



Opportunities to Increase Financial Access through Remittances to Africa

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This report finds that people in rural African communities are building assets and increasing their savings despite a widespread lack of access to financial services. The extension of remittance service provision to rural areas, the report argues, who offer much needed in-roads and opportunities to increase financial service provision to the rural poor. Access to financial services in Africa is disproportionately low in rural areas. Banks are well-known institutions that provide financial access, but commercial banks in Africa are concentrated in urban areas relative to the African population: only 64% of commercial bank branches were located in rural communities, but 83% of Africans reside in rural areas.¹ Savings and loan cooperatives and micro-finance institutions (MFIs) also increase financial access, and may do so in areas that are underserved by banks. Indeed, African MFIs are increasingly reaching out to underserved communities to provide a range of financial services.² However, MFIs are constrained in serving rural clients needs due to regulatory requirements in most African nations that bar MFIs from paying out remittances. Instead, access to financial services is often accomplished through informal means, outside the banking system and without the use of financial products that could leverage their savings. While the lack of financial access in Africa is typical for many developing countries, reforms to regulations on money transfers might stimulate an expansion of financial services to under-served rural areas and increase access to financial services in general.

I. Receipt of remittances is an opportunity to increase financial access

Financial access is a condition by which individuals are able to enjoy services without substantial restrictions. While a country's resources are critical for economic growth, they will only be effective if they are put to use, i.e. they must be made available or accessible in the form of interest earnings, or credit that can then be into tapped for investment. As Peachey and Roe show, greater financial access increases and strengthens the health of the financial system and the economy as it makes the system more competitive and capital more accessible for investment.

Even when financial services exist in a country, and even if those services are being sold near a person's home, financial access may still be low. The World Banking Institute measures financial access through the usability, openness, formality, and functional capacity of financial institutions.³ If a potential client is unaware that a given financial product is being sold, or uncertain how to purchase that product, or if the product does not fit his or her financial needs, the client's access to financial services may in fact be limited. One opportunity for households to access financial services is upon receiving a remittance from a relative abroad. When a remittance receiver goes to a bank or other financial service provider to obtain their remittance, it is an opportunity to obtain more information about available financial services, such as savings, loans, and insurance. Access to such services can allow households to smooth their cash flow, save for a rainy day, or invest in increased productivity.

¹ Based on a review of 463 banks in 39 countries.

² CGAP

³ Usability: capable of opening accounts affordably and with small balances; Openness: capable of reaching everyone without hurting any social sector; Formality: capable of enforcing regulations without compromising use and openness; Functional capacity: capable to serve the four core financial product needs: payments, savings, credit, and risk mitigation.

Finance and access to financial resources are cornerstone components of material asset accumulation. Together they provide the means with which to strengthen or enhance a person's and/or society's material base, specifically by mobilizing existent assets in order to generate new resources and wealth, including education, health, real state, and business. Overall, a strong financial basis provides opportunities to build wealth, and thus promote development. An adequate stock of capital ensures the positive capital output ratio necessary to generate additional wealth. Research has shown that lower cash-to-deposit ratios and higher deposit-to-GDP ratios are linked to higher per-capita GDP levels.⁴ In addition, such resources are more efficient when made available for credit and investment in local economies, and are efficiently distributed when such credit is made universally accessible and affordable to anyone seeking to expand their capacities.

Access to microfinance and banking institutions is critical for development. Savings and credit must go hand in hand in order to first stabilize the situations of vulnerable households and then provide them with opportunities for upward mobility. This can be inhibited by factors such as financial illiteracy, the sparse coverage of institutions in rural areas, the high costs of formal banking services, or institutions' unwillingness to work with low-income or rural customers. The World Savings Banks Institute recommends that approaches to improving access both strengthen non-bank alternatives for those without access as well as increase the role of savings banks in improving access for those who have been neglected by the formal banking system.⁵

II. MFIs in Africa have the potential to expand access through remittances

African MFIs are well-placed to increase financial access, especially for rural Africans and Africans that receive remittances. A study of 19 MFIs, members of the INAFI International network found most institutions to be fairly well-developed, with a median number of branches of 14, 70% of which are in rural areas, and clients served total 1.4 million with US\$385 million in assets (see Appendix B for a breakdown by institution and Appendix D for survey methodology). Eight out of 19 MFIs paid remittances as subagents of banks working with large MTOs such as Western Union or MoneyGram. Interviews with clients and neighbors residing near the MFI branch locations⁶ find that MFIs are located near remittance-receiving households: 23 percent of those surveyed receive remittances. The data show that the remittances to Africa come from all over the world, but the majority comes from Europe and the United States, followed by South Africa and Saudi Arabia. On average, remittance recipients receive US\$217, three times a year. If the MFI is an authorized agent of Western Union or MoneyGram, recipients withdrew their money from directly from the MFI.

We found that 2% more remittance recipients are MFI clients than MFI neighbors; in other words, more households that receive remittances join MFIs than those that receive remittances and do not join MFIs. In some African countries, that percentage is much higher (see Table 1). For example, 18% and 31% more remittance recipients in Nigeria and Somalia are MFI clients than neighbors of MFIs.

⁴ Peachey, Stephen, and Alan Roe. 2006. "Access to Finance: What Does It Mean and How Do Savings Banks Foster Access?" World Savings Banks Institute: Brussels.

⁵ Peachey, Stephen, and Alan Roe. 2006. "Access to Finance: What Does It Mean and How Do Savings Banks Foster Access?" World Savings Banks Institute: Brussels.

⁶ The survey was conducted in cooperation with 600 individuals in each country through 19 predominantly rural microfinance institutions in 19 African countries. The survey covered a total of 11,400 observations: two hundred clients from each MFI and four hundred neighbors of the MFI branches.

However, 12% more remittance recipients in Burundi and Ethiopia are MFI neighbors than clients themselves. Because more remittance recipients are MFI clients—though not homogenously across countries—it is plausible that one reason Africans become clients of MFIs is because they receive remittances. By entering the MFI to obtain their remittance, Africans may find that the institution offers them other opportunities to improve their well-being. More importantly, the results show that remittance recipients reside in places where banks have a weak presence. As discussed in a companion report on competition, remittance payout locations are predominantly located in urban areas, though remittance receipts tend to reflect the population demographic. As a result, a larger percentage of remittances goes to rural areas underrepresented by RSPs.

Table 1: Remittance Recipients tend to be MFI clients

Country	Receives Remittances (%)	Of Remittance Recipients	
		MFI Client (%)	MFI Neighbor (%)
Benin	22	26	20
Burkina Faso	26	27	25
Burundi	20	12	24
Cameroon	32	35	31
Chad	15	15	15
DRC	18	21	17
Egypt	12	13	12
Ethiopia	20	12	24
Kenya	19	18	21
Morocco	19	18	19
Nigeria	23	35	17
Rwanda	9	10	8
Senegal	18	22	16
Somalia	61	82	50
Somaliland	26	26	27
Tanzania	9	8	10
Uganda	40	41	40
Zambia	5	5	4
Zimbabwe	25	20	27

Source: Surveys of African clients of MFIs and neighbors of MFI branches.

A second observation is that the share of people with a savings account is higher among remittance receivers. Just over half of the people interviewed save either formally through a savings account or informally by putting money away at their homes, etc. Overall, the percentage of formal savers is low and these percentages also vary widely from country to country. For example, the share of respondents receiving remittances and holding a savings account was below 10% in Benin but nearly 60% in Nigeria. On average, people save US\$131, though remittance recipients save more than twice the amount that non-recipients save (see Table 2). Depending on the way they choose to save, there is a large variation in peoples' average savings. People who save at savings cooperatives, while they are the smallest share of all savings cohorts, have the highest average savings—more than double the level of those who save at MFIs and significantly higher than those who save at banking institutions. People with any type of savings account have a higher than average amount of savings. MFI clients also save more than MFI neighbors, whether or not they receive remittances (see Table 3).

Table 2: Remittance-receiving clients of financial institutions are able to save the most.

Method of Savings	Does not receive remittances (%)		Receives remittances (%)		Average amount saved (US\$)
	Client	Neighbor	Client	Neighbor	
Savings at a banking financial institution	21	22	32	28	302
Savings at a savings cooperative	12	7	10	9	372
Savings at an MFI	31	11	34	16	178
Average amount saved (US\$)	131	76	252	218	131

Source: Survey of clients and neighbors of MFIs. Average amount saved (bottom row, far right) includes respondents who only saved informally. Informal savers typically had far fewer savings, which reduced the average amount saved.

Table 3: More remittance recipients are able to save than are non-recipients

		Does Not Receive Remittances (%)	Receives Remittances (%)	All Respondents (%)
Client	Does not save	37	19	33
	Saves	63	81	67
Neighbor	Does not save	60	44	57
	Saves	40	56	43

Source: Survey of clients and neighbors of MFIs

As Table 4 shows, savings also vary significantly by country, with the highest average savings in Morocco and Cameroon and the lowest average savings in Ethiopia and Zambia. Despite having the highest level of savings, Morocco has below average participation in savings institutions, suggesting that in that country many people save informally.

Table 4: Personal savings varies widely across Africa (US\$)

Country	Does not receive remittances	Receives remittances
Benin	390	390
Burkina Faso	164	134
Burundi	224	269
Cameroon	768	1,117
Chad	88	160
DRC	33	101
Egypt	1,180	1,274
Ethiopia	103	207
Kenya	390	546
Morocco	1,302	1,302
Nigeria	220	247
Rwanda	315	374
Senegal	109	109
Somalia	1,458	628
Country	Does not receive remittances	Receives remittances

Somaliland	112	103
Tanzania	413	627
Uganda	328	400
Zambia	109	436
Zimbabwe	109	217

Source: Survey of clients and neighbors of MFIs

In fact, formal financial engagement is low across African countries. Only 13% of MFI clients and 11% of MFI neighbors use formal savings accounts as part of their saving mechanisms (see Table 5). That is, even though MFI clients may receive other services from the institution, they may not save there. Even fewer people (5%–6%) have money in checking accounts. In Egypt, only 6% of remittance recipients use savings accounts as a saving method. In Rwanda, 24% of remittance-receiving clients own savings accounts compared to only 10% of non-receiving clients. Respondents in Burundi and Cameroon noted the highest levels of checking account ownership, while the Democratic Republic of the Congo and Somaliland have among the lowest levels.

People may be saving at low levels in formal institutions in Africa, but households often have important amounts saved in other manners. Informal savings among respondents was substantial and diversified. As Table 5 describes, savers sought to keep their informal savings safe through a number of methods, including making investments in houses and livestock, and by investing their earnings in their home or business. Though generally low, survey respondents' informal savings reached up to \$400.

Table 5: Savings Methods were similar for remittance recipients and non-recipients

Savings Method	Does Not Receive Remittances (%)		Receives Remittances (%)	
	Client	Neighbor	Client	Neighbor
Formal Methods				
Checking Account	5	5	6	6
Savings Account	13	10	13	11
Shared Account	4	3	3	3
Med Insurance	5	6	3	5
Informal Methods				
Save in Cash	38	40	39	41
Buy Merchandise	8	6	9	7
Buy Durable Goods	9	9	8	9
Buy Livestock	7	8	7	7
Invest Extra Income	13	13	12	12

Source: Survey of clients and neighbors of MFIs

III. Characteristics of the population surveyed

Over one quarter of respondents are businesspersons, followed by those with occupations in sales and agriculture. MFI clients and remittance recipients are more likely to be business men and women than are MFI neighbors and non-recipients (see Table 6). Respondents also fell into various education levels, though over 40% have completed high school or higher education. Remittance recipients have more years of schooling on average, with the majority having completed at least a high school education. MFI neighbors have larger shares of college graduates than clients. Nearly 80% of people have a cell phone. Remittance recipients own cell phones at a greater rate (88%) than non-

recipients (76%). The average age is 36, with an insignificant difference between remittance recipients and non-recipients.

Table 6: Demographic Variables and Remittances

Occupation	Does Not Receive Remittances (%)		Receives Remittances (%)		All respondents (%)
	Client	Neighbor	Client	Neighbor	
Business Person	35	20	43	25	27
Sales Person	16	17	15	12	16
Agricultural Worker	15	15	9	11	13
Construction Worker	7	10	5	6	8
Professional	6	7	7	12	8
Teacher	7	9	10	10	8
Unemployed	5	7	2	6	6
Retired	2	6	2	5	4
Homemaker	2	4	2	3	3
Student	2	5	3	7	4
Other	3	4	2	3	3
Mobile Phone					
No	22	26	7	14	21
Yes	78	74	93	86	79
Sex					
Male	53	62	53	57	58
Female	46	38	47	43	42
Education					
None	11	11	6	9	10
Primary School	26	24	17	11	22
Middle School	25	24	25	23	25
High School	19	17	23	18	18
Some Univ. or Tech School	11	12	14	20	13
University or Technical School	8	12	15	19	12

Source: Survey of clients and neighbors of MFIs

Average monthly income is US\$191 (see Table 7). Remittance recipients have a higher median income than non-recipients, US\$220 and US\$175, respectively. Clients also have higher median monthly incomes than neighbors, though the difference is less significant than remittance reception.

Table 7: Remittance recipients have a higher median income than non-recipients

	Does Not Receive Remittances (%)			Receives Remittances (%)			All Respondents (%)		
	Client	Neighbor	Both	Client	Neighbor	Both	Client	Neighbor	Both
Income (US\$)	195	174	175	221	220	220	197	184	191
Age	38	35	36	39	36	37	38	35	36

We also found that remittance recipients and non-recipients have significant financial obligations in business, education, and health, with a high share of business borrowers who are MFIs

clients (see Table 8). Among the most cited financial obligations were education in Cameroon and health in Uganda. Notably, Somaliland and Nigeria have the highest prevalence of business loans, while Chad and Rwanda have the lowest. Remittance recipients do not have significantly higher levels of financial obligations than non-recipients, despite having more than twice the level of savings.

Table 8: Extent of Financial Obligations

Type of Obligation	Does not Receive Remittances (%)		Receives Remittances (%)	
	Client	Neighbor	Client	Neighbor
Business Loan	28	10	29	12
Education	15	18	17	18
Health	12	15	15	16
Home	5	6	8	7
Funeral Service	5	6	8	6
Appliance	13	11	7	10
Vehicle	6	9	5	10
Family Expenses	8	10	5	11
Insurance	4	6	3	4
Party Loan	3	5	1	3
Travel Loan	2	3	2	3

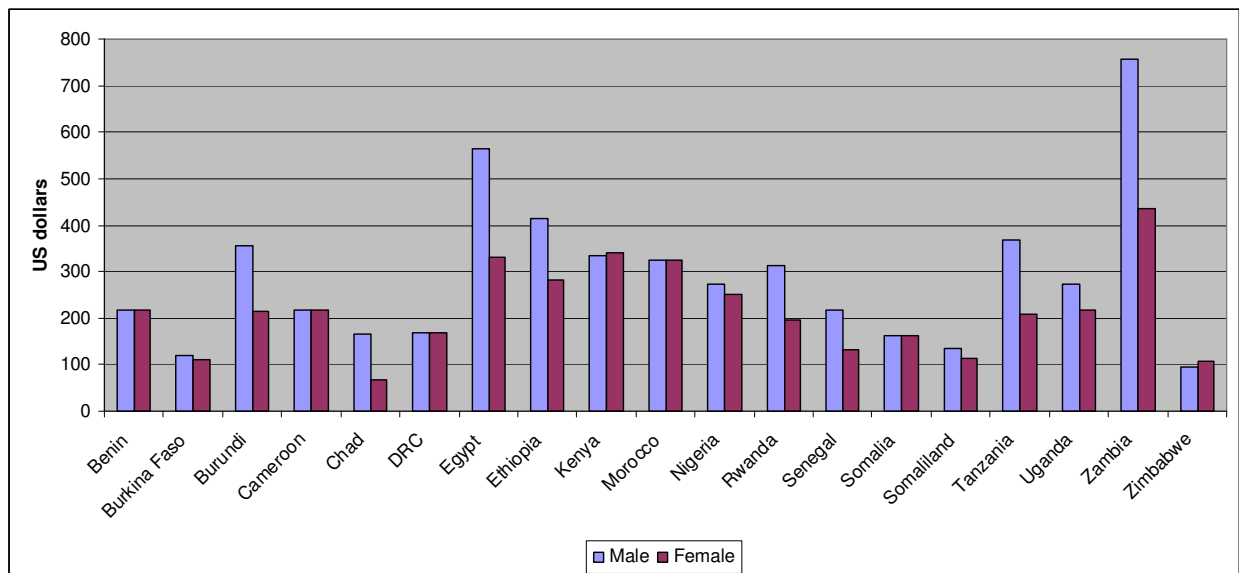
Source: Survey of clients and neighbors of MFIs

IV. Gender, remittances, and financial access

Significant gender differences exist in Africa, though they are generally found in occupations, educational attainment, and average finances, rather than in participation in financial institutions. In terms of financial access, both men and women show low participation in financial institutions, though remittance reception holds important correlations with greater savings and participation in banking and microfinance institutions. Nevertheless, receiving remittances plays a particularly important role for women in terms of both income and savings.

A slightly higher share of women receive remittances (24%) than men (22%), though men receive more per remittance than women (US\$218 as compared with US\$195, see Figure 1). By country, the greatest relative gender difference in remittances was in Chad, where men received US\$164 and women received US\$66 on average. The greatest absolute difference was in Zambia (US\$758 for men and US\$434 for women). Recipients in most countries received remittances between one and three times per year, except in Senegal, where remittances were received six times a year, and in Somalia and Somaliland, where remittances were received 12 times a year on average.

Figure 1: Remittances to African countries average just over \$200, with men receiving slightly larger amounts than women



In terms of financial access, there are few gender differences in participation in financial institutions. Owning savings and checking accounts are evenly split by gender. Men were marginally more likely to save than women (55% versus 52%). Women have slightly higher participation rates than men in banking savings institutions (25% as compared to 24%) and savings cooperatives (10% and 9%). Men participate as clients of MFIs marginally more than women (20% and 18%). Of MFI neighbors, men and women showed equal interest in obtaining more information about the MFI's services (38%).

Table 9: Men and women participate in financial institutions at generally equal rates

	Men	Women	Average
Financial Institution Participation (%)			
Banking Institution	24	25	25
Savings Cooperative	9	10	19
Microfinance Institution	20	18	9
Savings Account	11	12	11
Checking Account	9	8	9
Finances (US\$)			
Savings	155	112	135
Monthly Income	195	175	191
Average Remittance	218	195	217

Source: Survey of clients and neighbors of MFIs

Financial obligations are also similar between genders. Men and women also showed similar obligations in education, health, and insurance. Women showed higher obligations to business loans than men (20% and 15%, respectively), while men had slightly higher levels of vehicle obligations (9% and 7%). Both genders also had equal tendencies to save leftover income from remittances and earnings, while women were slightly more likely to invest extra income (13% and 12%). In terms of cell phone ownership, men own at higher rates than women, 82% versus 75%, respectively.

Important gender differences also exist in education (Table 10). Fewer women than men have schooling, and male representation increases as the level of education increases. While more women than men have only had a primary education, the ratio is effectively equal at middle school, and by university, men hold significantly higher shares of degrees (14%) than women (10%).

Occupation offers another important source of gender differences. Women are most represented compared to men as businesspersons (32% and 24%, respectively), sales person (18% and 13%), students (7% and 2%) and homemakers (5% and 1%). By comparison, men are more often agricultural workers (15% and 11%, respectively), construction workers (10% and 5%), professionals (9% and 5%), retired (6% and 2%) and, by slight margins, teachers and the unemployed.

Savings and income also have important gender components. While the average respondent had savings of US\$135, males had significantly savings (US\$155) than women (US\$112). Savings differ significantly by remittance reception, where recipients have savings of US\$224 compared to US\$109 for non-recipients. This is especially the case for women, where remittance recipients have 2.5 times the savings of non-recipients on average. The equivalent male ratio is only 2.1, by comparison. By country, the largest gender differences in savings occur in Egypt, Morocco, and Burundi, where male savings far surpass female savings. In terms of income, average monthly income is higher for males (US\$195) than females (US\$175). Interestingly, when receiving remittances is included, women who receive remittances actually have a slightly higher monthly income (US\$226) than male remittance recipients (US\$218). For non-recipients, men have significantly higher monthly incomes (US\$195 compared to US\$164 for women). By country, the greatest gender differences in income exist in Egypt and Chad with significantly higher incomes for males compared to females.

Table 10: Occupation and Educational Attainment by Gender

	Males	Females	Total
Occupation (%)			
Businessperson	24	32	27
Salesperson	13	18	16
Agricultural Worker	15	11	13
Construction Worker	10	5	8
Teacher	9	8	8
Professional	9	5	8
Unemployed	6	5	6
Retired	6	2	4
Student	2	7	4
Homemaker	2	5	3
Other	4	3	3
Education (%)			
None	8	13	10
Primary School	23	21	22
Middle School	24	24	24
High School	19	18	18
Some University or Technical School	14	13	13
University or Technical School	14	10	12

Source: Survey of clients and neighbors of MFIs

V. Remittance recipients hold assets that could be saved formally

Using the survey data, the authors ran a multiple OLS regression on the annual amount of remittances received. There are some important factors that influence the reception of flows that relate to certain common patterns identified in other regions of the world. Here this section presents an analysis of statistical determinants of receiving remittances by looking at particular factors such as demographics, finances and remittance characteristics. The results, reported in Table 11, identify the determinants of annual remittance received by people in 15 African countries.

Table 11: Regression results of determinants of remittance levels

Dependent Variable: Annual Receipt of Remittances (€)	Standardized Coefficient
Age	.801***
Agesq	-.673***
Sex (Male=1, Female=0)	.059*
Education	.184***
Area (Capital =1, Non-Capital=0)	-.077**
Mobile Phone Ownership	.143***
Amount of Savings (in €)	.049*
Number of People in Household	.104***
Monthly Household Income (in €)	.021
Number of Relatives/Friends Abroad	.008
Respondent Holds an Extra Job	.079**
Bank Checking Account Ownership	.041
Bank Saving Account Ownership	-.148***
Debit or Credit Card Ownership	-.072**
Thoughts about Migrating	-.086**
Remittances Received from the E.U.	.073**
Remittances Received from the U.S.	.085**

*** p < 0.01, ** p < 0.05, * p < 0.10; r²: .3

Some factors directly correlated with remittance levels include the amount of savings, the number of people in the household, ownership of a bank checking account, and the receipt of remittances from countries within the European Union.⁷ Another interesting variable is mobile phone ownership: the regression results suggest that people who own a mobile phone tend to receive more remittances than those who do not. The results suggest that remittance recipients are investing in assets and otherwise accumulating wealth, despite low access to financial services.

Variables that are correlated with a decline in remittance levels are the holding of an extra job and the desire to migrate. It is possible that these respondents do not have a family member who has migrated, and are looking for additional ways to accumulate wealth. Ownership of a bank card or a credit card also tends to be inversely correlated with remittance receipt levels. This probably suggests that people who own such a card (and may be considered to have high levels of financial access) are more affluent and thus perhaps in a lesser need of financial help from abroad.

⁷ Interestingly, the receipt of remittances from the United States does not yield a statistically significant positive effect on the amount of remittances.

VI. Strengthening the link between financial development and foreign currency payments

The survey and regression results strengthen our hypothesis that remittance recipients are managing to accumulate wealth despite low access to financial resources. While MFIs have greater access to rural communities than African banks do, they are constrained from expanding their reach to remittance recipients, and increasing financial access to those households, because they are not allowed to pay out remittance transfers. As a result, many African families are not incorporated into the formal financial system, and continue to save and invest in informal ways, such as by buying more livestock and land. A more dynamic money transfer market is one key metric in ensuring financial access. Providing other financial services to remittance recipients strengthens the links between remittances, finances, and development. The methods available include technical assistance in the design of products, financial literacy, technical training to MFIs, and goals and benchmarks for financial access. Here we highlight some of these recommendations.

A. Technical assistance on product and marketing design

Technical assistance given to financial institutions to design and market new or existing financial products to remittance clients is a proven leveraging tool. In order to develop this tool, priorities must include learning from other institutions what strategies have worked, but also doing client fieldwork to learn what their financial preferences are, or where their financial needs lie. Several products have been developed and successfully introduced into the 'remittance client' market. Among those products, which are strictly tailored to remittance recipients, are savings products, home improvement loans, and insurance products such as remittance insurance. Other examples that are increasingly emerging but need refining are remittance-backed financial products. Many institutions are considering remittance receiving as part of a demonstrated history of earnings, which is used to assess and approve credit. However, most institutions lack properly designed assessment methods of estimating risk or opportunity costs. Designing a remittance-backed tool for credit or cash advances could bring benefits to recipients and institutions.

Moreover, marketing these products is central to a successful strategy for creating financial access. In many cases, marketing design includes tailoring material that reflects the clients' needs. Radio or TV advertisement or brochures do not often deliver the right message to these communities, which need different types of commercial intercepts, such as person-to-person engagement. Testing the right marketing tools will thus help ensure the effective delivery of designed products.

B. Financial literacy

Financial literacy has yielded important results in improving financial access. However, few efforts have focused on educating remittance senders or recipients in order to expand their knowledge about financial instruments. International cooperation can enhance the means to achieve financial access through financial literacy. A program on financial literacy performed during a six-month period in Moldova with 7,000 remittance recipient clients showed that 80% of those receiving financial education expressed an interest in having financial services. These efforts have also shown that there exist a strong

correlation between owning a savings account and having prior knowledge of financial issues.⁸ The lessons learned from experiences in Latin American and Caribbean countries have shown that implementing financial literacy as a tool to get people into financial institutions provides important payoffs, including raising deposits of the institution, increasing credits to the community, and significantly raising revenue for the businesses performing the work. We propose a method of financial literacy education intended to insert remittance recipients into a financial system that simultaneously educates and markets financial products by relying on educators at locations where money is withdrawn.

C. Technical training in money transfers and financial services

Another factor that would motivate banks and MFIs to insert themselves more actively in the money transfer market is training them in money transfer service provision. Technical training should focus on at least five components: a) trends and patterns in migration and remittances; b) regulatory environment and compliance; c) market participation and engagement with RSPs; d) financial service cross-sale; and e) technology innovation adaptable for money transfers. Engaging and informative training sessions give skills and supporting materials to participating parties. There are important experiences in that regard, among them the European Union's Euromed II training programs for Middle East and North African government officials. The content of the training includes knowledge and facts, practical solutions and tips, and identification of potential risks (Table 12).

Table 12: Training Content and Structure

Topics	Knowledge and Facts	Tips and Solutions	Potential Risks
Trends and patterns in migration and remittances	Migration levels and flows; key facts about remittance recipients	Financial intermediation for remittance recipients and migrants	Decline in flows
Regulatory norms	Laws on foreign currency payments	Adapting modern mechanisms to strict rules	Government and private sector rejection of MFIs
Market competition	Participating RSPs and payers by corridor	Establish partnerships with various RSPs	Low money transfer volume
Financial services	Links between remittance and finance	Product design; financial literacy partnerships with migrant associations	Poor performance on the demand side
Technology innovation	Current IT-based money transfer models	Introduction of point-of-sale systems (POSs) and card-based transfers	Lack of network payout presence

⁸ Orozco, Manuel. "Planting the seeds of financial inclusion: financial literacy for remittance recipients in Moldova." ILO. 2008. *See also* Orozco, Manuel. "In search of options and solutions: Family remittances, diaspora partnerships and development opportunities in Africa." 2010.

D. Goals and benchmarks for incorporating remittance recipients into the financial sector and long-term development goals

The policy debate about remittances to Africa, or about its diaspora, is often restricted to secondary information and unconfirmed assumptions. This situation is indicative of the need for a more structured conversation, one that includes a policy agenda supported by informed knowledge about the intersection between migration and development. Governments, the private sector, and the donor community can participate in meetings that provide knowledge, training, and input to the remittance policy community, with an agenda that focuses on key issues. This is a much-needed exercise, and becomes a plausible scenario when resources and energy are properly channeled. As part of this project, the study reviewed research, conducted since 2004, on remittances to Africa.⁹ Only 14% of 267 total publications reviewed focus directly on Africa. The majority of these studies (56%) exhibited limited research, focusing on one specific country. Another 20% of studies focused on a few countries or a sub-region (West Africa, etc.). The remainder relied heavily on secondary sources.

Experts and analysts can work together with the migration and development policy community to shape a constructive agenda while improving and disseminating knowledge and information about these issues. One particular mechanism has been that of task force commissions on remittances and development, whereby participants share and discuss knowledge and identify strategic options for leveraging flows.

Commitment to integrating migrants and families into the financial system must be accompanied by specific goals and standards. Establishing targeted goals to provide access to a group over a given period of time, and using that time to improve recipients' understanding of financial preferences, can hasten migrant financial inclusion. Players in the financial intermediation field should consider assisting banks and other financial institutions to increase financial outreach and establish standards, such as an annual target number of people to be recruited at a bank, microfinance or credit union. Legislators, policy makers and advocacy groups must also play a role in improving migrants' and their families' financial condition.

Considering that financial inclusion for remittance recipients is, first, limited to the spontaneous recruitment strategy by a small number of institutions, and second, is not even a policy debate, goals and benchmarks as a policy approach can facilitate this much needed objective. Immigrants and families themselves must participate and convey the scope of their financial knowledge and financial preferences with the goal of devising schemes to address current limitations.

⁹ All of the issues of the Migrant Remittances newsletter (published by USAID's Microenterprise Development Office and the Department for International Development) were examined. The newsletter has published fourteen issues since the end of 2004.

Appendix A: Microfinance institutions participating in the survey

Institution Name	Country	Bran ches	Pay Out Remitt ances	Loans (#)	Loan Portfolio (US\$)	Assets (US\$)	Current Deposits (US\$)
Vital Finance	Benin	9	Yes	8,416	7,406,883	9,445,007	N/A
Federation des Caisses Populaires du Burkina Faso (FCPB)	Burkina Faso	N/A	Yes	N/A	N/A	N/A	N/A
Caisse Coopérative d'Epargne et de Crédit Mutuel (CECM)	Burundi	2	No	6,732	16,000,000	3,455,170	2,214,000
United Savings & Agricultural Credit of Cameroon (USA CREDIT)	Cameroon	5	Yes	727	1,853,444	407,395	413,588
Union des Clubs d'Epargne et de Crédit du Mayo-Kebbi (UCEC/MK)	Chad	46	Yes	19,862	6,996,164	8,292,335	5,151,249
Coopérative d'Epargne et de Crédit du Kalundu (COOPEC-KALUNDU)	DRC	N/A	Yes	N/A	N/A	N/A	N/A
Amhara Credit and Saving Institution (ACSI)	Ethiopia	195	No	628,144	141,465,170	179,795,482	75,944,450
SMEP	Kenya	19	Yes	N/A	11,917,104	13,012,000	5,491,815
Association Marocaine Solidarité Sans Frontières/MicroCrédit (AMSSF/MC)	Morocco	44	No	19,235	5,188,027	8,470,588	0
Lift Above Poverty Organization (LAPO)	Nigeria	N/A	No	200,115	21,949,638	36,267,571	13,980,254
ABA	Egypt	50	No	100,807	29,441,755	55,842,000	21,296,000
Vision Finance Company	Rwanda	8	No	10,618	1,778,331	2,775,360	652,343
UM-PAMECAS	Senegal	63	Yes	302,378	37,148,600	65,392,969	41,130,062
Amaahda Danyarta MFI	Somalia	2	N/A	N/A	N/A	N/A	N/A
Amaah Kalkaal Microfinance Development Organization (AKM)	Somaliland	1	No	1,200	330,000	350,000	No deposits
PRIDE-Tanzania Ltd.	Tanzania	39	No	82,080	36,100,000	N/A	N/A
Uganda Finance Trust (UFT)	Uganda	23	Yes	17,714	10,482,217	13,345,046	5,730,226
Christian Enterprise Trust of Zambia (CETZAM)	Zambia	5	No	4,932	2,000,063	787,664	380,000
Zambuko	Zimbabwe	7	No	N/A	N/A	500,000	N/A

Appendix B: Survey Results on MFI Clients and Neighbors

Q1. Do you have any kind of formal financial relationship?

%	Client	Neighbor
No	33.2	49.0
Yes	66.8	51.0

QB. What would encourage you to establish a formal financial relationship with an institution like ours?
(Neighbors)

	Neighbor
More Information About Services	42.2%
More Financial Counseling	41.9%
Settling Debts First	21.8%
Other	10.3%

Q2. With which kind of institution?

%	Client	Neighbor
Bank Savings	23.5	23.2
Bank Credit	4.0	7.6
Coop Savings	11.2	7.4
Coop Credit	5.9	2.7
MFI Savings	31.6	11.8
MFI Credit	27.5	10.0

Q3. Do you have some type of savings?

%	Client	Neighbor
No	18.5	43.3
Yes	81.5	56.7

Q4. How long have you been saving?

%	Client	Neighbor
Less than 1 year	18.2	16.7
1-2 years	27.1	29.4
3-4 years	35.3	37.0
5-6 years	17.5	16.1
7-10 years	1.8	.9
More than 10 years	0.0	0.0

Q5. How much have you saved so far?

US\$	Client	Neighbor
Mean	700.22	755.71
Median	164.35	108.55

Q6. Do you engage in any of the following activities? (Percentage of affirmative answers reported).

%	Client	Neighbor
Save Leftover Income	74.3	67.4
Hold an Extra Job	46.1	42.9
Save Extra Earnings	69.5	67.8
Invest Extra Income	61.8	55.2
Medical Insurance	20.3	23.0
Savings Account	62.1	44.6
Checking Account	23.6	22.5
Shared Account	18.5	14.6
Durable Goods (House, Car, etc)	40.8	38.7
Animals (Cows, Horses, etc)	35.2	34.0
Merchandise for a Business	41.6	27.9

Q7. In emergency situations, to whom do you resort for economic assistance?

%	Client	Neighbor
Family Abroad	18.4	17.5
Family at Home	66.9	66.9
Community	22.0	18.6
Religious Center	18.0	11.9
Bank/MFI	32.8	16.5
Credit Union	12.6	10.6
Lender	12.7	14.0
Other	3.4	5.6
Nobody	6.5	8.1

Q8. Do you borrow to pay for...?

%	Client	Neighbor
Home	10.7	11.8
Education	27.1	33.3
Health Expenses	21.7	28.6
Medical or Life Insurance	5.9	10.7
Vehicle	9.8	17.1
Appliance	19.1	19.6
Your Business	48.6	19.5
Travels	3.9	6.0
Celebrations	3.9	8.0
Family Expenses	13.1	18.9
Funeral Services	9.5	11.5

Q9. Do you have some type of card?

%	Client	Neighbor
CREDIT and DEBIT	8.3	4.9
Only CREDIT	3.2	4.9

Only DEBIT	12.5	14.8
Prepaid Cards	1.4	1.2
Other	4.5	1.6
None	70.2	72.5

Q10. Do you have friends or relatives living outside the country?

%	Client	Neighbor
No	52.2	53.0
Yes	47.8	47.0

Q11. If yes, how many?

	Client	Neighbor
Mean	3.30	2.89
Median	2.00	2.00

Q12. When did (s)he migrate?

	Client	Neighbor
Mean	1998	1999
Median	2000	2000

Q13. Do you receive remittances from abroad?

%	Client	Neighbor
No	76.9	77.9
Yes	23.1	22.1

Q14. Where do you receive remittances from?

%	Client	Neighbor
USA	25	21
UK	16	13
South Africa	5	7
France	5	6
Burundi	4	4
Saudi Arabia	3	6
Canada	3	3
Denmark	3	1
Cameroon	2	4
Italy	2	2
Germany	2	2
UAE	2	2
Japan	2	1

Q15. How many years have you been receiving remittances?

Years	Client	Neighbor
Mean	5.01	4.93
Median	4	4

Q16. What is the most common method by which they send you the money?

%	Client	Neighbor
Money Transfer Company	72.0	65.6
Small Business	4.3	3.9
Bank Transfer to Bank Account	5.1	5.7
Money Sent Home through Travelers	5.5	6.9
Card	0.3	0.3
Friend or Relative	12.0	16.0
Other	0.6	0.5

Q17. Name of the Company that provides this service

%	Client	Neighbor
Western Union	43	44
MoneyGram	14	12
Dahabshiil	12	12
AMAL	6	6
Kaah	3	1
Other	22	25

Q18. How much do you usually receive each time?

US\$	Client	Neighbor
Mean	402.33	345.69
Median	216.90	216.47

Q.19 How many times a year?

	Client	Neighbor
Mean	5.16	4.85
Median	3	3

Q20. Are you or a family member thinking of migrating to another country in the next 12 months?

%	Client	Neighbor
No	74.5	69.9
Yes	25.5	30.1

Q21. What is your current occupation?

%	Client	Neighbor
Professional	6.1	8.3
Business Person	37.3	21.1
Sales Person	15.7	15.6
Agricultural Worker	13.7	13.6
Construction Worker	6.5	8.2
Teacher	7.5	8.9
Unemployed	4.4	6.4
Retired	2.0	5.5

Homemaker	1.8	3.3
Student	2.2	5.3
Other	2.8	3.8

Q22. How many people live in your house?

	Client	Neighbor
Mean	6.23	5.72
Median	6	5

Q23. What is the monthly income of your household?

US\$	Client	Neighbor
Mean	296.87	273.52
Median	197.21	184.04

Q24. Do you have a mobile phone?

%	Client	Neighbor
No	18.6	23.1
Yes	81.4	76.9

Q25. What is your gender?

%	Client	Neighbor
Male	53.5	59.4
Female	46.4	38.8

Q26. What is your education?

%	Client	Neighbor
None	9.5	10.3
Primary School	23.7	10.8
Middle School	25.4	24.1
High School	19.9	17.3
Some University or Technical School	11.7	14.0
University or Technical School	9.8	13.6

Q27. How old are you?

	Client	Neighbor
Mean	38.7	37.0
Median	38	35

Appendix C: Methodologies on Data Collection

The objective of the survey analysis is to concurrently survey the client population and the surrounding community where select INAFI Africa microfinance institutions (MFI) operate about remittances and financial access.¹⁰ A total of 11,400 surveys were conducted in 19 African countries (600 surveys per country: 200 surveys with MFI clients and 400 random household surveys in the neighborhoods where the MFIs operate). The methodology is as follows:

Nineteen select INAFI Africa MFIs selected five branches to conduct the 30 question interviews pertaining to migration, remittances and financial issues. For the MFI client survey, select INAFI Africa members conducted a relatively representative sample survey of 200 of its clients. For the MFI community survey, select INAFI Africa members conducted a relatively representative sample survey of 400 random households who live in the areas surrounding the MFI's branches, but are not clients of the MFI. The Inter-American Dialogue provided the questionnaires and trained the MFIs on how to conduct the surveys. In Ghana, Burkina Faso, Ethiopia, Kenya, and Uganda a trainer conducted fieldwork and training with a site visit to the MFI.

MFI/Country	Clients (200) (%)	Neighbor (400) (%)
Branch 1	25	25
Branch 2	20	20
Branch 3	20	20
Branch 4	20	20
Branch 5	15	15

The table above is an example of how the surveys were divided. The maximum number of surveys at a given branch is 140 in total combined (clients and neighborhood). During a four week period, approximately 10 persons a day were interviewed: three clients and seven neighbors.

¹⁰ Methodology developed with the assistance of Nancy Castillo of the Inter-American Dialogue.