for information dissemination, networking and matchmaking, business guidance and promotion. Founded in 1987, SIPA serves as a forum for expatriate Indian entrepreneurs to contribute to the cooperation between the US and India in high technology areas. The association aims to offer a bridge to India at the grassroots level and promote networking with visiting business professionals. Its mission is to provide a forum for individuals interested in meeting with visiting Indian businessmen and women, professionals, and bureaucrats, and to facilitate information dissemination and networking within the professional community through a speaker series and seminars on issues such as outsourcing, property rights, and service providers in India.

SIPA Sponsors: Oracle and Prudential Financial companies

As of 2004, SIPA consisted of over 2,300 members. SIPA’s members are highly qualified engineers, corporate managers, legal and financial experts, business people, and other professionals. Most of them are actively involved in the high-technology industry and hail from almost every major company in Silicon Valley. SIPA’s activities generally involve social events (e.g., conferences and dinners) that provide a range of opportunities to learn more about engaging with the IT industry in India, for example:

- discussions on how Indians and Chinese professionals are using their community networks to build successful businesses, and how local experience combined with local and global networks has helped entrepreneurs to form subsidiaries, joint ventures and other business operations in their homelands and further their professional development;
- discussions of opportunities for business process outsourcing (BPO) in India;
- events for Silicon Valley professionals to meet with ministers and top officials to learn about government policies and IT infrastructure in various Indian states.

The activities of SIPA are guided by its mission to create value for its members in the wealth of information and knowledge that engenders in the meeting of corporate leaders, the workforce, consultants, and service providers.

3.4 Influence environment

By definition, remittance transfers always have a multilateral aspect and therefore are embedded in a complex legal, regulatory and political context. To ensure the success of projects, it is important to understand the key legislation and involve regulators and experts from multinational development institutions in the

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37 Ibid.
sending and receiving countries as important partners.

Due to the fact that remittances are the second-most important external source of funds for developing countries, policy needs to reflect the relevance and importance of remittances flows. Raising such political awareness is necessary in order to induce changes in the legal framework in sending as well as in receiving countries.

3.4.1 Sending countries

It should be noted that the regulatory burden for money transfer companies differs a lot from country to country. The UK government, for instance, believes its lower level of financial regulation to be proportionate to the financial risks involved in money transfer. Nonetheless, transfer providers are typically confronted with two key issues: identification and money laundering; and terror financing prevention.

Identification

– Anonymity is the friend of the money launderer, which is why, with certain limited exceptions in relation to business with a low risk of money laundering or terrorist financing, remittance providers are required to identify their customers effectively. However, preventing and detecting crime is not the only consideration, and the needs of the firm and the customer must also be fully recognised. The way in which customers are identified must be practical and cost-effective for the firm – a key principle needs to be proportionality. A simple and quick enrolment must be possible for the honest customer;

– With regards to customers who cannot reasonably be expected to have any of the standard proofs of identity (passports or driving licences are commonly used to establish who people are, and driving licences and utility bills to prove their address), alternative means of establishing identity are available. A diverse range of people fall into this category, such as some people from the following groups: refugees and asylum seekers, people in rented accommodation (who therefore may not have a utility bill in their own name), full-time students, people dependent on state benefits and pensioners. When customers don’t have the requisite combinations of passports, driving licences, utility bills, etc., then options such as letters from benefit authorities and educational establishments may be acceptable, as may be letters from persons in positions of responsibility vouching for the person’s identity and address.

The European Commission is currently preparing a directive on a new legal framework for payments in the internal market (the draft Payment Services Directive, or PSD). The PSD will introduce an authorisation/registration regime for payment service providers. All payment service providers will be subject to conduct-of-business regulations, and payment service providers that are not credit institutions or e-money issuers will also be subject to prudential regulation. The provision of money transfer services will fall within the scope of the PSD. The PSD will be implemented in 2008-09.

Another key challenge for transfer service providers, especially for smaller ones, which are key providers in certain country corridors, is that they are inadequately supported in their representation in government and regulatory bodies. Organised representation would be needed to enable the government to understand better the impediments to flows in these country corridors and so work to remove them.

Finally, the political legislation can directly influence the development impact of remittances while setting appropriate incentives in the tax system.

Use of standard tax incentive tools on remittances

– A number of tax relief schemes are in place in order to encourage donations, investments, business innovation and ecology-minded behaviour. Besides the solely income aspect of taxes for the national budget, they have always been a practical instrument for influencing human behaviour. The following initiative seeks to improve the impact of remittances by offering tax relief for development-related remittance payments.
As a think tank and an advocacy organisation, AFFORD (see above) promotes RemitAid™ – Remittance Tax Relief (RTR) for International Development. RemitAid™ is a scheme through which RTR is claimed for remittances spent on international development – similar to existing tax relief schemes, such as Gift Aid, a venture capital trust and enterprise investment scheme (in the UK).\(^{38}\) It seeks to mitigate the imperfections of diaspora and migrant remittances and to facilitate the channelling of more of these financial flows towards productive and regenerative ventures in developing countries. This would mean allowing community tax relief on remittances that are spent on activities that support the Millennium Development Goals (MDGs), charitable objectives or other sustainable development projects and programmes. AFFORD has proposed that RemitAid™ bodies be set up to claim and pool together the tax relief. The main difference from other tax incentive schemes is that the tax rebate is pooled instead of being returned directly to the individual remitter. In this case, the motivation and opportunity for fraud is minimised if not eliminated. The rebates are then pooled in a fund (RemitAid™ Development Fund), which is used to mitigate the negative effects of remittances.\(^{39}\)

**RemitAid™ vision:** To optimise the financial and economic benefits of international migration.

**Approach:** To work through diaspora public-private partnerships (DPPP) in transform diaspora and migrant remittances into a more sustainable form of international development finance.\(^{40}\)

### 3.4.2 Receiving countries

The UK Remittance Working Group has developed a helpful checklist\(^{41}\) for promoting a positive regulatory framework for payments in developing countries:

- **Legal and regulatory issues** – Are there well-functioning regulatory bodies that serve all participants in the market? Are legal rights enforceable?
- **The clarity of regulation** – To what extent are there clearly defined regulations/guidelines regarding acceptable identification, threshold levels and customer rights? Do the regulations explicitly address money laundering and terrorist financing?
- **The exchange rate regime** – Under what exchange rate regime does the country operate? How much freedom do companies have in pricing the exchange rate offered to customers? Are people allowed to receive and hold foreign currency?
- **Reputational risk** – How does the country measure up against the international standards on money laundering, as laid down and assessed by the FATF, IMF etc.? Are there reputational risks for international companies participating in this market (e.g., regarding corruption)?
- **The importance of remittances** – How important are remittances as seen in the context of the national economy from the perspective of the central bank?
- **Barriers in sending countries** – What restrictions prevent migrants from sending money back? Are remittance recipients taxed on the income they receive?
- **The lack of a ‘productive’ use of remittances** – What incentives are in place to leverage remittances into the formal economy rather than the cash-based economy? How are saving and investing encouraged rather than consumption?

A checklist to assess the level of development of the market is detailed below.\(^{42}\)

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\(^{39}\) Source: [www.afford-uk.org](http://www.afford-uk.org/index.php?option=com_content&task=view&id=38&Itemid=57)

\(^{40}\) Source: [www.afford-uk.org](http://www.afford-uk.org/index.php?option=com_content&task=view&id=24&Itemid=42)


\(^{42}\) Ibid: UK Remittance Market, UK Remittance Working Group.
– Technology and infrastructure – Is there a well-functioning and efficient payment system in place? Does the technology infrastructure encourage product innovation and access to non-branch networks (e.g., ATM networks, mobile phone networks, fixed landline penetration, internet penetration)?
– A competitive marketplace – Is the market competitive or do a small number of participants dominate?
– The lack of correspondent banking – To what extent are correspondent banking networks established?
– Underserved markets – To what extent are people included in the formal financial system? What initiatives are in place to include more people?

### 3.4.3 Industry consolidation (mergers and acquisitions)

Given a growing market and the substantial margins/revenues of some of the key remittance players, the transfer market has become increasingly attractive. As the number of players is rising, more competitive companies will, at least for high-volume channels, place downward pressure on remittance transfer fees and margins. This will ultimately lead to a consolidation in the industry. For both investments in a growing market and eventual industry consolidation, experts in investment banking, mergers and acquisition or private equity will heavily influence the future.

### 3.5 Donor activities

Broadly, donors and development organisations are only in the early stages of working in this field. Research has shown that particular progress has mainly been made in promoting remittance corridors between the US and Latin America (Central America in particular), widely driven by the Multilateral Investment Fund of the Inter-American Development Bank (IADB). Since 2003 the IADB has received support from the US Agency for International Development (USAID). While IADB and USAID are focusing on the intra-American corridor, the DFID is focusing on the huge diversity of migrants living in the UK. Their activities are characterised by ‘universality’ and an implicit multiplier effect, e.g., a website, an international library, a newsletter, etc. The World Bank and European Commission (EC) try to pursue a more holistic approach while supporting multi-country programmes, but the World Bank is far more active than the EC in the remittance context. The Asian Development Bank (ADB) is engaged only in supporting small initiatives and study projects, perhaps due to the high engagement of the national governments in the remittance context (e.g., the Philippines). It may also be due to a conflict of interest resulting from the Intra-Asian character of the remittances stream in South-East Asia. The following summary provides an overview of the remittance activities driven by various donors. The introductions describe the organisational anchoring of remittances within the institution/organisation. The activities, including ‘research and publications’ and ‘projects and initiatives’, were selected according to the following criteria:
– the timeliness of the information;
– the relevance for the target group;
– the degree of innovation.

#### 3.5.1 Inter-American Development Bank (IADB)

The IADB is one of the most active development organisations in the remittance context. IADB established their subsidiary, the Multilateral Investment Fund (MIF), in 1993 to promote broad-based economic growth through private sector development, particularly micro enterprises and small businesses.43 Since 1999, the MIF has been active in the remittance context from a research and operational perspective. The MIF projects seek to leverage the development impact of these flows to the region by making money transfers cheaper and safer and putting formal banking services within reach of those sending and receiv-

43 [www.iadb.org/mif/about_us.cfm?language=English](http://www.iadb.org/mif/about_us.cfm?language=English)
Remittances are treated as a cross-cutting issue touching upon: the financial sector and capital markets; small and medium-sized enterprise development; and micro, small and medium-sized enterprise financing.

Research and publications


This survey probes the reasons behind the shift in remittance flows. The results suggest that two principal forces are affecting the lives of Latin American immigrants and the flow of money they send home. The first is the effect of the US economic downturn on the sectors employing large numbers of Latin American immigrants. The second, and perhaps more significant force, is the effect of the immigration climate which has been emerging over the past two years and is changing the dynamics of remittances to Latin America;

– **Sending Money Home: Worldwide Remittance Flows in 2006**

This study provides an overview using a remittance map created from data collected on migrant populations, the percentage of migrants sending remittances, the average amounts remitted annually, as well as the average frequency of annual transfers. Central banks and other official government sources, money transfer companies, international organisations and academic institutions were used for reference support. The map covers 162 developing countries – many for the first time – and, together with the accompanying analysis and data tables, provides comparative indicators with which to measure the relative importance of remittances among twenty sub-regions of the developing world;

– **International Money Transfers: Issues and Developments of IT Transfers**

This small survey explores the opportunities to leverage the IT developments of recent years in the remittance context in order to facilitate transfers and reduce corresponding costs.

Projects and initiatives

– **Enhance the Development Impact of Workers’ Remittances**

The main objective of the project is to enhance the development impact of workers’ remittances to Guatemala from the United States through an innovative structured transaction. The project is designed to finance the expansion of medium- to long-term credit for (i) small business development, (ii) mortgage loans, and (iii) the recipients of remittances, focusing mainly on mortgage loans to these recipients paid by remittance flows. The MIF’s involvement helps to support a growing market with profound social repercussions: the impact of workers’ remittances in Latin America and the Caribbean (LAC). The MIF plays an important, catalytic role because it enhances the development impact of remittance flows and helps local banks to leverage its Guatemalan workers’ remittance flows from the United States and expand its medium- to long-term loan portfolio in Guatemala;

– **Improving Central Bank Remittance Reporting and Procedures**

The goal of the project is to increase net receipts of remittances in Latin America, reducing the cost of sending them thanks to a more competitive market. The purpose of the project is to improve and/or implement procedures for the statistical measurement of remittances in central banks;

– **Facilitation of Access to Housing Finance for Recipients of Remittances**

The main objective of this project is to increase the efficiency of the Mexican mortgage system and facilitate its expansion to the medium-income population, especially in areas affected by migration, and promote at the same time the housing market. Within this project, MIF is working with La Sociedad Hipotecaria Federal (SHF) in order to promote activities linked with the creation of mortgages by commercial
banks. This includes consumer literacy about this market, as well as promoting new ways to link migrant remittances from the US with mortgage financing for their families in Mexico;

- **Remittances through the Postal System as a Development Instrument**

  According to the project description, the objective is to prepare a project for possible Multilateral Investment Fund (MIF) financing aimed at reducing the costs of remittances to Latin America and the Caribbean. It will also induce remittance recipients to use the money in a productive way, using the formal financial system and logistic companies such as the post offices of Latin America, e.g., in Uruguay.

### 3.5.2 United States Agency for International Development (USAID)

The magnitude of migrant remittances has attracted the attention of USAID. At the 2004 Special Summit of the Americas, President George W. Bush, along with other leaders of the hemisphere, committed to reducing the transaction costs associated with sending remittances by 50% by 2008.45 The US Department of the Treasury is working to address concerns about informal remittances and their potential connection with illegal transactions such as money laundering and the financing of terrorism. At USAID remittances are touched upon in several areas but basically economic growth and trade is in focus, with the subdivisions micro-enterprise development, financial markets and privatisation. The activities are basically divided into the improvement of access to financial services for migrants on the one hand and small-scale support for hometown associations in the US on the other.

### Research and publications

- **Remittances, Diasporas, and economic development: Issues, lessons learned, and recommendations for donor interventions**

  This paper demonstrates that diasporas can contribute to home country economic development through a wide range of remittance-, commerce-, investment-, and philanthropy-related activities. Donors have supported many of these activities through a variety of programmatic interventions to good effect;

- **Diasporas, Development and Transnational Integration: Ghanaians in the US, UK and Germany**

  This study reviews trends and patterns, as well as the impact of remittances in Ghana, by analysing the extent to which Ghanaians maintain economic relationships with their home country. An important argument validated in this report is that the Ghanaian diaspora exhibit two key traits. First, Ghanaians are deeply transnational agents in the sense that their ties and obligations occur in both Ghana and their country of residence. Second, their attachment to the homeland is overtly manifested not only in remittance sending, but also through concrete material objects: investment, the purchase of homes and giving;

- **West African Financial Flows and Opportunities for People and Small Businesses**

  This report is the result of a request by the United States Agency for International Development’s West African Regional Program (USAID/WARP) to the CARANA Corporation to carry out a study of the nature, practices and challenges of intraregional cross-border payments in West Africa. To that end, the author conducted fieldwork, including liaison work with four local consultants, interviews with 120 individuals, 70 migrants and traders, and work by a Ghanaian consulting company that administered a survey of West Africans in Ghana.

- **Migrant Remittance Newsletter**

  The Newsletter supported by USAID and DFID is published periodically and is probably the most widely distributed newsletter on remittances. With up-to-date reporting and descriptions of the latest developments, it provides an excellent overview of the remittance context.

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Projects and initiatives

- Diaspora Network Alliance (DNA)

Within the DNA framework, USAID and its resource partners engage in programmatic activities designed to amplify the development impact of remittances. These activities work to:

- encourage traditional money transfer organisations and banks to develop and market their services to remittance clients and/or promote linkages with micro-finance institutions to deepen outreach;
- develop regional and domestic payment systems to meet the needs of migrants and their families and facilitate international transfers;
- support pilot programmes that link remittances to financial products (housing loans, health insurance, consumer loans, student loans, education funds, pension plans, enterprise loans, indigenous rotating saving schemes, etc.);
- explore technological innovations (such as mobile banking) that could reduce transaction costs, increase security, and provide remittance clients with a range of convenient services;

- World Council of Credit Unions (WOCCU)

USAID/Mexico and the USAID/EGAT Pillar Bureau support the World Council of Credit Unions (WOCCU) in their work to ‘bank the unbanked’. The collaboration is financing the joint US-Mexico Partnership for Prosperity, an executive-level action plan to promote economic development in Mexico. The Partnership identifies lowering the cost of sending money home as a key focus area. USAID has helped to foster linkages between WOCCU, US credit unions, and Caja Popular Mexicana to transfer funds at less than half the cost of Western Union. USAID has also supported WOCCU’s International Remittance Network (IRNet), which has facilitated transfers through credit unions in six Latin American countries;

- Alliance of Communities Supporting Children and their Continuance in Education (ALCANCE)

The project, called ALCANCE (Alianza de Comunidades Apoyando la Niñez y su Continuación en la Educación), remains the largest USAID-funded public-private-partnership involving diasporas in Latin America and the Caribbean to date46, bringing together 21 HTAs, the Pan-American Development Foundation (PADF), the non-governmental organisation World Vision, a Salvadoran educational organisation, local HTA counterparts, and financing from two banks. The objectives of the project are threefold: improve education among poor, rural primary schoolchildren; leverage immigrant resources; and develop sustainable mechanisms for the transnational support of rural education in El Salvador.

3.5.3 The World Bank

Remittances are dealt with at the International Finance Corporation (IFC) within the World Bank Group. Remittances are an important part of their ‘financial and private sector development’ strategy. The strategy focuses on payment security and effective settlement systems as ‘they provide the channels through which funds are transferred among banks and other institutions to discharge payment obligations arising in the financial markets and across the entire economy.’47 This very technical approach results generally from the simple fact that the World Bank is a bank itself and grows particularly out of their long-term strategy to reform central banks and regulators in developing countries. This approach follows the technological development and the immense growth of values being settled since the mid-1980s. Since 2005 over 700 documents and reports have been published on remittances.48 One of the most relevant publications is The migration and remittances factbook first published in 2007 and updated every year.

Research and publications

– **The migration and remittances factbook 2008**

This factbook for 2008 present numbers and facts behind the stories of international migration and remittances, drawing on authoritative, publicly available data. It provides a snapshot of statistics on immigration, emigration, skilled emigration, and remittance flows for 194 countries and 13 regional and income groups.

– **Remittances, consumption and investment in Ghana**

This paper analyses a new, nationally representative household survey from Ghana within a rigorous econometric framework, showing how the receipt of internal remittances (from within Ghana) and international remittances (from African or other countries) affects the marginal spending behaviour of households on a broad range of consumption and investment goods, including food, education and housing.

– **What is the impact of international remittances on poverty and inequality in Latin America?**

Workers’ remittances have become a major source of income for developing countries. However, little is still known about their impact on poverty and inequality. Using a large cross-country panel dataset, the authors find that remittances in Latin American and Caribbean (LAC) countries have increased growth and reduced inequality and poverty.

– **Making money transfers work for micro-finance institutions: A technical guide to developing and delivering money transfers**

Although the money transfer market offers tantalising opportunities for financial service providers, the risks can be high. This technical guide helps delineate when offering transfers is of interest to financial service providers.

– **Remittance service providers in the United States: How remittance firms operate and how they perceive their business environment**

This paper presents the findings of a survey of 73 remittance firms in six US states, for which company executives were interviewed in person. The authors find that the largest obstacles facing remittance firms are obtaining bank accounts, licensing and bond requirements, and competition from the informal sector.

– **Migration and remittances: Causes and linkages**

The authors empirically examine the determinants of remittance flows at the cross-country level. They consider the significance of the level of migration, the education level of migrants, and financial sector development in determining remittances.

– **The committee on payment and settlement systems and the World Bank general principles on international remittance services**

The flow of funds from migrant workers back to their families in their home country is an important source of income in many developing economies. The recipients often depend on remittances to cover day-to-day living expenses, to provide a cushion against emergencies or, in some cases, as funds for making small investments. This paper looks at different aspects of the flow of funds of migrant workers, such as the market for these remittances and remittance services (where consumers of remittance services pay and receive funds).

Projects and initiatives

– **Mexico – Second Additional Financing for Phase Two of Savings and Rural Finance Project (BANSEFI)**

The project’s main objective is to assist the borrower in strengthening the savings and credit institution
sector by increasing compliance with the Popular Savings and Credit Law. The aim is to encourage financially viable, operationally effective, managerially sound, and technologically upgraded institutions providing an enhanced level of outreach and access to financial services by the underserved Mexican populations.

– **Morocco – Financial Sector Development Policy Loan (DPL) Project**

The main development objective of the government financial sector reform programme is to strengthen the enabling legal and institutional environment for financial intermediation and risk management, and to increase the private sector’s role and participation in the provision of financial services;

– **Honduras – Rural competitiveness project**

The project’s main development objective is to contribute to increased productivity and competitiveness among organised rural small-scale producers through their participation in productive alliances. The creation of more favourable conditions in the rural economy may allow the recipients of the remittances to invest them in productive and income-generating activities;

– **Philippines – National Program Support for Tax Administration Reform Project**

The objectives of the National Program Support for Tax Administration Reform Project of the Philippines are to increase taxpayer compliance by increasing the efficiency and effectiveness of the Bureau of Internal Revenue (BIR), and to prepare the BIR for sustainable and long-term reform. There are four components to the project. The second component is tax enforcement and control, which will address the collection of arrears, review procedures and the cleaning up of inventory. It will improve taxpayer services and information linkages as well as transactions with tax credit certificates and tax remittances advices;

– **Maldives – Mobile Phone Banking Project**

The objective of the project is to significantly increase the use of banking system transactions for effecting or receiving payments for labour, goods and services nationwide through the implementation of a national inter-operable payments system that facilitates access to financial services and allows users access to any bank account using any mobile phone operator and cashing through any agent.

### 3.5.4 The European Commission

The remittance topic has gained more attention within the institution. According to a press release from 2007, the Commission highly emphasises a fostered link between migration and development. ‘A beneficial application of migration and development policies is best achieved by means of better facilitating the role of remittances in order to increase recipients’ income-levels, and possibly by means of regulating migratory flows to benefit least developed countries, or certain low-income sections within developing countries.’

The EC follows two strategies to enhance the economic impact of remittances on development. First, the EC is engaged in the capacity building of micro-finance institutions and enforces remittance components in order to diversify financial products and services. Second, remittances are embedded in the Migration and Asylum Department, especially in their new programme entitled: ‘Thematic Cooperation Programme with Third Countries in the Development Aspects of Migration and Asylum’ that has been set up within the framework of the 2007-2013 financial perspectives. The recommendations of the EC regarding remittances are included in this programme. Nevertheless, the engagement is in the early stages. Therefore, research and publications as well as projects with a particular focus on remittances are still underrepresented:

### Research and publications

– **Study – The volume and geography of remittances from the EU**

The study estimates bilateral workers’ remittances from the 27 EU countries to all relevant (from a migration perspective) countries in the world. The main purposes of the study are: (1) to complement the
figures reported by official statistics, trying to account for the volume of formal as well as informal channels; and (2) to present a geographical breakdown of remittance flows by origin and destination countries. For these purposes, an indirect methodology was used to estimate remittances based on migrants’ disposable income and their propensity to remit;

- **Second EU survey on workers’ remittances from the EU to third countries**
  The second report summarises Member States’ replies to a questionnaire on workers’ remittances from the EU to third countries sent in May 2005. Compared to the first survey, the second one extended the scope by requesting a geographical breakdown of flows channelled to Eastern Europe, the Mediterranean, Latin America and the Caribbean;

- **First EU survey on workers’ remittances from the EU to third countries**
  The report provides a summary of replies given by Member States and Acceding Countries to a questionnaire on workers’ remittances from the EU to third countries sent in February 2004. This first survey asked for basic information about the importance of workers’ remittances from the EU to third countries, in particular about the amounts involved, the country of destination, the main transfer channels, the transfer costs and regulatory conditions. In addition, information was requested about how remittances to non-EU countries are recorded in the balance of payments statistics and about initiatives already undertaken to facilitate remittances to third countries.

**Projects and initiatives**

- **Enhancing the Viability of African MFIs through Product Development and Improved Transparency**
  The organisation Opportunity International (OI) enhances the institutional viability of seven of its network partners in Ghana, Malawi, Mozambique, Uganda, Zambia, and Zimbabwe. OI strives to strengthen the capacity of MFIs in product development so that they can better respond to client demands and financial transparency requirements and secure access to larger amounts of domestic and international capital needed for expansion. OI UK helps the MFIs refine or develop new products as diverse as credit, savings, insurance, and remittances;

- **Leveraging Remittances to promote Migrant Entrepreneurship (Netherlands, Ghana and Surinam)**
  The programme has been set up to facilitate the creation of new business by entrepreneurial and enterprising migrants. Its services are primarily offered to migrants who wish to set up a business in their countries of origin. People live in two societies and search for ways to make use of experience and insights gained in either country.

- **Promoting an innovative migrant remittances system**
  This programme (implemented by IFAD) seeks to improve access to remittance transmission in rural areas, link remittances to additional financial services and products and develop innovative and productive rural investment channels for migrants and community-based organisations. It promotes strategic partnerships among formal financial intermediaries, remittance providers, micro-finance institutions, financial cooperatives, non-financial institutions, and postal networks, among others. This programme is co-financed by the EC.

**3.5.5 The Department for international Development (DFID), UK**

DFID is developing remittance partnerships (Nigeria, Bangladesh, and Ghana) to include a range of measures increasing the impact of remittances. DFID has probably the broadest range of activities compared to the donors reflected in this study. It is focusing on activities and initiatives instead of research and publications. Nevertheless, DFID funds the Development Research Centre on Migration, Globalisation and Poverty. The centre aims to promote new policy approaches that will help to maximise the potential benefits
of migration for poor people, whilst minimising its risks and costs.\textsuperscript{50} The selection below is based on the studies DFID conducted directly.

\textbf{Research and publications}

- **UK remittance market**
  In this report, the UK Remittances Working Group makes a number of recommendations that it believes will increase the flow of remittances through registered channels;

- **Sending money home? Remittances to developing countries from the UK**
  This paper provides a summary of information for diaspora wishing to send money back to friends, family, and communities;

- **UK Remittances Products Survey**
  This survey evaluates the best ways for people to send money to relatives and friends in developing countries. This is the first survey of its kind in the UK, and addresses a chronic lack of information available to diaspora groups wishing to send money back to friends, family, and communities.

\textbf{Projects and initiatives}

- **Sendmoneyhome.org**
  To help consumers make informed choices, DFID has set up a free, independent consumer comparison website with country-by-country listings of reputable payment companies allowing comparisons of transfer methods, exchange rates, fees, and speed. Users can calculate the amount that will be received in the local currency, and the website also offers advice on what to do if things go wrong.

- **Bangladesh Remittance and Payments Partnership**
  The project was set up to improve channels for remittances to Bangladesh by providing technical assistance to the Central Bank that will include developing a National Payments Council (the foundation of which is in place). This Council will formulate a national strategy for remittances and payments and develop an Automated Clearing House that will significantly increase efficiency, reduce costs, and ensure adherence to local regulation;

- **UK Remittances Taskforce**
  The DFID helped set up the UK Remittances Task Force, which includes members from the British Bankers’ Association, Barclay’s Bank, the Royal Mail, MoneyGram International, VISA Europe and ICI-ICI Bank. The task force is looking at reducing the barriers to and costs of remittance flows, improving data and reducing barriers for firms to enter the remittances market.

- **Financial Deepening Challenge Fund (FDCF)**
  The Financial Deepening Challenge Fund encourages the private sector to innovate and find profitable ways of improving market access for the poor, especially in rural areas. The FDCF funds and supports twenty-eight projects in Africa and Asia that help improve access to financial products and services by low-income customers. The projects supported by this fund include:

  - **Commercial Microfinance Facility: Deutsche Bank** – A US$1.5 million grant from the FDCF helped Deutsche Bank raise upwards of US$75 million from leading institutional investors. The Deutsche Bank wholesale micro-finance facility seeks to gradually induce investors and commercial banks away from perceiving the micro-finance sector either as an object for philanthropic assistance or as a high-risk investment, and toward recognising it as a viable target for commercial investment. The Facility, which is offering its investors a commercial rate of return, provides domestic commercial

\textsuperscript{50} www.migrationdrc.org/about/index.html.
banks in Africa, Asia, Eastern Europe and Latin America with back-to-back arrangements for underwriting advances to local MFIs.

- **Vodafone – MPESA** – An FDCF grant helped Vodafone develop a mobile telephony-based commercial platform known as ‘MPESA’ in partnership with a Kenyan mobile phone operator, Safaricom. This project has helped provide connectivity for retail financial institutions like MFIs to enable the disbursement and collection of loans in more cost-effective forms. The number of poor people with mobile phones is much higher than the unbanked population in Kenya and with technological innovation it is possible to bring financial services to many more people.

- **DFID Remittance Information Library (DRIL)**
  
  This bibliographic search site, which includes links to over 300 articles, has been sponsored by DFID and commissioned by the UK Remittances Task Force. DRIL is a tool to be used by money transfer companies, development organisations, governments and academic facilities to look for information by subject, author or title. Many of the texts contain data or information on specific money transfer markets or on migration. DRIL will continue to be updated as information becomes available.

### 3.5.6 The Asian Development Bank (ADB)

The remittance topic is embedded in the Private Sector Development and Finance Department of the ADB. Especially in the mid-2000s a few conferences and studies were organised and conducted; also the importance of remittances and the role ADB could play has been recognised (‘ADB can play a catalytic role in optimising the benefits of these remittances to Asian developing countries’51). Nevertheless, the topic is underrepresented with just a few small initiatives that generally focus on studies. The authors assume the reasons lay in the high level of engagement of the local central banks and governments (e.g., the Philippines). In addition, the ‘intra-Asia’ character of the remittance flows might provoke conflicts of interest within the ADB and inhibit appropriate initiatives. In 2008 a new project initiated in Bangladesh might be a turning point.

#### Research and publications

- **Workers’ Remittance Flows in Southeast Asia**
  
  This report examines remittance fund flows from a regional perspective to understand migration trends as well as their social and economic features, and to identify policies that can leverage remittances. The report also presents official and estimated figures on remittance flows and discusses the regulatory framework that regulates international worker transfers, the marketplace of remittance flows, such as channels and competition, as well as the role of financial intermediation. The study covers Indonesia, Malaysia, and Philippines as the remittance recipient countries; and Hong Kong, China, Japan, Malaysia, and Singapore as the source jurisdictions of remittance outflow.

- **Enhancing the Efficiency of Overseas Workers’ Remittances**
  
  The main objectives of the study were to review the flows of remittances to the Philippines, in particular from the US and Singapore, and identify constraints in the policy, regulatory and institutional framework that hinder these flows. Proposals were developed to address the problems and constraints with the goal of increasing formal remittance volumes, facilitating the shift from informal to formal channels and encouraging, where applicable, the use of remittance proceeds for sustainable poverty reduction;

- **Remittances and Poverty in Central Asia: Regional**
  
  The study supports a better understanding of remittance flows and their effects on poverty in individual Central Asian and South Caucasian countries and the region as a whole, leading to better decision-making by governments and private sectors in this area.

51 [www.adb.org/PrivateSector/Finance/development.asp](http://www.adb.org/PrivateSector/Finance/development.asp)
Projects and initiatives

- Institutional Support for Migrant Workers’ Remittances: Bangladesh (in the implementation phase)

The objective of the project is to maximise the benefits, and reduce the risks of remittances in order to improve the welfare of migrant workers and their families by providing institutional support for the promotion of formal and semi-formal remittance services and other support services using the country’s well-established micro-finance network. The expected impacts of the project are: (i) increased income and improved welfare of poor rural households with migrant worker family members through the productive use of remittance incomes; and (ii) economic growth through the enhanced official inflow of remittances and foreign exchange earnings.

3.6 Summary of findings

Remittances have lately attracted broad attention, due to their remarkable volumes and growth rates. Many actions have already been taken to simplify transfers and reduce direct and indirect fees. But although remittances primarily go to the poor population in developing countries, they alone are not a solution to the structural constraints of poverty and do not automatically lead to sustainable development in the receiving country. The preceding study therefore focused on three questions:

1) What is necessary for an efficient, customer-driven remittance process beyond pure transfers?
2) Who are the typical commercial or non-commercial market players to carry out these tasks? What can they do and what is the optimal form of cooperation to be fostered among these players?
3) How can remittances contribute to financial systems and economic development?

To answer these questions, a value chain approach was introduced and applied by analysing a wide range of stakeholders, functional activities and objectives, thus revealing the complexity of the process. It became obvious that the overall creation of value strongly depends on the process as a whole (embedded in a set of framework conditions) rather than on separate activities along the value chain. Finally, the analysis provides the opportunity to design interventions at each stage of the value chain more effectively. The analysis could be the basis for improving the alignment and harmonisation among different players (e.g., development agencies) in the financial sector.

Finding (1): Remittance markets are complex and consist of interlinked but heterogeneous players. To define the obstacles to the development of sound remittance markets, an analysis of the whole value chain is crucial.

To analyse the value chain of remittances holistically, the surrounding legal and regulatory framework must be taken into account. In contrast to most micro-finance services, the framework for remittances comprises two countries (place of sender and receiver). Therefore, it is crucial to involve the public sector on both ends of the transfer process in addressing the needs and the potential of sound remittance markets. Reforms of the legal and regulatory framework still need to be carried out in many places.

Finding (2): The legal and regulatory framework plays an important role in developing sound remittance markets. Due to the transnational nature of remittances, the framework is more complex and involves more stakeholders than that of financial activities in one country.

The full potential arising from remittances has not yet been tapped in developing countries, due to under-developed and opaque remittance markets. Obstacles to growth are often found at each stage of the value chain. The analysis of the value chain provides a good elaboration of these problems by showing which players are/should be involved in certain steps and which tasks they need to carry out. Since stakeholders of
the remittance market are strongly interlinked and interdependent\textsuperscript{52}, the analysis of potential partnerships and cooperation thereby comes to the fore.\textsuperscript{53}

Finding (3): Most remittance markets are underdeveloped and do not meet the existing demand, due to obstacles to growth in each link of the value chain. However, these obstacles can be overcome by facilitating partnerships among different stakeholders.

It is widely accepted that access to micro-finance contributes to economic development and poverty reduction. Hence, the international community has heavily increased their efforts to support sound financial systems, including micro-finance. Remittances have not been a focal area for a long time, but the interest and activity has recently increased, due to strong growth rates and volumes. Today, the development of sound remittance markets has shown positive impacts in many places. A rather new but promising approach is the connection of remittances with value-adding services. It offers a great chance to strengthen the links between remittances and the development of sound financial systems and the local economy as a whole. It provides business opportunities for financial institutions, making them more profitable and effective. Furthermore, customers can take advantage of a broader and deeper financial system. More people (mostly poor parts of the population) now have access to the formal financial system and thus a new set of opportunities regarding business, education and health. Overall, the development of sound financial and economic systems is supported and private money is spent more productively.

Finding (4): Remittances can contribute to financial systems and economic development by offering a great chance to broaden and deepen the financial system. Value-adding services seem to be a promising approach in this respect.
4 Outlook and recommendations

This study provided examples and a methodological framework for a more holistic, end-to-end remittance process feeding open discussions among all the relevant stakeholders: organised migrant and diaspora groups; financial service providers and money transfer organisations (MTOs); local micro-finance institutions; collecting and distributing agents; development agencies; and transfer users (senders and receivers). The results of the study, however, need to be revised and adapted over time to incorporate the latest insights and best practices.

So far, positive developments in remittance markets have mostly taken place in South America and parts of Asia (Philippines, India, and Saudi Arabia). Effective approaches and best practices have been identified in these countries and should serve as the basis for reforms in other countries and regions. In particular, **Europe is still underrepresented and Africa has been neglected** (mainly due to lower transfer volumes), hence, there is still much catching up to do.

The following recommendations are based on the main findings of the study, which used a holistic approach.

Based on promising products and services, more pilot and lighthouse projects should be initiated, especially involving collaboration among different stakeholders:

- **Application of international best practices.** Many projects designed to develop sound remittance markets are still being implemented. The experiences have been positive and negative. Therefore, it is crucial for the design of further activities to take these experiences into account. Development agencies should be involved in gathering, exchanging and spreading these examples;

- **Establish innovative remittance transfer services for pilot corridors** with a high potential for replicability and major changes in the money transfer industry;

- **Involve diaspora groups, key international banks, money transfer operators and local micro-finance partners in ‘blueprinting’ end-to-end remittance solutions and the development of value-adding remittance products and services.**

Institute **policy measures for increasing development benefits of the diaspora,** e.g., through investment promotion agencies, diaspora-related databases (on businesses, business associations, knowledge potential, governmental activities), diaspora investment funds, the setup of diaspora ‘best practice’ contests or matching funds etc.

**Improve the organisation and communication of institutions established to address diaspora problems:** coordinate activities of governmental institutions for the implementation of policies related to the diaspora; analyse possibilities for supporting the additional/supplementary education of diaspora members.

High-level policy dialogue needs to be continued on the international level to ensure political and regulatory awareness and coherence and to guarantee flexible, pragmatic interpretations of international guidelines, e.g., by establishing regulations for proportionate ‘know your customer’ (KYC) and transactional minimum thresholds (Bagatellgrenzen). The regulations are intended to simplify sender authentication, depending on the money-laundering risks involved, e.g., for the US-Colombia corridor.

As a macroeconomic view of remittances provides strikingly different results than a focus limited to receiving households, a **better analysis and understanding of pro-poor relevance and the multiplier effects of remittances are needed.** At first, the receiving household is spending the money – typically for agricultural or commercial goods and services (round 1); providers of these goods and services then (in round 2)
need to increase their production, including the production and consumption of intermediate inputs and products, commodities, labour and supplies. This increases these providers’ and households’ income (round 3), ultimately resulting in more demand for goods and labour, and so on. As a result, remittances not only increase receivers’ household incomes, but also those of other households not directly involved in migration.55

A cooperative approach leveraging the methodological framework described/outlined here could result in complementary partnerships and, ultimately, support the following pro-poor-relevant development objectives:

- improved financial literacy, better access to financial services in the sender and receiver country; → reduced usage of informal channels, improved monitoring of remittance streams;
  → increased safety for senders/receivers, more control for sender over usage;
- reduction of remittance fees → increased remittance volume, higher disposable income in receiving country;
- organisational development of local financial service players → improved stability of financial industry, brain-gain due to lessons learned from organisational development;
- disruptive innovation increases pressure on money transfer organisations (MTOs);
  → product innovation (VAS), combination of financial services with development;
- bank-to-bank mechanism → ultimately, better money-laundering/terror-financing prevention;
- increased sustainable wealth creation due to attractive, customised products;
- established diaspora as interesting customer group for German banks;
- better diaspora integration, e.g., based on entrepreneurial and start-up training;
  → opportunity for ‘brain-gain’ initiatives;
- established policy dialogue to reveal conflicting objectives of legislation and regulation.

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Appendix A – About Swisscontact

Background on Swisscontact and Swisscontact Germany
– The organisation of the Swiss private sector for development cooperation. Founded in 1959 by individuals from private business and university sectors;
– Its annual turnover totals approximately CHF 40 million;
– It employs about 460 active staff members in 25 countries worldwide;
– Representation in Germany was established in 2005;
– The leading principle of its activities: ‘Helping others to help themselves.’
– Swisscontact is convinced that private initiative is the basis for economic development and sustainability has to be reached through cooperation with local partners;
– Swisscontact implements projects for national and international institutions, in particular SDC (Swiss Development Cooperation).

Typical Swisscontact activities in developing countries

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<thead>
<tr>
<th>Financial services</th>
<th>Vocational training &amp; skills development</th>
<th>Small &amp; medium enterprise promotion</th>
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<tbody>
<tr>
<td>Capacity building &amp; service improvement of financial intermediaries</td>
<td>VET system development</td>
<td>Analyze &amp; assess markets, sectors, clusters</td>
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<tr>
<td>Strat. planning &amp; mgmt.</td>
<td>Labor market analysis</td>
<td>Needs analysis</td>
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<tr>
<td>Product development</td>
<td>Needs analysis</td>
<td>Pilot projects</td>
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<td>Strategic marketing</td>
<td>Course &amp; program development</td>
<td>Business services improvement &amp; provider support</td>
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<td>HR development</td>
<td>Instructional material development</td>
<td>Promotion of networks &amp; access to information</td>
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<td>Process improvement</td>
<td>Laboratories &amp; workshops</td>
<td>Strengthening SME associations &amp; interest groups</td>
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<td>Technical advice &amp; capacity building of associations of financial intermediaries</td>
<td>instructor training</td>
<td>Support of financial institutions, promote access to financial services</td>
</tr>
<tr>
<td>Capacity building of training institutions</td>
<td>School management</td>
<td>Staff skill development</td>
</tr>
<tr>
<td>Technical advice to governments &amp; regulators</td>
<td>Training subsidy mechanism</td>
<td>Government support to improve regul/lega conditions</td>
</tr>
<tr>
<td>Management of credit guarantee schemes &amp; credit lines</td>
<td>Job placement</td>
<td>Policy &amp; stakeholder dialogue</td>
</tr>
<tr>
<td>Financial sector analysis</td>
<td>Regional &amp; national networking (lobbying)</td>
<td>Research new instruments</td>
</tr>
<tr>
<td>Awareness &amp; image building</td>
<td>Regulatory framework development assistance</td>
<td>Progress monitoring &amp; evaluation</td>
</tr>
<tr>
<td>Partner matching</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1Financial intermediaries: Banks, savings & credit co-operatives, micro-finance institutions (MFIs)
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Appendix B – Overview of Latin American best practices

Analysis of sample Latin American financial institutions

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**Table 6**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Coverage</th>
<th>Cost</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banco Industrial</strong> (Guatemala)</td>
<td>✓ Participation in community events</td>
<td>✓ Above market cost (King Express)</td>
<td>✓ Cross-markets remittances with other products</td>
</tr>
<tr>
<td></td>
<td>✓ Widespread nation-wide presence</td>
<td>✓ Expanding its alliances</td>
<td>✓ “Little-by-little” approach, starting with savings accounts</td>
</tr>
<tr>
<td></td>
<td>✓ Strong marketing through alliance</td>
<td></td>
<td>✓ Promotions and gift incentives</td>
</tr>
<tr>
<td><strong>Salcajá</strong> (Guatemala)</td>
<td>✓ Operates in rural areas, some without other financial alternative</td>
<td>✓ Above market cost (Vigo)</td>
<td>✓ Designing complementary products &amp; cross-selling tools</td>
</tr>
<tr>
<td></td>
<td>✓ Knowledgeable representatives promote services and facilitate access</td>
<td>✓ Expanding its alliances</td>
<td>✓ Preferential treatment of remittance recipients</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓ Strong focus on educational savings plans</td>
</tr>
<tr>
<td><strong>Banco Salvadoreño</strong> (El Salvador)</td>
<td>✓ Its own agencies placed in highly concentrated migrant communities.</td>
<td>✓ Competitive fees, below market cost (BancoSal).</td>
<td>✓ Transnational bank accounts.</td>
</tr>
<tr>
<td></td>
<td>✓ Sophisticated marketing campaigns</td>
<td>✓ Installing more US based agencies.</td>
<td>✓ Cross-markets remittances with other products.</td>
</tr>
<tr>
<td></td>
<td>✓ Widespread nation-wide presence</td>
<td>✓ Expanding its alliances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Knowledgeable representatives promote services and facilitate access</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FEDECACES</strong> (El Salvador)</td>
<td>✓ Member of IRnet</td>
<td>✓ Competitive fees, below market cost (IRnet, Vigo, Rapid Money, VisaMerica, etc.).</td>
<td>✓ Cross-markets remittances with other products.</td>
</tr>
<tr>
<td></td>
<td>✓ Operates in rural areas.</td>
<td></td>
<td>✓ Commissioned needs assessment</td>
</tr>
<tr>
<td></td>
<td>✓ Collaboration with other cooperatives to foment “savings culture”</td>
<td></td>
<td>✓ Promotions and gift incentives.</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Institution</th>
<th>Coverage</th>
<th>Cost</th>
<th>Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco Solidario (Ecuador)</td>
<td>Strong global alliances with well established banks, marketed under one recognizable name (Enlace Andino).</td>
<td>Fees waived for account holders</td>
<td>Transnational bank accounts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expanding alliances.</td>
<td>Cross-markets remittances with other products.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Preferential treatment of remittance recipients.</td>
</tr>
<tr>
<td>BANSEFI (Mexico)</td>
<td>Strong network with widespread nation-wide presence, especially in rural areas.</td>
<td>Competitive fees, below market cost (Nigo, Money Gram, El Camino Transferencias, Via America, Moneya, etc.).</td>
<td>Bank-to-bank account transfers.</td>
</tr>
<tr>
<td></td>
<td>Educational campaigns targeted at diaspora.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oaxaca Microbank (Mexico)</td>
<td>Knowledgeable of local rural population in which it operates.</td>
<td>High level of trust.</td>
<td>Cross-markets remittances with savings.</td>
</tr>
<tr>
<td></td>
<td>Bundled services designed as “relationship building” products.</td>
<td></td>
<td>Cross-markets remittances with other products.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Specialized attention, focused on building trust.</td>
</tr>
<tr>
<td>El Comercio (Paraguay)</td>
<td>Operates in rural areas.</td>
<td>Expensive fees, (Western Union).</td>
<td>Designing complementary products &amp; cross-selling tools.</td>
</tr>
<tr>
<td></td>
<td>Widespread remittance transfer company presence.</td>
<td></td>
<td>Commissioned needs assessment.</td>
</tr>
</tbody>
</table>
## Overview of the value chain analysis

<table>
<thead>
<tr>
<th>Process</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Diaspora and sender-related services</strong></td>
<td>Activities and services to, e.g., analyse and thoroughly understand:</td>
</tr>
<tr>
<td><strong>– Understand</strong></td>
<td>– remittance senders (individuals), e.g., to collect and evaluate</td>
</tr>
<tr>
<td></td>
<td>– global and national remittance streams (corridor analysis)</td>
</tr>
<tr>
<td></td>
<td>– individual remittance usage patterns and volumes (statistics on amounts, frequencies, preferred channels, behavioural and usage patterns, decision criteria)</td>
</tr>
<tr>
<td></td>
<td>– general individual financial interests and needs, product usage; behaviour, life cycle analysis (based on, e.g., cultural particularities)</td>
</tr>
<tr>
<td></td>
<td>– diaspora (geography, structure, social cohesion, multipliers, segments)</td>
</tr>
<tr>
<td></td>
<td>– relationship between diaspora and home country (perception; engagement; government acceptance and outreach policies)</td>
</tr>
<tr>
<td><strong>– Empower and stimulate</strong></td>
<td>Activities and services to empower and strengthen the:</td>
</tr>
<tr>
<td></td>
<td>– level of community within the diaspora (structure and organisational capabilities)</td>
</tr>
<tr>
<td></td>
<td>– developmental orientation of the diaspora</td>
</tr>
<tr>
<td></td>
<td>– perception of the diaspora as a serious and reliable partner</td>
</tr>
<tr>
<td></td>
<td>– individual financial literacy and entrepreneurial capabilities of individuals in the diaspora</td>
</tr>
<tr>
<td><strong>Transfer-related services</strong></td>
<td>Activities and services to:</td>
</tr>
<tr>
<td><strong>– Collect</strong></td>
<td>– capture and integrate remittance transfers into formal channels</td>
</tr>
<tr>
<td></td>
<td>– understand and enhance the role of (innovative) intermediaries</td>
</tr>
<tr>
<td><strong>– Cross-sell and educate (in sending country)</strong></td>
<td>Activities and services to:</td>
</tr>
<tr>
<td></td>
<td>– understand the potential for product innovation to enhance pure remittance transfers with value-adding services in the sending country</td>
</tr>
<tr>
<td><strong>– Transfer</strong></td>
<td>Activities and services to:</td>
</tr>
<tr>
<td></td>
<td>– address the five key decision criteria for channel/service provider selection: speed, security, reliability, costs and enrolment/pick-up convenience</td>
</tr>
<tr>
<td><strong>– Cross-sell and educate (in receiving country)</strong></td>
<td>Activities and services to:</td>
</tr>
<tr>
<td></td>
<td>– understand the potential for product innovation to enhance pure remittance transfers with value-adding services in the receiving country</td>
</tr>
<tr>
<td></td>
<td>– focus on leveraging and strengthening local micro-finance institutions</td>
</tr>
<tr>
<td><strong>– Distribute</strong></td>
<td>Activities and services to:</td>
</tr>
<tr>
<td></td>
<td>– integrate into and keep remittance transfers in the formal channel</td>
</tr>
<tr>
<td></td>
<td>– understand and enhance the role of (innovative) intermediaries</td>
</tr>
<tr>
<td><strong>Receiver related services</strong></td>
<td>Activities and services to empower and strengthen:</td>
</tr>
<tr>
<td><strong>– Empower and stimulate</strong></td>
<td>– individual financial literacy and entrepreneurial capabilities</td>
</tr>
<tr>
<td></td>
<td>– an enabling environment for investments related to remittances</td>
</tr>
<tr>
<td></td>
<td>– relationships that support investments</td>
</tr>
<tr>
<td><strong>– Understand</strong></td>
<td>Activities and services to, e.g., analyse and thoroughly understand:</td>
</tr>
<tr>
<td></td>
<td>– remittance receivers/usage patterns and volumes</td>
</tr>
<tr>
<td></td>
<td>– most important sending countries/corridors</td>
</tr>
<tr>
<td></td>
<td>– attitude/relationship/communication channels with the diaspora</td>
</tr>
<tr>
<td></td>
<td>– individual financial interest and needs</td>
</tr>
</tbody>
</table>
Affinity marketing – Theoretical project concept for Germany

A multinational financial institution has developed an agreement with GTZ, Swisscontact, and the International Organization for Migration (IOM) to build up relationships with a pilot diaspora, e.g., the Kenyan migrants in Germany. The non-profit(s) act as an intermediary to affine diaspora communities and to market the product. When end-users accept affinity products, the non-profit benefits by getting a small percentage of the sale or a fee associated with that product, and the commercial firm gains through its access to new customers. In the mid-term, non-profits will eventually withdraw and hand over marketing and/or sales tasks to diaspora organisations and the benefits will be accrued to these entities directly, e.g., to the migrant’s hometown associations. In the beginning, however, the endorsement by the non-profit adds credibility to the product and the commercial firm by capitalising on the non-profit’s established relationships with the targeted consumers. The financial return benefiting the non-profit and ultimately the diaspora organisations helps to provide motivation for the consumers to participate in the programme because doing so generates direct support for the diaspora. And the consumers benefit by accessing a set of financial products that are tailored to meet their needs.

‘Affinity marketing through nonprofits may offer a useful strategy for financial institutions looking to access the underbanked market and for nonprofits looking to deliver financial services to their clients.’
Horne, University Stirling;
Worthington, Staffordshire University

To implement an affinity marketing strategy, the following preconditions must be fulfilled:

- **A structured diaspora community** – A key assumption of the affinity concept is that the diaspora is well-organised, has established, functional communication channels and has reached a high community level to ensure influence on its members and sufficient outreach in its marketing activities.

- **Revenue sharing agreements** – In any affinity marketing campaign, the compensation structure is a critical component. Establishing a revenue-sharing agreement that enables the diaspora communities to successfully market – and in some cases – deliver the financial products to customers is essential to effectively capturing a market share. At the same time, financial institutions need to achieve a level of profit that enables the partnership to be successful in the long run.

Possible revenue-sharing agreements:
- share revenues out of transactions (recommended)
- aligning incentives
- best measure of cause-and-effect chain
- sponsor diaspora events in combination with CSR activities
- support the communities in attracting new members, who could become new customers for the financial provider

- **Offer a relevant service to the diaspora** – Transfer services for remittance payments are important financial services for the diaspora. Nevertheless, such services and eventually additional services must be affordable for the diaspora and cater to a specific demand. Affinity marketing cannot stimulate demand for an undesired product but can improve the accessibility of this customer group to market-relevant services.
Affinity market and project concept

The affinity marketing approach will yield tangible benefits for all parties (win-win-win situation).

<table>
<thead>
<tr>
<th>Diaspora</th>
<th>Non-profit</th>
<th>Multi-national bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>– a sufficient compensation structure to guarantee engagement&lt;br&gt;– advice in professional organization to reach community’s goals&lt;br&gt;– articulate (financial) needs in a direct way&lt;br&gt;– higher profile in the society</td>
<td>– delivered financial services meet the needs of the diaspora&lt;br&gt;– access to information about the development needs of the diaspora in Germany and in their home countries through frequent communication&lt;br&gt;– higher profile in the diaspora community</td>
<td>– access to new customer groups&lt;br&gt;– improved opportunities to cross-sell higher-yielding products based on closer customer relationships and improved financial literacy&lt;br&gt;– increasing efficiency of remittance platform through increasing transactions&lt;br&gt;– getting direct feedback out of diaspora communities regarding desired financial services&lt;br&gt;– combining remittances with CSR activities in a ‘natural way’</td>
</tr>
</tbody>
</table>
Appendix C – Value-chain analysis: Functional activities and objectives
Appendix D – Value-chain analysis: Functional activities and objectives

Appendix E – Products and services of highest potential for partnerships