

TEN YEARS OF INNOVATION IN REMITTANCES:

Lessons Learned and Models for the Future

Independent Review of the
Multilateral Investment Fund Remittance Portfolio



TEN YEARS OF INNOVATION IN REMITTANCES: Lessons Learned and Models for the Future

Independent Review of the Multilateral Investment Fund
Remittance Portfolio

Multilateral Investment Fund projects, research and
dissemination activities from 2000 -2009

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Introduction

This document is a review of the Multilateral Investment Fund (MIF)'s remittance program since its inception in 2000. The review focuses primarily on the portfolio of remittance projects undertaken by the MIF from 2001 to 2009, and secondarily on the MIF's research and dissemination activities during that same period. The review took place between May and September 2009. Information for the review is based on:

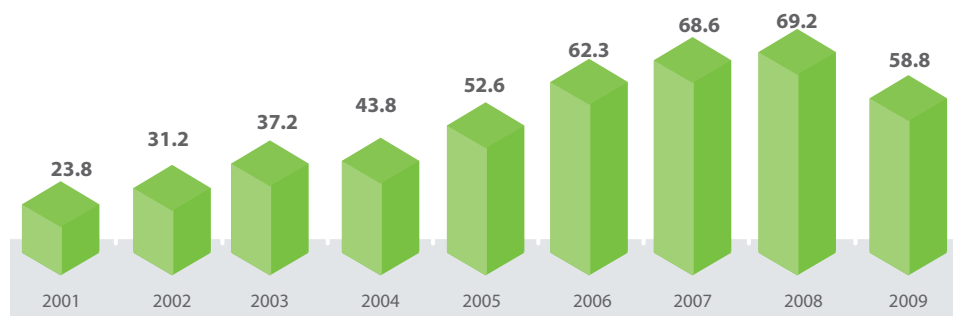
- Interviews with MIF staff members in Washington, D.C.
- In situ visits to seven executing agencies (EAs) in Mexico, five in El Salvador, and three in the Dominican Republic, along with site visits to two sub-grants of a MIF regional project in the Dominican Republic.
- Face-to-face interviews with five MIF country staff in Mexico, El Salvador, and the Dominican Republic.
- Telephone interviews with project coordinators or other officials from the executing agencies not visited in person (see Annex One for list of people interviewed and their affiliations).
- Telephone interviews with MIF country staff who were not visited in person.
- Review of documents on MIF remittance activities.

The purpose of this exercise is to provide the MIF and outside parties interested in expanding their knowledge on remittance projects with an historical overview of the MIF's experience in this area. The document includes an assessment of the models used and a summary of each individual project's successes, challenges, and lessons learned. Finally, the review offers recommendations, both from a design and an operational perspective, on how the MIF and other practitioners can improve the impact, reach, and sustainability of remittance programs.

The Importance of Remittances

Worldwide, remittances have grown steadily over the past decade and are projected to have reached \$305 billion in 2009, despite the global economic downturn. The importance of remittances to Latin America and the Caribbean, in particular, is illustrated by the volume of funds transferred by migrants to their home countries, shown in Graph 1. According to MIF calculations remittances to the region reached an all-time high of US \$69.2 billion in 2008, falling to US \$58.8 billion in 2009.¹

Graph 1. Annual Remittances to Latin America and the Caribbean (in billions of U.S. dollars).



Source: MIF, 2010.

On a macroeconomic level, the volume of remittances transferred to LAC countries dwarfs the combined total of net foreign direct investment flows and official development assistance to the region. In many countries remittances also represent double-digit portions of gross domestic product.

At the local level, remittances are vitally important to the families receiving them. The funds are used for basic needs, including health and education expenditures, and are invested in assets such as houses and savings, in productive activities (businesses), in social causes, and in community infrastructure. On the whole, families that receive remittances are better off than their non-remittance-receiving neighbors.

Despite much progress over the last ten years, the potential of remittances for development is greater than their current impact. Currently, remittance transfers are only partially integrated with financial services because a majority of remittance senders and recipients do not have bank accounts. Linking remittance families on both sides of borders to banks and other financial institutions gives them the potential to access loans, build credit histories, securely save for the future, and insure themselves.

1. Maldonado, R.; Bajuk, N.; Watson, G. "Remittances to Latin America and the Caribbean in 2009: The Effects of the Global Financial Crisis." Multilateral Investment Fund, Inter-American Development Bank. Washington D.C., 2010.

REMITTANCES, HIDDEN IN PLAIN SIGHT

Despite their large volumes, before 2000 remittances were clouded in obscurity, with little factual information available on the flow of money across borders. A common definition of the term “remittances” did not exist. There were no databases that tracked international flows, and no studies that analyzed either the costs of remittance transfers or the impact of remittances once they were received. The scant information that was available was often inaccurate.

In 2000, the MIF undertook an intensive effort to analyze the volume, transaction costs, and potential development impact of international remittance flows to Latin America and the Caribbean. It commissioned a study to determine the profiles and habits of remittance senders in the United States and extrapolate statistically reliable data on remittances, in order to predict future flows.² This survey, conducted by Bendixen & Associates, was the first of many studies of remittance flows and sender/recipient profiles across different remittance corridors.

Following its initial research on remittances in 2000, the MIF established an action plan to improve the development impact of remittances.³ Within this action plan were strategies to fund research, projects, events, and publications.

THE MIF’S REMITTANCE STRATEGY

The results of the first MIF-financed study on remittances in 2001 by Bendixen & Associates vindicated the MIF’s early interest in remittances. In light of these results, the MIF developed a strategy for remittances, which had three pillars: (i) a cluster of projects, (ii) research, and (iii) knowledge management. These three pillars were designed to achieve the two goals of the MIF remittance program, which were to reduce the average cost of remittances to LAC by 50 percent through increased competition by 2010 (the target date), and to increase by 50 percent the number of families receiving remittances through the financial system. Accomplishment of these two goals would contribute to meeting the development objective sought by the MIF: more money reaching more families in Latin America and the Caribbean.

This initiative was the first effort of its kind conducted by the MIF. It is aligned with two of the MIF’s four focus areas: financial and capital markets, and improving the functioning of markets (i.e., fostering competitive markets).

MIF APPROACHES: RESEARCH AND KNOWLEDGE DISSEMINATION⁴

The MIF’s research and knowledge dissemination activities complement each other. The results of the research are being disseminated through press releases, conferences, roundtables, and publications.

2. Bendixen & Associates. *Survey of Remittance Senders: U.S. to Latin America. 2001.* <http://www.bendixenandassociates.com/studies/IDB%20Remesas%202001.pdf>

3. *Remittances Cluster Action Plan, MIF/GN-73, 2001.*

4. A detailed review of these activities can be found in Section Six of this document.

The MIF's early remittance studies not only prompted a continued effort on the part of the MIF to support research in this area, but also spurred other institutions to conduct sparked interest in research in this area. The first regional conference on remittances, sponsored by the MIF, was held in 2001 in Washington, D.C. In the last nine years, numerous publications have been produced, including the book "Beyond Small Change: Making Migrant Remittances Count" and annual maps of remittance flows to and from Latin American and Caribbean countries. Data from MIF studies and research have been used to inform the design of MIF remittances projects.

"The IDB has been a leader on the issue of remittances to Latin America and the Caribbean. In addition to today's conference and the release of the Survey of Remittances Senders: U.S. to Latin America, the IDB held a regional conference last May to highlight the role of remittances as a development tool. Through today's conference and the two regional roundtables that preceded it, the IDB fulfills an important role in raising awareness of the issue surrounding remittances, proposing innovative solutions, and promoting cooperation among the many public- and private-sector groups involved in remittances."

Sheila Bair, former Assistant Secretary for Financial Institutions at the U.S. Treasury, speech to the Impact of Remittances as a Development Tool II Regional Conference, 2001

By 2003, MIF publications were attracting the attention of the financial news media and other donor institutions. The New York Times, for example, cited a MIF study, stating "Nearly one Mexican in five regularly gets money from relatives employed in the United States, making Mexico the largest repository of such remittances in the world," also noting that "money sent home by all Mexican migrants would soar to US\$14.5 billion this year, exceeding tourism and direct foreign investment to become this country's second most important source of income."⁵

The findings from MIF studies and research prompted other multilateral institutions, non-governmental organizations (NGOs), and policy institutes to begin publishing their own studies. These include the Department for International Development of the United Kingdom (DFID), the Asian Development Bank (ADB), the International Fund for Agricultural Development (IFAD), the European Union (EU), the International Organization for Migration, the Pew Hispanic Center, the U.S. Congressional Research Service, and the World Bank. Conferences and roundtables on the subject, sponsored by the MIF and other agencies, began to be held around the globe. These conferences shared results and posed new research questions. The MIF's websites on remittances disseminated the results.

In collaboration with other agencies, such as the ADB, the MIF has promoted the replication of its remittance strategy in other regions. Cross-agency learning is promoted within the Inter-Agency Remittance Task Force, comprising members of the Consultative Group to Assist the Poor (CGAP), the IDB, the International Monetary Fund (IMF), the United States Agency for International Development (USAID), the United States Treasury, the World Bank, and the DFID. With CGAP, the MIF was part of a committee of remittance experts who drafted a manual for microfinance institutions seeking to enter the remittance market.

⁵ *The New York Times*. Oct 28, 2003.

In total, the MIF has:

- Commissioned over 50 studies/surveys in both remittance-sending and receiving countries, and
- Organized over 45 conferences and roundtables in both remittance-sending and receiving countries, including events in the LAC region, North America, Asia, Africa and Europe.

Much of the public interest in remittances and the information that has been made available on remittances can be attributed to the MIF's efforts to focus attention on this issue.

THE MIF'S PARTICIPATION IN SELECTED INTERNATIONAL EFFORTS

Since 2004, the G-8 has also recognized the importance of promoting free and open systems for remittance flows. At the G-8 Summit in 2004, partially in response to the MIF's suggestions, the heads of state called on the governments and policymakers of the G-8 countries to work with international financial institutions to improve data on remittance flows and develop standards for the collection of information on remittance flows. The MIF was an active participant in the two international working groups that were created, and two regional MIF projects were launched to implement the standards developed by these working groups.

First, the Committee on Payment and Settlement Systems and the World Bank led a joint task force to develop principles to guide central bank and other government policy on remittances. The General Principles for International Remittance Services, published in 2005, focus on payment system issues. The MIF has been an active member and participant in this process, more recently in supporting the implementation of these principles in Latin America and the Caribbean.

A second task force, later named the "Luxembourg Group," made up of representatives from the World Bank, regional development banks including the MIF, and other international development agencies and central banks, was formed to come up with recommendations for improving the collection and compilation of remittance data. The regional MIF project designed to achieve this objective is currently working with most of the central banks in Latin America and the Caribbean.

In February 2009, the G-8 announced the formation of a Global Remittances Working Group to take the international remittances agenda forward.⁶ The MIF is a key contributor to the access to finance pillar within the working group. This group is working on a number of initiatives to codify international best practices in the remittance industry.

⁶ *Migrant Remittances newsletter, Summer 2009. A USAID/DFID publication.*



MIF ACTIVITIES: PROJECTS

Simultaneously with the research and knowledge dissemination activities, the MIF created a remittance project cluster with the following goals:

- Reduce the cost of remittance transfers
- Decrease transaction costs to remittance recipients and improve access to transfers
- Mobilize some portion of remittances into savings in financial institutions
- Mobilize some part of remittances into productive investments (i.e., businesses) for migrants' families.

MIF projects are classified in five models, listed below:

- Remittances and Housing
- Remittances, Policy and Regulatory Frameworks
- Remittances and Banking the Unbanked
- Remittances and Productive Investments
- Remittances, Financial Education and Entrepreneurship Training.

The first model, **remittances and housing**, aims to link remittance flows from migrants to the purchase of houses in their country of origin. The remittances are used to pay off the loan, while the house serves as the collateral on the loan. The idea is to develop legal and financial procedures that permit migrants to purchase a house for themselves or their families without having to return to their country of origin. The MIF's objective in this model is to encourage transnational alliances between financial institutions in countries of origin and a variety of actors in the countries to which migrants immigrate.

The second model aims to **improve regulatory frameworks**. In this model, public-sector institutions are assisted in improving the policy, regulatory, and legal frameworks for remittance transfers in Latin American countries, and establishing standards and practices that can be applied by regulators in Latin America and the Caribbean. By improving these frameworks, remittance markets become more competitive and transparent, which broadens the number and type of actors in the market and increases access while lowering costs for remittance recipients and senders. This model also aims to give governments a more accurate assessment of the net amount of remittance flows, to enable them to make better policy decisions. Due to the nature of the entities involved, these projects are structured as regional initiatives, in order to achieve economies of scale.

The third model, **remittances and banking the unbanked**, is essentially about financial intermediation. It aims to increase the participation of financial institutions in remittance markets in an effort to attract remittance senders and recipients as clients. Having access to the formal financial system confers a variety of benefits to senders and recipients: lower transfer costs, greater security of transfers, the possibility of building assets through savings and of leveraging remittance funds into larger amounts via credit. The model promotes the establishment or expansion of remittance transfer activities or the creation of alliances to do so, the strengthening of networks of financial institutions, the creation

of new products to appeal to remitters and recipients, and the marketing of those products. In these projects, the MIF worked with credit union associations, individual credit unions, banks, non-bank financial institutions (NBFIs), and microfinance institutions (MFIs). These projects were usually structured as individual country-level projects. The objectives were to establish or increase and improve remittance transfer services and to promote other financial products and services, such as microenterprise loans, savings accounts, insurance, and housing loans, to remittance senders and recipients.

On a more limited scale, a fourth model links **remittances with productive investment**. One goal of this model is to encourage migrant associations to invest jointly in businesses in their communities. Another goal is to encourage migrants to invest their remittances in businesses when they return to their home country. Such activities can be structured as individual projects or as components of a larger financial intermediation project. These projects focus on training remittance-receiving entrepreneurs, providing technical assistance to start-up businesses that used remittances as investments, and building linkages to migrant hometown associations in foreign countries to encourage investment in their countries and communities.

Finally, many of the projects include a subcomponent —**remittances, financial education and entrepreneurship training**— which which combines remittances and either entrepreneurship training or financial education to remittance senders or recipients. The concept behind the financial education subcomponent is to improve the information on the formal banking sector available to remittance recipients and senders, in a manner that will encourage them to see its benefits and use the services. The idea behind entrepreneurship training is to improve the capacity of migrants and their family members to build successful businesses upon return, using their remittance funds as investments.

By August 2009 (the date of this review), 45 remittance-related projects had been approved, totaling more than US\$45 million in technical assistance and approximately US\$22 million in loans and equity investments. Of the MIF remittance cluster projects approved, two dealt with policy and regulatory reform, seven were on remittances and housing, and the rest were on remittances and financial intermediation and/or productive investments. The review is divided into sections that present each of these models and the projects under each model.

THE MIF/IFAD PARTNERSHIP FACILITY

In addition to its own project identification, design, and approval process, the MIF established a strategic partnership with the International Fund for Agricultural Development (IFAD) in 2003 to create a joint project financing facility focused on rural areas.⁷ At the time that the facility was established, the MIF already had nine individual remittance projects underway. The partnership was envisioned as a way to merge the comparative advantages of the two institutions: the MIF, with its experience in remittances and other projects and in building inclusive financial sectors and institutions, and IFAD,

7. IFAD grant no. 701-UNOPS, "Remittances and Rural Development Programme (RRDP)"; MIF/FN-91 "Line of Activity for MIF-IFAD Partnership Facility for Rural Private Sector Development."



with its rural sector and rural poverty focus and its ability to work transnationally, including with migrant communities in the United States.

The overall objective of the facility, entitled MIF/IFAD Partnership Facility for Rural Private Sector Development, is to promote rural financial and economic development among remittance recipients in low-income migrant communities, by providing financing for individual projects to develop rural financial services and productive investments.

From 2004 to 2006, the facility involved only the MIF and IFAD in Latin American and Caribbean (LAC) countries. In March 2007, the facility was expanded to include other donors, and acquired a more global focus. The facility is now a US\$15.9 million fund, with participation by the European Commission, CGAP, IFAD, MIF, the Ministry of Finance of the Grand Duchy of Luxembourg, the government of Spain (through the Spanish Ministry of Foreign Affairs and Cooperation, starting in 2009), and the United Nations Capital Development Fund (UNCDF). By August 2009, the MIF had financed 13 projects within the facility, which are included in this review.

IMPACT OF MIF ACTIVITIES ON REMITTANCES

The first goal of the MIF program was to reduce remittance costs to the region by 50 percent. This goal was met and surpassed before the 2010 target date, according to MIF surveys and other sources. Before 2000, the average cost of sending remittances to LAC was about 15 percent of the value of the transaction. Average remittance transfer prices to LAC are now among the lowest in the world, averaging approximately 5.6 percent. This constitutes approximately a 75 percent drop in remittance sending costs since 2000. Although certainly not the only reason for the price decline, data from the World Bank Remittance Price Database confirms that MIF efforts to increase competition and improve data have resulted in a far more competitive marketplace. MIF research, knowledge generation, and remittance projects all contributed to this achievement. For example, the MIF's regional project, CEMLA, works with central bankers in the region to institute a standard methodology for collecting remittance flow information as well as information on remittance markets in each participating country. The information is made public and stimulates competition among money-transfer operators in the country.

In another example, an early project in Ecuador with Banco Solidario established new linkages between the bank and remittance-sending financial institutions in Spain and Italy, where many Ecuadorian migrants reside. Banco Solidario expanded its points of service to 18,000 in Spain for remittance senders and to 1,300 in Ecuador for recipients. Remittance senders are able to send their transfers to bank accounts with Banco Solidario at no cost. Remittance recipients opened new savings accounts in Ecuador with the bank, depositing nearly US\$4 million in savings. New financial products were developed for both remittance recipients and senders, including a housing loan product and a loan for travel expenses.

Other projects in the MIF portfolio demonstrate the same impacts. The creation of new remittance-transfer services offered by regulated financial entities in the LAC region, many of which are

committed to working with lower-income and poor populations, has increased the number of entities that can negotiate better transfer prices with money-transfer organizations. While some entities have not been able to do so because of their small size (which translates to limited negotiating power) or regulatory issues, many have. In addition, the increased number of entities involved in remittance transfers, and the resulting increase in the number and volume of transfers, has undoubtedly helped lower remittance-transfer costs.

As the Banco Solidario example illustrates, projects have also been successful in helping financial institutions in the LAC region increase the number of points of service for remittance transfers, especially in underserved rural areas. In many MIF projects, financial institutions have added branch offices, installed ATMs, provided debit cards, and installed point-of-service terminals in grocery stores and other rural businesses. The result is reduced transaction costs for recipients.

Regarding the goal of increasing the number of remittance recipients who receive their remittances through the financial system, the MIF has made progress in this area.⁸ The majority of MIF projects have increased their remittance-transfer services, which has increased the number of remittance recipients who receive their remittances through the financial system. The implied goal here is that these remittance recipients (and indeed the senders) become “banked,” i.e., avail themselves of the deposit and lending (and other) services of the financial institutions. This goal, banking the unbanked, became more clearly defined in the later years of the MIF’s remittance program.

This goal has been more challenging to achieve, primarily because remittance recipients need their funds for basic needs. Capturing a portion of remittances as savings requires effort on the part of financial institutions, as well as a good understanding of the needs of remittance recipients. Still, most MIF project entities have been able to increase the number of remittance recipients and senders who:

- Are now members of the institution (for cooperatives): For example, the Cooperativa Salcajá, in Guatemala, now has 1,190 new members three-quarters of the way through its MIF project cycle. FEDECACES, a cooperative network in El Salvador, estimates that nearly 11,000 remittance recipients have become new members of its cooperatives. At AMUCSS in rural Mexico, more than 5000 remittance recipients have entered as members.
- Have savings accounts: 9 percent of Banco ADOPEM’s remittance volume in the Dominican Republic has been captured in savings accounts. In Ecuador, at Banco ProCredit, of the 12,000 remittance families served between 2006 and 2008, more than 500 opened savings accounts. Remittance-receiving clients of Banco ProCredit in El Salvador now have 20,000 current accounts (savings). In Bolivia, ProCredit Los Andes created a savings account called Esperanza [Hope], accompanied by a MasterCard debit card and access to ATMs without charge.

8. There is no consolidated regional baseline for this indicator, nor is there a regional measurement framework. Many individual projects are not tracking this indicator. Still, in evaluating progress during this review, many project entities were found to have achieved this result.



- Deposit remittance funds in savings or prepaid credit/debit card accounts automatically: 700 remittance senders of El Comercio (Paraguay) have debit cards where remittance transfers are automatically deposited to the card. MiBanco (Peru) has a savings account where remittances can be deposited for free
- Have taken loans for microenterprises or home improvement or purchase: Apoyo Integral, a regulated MFI in El Salvador, and two partners have made loans of more than US\$2million to remittance senders or recipients for home purchase or home improvements, and another US\$2million to remittance senders or recipients for microenterprise loans.
- Are engaged in financial education programs run by the entity: Banco ADOPEM has provided training in financial education to over 5,549 female remittance recipients, of whom at least 350 are heads of households. The cooperatives projects (Salcajá/Guatemala, AIRAC/Dominican Republic, FEDECACES/El Salvador) are providing financial education as well, which has helped improve families' money management and attract new clients. Fonkoze in Haiti is providing financial education to hometown associations of migrants.
- Are learning how to run businesses, using remittances as investments: In Mexico, FPC selected 23 businesses to receive technical assistance, from which five businesses were formed. Also in Mexico, NAFIN's project received 225 business proposals with good growth potential, of which 56 received technical assistance for business plan writing. Fourteen of these became businesses. In Brazil, 18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil.
- Have the possibility of being insured by a financial institution or affiliate: AMUCSS in Mexico has developed an insurance product for migrants that insures them in case of death, paying out remittances to family members for a set period of time after the death, repatriating the body and paying for funeral expenses. Banco ADOPEM has an accident insurance policy for migrants, which insures earnings in case of accident. BCSC in Colombia has a life insurance policy for remittance senders.

Remittance senders and recipients have benefited from the MIF projects, and the executing agencies themselves have benefited as well. MIF projects have helped executing agencies upgrade their client management software, purchase remittance-transfer platforms, and train staff in cross-selling financial products. New information technology has improved efficiencies and lowered the costs of transfer services for the entities themselves. Executing agencies have developed strategies for marketing their new services and are promoting their services in remittance-sending countries. Their liquidity position has improved, which has given rise to new structures and programs to manage and utilize it. Loan portfolios have added new products specifically designed for remittance senders and recipients, thanks to MIF market surveys. International alliances have been forged between financial institutions and money-transfer organizations and are sustainable. Small, rural entities are now linked to international markets. MIF entities have learned how to engage migrant communities in foreign countries by working with migrant hometown associations. Overall, the entities have a new, broader vision about what they can accomplish in their communities. At the governmental level, many countries have better measurement and improved regulatory environments, thanks to the two CEMLA projects.



Structure of the Review

This document summarizes the review of the MIF's remittance initiatives since 2001, focusing primarily on the projects supported by MIF funds. It also contains a review of MIF research and studies on remittances, dissemination of that knowledge, and the impact of this knowledge-building work.

The document is organized as follows, beginning with the five models used in the MIF projects:

- Section One: Remittances and Housing
- Section Two: Remittances, Policy and Regulatory Frameworks
- Section Three: Remittances and Banking the Unbanked
- Section Four: Remittances and Productive Investments
- Section Five: Remittances, Financial Education and Entrepreneurship Training

Each section contains:

- A brief summary of the goals of each project, a description of the executing agency, and the project's most relevant achievements.
- Information on the project timeline and funding, and the model used.
- An overview of the project's objectives, hypotheses, and activities.
- A summary of results to date as compared to the expected results.⁹ The indicators in this table come from the Logical Framework that the MIF establishes for all projects with a technical cooperation (TC) component. The table for each project includes the key long-term indicators for measuring project outcomes, but it may not include all the output indicators used by the MIF for measuring project performance. If the project is new and the key outcome indicators have no results yet, the "Delivered" column will say "no results yet."
- Intermediate results of the project. If the project is in the early stages and there are no key outcomes yet, this section will discuss some of the intermediate outputs. If the project is in the later stages (the final year, having gone through a final evaluation, and/or having conducted a closing workshop), and there are results for key outcome indicators, this section is omitted.
- Institutional impact of the project. This section discusses the institutional changes that have occurred in the executing agency during project implementation.
- Success factors, both internal and external.
- Problems encountered, both internal and external. If the executing agency has addressed the problems, the action used by the agency is presented.
- Impact on beneficiaries. This section is based on assumptions from the project results rather than on impact studies or interviews with final beneficiaries.
- Regulatory issues that had an impact on project performance.
- Lessons learned from the project experience.
- Conclusions.

⁹ Project activities were reviewed in August 2009.

Section Six discusses the MIF's activities in research and dissemination and provides recommendations. Section Seven presents a summary of general recommendations for improving the effectiveness and impact of the MIF's remittance activities.

The table below depicts the models and the executing agencies using each model.¹⁰ Further information on projects can be found on the MIF projects website.

<i>Model</i>	<i>Entities</i>
<i>Remittances and Housing</i>	<i>Caja de Compensación Familiar de Antioquia (COMFAMA) Sociedad Hipotecaria Federal (SHF) Hipotecaria Su Casita S.A. de C. V. (Su Casita) Banco Agrícola (BA) Mutualista Pichincha S.A.</i>
<i>Remittances, Policy and Regulatory Frameworks</i>	<i>Centro de Estudios Monetarios Latinoamericanos (CEMLA) (two projects)</i>
<i>Remittances and Banking the Unbanked</i>	<i>Asociación de Instituciones Rurales de Ahorro y Crédito (AIRAC) Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)* Apoyo Integral* Banco ADÓPEM* Banco del Ahorro Nacional y Servicios Financieros (BANSEFI) Banco Central del Ecuador (BCE) Banco Hipotecario Dominicano (BHD) Banco Procredit Banco Solidario (Ecuador) Centro Acción Microempresarial (CAM) Cooperativa Salcajá* El Comercio* Federación de Cooperativas de Ahorro y Crédito de Honduras (FACACH) Federación de Cooperativas de Ahorro y Crédito de El Salvador (FEDECACES) FINDESA/Banex Fonkoze* Instituto de los Mexicanos en el Exterior (IME)* PRODEM*</i>
<i>Remittances and Productive Investments</i>	<i>Academia de Centroamérica (ACA)* Asociación Peruano Japonesa (APJ) Banco del Trabajo (BdT) Caixa Econômica Federal Fundación CREA Fundación para la Productividad en el Campo, A.C. (FPC) Hispanics in Philanthropy (HIP) Nacional Financiera (NAFIN) Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE) INMIGRA-CEPROM*</i>
<i>Remittance, Financial Education and Entrepreneurship Training</i>	<i>Academia de Centroamérica (ACA)* Asociación Peruano Japonesa (APJ) Banco ADÓPEM* Banco del Trabajo Caixa Econômica Federal Caja de Compensación Familiar de Antioquia (COMFAMA) Fonkoze* Fundación CREA Fundación para la Productividad en el Campo, A.C. (FPC) Instituto de los Mexicanos en el Exterior (IME)* Nacional Financiera (NAFIN) Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE) Sociedad Hipotecaria Federal (SHF)</i>

*These projects are part of the Line of Activity for MIF-IFAD partnership facility for Rural Private Sector Development.

10. Unsuccessful project initiatives that closed early without significant results were not included in this review.



Remittances and Housing

Section 1

Remittances and Housing

The remittances and housing model aims to link remittance flows from migrants with purchases of houses in their country of origin, titled either in the name of the migrant or the name of the migrant's family member(s). Remittance flows are used to pay off the mortgage loans and/or to assess the capacity of the migrant to repay the loan. The house represents the collateral on the loan. The strategy is to develop the legal and financial procedures that permit the migrants to purchase the house for themselves or their families without having to return to their country of origin.

The MIF's objective in this model is to encourage the establishment of transnational alliances between financial institutions in countries of origin and a variety of actors in the countries to which migrants immigrate. These actors include entities that originate loans (brokers, mortgage companies), builders, and/or remittance companies. The MIF has also aimed to build the capacity of those financial institutions that already have a market presence abroad. Key activities funded under this model were studies of the legal and regulatory environments in both the home country and the foreign country, surveys on migrant profiles and demands, consultancies to design appropriate products for senders and recipients, information technology upgrades, improvements to risk-management procedures, the opening of new branch offices, marketing in remittance-sending and remittance-receiving countries, and alliance building. Project indicators usually targeted the number of transnational mortgage loans disbursed.

The five projects in the MIF portfolio link remittances with housing are:

<i>Executing Agency</i>	<i>Project</i>	<i>Type of Institution</i>	<i>Country</i>
<i>Caja De Compensación Familiar de Antioquia (COMFAMA)</i>	<i>The Role of Remittances in the Development of the Low-Income Housing Market</i>	<i>Nonprofit</i>	<i>Colombia</i>
<i>Sociedad Hipotecaria Federal</i>	<i>Facilitation of Access to Housing Finance for Recipients of Remittances</i>	<i>Government second-tier Bank</i>	<i>Mexico</i>
<i>Hipotecaria Su Casita S.A. de C. V.</i>	<i>Direct Savings by Mexicans Living in the USA toward the Purchase of Housing in Mexico</i>	<i>Private for-profit mortgage finance company</i>	<i>Mexico</i>
<i>Banco Agrícola</i>	<i>Create a Housing Finance Market for Transnational Families</i>	<i>Commercial Bank</i>	<i>El Salvador</i>
<i>Mutualista Pichincha S.A.</i>	<i>Supporting the Provision of Transnational Mortgages Loans for Ecuadorian Migrants</i>	<i>Private for-profit mortgage finance company</i>	<i>Ecuador</i>

This section discusses the highlights of each project in the remittances and housing portfolio. Following the summaries of these projects there is a discussion of the global success factors found in these projects and the lessons learned related to the model.

Executing Agency:

Caja de Compensación Familiar de Antioquia

Project Title:

The Role of Remittances in the Development of the Low-Income Housing Market

Remittance Model:

Remittances and Housing

Total Project Amount:

US\$2,925,000¹¹

The Cajas de Compensación Familiar [Family Equalization Funds] (CCFs) are private, nonprofit entities organized as corporations whose function is to collect a percentage of payroll taxes and channel these funds to lower-income families. The project's executing agency, the Caja de Compensación Familiar de Antioquia (COMFAMA), is one of these CCFs. It has been in existence for more than 50 years, and this project is its first with the MIF. Six other CCFs are co-executors. In addition, Bancolombia, a local bank, is a financial partner of the CCFs, in charge of approving and issuing at least 600 mortgage loans to members and non-members whose applications are submitted by the CCFs. Bancolombia assumes the credit risk. Bancolombia is an important partner because the CCFs do not have branches in the United States. The umbrella association for CCFs is Asociación Nacional de Cajas de Compensación Familiar [National Association of Family Equalization Funds] (ASOCAJAS), which will take the lead in promoting changes to the regulatory environment and will replicate the pilot to additional CCFs in the CCF system that were not included in this project.

PROJECT DESIGN

In Colombia, there is a large unmet demand for housing. Most Colombians do not have the savings needed to purchase a house, nor do they qualify for loans. Remittances are income flows that can demonstrate loan repayment capacity. The CCFs know their members, know that there is demand from members for houses, and know that some receive remittances but do not have the funding capacity to offer long-term mortgages. Commercial banks, for their part, are hampered by a lack of information about this market, and have not intervened. There are also regulatory aspects that need to be adapted in order to capture the increasing flow of remittances to support housing investment.

The project's objective, therefore, is to contribute to improving the quality of life of low-income Colombians through access to housing finance solutions, by testing a pilot model for channeling remittances from Colombians to investment in low-income housing.

The strategy for the project is to improve understanding of the housing market among migrants and their families, propose amendments to the procedures and regulations that affect the development

¹¹ Unless otherwise noted, "Total Project Amount" refers to a MIF technical cooperation (TC) grant plus the executing agency or agencies' counterpart contribution. In some cases, loans accompanied the TC grant, and such cases will be noted in the text.

of the housing-finance market for low-income people and, in particular, its connection to remittances from abroad. An additional aim of the project is to develop financial and non-financial products and instruments to support the channeling of financial and technical resources that can leverage family remittances to promote asset creation for Colombia's low-income population.

The project hypothesis is:

- A consortium of social welfare nonprofits linked to a national bank can develop and market remittance-linked financial products, including mortgages (either guaranteed by remittances or based on remittances as household income) to migrants and recipient families.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Studies of senders and recipients of remittances, including their housing preferences.
- Development of a database to track senders and recipients.
- A study of the regulations affecting transnational mortgages in Colombia.
- Development of financial and nonfinancial products and services for helping migrants and their families leverage remittances to build assets.
- Creation of a marketing strategy with brand and communications mechanisms.

RESULTS TO DATE

The project began in March 2007 and is in mid-execution. Relevant achievements include a study of the regulatory environment for transnational mortgages in Colombia, which has led to the drafting of five recommendations that would improve the regulatory environment. A national database of names of remittance recipients has been compiled recipient, which has been useful to the executing agencies in marketing financial products.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>A pilot model for buying houses using remittance flows is working; at least four CCFs and one financial institution are participating.</i>	<i>Five CCFs and Bancolombia are implementing a model for using remittances as payments or guarantees on loan products.</i>
<i>600 mortgage loans worth US\$6.9 million have been granted using remittances as guarantee.</i>	<i>207 credits approved, another 64 pre-approved; all based on remittance flows as income.</i>
<i>400 housing improvement or expansion loans have been granted.</i>	<i>Nearly US\$5 million in portfolio, with an average loan amount of US\$18,225.</i>



INTERMEDIATE RESULTS OF THE PROJECT

- COMFAMA, the other CCFs, and Bancolombia have combined their client databases so as to be able to ascertain who remittance recipients are in order to market products to them. There are now 28,000 names in the database, and more than 21,000 have been contacted.
- A project consultancy studied the regulatory environment for remittances and financial products and developed five norms that should be part of the regulatory framework. It also clarified the judicial framework for allowing Colombian migrants abroad to become members of the cajas. ASOCAJAS is responsible for obtaining consensus from all its members for these suggested regulatory changes. Once consensus is reached, these proposals will be presented to the authorities.
- Another project consultancy has developed three remittance-based products.
- A communications and promotional strategy has been developed, which includes a website (<http://www.micasaconremesas.com>). Project entities participated in two real estate fairs in Colombia and two in the United States, attended by 1,392 people.
- A study funded by the project identified the profile and habits of remittance recipients who are members of the CCFs in the seven regions with the highest incidence of remittance flows. This information will be used to refine and replicate the credit-scoring model in all participating CCFs, a model that includes remittance flow information. It is currently being piloted in the CCF Comfenalco Valle.
- The COMFAMA transnational portfolio is of high quality, with a portfolio at-risk rate of less than 1 percent.

INSTITUTIONAL IMPACT OF THE PROJECT

The project has had some early impact on COMFAMA, the participating CCFs, and Bancolombia, including:

- All participating institutions now accept the concept of including remittance flows as income when doing a loan analysis.
- Three new financial products have been designed and two are in use: a loan for housing improvements, and a housing mortgage product. The third loan product, for help with closing costs, has not yet been used.
- The mechanism for coordinating the project, the Central Executing Unit (CEU) and the regional executing units (REUs), is working well and may become a permanent coordinating body for these CCFs.



INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The CCFs' social mission is a motivating factor for active participation of the EAs, since the project is targeting their low-income market.
- The financial strength of the CCFs and Bancolombia is a strong point for product sustainability; the entities have the resources to continue project activities after the project ends.
- There is considerable buy-in from COMFAMA's management.

External (environmental) success factors:

- No external success factors were identified.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There is some resistance, or lack of dynamism, on the part of some CCFs. One CCF has recently withdrawn. There was no component for governance strengthening in the project.
- Not all CCFs are in agreement on the proposed changes to the laws. ASOCAJAS will need to negotiate with all CCFs to arrive at a consensus view to present to the regulatory agency.
- The CCFs do not have representation outside of Colombia. To address this shortcoming, they refer people to foreign offices of Bancolombia.
- Some CCFs need longer-term funds in order to be able to provide the longer-term credit products.

External (environmental) problems encountered:

- The economic context has been the major negative influence on the project. It has hampered the ability to achieve project goals due to a lower demand for credit. To counteract this trend, the executing agencies are developing an aggressive marketing and promotion strategy.

REGULATORY ISSUES

There are regulatory constraints to scaling up the remittance-based products. For example, at the present time there is no legal basis for a non-resident to establish a savings account to channel remittances and make payments in Colombia. However, to date such constraints have not negatively affected the project's accomplishments.

IMPACT AT BENEFICIARY LEVEL

To date, 207 migrants have received approval for a mortgage loan, based on remittance flows as income.



LESSONS LEARNED

- Alliances of entities with common goals and common structures, such as the CCFs, can contribute to achieving project goals and strengthening the entities as well.
- Credit products need to be designed according to the profile of the target group. Traditional banking products do not work well for lower-income clients and therefore it may be necessary to create new products. Products must also be designed taking into account the laws of all countries involved, such as anti-money laundering/Know Your Customer laws.
- Financing housing loans requires access to long-term capital.
- It is important to have products designed and ready to be rolled out before participating in international housing events.

CONCLUSIONS

The project is in mid-execution, and the executing agencies are making progress toward the goals. The alliance between the CCFs and Bancolombia is functioning well. Knowledge about remittance senders and recipients has improved, and there are new financial products specifically designed for their needs. Proposals to make the regulatory environment more conducive to using remittances to purchase houses have been developed and are being considered by CCFs before presentation to the regulatory authorities. Beyond the executing agencies, other financial entities in Colombia are now taking remittance flows into account when analyzing and approving loan applications, a practice that did not exist prior to the project.



Executing Agency:*Sociedad Hipotecaria Federal***Project Title:***Facilitation of Access to Housing Finance for Recipients of Remittances***Remittance Model:***Remittances and Housing***Total Project Amount:***US\$ 3,400,000*

The Sociedad Hipotecaria Federal [Federal Mortgage Company] (SHF) is a Mexican government entity created in 2001 to provide market-rate financing for mortgage origination to SOFOLES (Sociedades Financieras de Objeto Limitado) [Limited Purpose Financial Companies], which are specialized mortgage finance companies. SHF is working with four SOFOLES in the project (Su Casita,¹² Hipotecaria Nacional, Crédito y Casa, and Hipotecaria Vértice.) SHF also channels subsidies from the public housing fund FONAEVI (Fondo Nacional de Apoyo Económico a la Vivienda) [National Fund for Economic Support to Housing] to enable low-income families to purchase houses.

PROJECT DESIGN

The problem that the project seeks to address is the demand for housing from low-income Mexicans. Large numbers of Mexicans are unable to purchase decent housing due to a lack of affordable credit. Moreover, the costs of closing a mortgage loan in Mexico are extremely high, often more than 11 percent of the loan amount, and even higher for remittance-based mortgages. Finally, remittance senders and recipients lack information on remittance-based mortgage loans.

To address these problems, the project's strategies revolved around disseminating information on the program, along with the provision of financial literacy courses and information for interested remittance-receiving households. The courses were to be held in the United States and in Mexico using facilities provided by the Instituto Nacional de Educación de Adultos [National Institute for Adult Education] (INEA). Secondly, a subsidy for remittance recipients to help with closing costs was envisioned. Technical assistance would be given to SHF for the development of new financial products. SHF was specifically interested in piloting two new products that could have a significant impact on lower-income households: housing microfinance and house leasing with an embedded purchase option. Lastly, the creation of a database on remittance-based mortgages was needed, which would incorporate remittance-specific credit evaluation and analysis of the performance of remittance-based mortgages.

¹² Su Casita is also an executing agency for another project. See the Su Casita project in this section.



The project hypothesis is:

- A second-tier government entity that channels mortgage financing to mortgage finance companies can create and pilot new housing products (transnational mortgages, housing microfinance, and lease with option to buy) for remittance recipients. An upfront subsidy could help lower the cost of the transnational mortgage, since this product has additional closing costs versus a national mortgage product.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Develop a marketing strategy and promotional materials for the SHF housing finance initiative
- Develop an online property registration system
- Develop a simple financial literacy course on housing finance for an estimated 200 remittance-receiving families interested in a loan
- Provide up to US\$500 to help with closing costs
- Finance two consultancies to adapt SHF's existing products to the needs of remittance senders and recipients
- Acquire the licenses and develop the software necessary to launch an Integrated Mortgage Statistics Database for risk evaluation of loan applications.

RESULTS TO DATE

The project began in 2005, with an execution period of 36 months and an extension of 12 months. The project is still in execution. To date, more than 7000 migrants have received information and training on financial concepts related to mortgages, and more than 10,000 brochures have been distributed. A website for promoting the transnational mortgages has been established. The four SOFOLES have been disbursing transnational loans, albeit at a slower-than-projected rate due to the global financial crisis and the reduction in remittance flows. SHF has developed the transnational mortgage products, having worked out the cross-border guarantees and legal issues associated with this product.



As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Portfolio of mortgages to remittance-receiving households is up by 500 percent to a total of 2300.</i>	<i>2000 credits disbursed to remittance-receiving households, an increase of approximately 80 percent from baseline.¹³</i>
<i>10,000 remitting families and remittance-receiving households in Mexico, the United States, and Canada are informed about the financial products available to them.</i>	<i>1500 participants attended five seminars. 10,000 brochures distributed.</i>
<i>4000 people receive training in the financial concepts of mortgage loans.</i>	<i>7050 people have been trained in the financial concepts of mortgage loans.</i>
<i>100 percent of financial and socioeconomic data of remittance-receiving households approved for a mortgage loan is incorporated into the Integrated Mortgage Statistics Database.</i>	<i>The software licenses for the database have been acquired. The percentage of data entered is unknown.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- The mechanism of the transnational mortgage product was developed, which gives SHF and its SOFOLES partners an additional product in their mortgage portfolios. SHF learned how to adapt the guarantee for the loan so that the property/real estate in Mexico can serve as collateral. However, neither of the other two products (housing microfinance or lease with option to buy) has been developed to date. (There is a housing microcredit product, but it is not linked to remittances.)
- Financial education training modules on mortgages now exist and are being used.
- There are three websites for SHF products, which are also being promoted in Mexican consulates in the United States. The transnational mortgage product is branded with the name “Mi Casa en Mexico” (website under construction: <http://www.micasaenmexico.org.mx/>).

INSTITUTIONAL IMPACT OF THE PROJECT

- A working group was created to direct the activities of each entity involved in an orderly and transparent manner, composed of SHF, the National Housing Commission, and Instituto de los Mexicanos en el Exterior [Institute of Mexicans Abroad] (IME).

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The involvement of the SHF director helped promote the project internally.
- SHF has its own funds and can provide counterpart funding.

13. Interview with SHF in July 2009. An unknown number of these were disbursed without the use of the closing cost incentive.

External (environmental) success factors:

- The partner SOFOLES are able to provide counterpart funding.
- The partner SOFOLES have subsidiary firms in key migrant markets in the United States. All these institutions have invested in new branch offices.
- Very few institutions were involved in mortgage financing in Mexico at the time that this project was designed, leaving the market for such products wide open to SHF and the SOFOLES.
- The participation of IME in promoting transnational mortgage products, such as SHF's, contributed to the achievements.
- The form of a SOFOL (a Mexican for-profit structure for credit facilities) increased the level of trust on the part of migrants, because it is not a bank.¹⁴

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The training institute INEA was prevented from signing the project because the law does not permit government entities to promote and market financial products. Securing another partner caused long delays in the project contract signing.

External (environmental) problems encountered:

- The global economic crisis has decreased the demand for transnational loans, which has slowed the achievement of targets.
- The crisis has also reportedly raised the SOFOLES' portfolio at-risk rates for the transnational mortgage product, as migrants lose their jobs and their remittances are reduced.¹⁵
- Promotion of the product and program was difficult. The United States is very large, and the Mexican migrant population very dispersed. Undocumented migrants are distrustful of marketing initiatives and hesitant to provide information. This problem has been partially mitigated by the involvement of IME in promoting mortgage finance products and the institutions providing them.
- The subsidy for a home loan is too small (US\$500) and does not provide enough of an incentive. SHF has requested permission from the MIF to raise the amount to US\$1,000.

REGULATORY ISSUES

- No regulatory issues were identified.

14. Since the 1995 banking crisis, the general population is distrustful of banks.

15. Information on the portfolio at-risk rate is only available for Su Casita, which had a rate of 0.42 percent in July 2009 on its dollar-based mortgage product. See also the Su Casita project below.

IMPACT AT BENEFICIARY LEVEL

- Approximately 7050 people received information on financial products, especially transnational mortgage loans. The increase in the understanding of the financial concepts about mortgages was not assessed in the project, and could not be determined.
- At least 2000 remittance senders and their families have received loans for purchasing housing.

LESSONS LEARNED

- When the executing agency is a government entity, transitional governments often cause delays in projects due to changes in government (SHF is a government entity).
- Working with government entities can be problematic, because they receive massive amounts of funding. The MIF funds by comparison are small, so MIF projects are given a lower priority.

CONCLUSIONS

The project has suffered from long delays in implementation and changes in personnel, which has lowered performance. The project is complicated by the fact that the executing agency is a government entity, which has slowed implementation due to bureaucracy. Also, SHF argues that the subsidy of US\$500 was not enough to motivate uptake by consumers and is requesting that MIF increase it to US\$1,000. However, the four SOFOLES have disbursed funds on their own without the need for the subsidy. In addition, the global financial crisis has increased the perceived risk of mortgage lending to migrants. On the positive side, SHF has developed transnational mortgage products, having worked out the cross-border guarantees and legal issues. The housing microcredit and lease with option to buy products had not yet been developed as of the date of this review.



Executing Agency:*Hipotecaria Su Casita S.A. de C. V.***Project Title:***Direct Savings by Mexicans Living in the USA toward the Purchase of Housing in Mexico***Remittance Model:***Remittances and Housing***Total Project Amount:***US\$5,500,000 (US\$5,000,000 loan, US\$250,000 technical cooperation, US\$250,000 counterpart)*

Hipotecaria Su Casita [Your House Mortgage Company] (Su Casita) is a private finance company established under the form of a “sociedad financiera de objeto limitado” [Limited Purpose Financial Company] (SOFOL). It is regulated by the Comisión Nacional Bancaria y de Valores [The National Banking and Securities Commission] (CNBV), and the Secretary of the Treasury and the Bank of Mexico.

Su Casita has been operating in the United States since August 2003, when it opened a U.S. company, Su Casita U.S.A. in Denver, Colorado as a platform to provide housing loans to Mexican migrants.¹⁶ That same month, Su Casita launched a marketing program called “Su Pedacito de México” [“Your Little Piece of Mexico”], which aims to enhance home ownership among Mexicans living in the United States. In the same month, Su Casita finalized the first mortgage loan originated in the United States. From 2003 until the beginning of this project, Su Casita originated more than 380 individual mortgages to Mexican migrants in Denver as well as in several other U.S. cities, totaling approximately US\$14 million an average of US\$37,000 per loan. All of these mortgages in dollars carry a fixed interest rate of 13 percent in Mexican pesos with a 20-year term.

PROJECT DESIGN

The loan product helps meet the high demand for housing in Mexico. The project’s principal objective is to test a transnational mortgage in dollars. Although Su Casita already had a peso-denominated transnational mortgage loan that did not require the borrower to return to Mexico for closing on the property, uptake was limited. The reason identified for this limitation was the high interest rate. It was expected that the lower interest rate for loans denominated in dollars would be more attractive and would stimulate demand for the loans.

The project hypothesis is:

- A dollar-denominated mortgage loan, when offered by a private financial institution structured as a SOFOL, will be attractive to remittance senders, and is a viable product for the SOFOL.

¹⁶ Under U.S. law, Su Casita U.S.A. is not allowed to disburse mortgages but is allowed to engage in marketing activities to promote mortgages.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Develop new policies, procedures, and manuals for the product and for payment systems for the loan.
- Investigate the legal requirements for opening new branches in each U.S. state.
- Address information-technology needs for promoting the product, including communication channels between branch offices and headquarters, and with consulates and builders.
- Train new and existing staff in branch offices in client relationship-building, risk analysis, and loan supervision.
- Establish alliances with mortgage brokers and other companies, and create a call center.
- Prepare promotional materials and a database of properties to be sold, and participate in real estate events in the United States.

RESULTS TO DATE

The project began in 2006, with an execution period of 24 months, and was extended. The project is still in execution and is in the final stages. Major achievements to date include surpassing the project target of 125 transnational mortgages to reach 174 mortgages. Su Casita has broadened its outreach in the United States by opening a new office in Chicago, and has a permanent marketing strategy in place and functioning.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>The MIF loan is used in its entirety and the technical Cooperation activities are finished or nearly completed.</i>	<i>The loan is nearly completely disbursed; the TC is in process with no delays.</i>
<i>125 transnational dollar-denominated mortgages are disbursed with an average value of US\$40,000 each.</i>	<i>174 transnational dollar-denominated mortgage loans, averaging US\$48,500 each (for a total of approximately US\$4.8 million) have been disbursed. Five loans have been completely repaid.</i>
<i>Su Casita has offices in Chicago and New York.</i>	<i>Su Casita U.S.A. opened a Chicago office.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- Su Casita has created a new department, the Regional Center for Loan Origination (CREO) to handle new processes for loan analysis and for communicating with branches more efficiently.
- A new software module, Customer Relationship Management (CRM), is being piloted. This is the software used by the call center and branch offices in the United States to track customers from initial contact to loan signature. Staff members are being trained in the use of this software.



- A number of manuals have been developed and are being adapted; two more are being prepared. The new manuals are: Opening of Branch Offices, Attention and Quality of Service, Establishing Relations with Branch Offices and Brokers, and Loan Payments.
- Su Casita now has a web portal where migrants can access information on houses for sale: (https://www.sucasita.com.mx/casa_promotores.html.)
- Su Casita has a permanent campaign to promote its products in the United States, using radio, newspapers, and magazines. It also participates in events focusing on the Hispanic population.
- The Su Casita transnational portfolio is of high quality, with a portfolio at-risk rate of 0.42 percent.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The institution is strongly committed to the project's goals and the viability of a transnational loan product.
- Su Casita is a strong private-sector institution with an interest in serving new markets and the capacity to do so.
- Su Casita has sufficient human and financial resources to support the project's activities and wait out the effects of the global financial crisis.
- Su Casita had previous experience with opening branches in the United States and had an existing branch in Denver, Colorado.

External (environmental) success factors:

- Mexican migrants in the United States are more adapted to the credit culture than Mexicans in Mexico, i.e., more familiar with loan and repayment processes.
- Migrants who take the loans are not speculators: they are buying for their families, which means that they tend to keep their houses rather than trying to resell them rapidly.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The project was designed to work with brokers who would promote the loan product. It was difficult to establish these alliances. Brokers were not interested in the small loan amounts and the long loan process compared to U.S. mortgage loan products.
- By law, Su Casita cannot mobilize savings, which would be helpful to borrowers to acquire the down payment on a house. Migrants have to save their down payment in other financial institutions.
- Su Casita is a recipient of wholesale funds from the government entity Sociedad Hipotecaria Federal (SHF), which is the executing agency for another MIF remittance project. SHF has strengthened its loan requirements for these loans, which are transnational, peso-denominated mortgage loans. In order to comply with SHF's requirements, Su Casita management felt it necessary to have the same criteria and policies for these loans, which has made adaptations to systems necessary.



External (environmental) problems encountered:

- Promotion costs increased as Su Casita confronted the difficulties of marketing in the United States. There is so much market information that it is difficult to establish a brand. Secondly, migrants are distrustful due to their immigration status and/or past experience with banks, so promotion must be done person-to-person, which increases costs.
- The fluctuation in exchange rates over the course of the project caused operating expenses to increase by 35 percent. Su Casita has closed branches where there was more than one in a given area and is investigating the idea of outsourcing some of its U.S. functions.
- The global financial crisis has caused a decrease in the volume of remittances sent to Mexico. The loan product has not achieved sufficient scale to break even.

REGULATORY ISSUES

The regulatory issues that complicated this project are related to the opening of branches in U.S. states, since each state has its own regulatory, legal, and fiscal requirements. In California, for example, the state wanted Su Casita U.S.A. to register as a finance company and pay taxes, although technically the U.S. offices only handle the due diligence and the actual loan is issued in Mexico. Consequently, Su Casita did not open an office in California.

IMPACT AT BENEFICIARY LEVEL

At least 174 migrants have been able to purchase houses without returning to Mexico, using a dollar-based loan.

LESSONS LEARNED

- Word-of-mouth and testimonials are the best ways to reach migrants who are afraid of the authorities. The manner in which the message is sent is also important. It is more effective when focused on “buying a dream house in Mexico” than on “obtaining a loan.”
- Given the risk of lending in dollars to migrants who may lose their employment and return to Mexico, Su Casita no longer offers dollar-based loans.
- There are fewer late payments in this loan project than in other loan products offered by Su Casita. This demonstrates that migrants are more creditworthy than previously thought.

CONCLUSIONS

The transnational mortgage has proven to be a key product for Su Casita because of the demand and the quality (i.e., a low portfolio at-risk rate). In terms of quality, this is their second-best portfolio, presumably because the credit culture in the United States is stronger than that in Mexico. The dollar-based MIF loan to Su Casita was used up in a mere eight months, and Su Casita is no longer disbursing dollar-denominated loans due to risk. Because of the economic downturn, Su Casita is not promoting the transnational loan as strongly as before, and the product has not yet broken even. However, Su Casita expects that the economic situation will improve in the next 12 months.



Executing Agency:

Banco Agrícola

Project Title:

Create a Housing Finance Market for Transnational Families

Remittance Model:

Remittances and Housing

Total Project Amount:

US\$5,500,000 (US\$5,000,000 loan, US\$250,000 technical cooperation, US\$250,000 counterpart)

Banco Agrícola S.A., founded in 1955, is the largest commercial bank in El Salvador. It provides financial services and products including saving and current accounts, consumer and commercial loans, mortgages, credit and debit cards, fixed-term deposits, and other banking-operation processing services to individuals and micro, small, and medium-sized enterprises. At the time the project began, Banco Agrícola had a wide client base with 23 remittance agencies and three bank branches, and business relationships with companies in the United States (including a construction company), which hire many Salvadorans. At that time, Banco Agrícola was servicing 400 mortgage loans with a US\$18 million portfolio to Salvadorans living in the United States who traveled to El Salvador to purchase and apply for the mortgage loans. In recent years, it started a new consumer loan business with considerable success. Banco Agrícola was purchased by Bancolombia during the project period.

PROJECT DESIGN

Although Salvadoran migrants in the United States have access to long-term mortgage loans provided by banks in their home country, they must travel to El Salvador to check the availability of houses in the market and make a formal application to commercial banks in El Salvador. This travel requirement is very costly, and Salvadoran banks have not been able to meet the potential demand for mortgage loans from Salvadoran workers in the United States. The development of a transnational mortgage loan for Salvadorans is further impeded by a general lack of awareness about their ability to borrow for mortgages outside of El Salvador, and the cross-border nature of this transaction.

The project's specific objectives are, therefore, to: (i) introduce an innovative mortgage loan product to the Salvadoran community; (ii) attract a greater portion of workers' remittances into housing investments; (iii) mobilize migrant savings through the involvement of formal financial institutions; and (iv) promote capital accumulation and asset building among Salvadorans. At the beginning of the project, Banco Agrícola already had a portfolio of mortgage loans for migrants through a network of its own remittance agencies throughout the United States: five in Maryland, seven in Virginia, and four in California, all of which are areas with a high concentration of Salvadorans. Banco Agrícola's strong presence in the United States will help in marketing the transnational mortgage product.

The project hypotheses are:

- There is demand from migrants in the United States in the areas where Banco Agrícola has a presence for housing in El Salvador.
- Banco Agrícola can meet this demand with its transnational mortgage product.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Establish an online information system that links migrant homebuyers with builder/developers, real estate brokers and Banco Agrícola mortgage staff, and purchase the hardware to run it.
- Create a unit within Banco Agrícola to run the program, entitled “Casa Fácil” [Easy House].
- Establish alliances with (and training for) mortgage brokers, homebuilders and other companies that will promote Banco Agrícola’s loan programs.
- Design a marketing strategy and promote Casa Fácil in the United States.
- Fund an in-depth study on the demand for various classes of remittance-linked financial products in El Salvador.

RESULTS TO DATE

The project began in 2007, with an execution period of 24 months and an extension of nine months. The project is still in execution. Major accomplishments to date include the study on the demand for remittance-linked products, which has led to the design of a savings product for remittance recipients, and has also informed the design of a new information system. Alliances have been established with brokers and builder-developers in the United States to promote the mortgage product. A marketing brochure was designed and a call center established in the United States.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>MIF loan of US\$5 million is fully disbursed.</i>	<i>0 (loan cancelled)</i>
<i>100 transnational mortgage loans disbursed with an average loan size of US\$50,000.</i>	<i>The bank has disbursed 185 loans (US\$8.3 million) since January 2007, averaging US\$44,825 each.</i>



INTERMEDIATE RESULTS OF THE PROJECT

- A survey was completed on the consumption and distribution habits of remittance senders and their family members in El Salvador.
- A study on the demand for remittance-backed financial products in El Salvador was completed. The study provided the basis for the new information system, which is in the process of being designed.
- A byproduct of the study was the creation of two savings products, “Cuenta de Ahorro Directo” [Direct Savings Account], for Salvadorans in the United States, and “Cuenta Unida” [United Account] for their family members in El Salvador. Of the former, approximately 7,500 accounts were active in October 2009, valued US\$8.8 million. Of the latter, there were approximately 31,000 accounts in October 2009, valued at US\$23 million.
- Alliances were made with five builder/developers and 10 brokers in the United States for promoting the transnational loan.
- A brochure was designed and printed to inform people about the houses available in El Salvador for purchase. At least 5000 copies were distributed at the airport in El Salvador to visiting migrants, and 50,000 copies were distributed in the United States, the majority in California, followed by New York and 11 other states and the District of Columbia.
- A call center (800 number) was established to provide information on obtaining a housing loan in the United States and for migrants to check their loan balances. The call center is handling approximately 80 calls per month.

INSTITUTIONAL IMPACT OF THE PROJECT

- Banco Agrícola developed a strategy and a mechanism for meeting the demand for transnational mortgage products, which include a call center, a website, a network of builders and brokers, and branch offices with trained staff.
- Banco Agrícola has a better understanding of the profile of remittance households and their needs for financing.
- Banco Agrícola has new financial products to offer remittance households.
- Banco Agrícola has US\$23 million in additional deposits from the transnational savings products.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There was buy-in from Banco Agrícola’s president at the time of approval.
- Banco Agrícola has branch offices in the United States in areas of high concentration of Salvadoran migrants.
- Banco Agrícola has the financial resources to continue the program after the project ends.



External (environmental) success factors:

- Banco Agrícola faces limited competition in the area of remittances, mostly from rural cooperatives, and no competition in the area of transnational mortgages.
- There is demand from Salvadoran migrants in the United States for mortgage loans to purchase houses.
- The Salvadoran economy is dollar-based, so there is no exchange-rate risk in the loan terms.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The project has had limited institutional impact within Banco Agrícola. Ownership changed during the project period and the social mission has become less important.
- The business model is changing. Following a change in ownership, Banco Agrícola is more focused on recipients than on senders because of the higher profit margins and lower risk.
- A negative earlier experience with IT consultants led Banco Agrícola to prefer using its internal department for designing its new information system. This work has competed with other bank IT needs. Although the new IT program is designed, it has not yet been implemented. The bank anticipates that it will be very useful once implemented.
- Changes in staffing have slowed the project. The location of the unit indicates that it is not a high priority for the bank. Only one staff member has been with the bank since the beginning of the project.
- The loan was canceled, in part due to the lack of disbursement of the new mortgage product (a precondition to the loan disbursement).
- It is a challenge to arrive at sufficient volume for the transnational mortgage product to be profitable. Consequently, the product is competing with other more profitable products (e.g., salary-based loans and credit cards) within the bank.
- The project did not adequately reflect the regulatory environment in the United States and the limits on the sale of mortgages from U.S. branch offices.
- Banco Agrícola has tried to promote its products through the consulates in the United States. The problem with this strategy is that the majority of people who visit the consulates are undocumented, and therefore not a target clientele for the mortgage product.

External (environmental) problems encountered:

- As a result of the economic crisis, the migrant population in the United States is migrating within the United States to places where there is work but not necessarily where Banco Agrícola has a branch office. Setting up new branch offices is expensive and complex, especially given the variations in state laws. The volume of remittances is falling. As a result, Banco Agrícola is relying more on remittance companies for sending remittances to pay off loans, which is more expensive, rather than on its own branch offices.
- The global economic crisis has lowered the demand for the transnational mortgage product and raised the risk. In response, the bank has implemented stricter risk-assessment policies and is being more cautious in its lending policies.



- The global economic crisis has lowered the demand for the transnational mortgage product and raised the risk. In response, the bank has implemented stricter risk-assessment policies, and is being more cautious in its lending policies.
- The recent election of a new government has caused some (perhaps unwarranted) concern within the migrant community about houses being expropriated, which has lowered demand.

IMPACT AT BENEFICIARY LEVEL

- Banco Agrícola has implemented savings products for migrants and their family members. Remittance households are saving for their down payments. There were 791 active savings accounts in August 2009, totaling US\$23 million.
- At least 185 remittance households have purchased houses with the transnational mortgage.

LESSONS LEARNED

- Change in ownership stalled project implementation because of the shift in priorities of the new owners.
- It is important to build flexibility into projects in order to respond to changes in the macroeconomic environment, which may influence product demand and profitability. Such flexibility is especially important when projects have long design phases, since the context may change during that time.

CONCLUSIONS

Although the project got off to a slow start, Banco Agrícola was able to build a network of brokers and builders to help promote its product in the United States. With this network and its branch offices, Banco Agrícola was able to disburse 185 mortgage loans over the last two years. Savings accounts for both migrants and their family members have proven to be popular, an unexpected finding from the MIF-financed study. With the global economic downturn, demand for the transnational loan product has decreased somewhat, and the risk has increased. Promoting the product in the United States has been expensive. A change in ownership of the bank brought about a reorientation to more profitable credit lines, and the transnational mortgage product has had to compete for internal resources.



Executing Agency:*Mutualista Pichincha S.A.***Project Title:***Supporting the Provision of Transnational Mortgages Loans for Ecuadorian Migrants***Remittance Model:***Remittances and Housing***Total Project Amount:***US\$5,636,400 (US\$5,000,000 loan, US\$360,000 technical cooperation, US\$276,400 counterpart)*

Mutualista Pichincha was established in 1961 as a private entity with the aim of encouraging savings to be used for the purchase of housing. Mutualista Pichincha's target market is lower-income and lower-middle-income households, that is, those who seek to purchase houses valued under US\$40,000. Mutualista Pichincha is fully regulated and governed by the General Law for Financial System Institutions. In addition to mortgages, Mutualista Pichincha also provides consumer loans and credit cards, but only as a complementary product to their mortgage loans.

PROJECT DESIGN

The project seeks to address the limited supply of housing credit for Ecuadorian migrants in the United States, Spain, and Italy and the complicated procedures to obtain these kinds of loans. The project's main objective is to improve access to mortgage loans by helping expand the transnational mortgage loan operations of Mutualista Pichincha. Through this entity, Ecuadorian migrants will be able to purchase their homes in Ecuador using remittances sent from the United States and Europe to Ecuador as loan payments. This is a scale-up of an existing program.

The project hypothesis is:

- Providing a loan and a technical assistance grant to a mortgage finance company will make the entity more competitive, grow its portfolio, and leverage migrants' assets in the form of a house purchase in Ecuador.

The project's specific objectives were to be achieved by providing:

- A loan to Mutualista Pichincha for US\$5 million.
- A technical assistance grant to allow Mutualista Pichincha to:
 - Assist in expanding new markets in the United States, Spain, and Italy by opening four new branches;
 - Develop credit processes and systems tailored to the specific requirements of mortgages aimed at migrants; and
 - Integrate the transnational mortgage program into Mutualista Pichincha's bank-wide risk management systems.



PLANNED ACTIVITIES

This project was designed to include the following activities:

- A market study to identify the most important Ecuadorian migrant communities where Mutualista Pichincha should open new branches.
- Design of client origination procedures as well as the purchase of software (risk control, client relationship manager, etc.).
- Training in risk-management software.
- Development of a tailored credit-scoring system adapted to transnational mortgages.
- Updating Mutualista Pichincha’s bank-wide risk manuals and developing specific operational and credit risk manuals for the transnational mortgage product.

RESULTS TO DATE

The project began in 2007 and is on schedule. Mutualista Pichincha has made excellent progress in expanding its transnational mortgage product in the United States, Spain, and Italy. It has already surpassed project goals, having disbursed over 1,300 loans for US\$66 million while maintaining a high quality portfolio.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>At least 1100 new migrant clients are served through home lending operations.</i>	<i>More than 1300 new loans have been disbursed (400 in Uni- ted States and 270 in Spain, and the rest in other countries, or coming through an entity that is not the commercial repre- sentative of Mutualista Pichincha in the United States or Spain).</i>
<i>The expanded nonperforming portfolio of housing loans to migrants does not exceed an annual average of 5 percent.</i>	<i>The nonperforming portfolio is 3.94 percent as of August 2009.</i>
<i>Sales of housing for migrants reach US\$56 million.</i>	<i>Sales have reached US\$66 million.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- New markets were identified in Spain, Italy, and the United States (New York City) from three studies financed by the project. These studies also identified companies that could act as commercial representatives for Mutualista Pichincha in these countries, which is less costly to Mutualista Pichincha than setting up its own offices.
- There are now new procedures manuals for the credit origination process and the real estate sale process.



- Thirty software licenses have been obtained for new software.
- An agreement was signed with Unión Andina of Spain to act as a commercial representative for Mutualista Pichincha.
- Mutualista Pichincha has a credit-scoring model, procedure, and manual in place for this loan product.
- Mutualista Pichincha invested in risk analysis software, called “Finalware.”
- The percent of nonperforming loans was 3.94 percent in August 2009.

INSTITUTIONAL IMPACT OF THE PROJECT

- Mutualista Pichincha has increased its loan portfolio by US\$56 million and has more revenue from this lending.
- Mutualista Pichincha has identified new markets that will be profitable in several years.
- Mutualista Pichincha has established a new unit, The Export Unit, with four staff members at Headquarters and support staff in the branch offices to handle the growth of this product.
- The loans originating from this program represent 30 percent of Mutualista Pichincha’s total loan portfolio.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Mutualista Pichincha’s business model combines the sale of the house with the sale of the mortgage. The company works with builders to build new houses and with brokers to identify houses. It maintains an inventory to market to migrants.
- Mutualista Pichincha had the vision to build its inventory in areas where there is high migration, rather than in the large cities of Ecuador where there is less migration.
- Mutualista Pichincha developed mechanisms of communication between migrants outside Ecuador and their family members in Ecuador to facilitate communication about the house purchase.

External success factors:

- There is demand for houses on the part of Ecuadorian migrants.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There were difficulties with the recruitment process for the information technology work. The process was time-consuming, which delayed some project activities.
- At the beginning of the project in the first six to eight months, there were communication problems between the project execution unit and the business units where the loans originated. The project coordinator is responsible for hiring consultants for project activities, but the business units are the beneficiaries of their work; their perspective should be included in the hiring process. Once this began to occur, the work proceeded smoothly.



External (environmental) problems encountered:

- The global economic crisis has increased the risk of lending to migrants and has slowed remittance transfers.

REGULATORY ISSUES

The regulatory environment was positive for this project in that it did not obstruct the ability of Mutualista Pichincha and its partner companies (remittance companies and mortgage brokers) in Spain and the United States to conduct legal transactions.

IMPACT AT BENEFICIARY LEVEL

- Migrant families (1300) have new houses.
- Migrants are viewed as creditworthy due to the excellent quality of the mortgage portfolio.

LESSONS LEARNED

- Project units and operational units must work together. To achieve this, it is important for the project unit to communicate with the operational units and for operational units to be involved in project activities, such as hiring consultants.
- Mutualista Pichincha found that it was more cost-effective in foreign countries to outsource the promotion of its products to a commercial representative rather than opening its own branch office.
- Improving communications between migrants and their family members is key to a successful product sale.
- Mutualista Pichincha learned that it is important that a family member reside in the house purchased. Otherwise, the migrant will not pay for upkeep and the property value will fall.
- Before the project began, Mutualista Pichincha had tried to build a remittance transfer business not linked to the purchase of a house, but was not successful due to intense competition and low margins. Pichincha realized from this experience that remittances as a business line should not be a goal but rather a means to leverage the purchase of assets such as a house.
- Mutualista Pichincha has an established brand in Ecuador based on its many years of existence, which helps it market its product to migrants outside the country.
- Mutualista Pichincha learned that it is more important to hire companies that have experience with migrants than with the product (credit or real estate).
- In order to better control the flow of remittances to pay the loans, Mutualista Pichincha has created an alliance with banks and remittance companies abroad. These banks and companies send payments through the Central Bank of Ecuador, which forwards the payments to the migrant's account in Mutualista Pichincha. This arrangement is still in the pilot phase, but Mutualista Pichincha has learned that it needs to be more aggressive in ensuring that migrant borrowers make their payments.

CONCLUSIONS

Project goals have been surpassed, and the uptake of the new product has been successful. Despite the global economic downturn, the portfolio at-risk rate for this product is low. This loan product now represents 30 percent of Mutualista Pichincha's total portfolio. Mutualista Pichincha's offices outside Ecuador are still new and have not generated sufficient margin to cover their costs. In the next several years, Mutualista Pichincha expects the offices to increase their volume. Building a presence abroad would not have occurred without the support of the MIF.



Summary of Remittances and Housing Model

SELECTED CONSOLIDATED INDICATORS

The table below contains selected consolidated indicators for each project in the remittances and housing model, using those indicators that most accurately reflect the goals of the MIF remittances program.

Executing Agency	Key Output Indicator and Target	Achieved	Remarks
<i>Caja de Compensación Familiar de Antioquia</i>	<i>600 mortgage loans worth US\$6.9 million granted using remittances as guarantee.</i>	<i>Five CCFs and Bancolombia have approved 207 credits approved, with another 64 pre-approved. All are based on remittance flows as income. There is nearly US\$5 million in this portfolio, with an average loan amount of US\$18,225. The COMFAMA transnational portfolio is of high quality, with a portfolio at risk rate of less than 1 percent.</i>	<i>The concept of including remittance flows in loan due diligence is now widespread, even in institutions outside the project.</i>
<i>Sociedad Hipotecaria Federal (SHF)</i>	<i>Portfolio of mortgages to remittance-receiving households is up by 500 percent to a total of 2300.</i>	<i>2000 credits disbursed to remittance-receiving households, an increase of approximately 80 percent from baseline.</i>	<i>In some cases, mortgages were disbursed without the closing cost subsidy, a key component of the project.</i>
<i>Hipotecaria Su Casita S.A. de C. V.</i>	<i>125 transnational dollar-denominated mortgage loans have been disbursed to Mexican remittance-sending migrants in the United States.</i>	<i>174 transnational dollar-denominated mortgage loans, averaging US\$48,500 each, for a total of approx. US\$4.8 million, have been disbursed. Five loans have been completely repaid. The Su Casita transnational portfolio is of high quality, with a portfolio at risk rate of 0.42 percent.</i>	<i>The transnational loan is very successful, and has a high quality portfolio.</i>
<i>Banco Agrícola</i>	<i>At least 450 mortgage loans has been provided to Salvadorans working in the United States who send remittances to their families and relatives in El Salvador; at least 100 mortgage loans to Salvadoran migrants in the United States without requiring travel to El Salvador.</i>	<i>The bank has disbursed 185 loans (US\$8.3 million) since January 2007, averaging US\$44,825 each.</i>	<i>The sale of the bank has lowered the commitment level to the project, which has caused delays in implementation.</i>
<i>Mutualista Pichincha S.A.</i>	<i>At least 1100 new migrant clients are served through home lending operations.</i>	<i>1300 new transnational loans with a portfolio of US\$66 million, with a nonperforming loan ratio of 3.94 percent.</i>	<i>A very successful project, based on a business model that sells houses as well as the mortgages.</i>

CONCLUSIONS AND RECOMMENDATIONS

The discussion below focuses on the factors of success/failure in the projects in the remittance and housing model portfolio. Recommendations to improve the performance and impact in each area are also included.

HOUSING — REMITTANCE MODEL

- Alliances and Networking:** Alliances with institutions that add value to the project for the EA, such as those that are reaching a new market, are important to project success. The MIF has done a good job of promoting alliances. An example is the COMFAMA project, which allied with Bancolombia. Housing models, in particular, need alliances to fill gaps. Such is the case with Banco Agrícola, which needed to build alliances with builders and mortgage brokers to promote its products. **Recommendations:** (1) Build alliances into the project design when they add value to the project goals. (2) Continue to fund activities that help build alliances.
- Marketing:** Promoting the mortgage product in the United States was challenging, due to the large size of the country, the abundance of marketing commercials, the large number of brands being marketed, and the characteristics of the specific target group (migrants) to be reached, including their geographic dispersion, their legal status, their geographic mobility, and their general distrust of financial institutions and authorities. **Recommendations:** (1) Ensure that project activities include alliances with groups that can help lower marketing costs (such as hometown associations, church groups, migrant radio stations, and NGOs working with migrants). (2) Ensure that projects contain an activity for branding both a product and an institution. (3) Support the creation and maintenance of databases that provide information about the location and profile of migrant populations, and make it publicly available. (4) Ensure that there is sufficient time in the project timeline for marketing to occur.
- Risk:** Because mortgage loans are for higher amounts and longer terms than other types of loans, they carry greater risk for the lending institution. With the global economic downturn, mortgage finance companies are reluctant to lend and prefer to wait out the crisis before resuming lending activities. **Recommendations:** (1) For future projects, investigate the possibility of using guarantee funds to encourage continued lending. (2) Develop housing microfinance (i.e., housing improvement) models and projects to test, since they lower the risk for the lending institution and are similar to the mechanisms currently used by low-income populations to improve housing.
- Regulatory environment:** The regulatory environment can constrain or facilitate transnational mortgage products. In the United States, special attention also has to be paid to state regulations. **Recommendations:** (1) Ensure that the project design takes the regulatory environment into account. (2) Support forums that bring together U.S. state regulators and executing agencies promoting remittances to discuss barriers.



- **Savings:** Savings are necessary for the down payment needed and to cover potential decreases in remittance flows. Banco Agrícola developed a remittance-based savings product as a result of a MIF-financed market study. The Su Casita project did not address this need. **Recommendation:** Although there is no evidence that the lack of a savings product affected Su Casita's product disbursement, it would be interesting to address this component in future projects.
- **Liquidity:** Housing loans require medium-term capital (for housing improvement loans) and long-term capital (for mortgage loans). Although the CCFs of Colombia are constrained in this respect, it was not addressed in the project design. **Recommendation:** Ensure that there is a match between product loan tenor and capital availability.
- **Instruments:** Pichincha and Banco Agrícola had liquidity at the time of project implementation. Thus, they did not use the MIF lines of credit. Su Casita used the MIF dollar-based loan but, once it was exhausted, stopped disbursing dollar-based mortgage loans. **Recommendation:** Ascertain in the project design phase both the need for a line of credit and commitment to the sustainability of the pilot after the line of credit is exhausted.
- **Information technology:** Information technology is a key success factor, and projects that built capacity in this area were more likely to be successful. Software is useful for tracking client preferences, analyzing risk factors to loan applications, communicating between branches across borders and between allied entities, demonstrating products to potential clients (such as houses for sale), tracking the loan application process, accepting payments on loans, and allowing clients to access information about their accounts. This is an area where experienced consultants added value, since IT changes quickly and requires the ability to envision the needs of the institution as it grows. **Recommendations:** (1) Launch information campaigns to disseminate information about the rapidly changing nature of the IT environment for remittances by hosting conferences/seminars on the topic, sponsoring trade fairs with vendors, and publishing a website devoted to the issue. (2) Continue to support improvements to IT, while keeping specifications fairly flexible in order to adjust to frequently changing IT needs. (3) Ensure that the project budget has correctly calculated the costs of obtaining IT expertise. (4) Project timelines should take into account the lengthy nature of obtaining IT expertise, and the competitive environment for IT vendors, which may mean that they are not immediately available. (5) For networks or federations, if MIS are not standardized, project activities should take this into account, and standardization should be budgeted.
- **Financial Education:** In the remittance and housing portfolio, financial education was occasionally combined with product marketing and promotion, such as in the case of SHF. There are no studies on the impact of the financial education component. A mortgage loan is a large and long-term commitment for migrants, and they should be educated on its requirements. This benefits both clients and financial institutions. **Recommendation:** Support projects or promote activities outside of financial institutions that provide financial education of the public. These activities should also promote consumer protection with respect to the use of financial products and services.



External Factors

- **Global Economic Environment:** The global economic downturn has had a negative impact on demand in some cases, while at the same time increasing the risk profile of the migrants. **Recommendation:** Risk-mitigation strategies should be included in project proposals. Lengthening project execution periods is one such strategy.

LESSONS LEARNED

Some valuable lessons were learned in this model that can be applied to future projects:

- **Risk:** Risk is a key factor in the sustainability of the financial product being developed and the institution's commitment to the product, due to the tenor and size of mortgage loans.
- **Capturing the Value Chain:** Mutualista Pichincha was successful with its transnational loan because it had the value chain of financing and construction within its control.
- **Market Presence:** Market presence abroad is important. COMFAMA and the CCFs have not been as successful because of their lack of presence in foreign countries where migrants reside.
- **Pilots:** Pilot projects seemed to be less successful because of issues related to buy-in (Banco Agrícola), profit (Banco Agrícola), or missing infrastructure (COMFAMA). The two most successful projects—Su Casita and Mutualista Pichincha—were those that had already begun transnational lending.
- **Marketing:** The promotion of new products and services is a key component of these projects, yet project timelines do not allow sufficient time to develop and implement a comprehensive marketing strategy. Timelines should be lengthened to account for this aspect.
- **Financial Education:** Financial literacy training is needed to protect consumers.
- **Regulatory Environment:** The country's legal framework is a key factor in project success and should be duly studied in the project design phase.
- **Changing Remittance Environment:** The remittance market is rapidly changing. Actors continue to change, as do transfer and distribution mechanisms and regulatory environments. Executing agencies need to monitor and understand these changes and their impact on the institution.
- **Changing Migration Patterns:** Migrant populations are mobile, and even more so in hard economic times, which increases marketing costs and risks of lending.





Remittances, Policy and Regulatory Frameworks

Section 2

Remittances, Policy and Regulatory Frameworks

In this model, the MIF's objective is to improve the regulatory and legal frameworks for remittance transfers in Latin American countries, and to create standards and practices that can be applied by regulators in Latin America and the Caribbean. By improving these frameworks, remittance markets become more competitive and transparent, which broadens the number and type of actors in the market and increases access, as well as lowering cost for remittance senders and recipients. This model also aims to create mechanisms for governments to count and report remittance flows more accurately and standardize remittance data collection in the region.

Activities in the measurement model include developing standard definitions and measurements, implementing them in each participating country, strengthening reporting capacity, training central bank representatives, and sharing information between countries. Activities in the regulatory sphere include assisting in the improvement of the legal framework by providing analysis and advisory services to authorities, implementation of the recommended actions through technical assistance, and workshops for authorities.

Two projects in the MIF portfolio involve improving policy and regulatory frameworks for remittance services:

<i>Executing Agency</i>	<i>Project</i>	<i>Type of Institution</i>	<i>Country</i>
<i>Centro de Estudios Monetarios Latinoamericanos (CEMLA)</i>	<i>Improving Central Bank Remittance Reporting and Procedures</i>	<i>Non-profit</i>	<i>Regional</i>
<i>Centro de Estudios Monetarios Latinoamericanos (CEMLA)</i>	<i>Application Of General Principles For Latin American And Caribbean Remittance Markets</i>	<i>Non-profit</i>	<i>Regional</i>

This section discusses the highlights of each project in the remittances, policy and regulatory frameworks portfolio. Following the summaries of these projects, there is a discussion of the success factors found in these projects, and then some global lessons learned related to the model.



Executing Agency:

Centro de Estudios Monetarios Latinoamericanos

Project Title:

Improving Central Bank Remittance Reporting and Procedures

Remittance Model:

Remittances, Policy and Regulatory Frameworks

Total Project Amount:

US\$2,270,771

The project’s executing agency is the Centro de Estudios Monetarios Latinoamericanos [Center for Latin American Monetary Studies] (CEMLA). CEMLA is a nonprofit association whose members include 47 CBs in Latin America and the Caribbean, as well as other regional institutions. CEMLA is dedicated to training, dissemination, preparation of studies, and technical cooperation.

PROJECT DESIGN

The problem that this project seeks to address is the lack of standardized measurement and reporting procedures for tracking remittance flows across borders and regions. The lack of standards affects the ability of governments to make policy decisions about remittance flows, govern those flows appropriately, and ensure optimal frameworks for the private sector to compete in remittance markets. By instituting standards for reporting on remittances, governments can ensure competitive environments, which will lower the cost of remittances. Such standards should also encourage financial institutions to enter this market, which will benefit remittance senders and recipients by offering them access to other financial products.

The project aims to contribute to the development and adoption of a harmonized regional methodology for measuring international family remittances. The project’s final goal is to increase net receipts of remittances in the region by reducing the cost of sending them in a more competitive market. The project’s specific objectives include:

- Improve the compilation of statistical information on formal and informal remittance flows by the central banks (CBs) of the LAC region.
- Conduct studies on the structure of the national markets that receive remittances with participation by the CBs, focusing on regulatory aspects that can reduce transfer costs and promote transparency in the intermediaries.
- Propose recommendations on encouraging remittance recipients to open accounts in the formal banking system, including financial literacy campaigns.
- Disseminate the results through informational seminars.



The project hypothesis is:

- A regional financial policy entity can engage central banks in building awareness and creating new standards for remittance transfers, improving the competitiveness of the market and thus lowering costs to remittance senders and recipients, such that they keep a greater portion of the money sent.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Preparation of a general report, identifying the main problems with current procedures for measuring flows of family remittances statistically.
- Publication of a manual on good practices in the statistical measurement of remittances.
- Technical assistance missions to the participant countries to collect information on the market for remittances and measurement practices.
- Publication of confidential recommendation reports based on these missions for the use of central banks in improving their procedures.
- Publication of public reports on the data collection methods of each country visited.
- Preparation of three additional general publications—a glossary of technical terms, a comparative regional analysis, and a compendium of good practices in regulating the remittance market.
- Training of central bank personnel in the new statistical procedures for measuring remittances.

The results of these activities are to be publicized, and a website created as a communications tool.

RESULTS TO DATE

The project began in 2005, with an execution period of 42 months. The project is still in execution. Eight missions have been conducted to central banks in as many countries, and three country diagnostic publications have been completed and are available to the public on the CEMLA website. One country, Honduras, has committed to implementing a new remittance measurement framework.

As of August 2009, the project has achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Nine central banks have received project missions and adopted new remittance statistics measurement procedures.</i>	<i>Eight central banks have received missions. The countries that have received missions are at various stages of implementing the project's recommendations.</i>



INTERMEDIATE RESULTS OF THE PROJECT

- Eight missions have been conducted in the Dominican Republic, Ecuador, Barbados, Colombia, El Salvador, Bolivia, Brazil, and Honduras.
- Three seminars have been held on improving remittance flows reporting procedures.
- There is now demand for missions from 27 countries.
- Three country assessments have been completed, with more in draft form. The three publications on the remittance markets of Colombia, Honduras, and El Salvador are available to the public on the CEMLA website. Publications on Bolivia, Brazil, and the Dominican Republic are under development and once translated into English will be reviewed with the central banks and published.
- Early versions of three basic documents (Bilingual Glossary of Terms Used in the Measurement of Remittances, the Manual of Good Practices in the Field of Measurement Remittances Statistics, and Methodological Guide Country Missions) are available for use by central banks on the website of the Remittance Program.
- There is now a Remittances Working Group (RTG) composed of representatives from nine central banks, and an International Advisory Committee (ICA). They both have been instrumental in moving project activities forward. The RTG helps maintain the commitment of the central banks to the project's goals. The CAIR provides expertise to the project.
- A database is being established by CEMLA and the CBs, which will gather data from all countries and will cross-check the data between countries.
- The data collection model piloted in this project has been used by the International Monetary Fund (IMF) as the basis for new standards for the collection of remittance data in global balance of payments statistics.
- The IMF has replicated many of the project's operating procedures and methodologies.

INSTITUTIONAL IMPACT OF THE PROJECT

The project has had no impact on CEMLA to date. For impact on the central banks, see "Impact at the Beneficiary Level" below.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- CEMLA is a strong institution with a large knowledge base and the credibility and capacity to convene the central banks.
- There is a strong project coordination unit with staff and consultants with extensive expertise in this area.

External (environmental) success factors:

- There is considerable interest on the part of central bankers in improving reporting procedures on remittances.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- As the project has unfolded, demand from the central banks has increased, to the extent that some are now requesting a second mission, and there are now 27 central banks that want to participate. In fact, central banks outside of the region, such as that of the Philippines, are also requesting missions.
- Demand is greater than expected. Consequently, the budget needed modification. However, there are savings in the budget as the primary consultant learned the methodology and was able to do missions in a shorter period of time. Additionally, in order to transfer learning between countries, the methodology of the missions is being adapted so that central bankers from a neighboring country (often with a remittance sender/recipient relationship, such as Bolivia and Brazil) were incorporated into missions to assist. This saved money as well.

External (environmental) problems encountered:

- The global economic crisis is a greater priority for the CBs than the remittance project. This has slowed project implementation somewhat.

REGULATORY ISSUES

This project involves regulatory changes, which is often a slow process and concerns a number of actors over whom the project has little control.

IMPACT AT BENEFICIARY LEVEL

The impact at the central bank level in many countries has been impressive, and is demonstrated by the increasing demand for CEMLA's missions. Standardized definitions for remittance themes have been developed and accepted. Knowledge about measurement mechanisms has improved, as has commitment to data collection. The accuracy of the data on remittances reported by central banks has improved. A centralized database for compiling the region's remittance flows is in the works. The database covers remittance products flowing from 14 major remittance-sending countries to 67 receiving countries, representing around 60 percent of total remittances to developing countries. The average cost charged by each type of money transfer, including both the fee and the exchange rate premium, is displayed, along with the average cost for all types of players within a corridor.

LESSONS LEARNED

- Dissemination of research findings has been critical, even though the budget allocated for this was small. The dissemination, via events, helped maintain consensus, which is essential for progress.
- Dissemination outside the region is also helping to transfer knowledge to other non-LAC countries.



- One of the goals of the project is to increase competition in the remittance markets and thereby lower costs. There has been no way to measure whether any decrease in cost is attributable to the project.
- Strong and credible coordination of policy projects is key to success, along with a unified vision.

CONCLUSIONS

The project hypothesis that a regional financial policy entity can engage central banks in building awareness of and creating new standards for remittance transfers has been borne out. This project is very successful, since there are major changes in measuring and reporting on remittance flows. This will translate to better policies, more efficient markets, and greater interest from the private sector in entering the remittance market as a result of being able to see the true volumes transferred to each country.



Executing Agency:

Centro de Estudios Monetarios Latinoamericanos

Project Title:

Application of General Principles of International Remittance Transfers for Latin American and Caribbean Remittance Markets

Remittance Model:

Remittances, Policy and Regulatory Frameworks

Total Project Amount:

US\$3,812,646

At the G-8 summit at Sea Island in June 2004, the G8 countries agreed to take action to help reduce the cost of remittance transfers. One action initiated was the creation of a task force to develop principles for international remittance services that will reduce those costs by creating transparent, efficient and competitive markets. The task force, under the leadership of the World Bank and the Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS), consisted of payment system and development experts from central banks of both sending and receiving countries and from international financial institutions, including the MIF. The General Principles of International Remittance Transfers, published officially in January 2007, cover these five key pillars:

- **Transparency and Consumer Protection**
- **Payment System Infrastructure**
- **Competition**
- **The Regulatory Environment**
- **Governance and Risk Management**

The Principles also attempt to describe both the roles of the public and private sectors in enhancing efficiencies in the remittance market.

After the General Principles were endorsed by the G-8, the G-20, and the Financial Stability Forum, the next step was to put them in practice. As a leader in remittances research and projects, the MIF designed this second project with CEMLA to assist countries in Latin America and the Caribbean in complying with the General Principles, thus lowering the cost of remittance transfers and increasing efficiency. It was also designed to serve as a replicable model for other regions.

PROJECT DESIGN

The goal of the project is to implement the General Principles to help increase net receipts of remittances in the region by reducing the cost of sending remittances in a more transparent, efficient, affordable, competitive, and secure market. To this end, the project includes the following components: (1) expert analysis missions to countries to work with the authorities in analyzing the



remittance market; (2) the publication of confidential recommendation reports for governments, including possible policy changes; (3) the publication of public reports on the remittance market and regulation in visited countries; (4) the transfer of knowledge and awareness-raising; and (5) technical assistance and dissemination to help countries implement the reports' recommendations. The project draws heavily on a partnership between the MIF, CEMLA, and the World Bank, with each institution providing experts to participate in the missions and to draft the recommendation reports. CEMLA serves as the secretariat and also directs implementation of the recommendations through the technical assistance grants.

The project hypothesis is:

- A regional financial policy entity can assist central banks in complying with the G-8 General Principles for International Remittance Services, and this activity will increase net receipts of remittances in the region by reducing the cost of sending remittances through a more transparent, efficient, affordable, competitive, and secure market.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Undertake 15 country missions to evaluate compliance with the General Principles, and make confidential recommendations for the authorities based on the evaluations.
- Provide technical assistance for publication of country and regional documents.
- Hold regional seminars to report on project progress and lessons learned.
- Conduct events to heighten local stakeholders' awareness.
- Provide technical assistance for implementing the recommendations emanating from the country missions.

RESULTS TO DATE

The project began in 2007, with an execution period of 48 months. This project is still in execution. While this is a relatively new project, it has had some good results to date, including nine completed missions to Guatemala, Haiti, Brazil, El Salvador, Honduras, Peru, Panama, Trinidad and Tobago, and Colombia and eight recommendation reports submitted to national authorities based on these missions. Honduras is in the process of implementing the recommendations through a technical assistance grant provided by the project. El Salvador and Guatemala are also implementing the recommendations of the reports. Other countries have recently received their reports and are in a consultation phase with the project to determine next implementation steps.



As of March 2010, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>At the project's conclusion, at least eight central banks or other entities have adopted plans to implement the General Principles and another 15 have actively participated in the program.</i>	<i>Honduras is in the process of drafting money transfer regulation based on the project's recommendations.</i>
<i>At least 15 evaluation studies and assessments of compliance with the General Principles in different countries of the region.</i>	<i>Nine missions completed, and eight recommendation reports submitted to national authorities.</i>
<i>The authorities in at least 10 countries (eight in execution and two in preparation) adopt plans to harmonize their remittance markets with the General Principles through technical assistance support from the project.</i>	<i>Six countries have begun implementing their reports. Honduras is drafting new regulations for money transfers with project support. The Central American countries are implementing a remittance price database with program funds as a result of the program's recommendations. In addition, Brazil and Colombia are undertaking national regulatory dialogues among government departments and migrants to implement program recommendations.</i>
<i>During the same period, the lessons learned and national experiences from adoption of the General Principles are disseminated among the other participating countries.</i>	<i>The recommendations and knowledge gained in the missions provides learning for the mission participants and their organizations (MIF, World Bank, CEMLA) and informs other missions in the program. A scorecard of the status of each country and the impact of regulation on cost has been developed and is being disseminated through events.</i>

INTERMEDIATE RESULTS DUE TO THE PROJECT

- Several countries have received missions (as noted above) and are in various stages of implementation of their recommendation reports.
- Public reports on the various country studies are being drafted for publication.
- The model of this project has been replicated by the World Bank for use in other regions, including Africa, the Middle East, Europe, and Asia.

INSTITUTIONAL IMPACT DUE TO THE PROJECT

- None within CEMLA.



INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- CEMLA is a very strong institution with a large knowledge base and the credibility and capacity to convene central banks.

External (environmental) success factors:

- The demand from the governments of the region for the technical assistance missions is a success factor.

PROBLEMS ENCOUNTERED

External (environmental) problems encountered:

- Central bankers are focused on the economic crisis, and remittances have taken a back seat.
- CEMLA depends on the willingness of the central banks to conduct activities. Sometimes the banks are not willing, and this slows implementation.

REGULATORY ISSUES

This project involves regulatory changes, which is often a slow process and concerns a number of actors over whom the project has little control.

IMPACT AT BENEFICIARY LEVEL

The project activities are too new to have had significant impact. However, in one example, the Central Bank of Honduras has already implemented some of the changes that the project recommended. The project consultants explained how to supervise remittance companies, and the Honduran central bank has complied with these recommendations. Further technical assistance missions are underway.

LESSONS LEARNED

- Strong and credible coordination of policy projects is key to success, along with a unified vision.

CONCLUSIONS

Although the start-up was delayed, the expectation is that the project will have the desired impact on the targeted number of central banks (15) and consequently on the remittance markets in those countries. Compliance with the General Principles by Central Banks and governments should improve



the security and efficiency of international remittance services, which requires a regulatory scheme that promotes competition, transparency, accessibility, and soundness of remittance services. This will lower costs for senders and recipients and permit a larger proportion of remittances to be used for basic needs and/or asset building.



Summary of Remittances, Policy and Regulatory Frameworks

The table below contains selected consolidated indicators for each project in the remittances and policy and regulatory frameworks model, using those indicators that most accurately reflect the goals of the MIF remittances program.

<i>Executing Agency</i>	<i>Key Output Indicator and Target</i>	<i>Achieved</i>	<i>Remarks</i>
<i>Centro de Estudios Monetarios Latinoamericanos (CEMLA) – Reporting and Procedures</i>	<i>Nine central banks have received project missions and have adopted new remittance statistics measurement procedures.</i>	<i>Eight central banks have received missions. The countries that have received missions are at various stages of implementing the project's recommendations.</i>	<i>There is now demand for the missions from 27 countries. CEMLA project staff has spoken at conferences around the world on this subject, and countries in other regions are following CEMLA's lead.</i>
<i>Centro de Estudios Monetarios Latinoamericanos (CEMLA) – General Principles</i>	<i>The authorities in at least 10 countries (eight in execution and two in preparation) adopt plans to harmonize with the General Principles with technical assistance support from the project.</i>	<i>Honduras is in the process of drafting money transfer regulation based on the project's recommendations. Nine missions have been completed (Guatemala, Haiti, Brazil, El Salvador, Honduras), and eight recommendation reports submitted to national authorities.</i>	<i>There is some inadvertent competition between the two projects for central bankers' attention.</i>

There are only two projects in the category of Remittances and Policy and Regulatory Frameworks, which limits the conclusions about success factors that can be drawn, as does the fact that both projects are implemented by the same agency. However, there are some common elements between these two projects and other models, in terms of implementation.

LESSONS LEARNED

- Institutional strength and capacity, along with buy-in, are key in the success of projects related to remittances and policy and regulatory frameworks. In the case of CEMLA, the fact that this is an agency whose members are central banks makes it the perfect executing agency for a MIF regulatory change project.
- The global economic downturn has had an effect on project activities as governments, especially their central banks, are focused on alleviating the crisis more than on remittances.
- Dissemination of information about the projects, their goals, and the research conducted has helped maintain focus and consensus among the regulators and the market, as well as build demand for project services.

CONCLUSIONS

CEMLA and its participating central bank members have learned a great deal about remittances since the projects began. Remittances were not a subject of discussion before these projects began, and now governments are much more aware of the extent of remittance flows to and from their countries. In the past there was little measurement of remittance flows, and now there are periodic and more accurate measurements that compare and monitor flows. Standardized definitions and measurement mechanisms are being promoted through these projects, and in countries where missions have visited, these are now being implemented. The public information produced by the projects is helping to create more competitive remittance markets.

The institutional structures created by the measurement project—the Remittances Working Group (RTG), composed of representatives of nine central banks, and an International Advisory Committee, including the World Bank and the MIF—are providing expert advice to the process and will ensure sustainability of project results. The model is successful, measured by demand and potential impact, not only in the LAC region but also in other regions. The project's measurement improvement methodology is currently being considered for use as a model for expansion globally by the remittance measurement task force (the IMF Luxembourg Group).



Remittances and Banking the Unbanked

Section 3

Remittances and Banking the Unbanked

The remittances and banking the unbanked model was developed around the goal of increasing access for remittance senders and recipients to the formal financial system. Having access to the formal financial system brings a variety of benefits to senders and recipients: lower costs of transfers, greater security of transfers, the possibility of building assets through savings, and leveraging of remittance funds into larger amounts via credit. The model promotes the establishment or expansion of remittance transfer activities or the creation of alliances to do so, the strengthening of networks of financial institutions, the creation of new products to appeal to remitters and recipients, and the marketing of those products. Targets and indicators for the model encompass number and volume of remittance transfers, number of new clients or members, and number and volume of new products sold, among others.

Eighteen projects in the MIF portfolio fall into this category. In other sections, such as Remittances and Productive Investments, some projects have elements of this model, but it is not the predominant model in those projects.

<i>Executing Agency</i>	<i>Project</i>	<i>Type of Institution</i>	<i>Country</i>
<i>Asociación de Instituciones Rurales de Ahorro y Crédito (AIRAC)</i>	<i>Financial and Business Services for Remittance Recipients</i>	<i>Federation of cooperatives</i>	<i>Dominican Republic</i>
<i>Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)</i>	<i>Remittances and Rural Development</i>	<i>NGO (Association of micro-banks)</i>	<i>Mexico</i>
<i>Apoyo Integral</i>	<i>Remittances and Development in rural El Salvador</i>	<i>Savings and Loan</i>	<i>El Salvador</i>
<i>Banco ADOPEM</i>	<i>Remittances and Development in rural Dominican Republic</i>	<i>Bank</i>	<i>Dominican Republic</i>
<i>Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)</i>	<i>Strengthening Savings and Credit Unions</i>	<i>Bank/Government</i>	<i>Mexico</i>
<i>Banco Central del Ecuador</i>	<i>Alternative Remittance Distribution Channel for Small Ecuadorian Financial Intermediaries</i>	<i>Central Bank</i>	<i>Ecuador</i>
<i>Banco Hipotecario Dominicano (BHD)</i>	<i>Distribution Channels for Remittances</i>	<i>Bank</i>	<i>Dominican Republic</i>
<i>Banco Procredit</i>	<i>Financing for Micro and SMEs through Formal Financial Intermediaries</i>	<i>Bank</i>	<i>El Salvador, Nicaragua, Ecuador and Bolivia</i>

<i>Executing Agency</i>	<i>Project</i>	<i>Type of Institution</i>	<i>Country</i>
<i>Banco Solidario</i>	<i>Support Micro-Enterprises Utilizing a Line of Credit</i>	<i>Bank</i>	<i>Ecuador</i>
<i>Centro Acción Microempresarial (CAM)</i>	<i>Mobilization of Remittances through Microfinance Institutions</i>	<i>NGO (MFI network)</i>	<i>Colombia, Bolivia, Nicaragua, Haiti and Peru</i>
<i>Cooperativa Salcajá</i>	<i>"More than Remittances"</i>	<i>Cooperative</i>	<i>Guatemala</i>
<i>El Comercio</i>	<i>Bringing Unbanked Remittance Recipients into Formal Financial System</i>	<i>MFI</i>	<i>Paraguay</i>
<i>Federación de Cooperativas de Ahorro y Crédito de Honduras (FACACH)</i>	<i>Institutional Strengthening of Credit Unions in Honduras</i>	<i>Federation of cooperatives</i>	<i>Honduras</i>
<i>Federación de Cooperativas de Ahorro y Crédito de El Salvador (FEDECACES)</i>	<i>Strengthening of Financial Services and Remittances</i>	<i>Federation of cooperatives</i>	<i>El Salvador</i>
<i>FINDESA/Banex</i>	<i>Investment in Financiera Nicaragüense de Desarrollo (FINDE S.A.)</i>	<i>Bank</i>	<i>Nicaragua</i>
<i>Fonkoze</i>	<i>Enhancement of the Remittances Services to and within Rural Haiti</i>	<i>Foundation/MFI</i>	<i>Haiti</i>
<i>Instituto de los Mexicanos en el Exterior (IME)</i>	<i>None</i>	<i>Government entity</i>	<i>Mexico</i>
<i>PRODEM</i>	<i>Development of Services to Improve Remittances Access and Management</i>	<i>Bank</i>	<i>Bolivia</i>

This section presents the highlights of each project in the remittances and banking-the-unbanked portfolio. Following the project summaries, there is a discussion of the success factors found in these projects and some of the lessons learned related to the model.



Executing Agency:*Asociación de Instituciones Rurales de Ahorro y Crédito***Project Title:***Financial and Business Services for Remittance Recipients***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$1.24 million¹⁷*

The executing agency, Asociación de Instituciones Rurales de Ahorro y Crédito [Association of Rural Savings and Loan Institutions] (AIRAC), is a federation of cooperatives founded in 1991 with 14 affiliates and more than 90,000 members. At the beginning of the project in 2003, AIRAC's affiliates had US\$101 million in assets, while AIRAC itself had US\$3.27 million. This is AIRAC's second project with the MIF. The first project improved internal control management and portfolio oversight and modernized computer and communication systems, thus improving financial indicators. At the time this project was designed, AIRAC's member cooperatives were already involved in remittance transfers, receiving an estimated annual value of US\$250 million in remittances. The cooperatives were also developing strategies for encouraging remittance recipients to save and to invest a portion of remittances in business activities.

PROJECT DESIGN

The problems identified in the project design documents are the high cost of remittance transfers, the limited access of remittance-transfer services in rural areas, the inefficient and insecure means of delivery, and the use of remittances for consumption rather than for savings or investment in productive activities.

The project's objective is to increase remittance transfers in number and volume and to lower the cost by improving the efficiency of transfers. This was to be accomplished by improving the cooperatives' online data transmission, improving linkages between the cooperative members in the association, and updating the centralized database. These improvements were expected to lead to a national network of numerous points of service.

The project hypotheses are:

- Improved information technology for the AIRAC cooperative system will increase access to remittances and lower costs.
- The improved remittance services, along with financial education, will attract remittance recipients to become members and avail themselves of other financial products.

¹⁷ Unless otherwise noted, "Total Project Amount" refers to a MIF technical cooperation (TC) grant plus the counterpart contribution from the executing agency or agencies. In some cases, loans accompanied the TC grant, as noted in the text.

- There is a demand for financial entrepreneurship training, which will make local businesses more viable.
- Remittances will be channeled into investments in productive activities.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Reduction in the cost of transfers by upgrading the communications information system to strengthen electronic communications for remittance transfers, allowing online inter-cooperative transactions, connecting all points of service, and updating the centralized database.
- Promotion of investment of remittances in productive activities by hiring consultants to provide a strategic analysis of the market for investments and by developing a strategy to promote those investments.
- Establishment of a seed capital fund to finance existing or start-up small businesses using remittances for investments, estimating an average sum of US\$8000 granted to 30 new businesses and 20 existing small businesses to improve their operating efficiency. Technical assistance will be provided to these businesses to ensure success.
- Development of marketing materials and websites, and funding of promotional activities in the United States in order to sell products to Dominican migrants.

RESULTS TO DATE

The project began in 2003, with an execution period of 36 months and an extension of 36 months. The project is still in execution. While the project's key outcome indicators have not yet been calculated, some intermediate accomplishments are worth noting. Of the association's 14 cooperatives that are participating in the project, nine are now receiving remittances as sub-agents of remittance companies. The cooperatives' information systems (hardware and software) have been upgraded. The number of points of service for remittance transfers has increased significantly, from six at the beginning of the project to 80. Staff have been trained to cross-sell other financial products to remittance recipients.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Number of points of service increases from 6 to 60.</i>	<i>80 points of service.</i>
<i>Delivery time is reduced from two days to two hours.</i>	<i>Average delivery time is 20 minutes.</i>
<i>Daily volume of transfers increases from US\$6,300 to US\$135,000.</i>	<i>Daily volume of transfers averages between US\$5,000 and US\$6,670.</i>



INTERMEDIATE RESULTS OF THE PROJECT

- More cooperatives in the Dominican Republic are offering remittance services. Some of AIRAC's cooperatives are working as sub-agents with Vimenca, a Western Union representative; a contract was signed with Roraima Financial Services, another remittance company. Negotiations are taking place with other remittance companies. Nine of the 14 cooperatives are receiving remittances.
- An information technology (IT) platform for remittance transfers and a Client Relationship Management (CRM) module have been purchased and installed in the participating cooperatives. The IT platform is necessary for linking with remittance companies. The CRM module is used to track all transactions of all clients, as well as to capture client profile information (age, marital status, birth date, and so on).
- Computer hardware has been upgraded.
- A study on competition and costs in the remittance transfer markets between New York and the Dominican Republic was completed.
- Two thousand brochures describing the cooperatives' financial products and services have been produced. One service being promoted is Domex, the remittance-transfer service. The brochures were distributed at events organized by executives from two member cooperatives (Mamoncito and San José de las Matas) to promote the remittance-transfer service. These events took place in 2006 in New York, Philadelphia, Spain, and Boston, with approximately 50 Dominican migrants participating in each event.
- A sector study was conducted to identify businesses that could benefit from the seed capital funds. Thirty-five businesses with potential have been identified. Consultants have been hired to provide technical assistance.

INSTITUTIONAL IMPACT OF THE PROJECT

Despite the project's slow implementation, there has been institutional impact attributable to the project. AIRAC and its member cooperatives now have:

- Eighty points of service all over the Dominican Republic, compared to six at the beginning.
- Specialized staff and a methodology for cross-selling other financial products to remittance recipients.
- A better understanding of the profile of remittance senders and recipients.
- Relationships with migrant groups in the United States (New York, Philadelphia, and Boston).
- New alliances with remittance companies.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Because the cooperatives were started by migrants, they are more responsive to migrants' needs.



- The cooperatives have a range of products available for cross-selling. Unfortunately, the cooperatives are not yet able to track how many remittance recipients have become members, or which products they have taken.
- Personnel capacity is high, with professionals in finance with master's degrees and years of experience.
- Retention of personnel is high, which creates continuity of support for the cooperatives' marketing strategy.
- Performance incentives for staff are in place for achieving targets, contributing to staff retention and high morale.
- There is a budget for training staff, which ensures that staff capacity remains high.
- Good governance of AIRAC and its member cooperatives has meant effective coordination between these entities for achieving project results.
- The largest cooperatives in the country are members of AIRAC, which has helped expand the remittance services to previously unserved markets.

External (environmental) success factors:

- There are no competitors in remittances in the rural areas.
- There is a strong link to Dominican communities in the United States and Spain, which makes promoting the cooperatives' services and products more feasible.
- AIRAC has a relationship with the World Council of Credit Unions (WOCCU), which has provided technical support for regulatory changes and advice on information technology.
- The regions in which AIRAC works have a high migration rate, and therefore a high demand for remittances.
- Earlier projects with USAID and MIF have helped strengthen the cooperatives and build familiarity with donor-funded project requirements.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The Seed Capital Fund that was conceptualized for providing technical assistance to start-up businesses had unrealistic selection criteria for identifying businesses. The criteria were that business proprietors had to be remittance recipients. However, in these areas of the Dominican Republic, not all microentrepreneurs and small-business proprietors receive remittances. It has also been difficult to ascertain which cooperative members are remittance recipients from their savings books. The cooperatives have had to conduct more fieldwork to identify recipients.
- There appears to be little demand for the seed capital funds from cooperative members. Instead of technical assistance, business owners are requesting loans. Consequently, cooperative managers have been reluctant to market the seed capital fund.
- Cooperatives staff members lack expertise for identifying businesses with growth potential.

External (environmental) problems encountered:

- Other than the regulatory issues discussed below, no external problems were encountered.



REGULATORY ISSUES

The project anticipated that AIRAC's member cooperatives would be able to provide remittance transfers directly to clients. However, under Dominican law, cooperatives are not permitted to operate in the remittance market. After nearly two years of attempting to change the regulatory environment, the cooperatives decided to act as sub-agents to remittance companies. For this reason, they are unable to lower the cost of remittance transfers, which was one of the project's goals, and they had limited ability to promote the remittance service in the United States.

IMPACT AT BENEFICIARY LEVEL

AIRAC points to two areas where there has been some impact:

- Convenience. Transactions can now be managed online, which allows inter-cooperative transfers. Home banking also available online.
- Security. People can pick up their remittances at the cooperatives' branches, which is less visible than having money delivered to their homes. When couriers arrive to distribute remittances at homes (a common practice in the Dominican Republic), it is clear to potential thieves that remittances are being delivered, whereas when people go to cooperatives' branches, they may be engaging in any number of transactions that are not necessarily remittance pickup.

LESSONS LEARNED

- The local regulatory environment needs to be sufficiently understood and taken into account in project design.
- Monitoring and evaluation systems need to be put in place to provide the information required (e.g., cooperative members who receive remittances). If the database cannot provide this information, the indicators should be changed or the project should budget activities to improve monitoring systems.

CONCLUSIONS

Although implementation has been slow, the project has generated impact, helped by buy-in from AIRAC and its member cooperatives. Although regulatory issues may prevent the executing agency from achieving some of the expected outcomes, most of them are likely to be achieved. The improvements to the IT platform have increased the efficiency of processing, and there is improved access to remittances through new points of service. The time for a transfer has been reduced to seconds, whereas before the project it ranged from 30 minutes to two days. However, there has been no measurable impact on costs, which seems to be outside of AIRAC's control. AIRAC's member cooperatives now have more members, due to the improved remittance services and cross-selling of products. As for the component of investment in productive activities, it remains uncertain that there is sufficient demand for financial entrepreneurship training, or that remittances will be channeled into investments for productive activities.



Executing Agency:*Asociación Mexicana de Uniones de Crédito del Sector Social***Project Title:***Remittances and Rural Development***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$617,342*

The Asociación Mexicana de Uniones de Crédito del Sector Social [Mexican Association of Social Sector Credit Unions] (AMUCSS) has developed a methodology called “micro bancos” [microbanks] for remote indigenous rural communities. These microbanks provide their members with savings, credit, and other financial services. At the start of the project in 2005, 28 microbanks organized in seven networks served 15,500 members in 430 rural and indigenous communities in the states of Oaxaca, Puebla, Guerrero, Morelos, Hidalgo, and Michoacán. In addition to the microbanks, other rural financial institutions are also members of AMUCSS.

PROJECT DESIGN

The problems to be addressed by this project are high transaction costs for senders and recipients, the lack of security in receiving payments, and the limited integration of remittance recipients into the formal banking system. The project’s objectives are therefore to:

- Increase the volume of remittance transfers handled by the microbanks.
- Improve the efficiency of transfers in order to reduce administrative costs.
- Develop mechanisms for increasing the security of transfers (for example, hiring guards at the microbanks, using mobile phones for transfers, hiring armed vehicles, and installing security cameras).
- Develop marketing strategies for promoting other products and services offered by the microbanks, including marketing to hometown associations (HTAs) of migrants outside Mexico, and providing financial literacy training to migrants and families.
- Provide software to the liquidity management structure FOMICRO to improve financial integration, in order to increase the efficiency of transfers between the microbanks.

The project hypotheses are:

- Improved efficiency and increased volume of microbank operations will lower transaction costs and improve the security of transfers.
- Marketing to migrants outside the country can help increase the volume of transfers and the cross-selling of other products.
- Other products, such as savings accounts, can be marketed to remittance recipients in the microbanks’ zones of influence. The remittance transfer business will be profitable for the microbanks.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Increase and improve communication between migrants in the United States and their remittance-receiving families in the microbanks' zones of influence.
- Provide financial literacy training to migrants and their family members.
- Conduct market studies on remittance families' needs.
- Design new financial products.
- Train microbank staff in cross-selling other products.
- Hire consultants to provide technical assistance in improving microbanks' operations.
- Purchase telecommunications equipment for transnational videoconferencing.
- Improve the management information system by adding a module for monitoring and evaluation.

RESULTS TO DATE

The project began in 2006, with an execution period of 30 months. The project is still in execution, and is in the final stages. It has enabled AMUCSS to increase the volume of transfers through additional contracts with remittance companies. Remittance recipients have been incorporated as new members, and the volume of savings from remittances has increased to the extent that it poses its own problem of excess liquidity, for which AMUCSS has developed new pilot programs.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Monthly transaction volume increases from 3,000 to 12,000.</i>	<i>The number of transactions reached 9,624 transfers in December 2008.</i>
<i>4,100 remittance senders become microbank members.</i>	<i>4,102 new members since the beginning of the project.</i>
<i>Savings volume increases by an additional 18 million Mexican pesos.</i>	<i>Savings volume has increased by 21 million Mexican pesos (approximately US\$1.6 million).</i>
<i>Agreements with at least three remittance companies that provide national coverage.</i>	<i>Within the network Envios Confianza, AMUCSS microbanks and other rural financial entities now have contracts with three remittance companies: Viaméricas, Intermex, and Vigo, and are in the process of signing with others, including Intermex, Quisqueyana, and Uniteller.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- The original seven networks of microbanks are now one network, which gives them the volume and scale they need to negotiate reasonably priced contracts with remittance companies.
- AMUCSS and its member institutions developed Envíos Confianza (a remittance-transfer company under AMUCSS' control), a centralized payment platform/network that all members can use for remittance transfers.
- Envíos Confianza has its own multi-platform Java-based software system, so it can link to software programs in all of the remittance companies. Twenty-three institutions are using Envíos Confianza.

Further impact on AMUCSS and its member organizations includes the following:

- AMUCSS has restructured to better manage Envíos Confianza, the Caja Central y Fondo de Inversiones [Central Savings Bank and Investment Fund] (FOMICRO) (a liquidity management facility), and other new programs. AMUCSS instituted FOMICRO before the project began in order to give all microbanks access to a centralized liquidity management mechanism, guarantees, and housing loans for their members. This financial integration mechanism works by centralizing liquid funds from those microbanks with surpluses and lending to those microbanks with an excess of demand. The facility also seeks to maximize the profitability of the liquid funds by investing them in appropriate instruments (where allowed by the regulatory environment). Finally, product development takes place within this facility. The facility has proven to be valuable in managing the liquidity of the remittance-transfer services.
- The number of AMUCSS staff members has increased from 15 employees to 35. They have become more specialized, and there are now specialized work areas in line with the institution's increasingly complex needs. For example, AMUCSS now has a Financial Education Unit, as well as separate entities to manage separate programs and products. The *Red de Agencias de Desarrollo Rural Sierras Verdes A.C.* [Network of Rural Development Agencies of the Sierras Verdes], for example, operates a program of small business start-ups, while RedSol handles the microinsurance product development.
- AMUCSS and its related entities have developed six new financial products to attract migrants and their families: life insurance, housing loans, agriculture loans, savings for education, insurance for migrant repatriation in case of death, and credit for start-up businesses. Some (savings for agriculture, agricultural credit) are still in the pilot phase.
- Microbank staff members have been trained in cross-selling these financial products and services and have been doing so successfully.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The microbank methodology is highly adapted to the rural communities in which microbanks operate. They are locally managed, have staff that speak the indigenous languages of the area, and are responsive to the needs of the communities in which they operate.

- AMUCSS support (financial, administrative, technical assistance, and coordination) to the microbanks was crucial to the success of the project.

External success factors:

- The financial support of the Inter-American Foundation, which supplied the counterpart funds for the project, was crucial to getting project activities started during the long start-up process of the MIF. It allowed the microbanks to respond to the demand for remittance-transfer services in their communities, before remittance transfers began to decline as a result of the global recession.
- Ten of the microbanks are located in transnational communities with high levels of migration to the United States, ensuring a demand for remittance-transfer services.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The project encountered administrative delays due to changes in personnel in charge of project coordination. Recently, AMUCSS remedied this situation by assigning the responsibility for managing the technical cooperation resources to the Management Department and the responsibility for financial reporting, control, disbursements, and audit to the Accounting and Finance Department.
- Negotiations with remittance-transfer companies proved challenging and led to the creation of Envíos Confianza, a network of microbanks and other rural financial entities under AMUCSS' control.
- The use of videoconferencing for marketing and financial literacy training purposes with U.S. migrants proved difficult. Satellite communications proved ineffective in mountainous rural communities.

External (environmental) problems encountered:

- Implementation of Envíos Confianza resulted in a slowdown of remittance transfers while all of the new systems were being put in place.
- The economic crisis, coupled with tighter U.S. immigration policies, has reduced the volume and number of remittance transfers.
- Security concerns related to drug trafficking and theft caused huge losses in assets to one microbank, the closing of another, and an overall decline in interest on the part of microbanks in providing remittance-transfer services, which AMUCSS has had to counter with increased promotional efforts.¹⁸ Security concerns have also raised the cost of remittance transfers and lowered the profitability of the service.

¹⁸ One microbank suffered two robberies, which affected its ability to generate profits for the next several years. In another case, a staff member was kidnapped.



REGULATORY ISSUES

AMUCSS has had to adapt to new Mexican laws on money laundering. In addition, the regulatory framework only allows microbanks to store or invest their liquidity in certificates of deposit (CDs) and savings accounts. As recipients deposited their remittances into microbank accounts, it became necessary to develop new products and programs to utilize the increased liquidity, since other investment opportunities were limited.

IMPACT AT BENEFICIARY LEVEL

- More than 5,000 remittance recipients have become members of microbanks, with access to additional financial products and services such as the six products designed under this project (life insurance, housing loans, agriculture loans, savings for education, insurance for migrant repatriation in case of death, and credit for start-up businesses), in addition to the microbanks' traditional repertoire of products (savings accounts and microenterprise loans).
- Nearly 500 microbank clients and managers received training in financial education, and 325 community leaders increased their knowledge of financial management.
- Clients of AMUCSS' member institutions (microbanks and other rural finance institutions) gained access to remittance services in 127 points of service in 29 institutions in 10 states.
- The volume of savings by remittance recipients deposited in AMUCSS' microbanks now amounts to 21 million Mexican pesos.

LESSONS LEARNED

- Remittance-transfer services alone are not as profitable as was assumed at the beginning of the project. The commissions are low, security costs are high, and the service involves staff training, new IT systems, and other costs.
- Savings products have proved appealing to remittance recipients, particularly in rural agricultural areas with high levels of emigration.
- Marketing to migrant organizations was less successful than expected. Migrants lack confidence in the financial system in Mexico, due to past frauds and bankruptcies in which many lost their savings. As a result, they were reluctant to invest in microbanks.
- The increased savings has forced AMUCSS to develop strategies for investing excess liquidity in new products, such as agricultural loans and start-up business loans.
- The demand for financial products is linked to life cycles. For example, some people migrate to the United States on a seasonal basis and need credit for the periods when they return home. Others, who migrate for longer periods, need savings products for their family members to be able to save the remittances they send, and emergency savings accounts or insurance to be used when the remittances do not arrive on time.



CONCLUSIONS

Project implementation encountered unexpected complexities leading to some unanticipated structural changes that will be positive in the long run. The institution has nearly met its goals, and given that it operates in a highly unsafe and remote mountainous area, it should be considered a success story. The institution has been proactive in developing new products and new programs to address the needs of its remittance families and in response to challenges that have arisen during the project. Many studies have been conducted to analyze client needs, and products have been developed based on the results. The liquidity generated by the microbanks, much of it due to new banking of previously unbanked remittance recipients, has also pushed AMUCSS to develop innovative products and programs.

Communications have improved between microbanks with the establishment of the Envíos Confianza platform. With increasing membership of microbanks and other rural financial institutions in this network, the members will have more negotiating power, which could conceivably lower the cost of transfers and/or increase the profit margin on this service. The provision of remittance services by microbanks has led to an increase in members and in savings.

Executing Agency:*Apoyo Integral***Project Title:***Remittances and Development in Rural El Salvador***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$734,000*

Three leading Salvadoran microfinance institutions, *Apoyo Integral* [Integral Support] (AI), *MicroNegocios* [Microbusinesses] (formerly Fundación José Napoleón Duarte), and Sociedad Cooperativa de Ahorro y Crédito AMC [Savings and Credit Cooperative Society AMC] (AMC), created a consortium, pooling their experience with remittance transfers, investment loans, and loans for housing improvements or purchases, and increasing their rural outreach.

The project's executing agency was Apoyo Integral, which became El Salvador's first regulated savings and loan company in 2009. Apoyo Integral is owned by the Fundación Dueñas Herrera, ACCION International, and Fundación Salvadoreña de Apoyo Integral. At the beginning of the project, AI had a network of 15 branches throughout the country that served some 17,000 customers. Its principal services included individual and group loans to SMEs, housing loans, and consumer credit.

AMC is a cooperative, started in 1996 with outreach in the eastern and central parts of El Salvador, via a network of 13 branches. MicroNegocios was spun off as a private microfinance company in 2005 from an 18-year old credit program run by the Fundación José Napoleón Duarte. It specializes in group lending to lower-income women.

PROJECT DESIGN

The project aims to address the need to invest more remittances into asset-building. The specific objective of this project is to build the capacity of these three microfinance institutions to offer products linked to family remittances, such as housing loans and loans for small productive projects.

The project hypotheses are:

- A consortium of three MFI competitors can function for the benefit of all.
- A transnational mortgage product can be viable.
- There is a demand from remittance recipients and senders for new credit products.

ACTIVITIES

This project was designed to include the following activities:

- Conduct a market study to understand the profile and demands of Salvadoran senders and recipients.
- Upgrade information technology systems (hardware and software) to improve institutional capacity for managing new products.
- Develop and roll out new credit products aimed at remittance families.
- Expand the volume of remittance transfers.

RESULTS TO DATE

The project began in 2006, with an execution period of 36 months plus a 12-month extension. The project is still in its final stages of execution. The executing agency has nearly met and in some cases surpassed project goals for the number of credit products disbursed to remitters and recipients, and the volume of those products in portfolio amounts. New products have been developed for this market and are being piloted. The transnational mortgage product has proven riskier than envisioned and, as a result, these microfinance institutions are not able to compete in the market with this product.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>The Integral consortium has US\$1,379,000 in loans for home purchase and/or improvement that benefit 1000 remittance-receiving families.</i>	<i>US\$2,333,836 in loans to 830 families.</i>
<i>The consortium has US\$2,319,000 in remittance-based investment loans to microentrepreneurs that directly or indirectly benefit an average of 11,000 individuals.</i>	<i>US\$2,129,332 directly benefiting 1282 individuals and their families.</i>
<i>By project end, the coverage of financial services in highly migrant communities reaches US\$14.5 million in family remittance transfers, and US\$4 million in housing and investment loan products.</i>	<i>US\$26.6 million in family remittance transfers and US\$4,463,168 in housing and investment loans.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- With the two completed market studies, one in the United States and one in El Salvador, the three institutions have a better understanding of the remittance market (senders and recipients).
- One contract has been signed with a remittance company, Airpack, representative of Western Union in El Salvador, thus broadening the market for senders in the United States.
- The three institutions have established alliances with real estate brokers in the United States, such as Great Service Corp. and APROSAL, which has improved outreach to migrants interested in mortgages.
- Nine new branches have been opened among all three consortia partners.
- New remittance-linked credit products, known as transnational credits (for purchase of a house, home improvement, purchase of land, or small business credit), have been developed on the basis of project-funded consultancies. Loans can be made to the migrant or family members in El Salvador. The loan analysis for transnational credits is based on the migrant's repayment capacity, which is based on the migrant's income, verified by U.S. income tax reports, pay stubs, and credit reports.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The commitment of the three institutions' senior managers to the project goals kept the project on target.

External (environmental) success factors:

- There is demand on the part of remittance families for remittance-linked loan products.

PROBLEMS ENCOUNTERED:

Internal (institutional) problems encountered:

- The process of forming a consortium was lengthy and required significant negotiations among the three entities.

External (environmental) problems encountered:

- The global financial crisis has raised the risk and lowered the profit margins for the transnational products.
- Given the dependence of El Salvador on the U.S. economy, the downturn of the U.S. economy resulted in job losses among Salvadoran migrants, lowering the demand for transnational mortgage credits.



REGULATORY ISSUES

Apoyo Integral's conversion from a private, non-regulated finance company to a regulated savings and loan company in January 2009 made it possible to mobilize savings. This upgrade has led to the development of savings products for rural populations, including remittances recipients.

IMPACT AT BENEFICIARY LEVEL

- At least 830 remittance-receiving families were able to receive a loan for a home purchase.
- 1,282 people and their families have been able to invest a loan in their microenterprises.
- Remittance transaction volume reached US\$26.6 million.

LESSONS LEARNED

- Promoting transnational (mortgage, in this case) credits was more complicated than expected. The business model must be well defined and establish links across borders, among brokers, senders, recipients, and the financial institutions. In addition, in the event that the information provided by brokers may not be accurate, financial institutions must have a way to verify the information provided.
- For two products that were developed, the housing product and the productive investment credit, the smaller institution of the consortium was at a disadvantage because it lacked medium- and long-term loan funds for these products.

CONCLUSIONS

The consortium of three MFI competitors is able to function to the benefit of all, although not without significant negotiations at the beginning and some ongoing tensions. Buy-in from senior management is key. The fact that El Salvador is a small country where the CEOs could easily meet once a month may have contributed to the success of the consortium model. The demand for the transnational products was lower than projected due to the global financial and economic crisis. Promoting the products is also more complicated and requires more work from the executing partners than envisioned.

There was good impact from the increase in loan portfolios and products of the three institutions. AI is now a regulated company that can mobilize savings. The experience with this project has made AI aware of the need for savings products for rural people, including remittance recipients, and for financial education.



Executing Agency:*Banco ADOPEM***Project Title:***Remittances and Development in rural Dominican Republic***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$615,000*

Banco ADOPEM, a microfinance bank specializing in credit to women and the rural sector, was founded in 2003 when the NGO Asociación Dominicana para el Desarrollo de la Mujer Inc. [Dominican Association for the Development of Women, Inc.] (ADOPEM) purchased the Banco del Valle S.A. After obtaining a license from the National Monetary Board, Banco de Ahorro y Crédito ADOPEM [ADOPEM Savings and Loan Bank] (Banco ADOPEM) commenced operations. Its principal shareholders are ADOPEM NGO, MIF, IFC/World Bank, Women's World Banking, Oikocredit, Triodos Bank, and local businesspeople. At the end of 2008, Banco ADOPEM had approximately 90,000 borrowers and a gross loan portfolio of nearly US\$40 million.

PROJECT DESIGN

At the time of project design the financial system in the Dominican Republic had not moved into the remittance market. The majority of remittance recipients did not have access to financial products such as savings accounts and loans.

The objective was to extend the reach of remittance services by a Dominican bank, especially into rural sectors and to low-income women. A second objective was to reduce the costs of transfers to remittance senders. Finally the project aimed to encourage the investment of remittances in other financial products offered by the bank and in productive income-generating activities. The project aimed to link Banco ADOPEM with a remittance company, Quisqueyana, to conduct the remittance transfers and provide financial services to remittance recipients, and for ADOPEM NGO to provide technical assistance for investments in productive activities.

The project hypothesis is:

- Low-income rural women who receive remittances from abroad will channel some of that money into Banco ADOPEM's savings accounts after receiving financial education. Some of them will use their savings from remittances to invest in productive activities.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Form the necessary partnerships with international remittance operators, such as Quisqueyana, to function as a recipient and payer of remittances in the Dominican Republic.
- Develop remittance-linked financial products, structured around scheduled saving plans. The new financial products are expected to include life and accident insurance and savings accounts for vacation, school, and business start-up capital.
- Promote the use of financial products offered to unbanked remittance recipients and senders through financial education.
- Promote the use of remittances in rural production-oriented projects. By entering into an agreement with ADOPEM NGO, ADOPEM Bank will be able to offer training to Dominicans in rural areas and their relatives, particularly in New York.

RESULTS TO DATE

The project began in 2005. It had an execution period of 36 months, with a nine-month extension, and is in the final stages. The volume and number of remittance transfers received by Banco ADOPEM has increased significantly. Nine percent of volume of remittances has been “banked” into savings accounts, and more than 5000 new clients have been attracted from the ranks of remittance recipients. Banco ADOPEM has developed new products to serve this clientele over the course of the project.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Remittance volume reaches 5,300 transactions valued at approximately US\$625,000 over the three years of the project.</i>	<i>At 30 June 2009 ADOPEM has paid 3,041 remittances to 2,700 people, for an amount of \$58,310,391 Dominican pesos (US\$1.6 million).</i>
<i>Transaction costs reduced by 30 percent.</i>	<i>No impact on costs.</i>
<i>10 percent of the remittances received are directed to savings, with an average of 8.4 percent over the three years.</i>	<i>Approximately 9 percent of the volume of remittances has been saved.</i>
<i>Approximately 5300 new clients from rural recipient families, especially households headed by women.</i>	<i>At least 7,462 remittance clients have obtained at least one product from ADOPEM Bank.</i>
<i>360 female heads of household receive training on efficient management of remittances and possibilities for investing those resources.</i>	<i>At least 79 female remittance recipients have received technical assistance and training in starting a business, and 25 finished the course. Nine have submitted loan applications to Banco ADOPEM. 5,549 female remittance recipients, of whom at least 350 are heads of households, have received financial education.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- Banco ADOPEM has an agreement with the Dominican remittance company Quisqueyana to act as a recipient and payer of remittances. This agreement has not yet been approved by the Superintendency of Banks due to the recent sale of Quisqueyana. As a result of this delay, ADOPEM signed a contract with Remesas Dominicanas, a subsidiary of the Banco Hipotecario Dominicano (BHD) Group, which allows ADOPEM to act as a paying agent of the BHD Network. This alliance benefits ADOPEM because of the large number of remittance-transfer organizations (foreign banks and remittance companies) working with the network.
- ADOPEM has developed a number of new financial products with MIF technical assistance, in addition to its remittance services. These products include start-up capital loans, housing, savings, accident insurance, and family insurance.
- ADOPEM now has a software remittance platform, provided by Remesas Dominicanas. Each of its 32 branch offices around the country is equipped for remittance transfers. Staff members have been trained in the remittance platform. ADOPEM has updated its IT policy and procedures manuals to conform to the new platform. There is now a staff position for overseeing the remittances transfer product.
- ADOPEM has also adapted its marketing strategy to the rural areas by doing door-to-door visits to explain its products and services and to invite people to training on financial literacy and entrepreneurship. ADOPEM has visited 1,966 people to promote its new remittance transfer services. Training is provided at the training center of ADOPEM NGO's financial education program. By June 2009, 5,549 people had received training through this program.
- ADOPEM has been able to open new branch offices in rural areas, which has led to an increase in client numbers and in portfolio size. Additionally, this expansion has contributed to building a stronger relationship and a better image in these rural communities. ADOPEM is now more competitive in the market because of its remittance services. The project's results have also improved ADOPEM NGO's ability to attract capital from investors and donors, because the project activities have clearly demonstrated the need for financial education.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- ADOPEM is a regulated financial institution with a strong presence in the rural areas.
- ADOPEM has benefited from its partnership with Remesas Dominicanas and a growing network of money-transfer operators (MTOs).
- ADOPEM has its own NGO providing add-on services such as financial education to clients.
- ADOPEM has received previous support from Women's World Banking in developing a network of ATMs, which expand the reach of the service.

External (environmental) success factors:

- There is a stable regulatory environment for remittance transfers in the Dominican Republic.
- There is high demand for remittance transfer services in the areas where ADOPEM operates.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- One of the project's activities was to contract an advertising agency in the United States to promote ADOPEM as a paying agent in Dominican communities in the United States. It took a long time to find an agency with the appropriate expertise and outreach capacity in both countries, which caused project delays.

External (environmental) problems encountered:

- In early 2007, ADOPEM signed a contract with Quisqueyana, but shortly afterward, Quisqueyana decided to sell its remittance business and suspend activities. ADOPEM decided to work with the remittance network of BHD instead, and by the end of 2007 a relationship was quickly established.
- The global financial crisis caused the volume of remittances to drop to the Dominican Republic. Nevertheless, the volume of remittance transfers to ADOPEM has increased, due to its expansion, trainings, and promotional activities.

REGULATORY ISSUES

No regulatory issues had a negative impact on the project.

IMPACT AT BENEFICIARY LEVEL

ADOPEM points to the following impacts on the lives of its clients:

- Remittance recipients are more receptive to the idea of receiving remittances in a bank office, rather than having them delivered to the home (as is customary in the Dominican Republic).
- Remittance recipients are safer, since receiving remittances in a bank is less visible than receiving them at home.
- Training activities have helped clients plan, organize, and start new businesses.
- Some 7,462 remittance recipients have obtained at least one product from ADOPEM Bank.

ADOPEM also notes that other microfinance institutions have seen the benefits of the remittance-transfer product and are initiating these products themselves.

LESSONS LEARNED

- In implementing the project, ADOPEM is validating the importance of financial and business education. The two types of training—one on money management and improving the use of remittances, and the other on small start-up businesses—have had a positive impact on the lives of ADOPEM's clients and on the project's goals. The training has helped participants plan, organize, and put their businesses into operation, which then helps improve their standard of living.



- Remittance-linked financial products have a long maturation time, from pilot to roll-out. This is especially true in times of financial crisis, when people are more reluctant to change their financial habits.
- Remittance-linked financial products should be flexible enough to adapt to the changing needs of remittance recipients and the changing circumstances of remittance senders.

CONCLUSIONS

By entering the remittances market, ADOPEM is providing a much-needed service in the rural areas of the Dominican Republic. Both ADOPEM and its clients have benefited. ADOPEM is ahead of its competitors in offering this service and has strengthened its image in its target communities. Its clientele and portfolio have increased. Its remittance clients are able to benefit from other ADOPEM products and services. The project goal of lowering the cost of remittances has not yet been achieved; the target was overly optimistic. The remittance-transfer cost is set by the remittance company, and ADOPEM has little control over it. With respect to the goal of investing remittances in productive activities (i.e., microbusinesses), an entrepreneurial training program is in place for clients. Nine clients who received this training have applied for loans for their microenterprises. It will take time to see if this objective results in the expected investment of remittances in businesses.



Executing Agency:*Banco del Ahorro Nacional y Servicios Financieros***Project Title:***Strengthening Savings and Credit Unions***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$10,125,000*

The formal, non-bank financial intermediaries in Mexico include both those institutions regulated by the Comisión Nacional Bancaria y de Valores [National Banking and Securities Commission] (CNBV) (namely savings and loan associations and credit unions), as well as those that are not regulated, such as savings and loan cooperatives, solidary savings banks, and low-income savings banks. These institutions make up the low-income savings and loan sector. In June 2001, when the Low-income Savings and Loan Act was passed, the institutions were all given two years to adopt one of the two institutional structures provided for under this law: the Sociedad Cooperativa de Ahorro y Crédito [Savings and Loan Cooperative], or the Sociedad Financiera Popular [Popular Finance Company]. The law also called for maintaining the sector's umbrella organizations, i.e., the federations and confederations.

In order to promote the orderly development of the savings and loan sector (so as to foster growth in the financial services offered to the small business and microenterprise sector and to protect savings), the Banco del Ahorro Nacional y Servicios Financieros [National Savings and Financial Services Bank] (BANSEFI), a second-tier national credit corporation and development bank with its own assets and legal status, was given a three-fold mandate. First, BANSEFI would provide technological development, training, technical assistance and financial services as a second-tier bank to the umbrella agencies and low-income savings and loan institutions. Second, it would act as financial agent of the federal government with regard to negotiation, contracting, and management of foreign loans in order to foster development in the sector (such loans are granted by private, governmental, or intergovernmental foreign institutions as well as by any other international financial cooperation agency). And third, it would support the CNBV in training the federations and low-income savings and loan institutions to bring them in line with the new legal environment, while seeking to enable the federations to gain the necessary capacity to efficiently perform the oversight duties delegated to them. BANSEFI was to be responsible for designing and monitoring the information systems for the entire sector to aid the CNBV and the federations in performing their oversight duties.



PROJECT DESIGN

The project's purpose was to assist BANSEFI in meeting these obligations. This was to be done by providing technical assistance to 1000 branches of BANSEFI, four regulated savings banks, and the CNBV. The project strategy included training CNBV and BANSEFI staff, improving remittances services, and developing new products for cross-selling to remittance families.

The project hypotheses are:

- BANSEFI is capable of the re-ordering of the rural financial sector.
- Establishing a national networking infrastructure between BANSEFI and other rural finance entities will improve remittance flow volume to clients through the network.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Adapt the rural savings banks to the provisions of the new laws and train CNBV personnel to supervise them.
- Modernize the information systems of the 600 BANSEFI branches and 400 branches belonging to regulated banks.
- Develop new savings products within BANSEFI for remittance recipients.
- Create an infrastructure for receiving and channeling remittances sent by Mexicans residing abroad. BANSEFI will then pass these funds on to banks or other financial institutions, enabling them in turn to grant additional loans to small businesses and microenterprises.

RESULTS TO DATE

The project began in 2002, with an execution period of 36 months and an extension of 23 months. The project is now closed. Overall, BANSEFI has been instrumental in helping rural financial entities adapt to the new regulatory framework. The project has helped 938 savings banks and 493 branches of BANSEFI adapt through upgraded technology. A new remittance-transfer network has been established as a result of the project, which has helped increase the number of monthly remittance transfers serviced by the network to approximately 70,000 (nearly a 50 percent increase over the last two years of the project). More than 1,000 branches of the 125 savings banks are participating in the remittance-transfer network, dramatically expanding the geographic outreach of the service. New products such as savings, debit cards, credit cards, and housing savings accounts have been developed to attract remittance recipients as clients.



As of the end of the execution period, the project achieved the following outputs in comparison to final expected outputs

<i>Expected</i>	<i>Delivered</i>
<i>600 BANSEFI branches and 400 branches of the rural savings banks have modernized IT systems.</i>	<i>938 savings banks and 493 branches of BANSEFI have modernized IT systems.</i>
<i>100 representatives of the supervisory committees of the federations are trained in monitoring the compliance of rural savings banks.</i>	<i>Over 290 officials trained (279 federation members, seven CNBV staff members, and four BANSEFI staff members.)</i>
<i>A new network, linking BANSEFI and 1,000 branch offices, is established and functioning.</i>	<i>L@ Red de la Gente established and used by 1,431 branches (938 savings banks and 493 branches).</i>
<i>Savings services for channeling of remittances, housing loans and smart cards for microenterprise and small business are implemented at the 1000 participating branches.</i>	<i>Savings accounts, payments to beneficiaries from government programs, remittance transfer services, debit cards (in the initial stages), bill payment, and housing savings accounts are available in all BANSEFI branches; some products and services are also available in the savings banks.</i>
<i>Remittance transfers have increased.</i>	<i>The number of monthly international remittances transferred through L@ Red de la Gente rose by 85 percent between the last half of 2005 and the first half of 2007 for all 1,431 branches.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- BANSEFI created “L@ Red de la Gente” [The Network of the People], a commercial banking alliance that allows migrants in the United States to transfer money from a U.S. bank branch to Mexico. Their funds can be deposited in savings accounts or picked up in cash at any of the 750 branches of L@Red de la Gente. The existence of this network has caused the number of monthly remittance transfers serviced through the network to increase by 49.81 percent between 2005 and 2007.
- BANSEFI and the savings banks can handle payments to beneficiaries from government programs such as Oportunidades [Opportunities], a government social security program, using the L@ Red de la Gente platform. This increases the cash flow for the savings banks and creates more opportunities to capture new members through cross-selling.
- The smaller savings banks benefit from economies of scale because they have more negotiating power when linked with the bigger ones.
- Développement International Desjardins (DID) trained 279 federation members, seven CNBV staff, and four BANSEFI staff, all of whom now have a better understanding of the rural finance sector. They have new performance monitoring tools and are able to conduct effective analysis and assessments of financial performance and compliance with the law.



- New products and services now exist, while others are still in the testing phase. These include credit and debit cards, housing savings accounts, social safety net payments, national remittance transfers, account-to-account transfers, and currency exchange. The remittance-transfer services are available in all branches, with housing savings accounts and payments of the Oportunidades government social safety net in approximately one-third of the branches. Other products had not been significantly rolled out by the end of the project.
- Improved IT systems—including hardware, printers, wireless networks, scanners and other equipment—have been put in place. Members of the network are now able to conduct account-to-account remittance transfers (one bank account to another) through three U.S.-Mexico migrant corridors using Banco Mexico, the U.S. company FedACH, and Directo a Mexico, established in 2006. Remittance transfers in the second half of 2005 reached 335,423, and nearly 450,000 in the first half of 2006. There were 508,320 transfers in the second half of 2006, and 620,451 in the first half of 2007.
- The rural savings banks that have become part of L@ Red de la Gente are now more competitive. They have increased their offerings of products and services, helping them attract new members.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors

- One advantage that BANSEFI and its network of rural savings banks have is years of experience in working in rural areas with these populations. Their understanding of their market is a comparative advantage.
- Management was committed to the project goals.
- The earlier reorganization of BANSEFI from Patronato del Ahorro Nacional (PAHNAL), an entity exclusively dedicated to rural savers, was well planned and very well organized. The new structure contributed to the achievement of the project's goals.
- The department that managed L@ Red de la Gente was located under the director, a high position in BANSEFI's organizational structure, which gave it more legitimacy and made implementation smoother and faster.
- BANSEFI, as the network's anchor institution, provides important support to the savings banks. For example, it can help them manage liquidity, accept loan payments from members of rural savings banks in areas where these entities have no branch offices, and promote the services and products of the savings banks to potential clients.

External (environmental) success factors

- The acceptance of the Mexican Consular identification card (“matricula consular”) by financial institutions in the United States makes it easier for Mexican migrants to establish bank accounts there.
- The 2003 payment system agreement between Banco de México and the U.S. Federal Reserve makes bank-to-bank transfers possible as well as inexpensive.
- The rural sector is growing and dynamic, and there is demand for the new services, such as credit and debit cards and currency exchange.

- There is an open market with few competitors in the rural areas. Before the project, there were not many cases of institutions offering remittance transfer services.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered

- No internal problems affected project implementation.

External (environmental) problems encountered

- In the United States, activities were not as successful. Migrants do not use banks because of negative experiences with banks in their countries of origin and because of fears that banks are linked to the authorities. Information about BANSEFI's services was mostly spread by word of mouth.

REGULATORY ISSUES

- No regulatory problems affected project implementation or results.

IMPACT AT BENEFICIARY LEVEL

- Rural inhabitants in the areas reached by the 1,431 branches of BANSEFI and/or the rural savings banks now have access to better remittance-transfer services. These people (an unknown number) received 620,451 transfers in the first half of 2007, totaling 2.586 billion Mexican pesos (nearly US\$240 million).
- Migrants who use entities associated with L@ Red de la Gente can use "Directo a México," an account-to-account remittance-transfer service established through an agreement between the U.S. and Mexican governments. Directo a México is one of the cheapest mechanisms for sending remittances to Mexico, and contributes to banking the unbanked. The cost of Directo a México is set by the sending institution. It was still a new service by the end of the project, having reached 334 operations for a total of nearly US\$80,000.
- By the end of the project, BANSEFI was providing international remittance transfers and national transfers via remittance transfer companies, Directo a México services via banks, social security payments (the Oportunidades program), housing savings accounts, medical insurance, debit cards, and bill payments in all its branches. The rural savings banks were providing national and international transfer services in all branches.
- In order to use Directo a México, both senders and recipients must open bank accounts, which contributes to the goal of "banking the unbanked." The number of accounts opened was small at the end of the project, since the service was so new.



LESSONS LEARNED

- BANSEFI's leadership was essential to organizing the rural financial institutions. Without the MIF project, this would have taken much longer.

CONCLUSIONS

This was a very successful project that led to improved regulatory compliance on the part of rural savings banks. It strengthened these institutions through improved IT systems and the creation of a national network, which can receive remittances on behalf of these institutions and transfer remittances within the network. It has led to greater access to transfer services for remittance recipients and senders, and at lower cost. New financial products have been developed to serve this market better and have helped to attract new members.



Executing Agency*Banco Central del Ecuador***Project Title***Alternative Remittance Distribution Channel for Small Ecuadorian Financial Intermediaries***Remittance Model***Remittances and Banking the Unbanked***Total Project Amount***US\$1,103,500*

The project's executing agency is the Banco Central del Ecuador [Central Bank of Ecuador] (BCE). The BCE was established in 1927 and currently develops guidelines and pursues measures relating to the country's financial and credit policies. The BCE focuses on developing an institutional framework to address issues related to the liquidity, systemic risk, and competitiveness of the financial sector. It is also tasked with improving access to financing for the productive sector and stabilizing and deepening the payment system.

PROJECT DESIGN

The objective of this project is to address the lack of electronic transfer management systems in rural cooperatives. To do this, the BCE proposed incorporating them into a high-technology interbank payment system, called the Sistema Nacional de Pagos [National Payment System] (SNP), which would facilitate remittance transfers by reducing costs and transfer times, and optimizing access to remittances in rural areas through the use of formal channels. The majority of cooperatives in Ecuador are not regulated and do not maintain current accounts with the BCE. As a result, they cannot receive their customers' remittances directly from the SNP. To eliminate this obstacle, a mechanism has been proposed to bring unregulated cooperatives into the SNP via a regulated cooperative acting as a "network hub".¹⁹

The project hypotheses are

- The BCE can incorporate rural cooperatives into a high-technology interbank payment system
- The creation of a network hub will be the appropriate mechanism to allow unregulated cooperatives to participate in the payment system
- The payment system will facilitate remittance transfers, lower costs and decrease transfer times.

PLANNED ACTIVITIES

This project was designed to include the following activities:

¹⁹ Unregulated credit unions are those supervised by the Ministry for Economic and Social Inclusion (MIES). Regulated credit unions are those supervised by the BCE itself.

- Develop criteria and standards (financial performance, compliance with prudential standards, and technology and connectivity requirements) for selecting regulated cooperatives to make up the local networks to serve as network hubs, and for selecting unregulated cooperatives.
- Hold 30 workshops to provide detailed technical information on the SNP and identify potential unregulated cooperatives to participate.
- Connect the network hubs and provide training on the SNP.
- Develop manuals and training for the unregulated cooperatives on the use of the transaction systems.
- Develop a section on the BCE's website to post current fees for transactions made through the different formal channels in operation.
- Create a "technical forum" to share input, studies, data collection, and other analyses with the various stakeholders in order to measure and calculate the scope and impacts of the adopted measures and make policy recommendations to the government for improvement.

RESULTS TO DATE

The project began in 2008, with an execution period of 36 months. The project is in the early phase, and final outcomes are not available. A significant intermediate result is the inclusion of 13 unregulated cooperatives in the SNP. Another 49 unregulated cooperatives have applied to become participants. The BCE is taking a more aggressive approach in marketing its services to the cooperative sector, and this is showing results.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>At least 10 regulated and 30 unregulated cooperatives use the Central Bank of Ecuador (BCE)'s National Payment System (SNP).</i>	<i>Three unregulated cooperatives are now connected to the SNP, and another 49 have submitted applications to become participants.</i>
<i>20 percent increase in the number of new remittance recipients in regulated and unregulated cooperatives benefiting from the SNP.</i>	<i>No results yet.</i>
<i>20 percent increase in the number of new bank accounts for remittance transfers in regulated and unregulated cooperatives.</i>	<i>No results yet.</i>
<i>20 percent increase in remittances received in rural areas of Ecuador through the SNP.</i>	<i>No results yet.</i>

INTERMEDIATE RESULTS OF THE PROJECT

Intermediate results include:

- There is a national map of cooperatives that distribute remittances and minimum criteria and standards for inclusion in the SNP.
- The BCE has developed a more personalized approach than the generic dissemination seminars. This has generated more interest on the part of the non-regulated cooperatives to qualify for the SNP.

INSTITUTIONAL IMPACT OF THE PROJECT

- The project is too new to have achieved institutional impact.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There is demand from the cooperatives for the BCE products (in addition to remittances, there are payments from the government into savings accounts, such as salaries for public employees, pension payments, and others).
- MIF participation in the Technical Forum has been helpful in convincing the cooperatives to participate.

External (environmental) success factors:

- There is significant demand for remittance services in the rural areas of Ecuador.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The Central Bank is bureaucratic, and decision-making takes a long time, which has caused delays in the project.
- There has been a change in the Project Coordinator position, which has hindered progress.
- There are a limited number of agreements with foreign institutions on remittance transfers. This limits the usefulness of the SNP. For example, while the BC has a link only with the Caixa in Spain, the commercial banks that engage in remittance transfers have many more foreign partnerships. The BCE is working to increase its partnerships.
- There are connectivity problems between regulated and unregulated cooperatives. The project will provide software and hardware to remedy this problem.
- The project has lacked political support to provide the necessary leadership to advance the policy agenda.
- It has been difficult and expensive to hire consultants with the appropriate skills.



External (environmental) problems encountered:

- The cooperatives are not aware of the services that the BCE offers through the national payment system (such as remittance transfers), and therefore are not aware of the advantages of joining the system. The BCE is providing information to address this lack of awareness.
- Transport of money in rural zones is expensive and increases the cost of the service through an individualized marketing plan.
- The global economic crisis, the recession, and rising unemployment have had a negative impact on remittances to Ecuador in 2008.
- There is limited willingness, capacity, and infrastructure in many cooperatives to link to the SNP and develop new financial products.

REGULATORY ISSUES

No regulatory issues have influenced the project to date.

IMPACT AT BENEFICIARY LEVEL

Members of the three unregulated cooperatives connected to the SNP can now receive payment of salaries and social security through the SNP system, in addition to remittance transfers. This convenience furthers the goal of banking previously unbanked remittance recipients.

LESSONS LEARNED

- Software to be acquired should not be limited to accounting software only, but should include financial modules for controlling portfolio and savings. The same software should be standardized in all cooperatives.
- It has been more effective for BCE to sell its services to the cooperatives on a one-to-one basis rather than holding workshops for a group of cooperatives.
- A study on the real cost structure of remittance transfers would have been useful at the beginning of the project, so that the project unit of the BCE could sell products more effectively to the cooperatives, using lower costs as a selling point.
- Incorporating the unregulated cooperatives into the SNP is an opportunity to improve the regulatory framework.

CONCLUSIONS

The project is too new to draw firm conclusions about the results. The biggest limitation to progress at this point is the lack of contracts with foreign entities for sending transfers. It remains to be seen if there is value-added from this project, given the fact that the private sector is establishing remittance transfer connections with the rural cooperatives at a much faster rate than the BCE.



Executing Agency:*Banco Hipotecario Dominicano***Project Title:***Distribution Channels for Remittances***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$2,500,000 (loan only, no technical cooperation)*

Grupo BHD, established in 1972, is a holding company of businesses devoted principally to banking, tourism, and real estate development in the Dominican Republic. Its core business unit is Banco Hipotecario Dominicano [Dominican Mortgage Bank] (BHD). The Grupo BHD units involved in receiving, transferring, and distributing remittances are:

- Remittances Dominicanas, S.A., a financial intermediary dedicated to the distribution of remittances in the Dominican Republic,
- BHD Corp., a financial intermediary incorporated in the United States and dedicated to the receipt of remittances in the United States and Puerto Rico, and
- Banco BHD, a financial intermediary incorporated in the Dominican Republic that provides support and deepening—in addition to clearing services—for the remittance activities of Remittances Dominicanas and BHD Corp.

At the beginning of the project, BHD Group had its own remittance transfer operations in the United States. After the strengthening of money transfer laws due to the events of September 11, 2001, BHD decided to sell its operations in the United States. Since 2006, BHD has focused on strengthening partnerships with other money transfer operators. The new business model makes BHD Bank a “switch” through which remittances are sent from foreign countries to other organizations in the Dominican Republic, such as cooperatives, Banco Ademi, and Banco ADOPEM (both microfinance banks).

PROJECT DESIGN

In the Dominican Republic, remittance delivery firms use two distribution channels to deliver funds to the end beneficiary: (i) a network of offices made up of distribution offices or delivery sub-agents located around the country (these offices offer direct delivery of the remittance to the beneficiary); and (ii) courier services. Such arrangements entail a high degree of risk, logistical complexity and, as a result, high costs. The objective of this project (now closed) was to assist the BHD in upgrading its capacity to provide alternative and more efficient distribution channels for remittance transfers. This upgrade would help BHD lower transfer costs, increase access points, and cross-sell other financial products and services.

The project hypothesis was:

- By making a loan to a Dominican financial institution with a remittance transfer business to upgrade its IT software and equipment and increase its points of sale, its remittance transfer volume will increase and costs will decrease, producing efficiencies that will lower costs to remittance senders and recipients.

PLANNED ACTIVITIES

This project envisioned the following activities:

- Install new points of service in small businesses in the United States (30 sites).
- Install server connections at these affiliated businesses (100 connections).
- Customize the technological platform of BHD's remittance company (USA).
- Purchase and install software in BHD agencies in the Dominican Republic.
- Conduct advertising and promotion (United States and the Dominican Republic).
- Purchase point of sale (POS) machines (510 units in the Dominican Republic).

RESULTS TO DATE

The project began in 2004, with a loan term of five years and a two-year grace period. The project is now complete. BHD is slowly changing the remittance transfer culture in the Dominican Republic from one of receiving remittances by courier in the home, to receiving them at a point of service. The percentage of transfers received through points of service has increased from 3 percent at the beginning of the project to 17 percent. BHD has also succeeded in increasing the volume of remittance transfers and expanding its points of service, which now include rural financial institutions.



By the end of the project's execution, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Total volume of 5,537,000 remittances distributed over five years (2004-09). Total volume for year five is 1,266,000 remittances.</i>	<i>Total volume of over five years is not available. At the end of 2008, the number of remittances received by BHD was 1.3 million, which was 17 percent less than in 2007, due to the economic crisis. BHD's goal for 2009 is to reach 1.6 million.</i>
<i>At least 400 POS installed by 31 December 2007.</i>	<i>200 POS installed by 2009.</i>
<i>Creation of a network of strategic partnerships with rural credit unions and other formal financial intermediaries that provide access to rural and low-income populations to formal banking products and services.</i>	<i>There is a network of 20 rural and urban financial institutions using the BHD platform through which to receive remittance transfers.</i>
<i>Development in five years of alternative channels for remittance distribution, with the main vehicles being: (i) POS (mainly businesses, pharmacies and gasoline stations): 45 percent; (ii) rural credit unions: 15 percent; (iii) Banco BHD network: 20 percent; and (iv) home courier services: 5 percent.</i>	<i>Alternative distribution channels have been developed, with the following POS: offices of BHD, pre-paid Visa card, debit card linked to a bank account, plus the 20 institutions mentioned above. The percentages of each channel could not be determined. However, the percentage transferred by alternative channels, i.e., not by home delivery, has increased to 17 percent, up from 3 percent at the beginning of the project.</i>
<i>Reduction in fee charged per remittance from the current average level of 9 percent to 5 percent before 2007.</i>	<i>Could not be determined.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- There are now 88 BHD offices, an additional 40 payment windows, and 200 points of service that distribute remittances.
- The volume of BHD's non-home delivery models is now 17 percent. When it reaches 20 percent (projected for December 2009), BHD will discontinue the home delivery model. The change of customer preferences from home delivery to other channels has taken longer than expected.
- Market share for BHD has increased from 14 percent in 2005 to 20 percent in 2008 (December).²⁰

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Good governance of BHD and its subsidiaries has been important to keeping the project on track and achieving the goals. The senior management is stable and committed.
- The presence of the Vice President for Institutional Banking was important to maintaining consensus on the goals of the project.

²⁰ Presentation for ELUS. 2009. PowerPoint document. BHD.



- The fact that BHD is a proactive bank with a goal of continued expansion made it willing to try innovative partnerships, such as with microfinance banks.
- BHD's good image and credibility made forming new partnerships more successful.
- Offering a multitude of products and cross-selling those products has helped achieve the goal of banking the unbanked.
- There is broad outreach of remittance points of service. Eighty-eight offices of BHD distribute remittances, plus an additional 40 payment windows, compared to 56 branch offices at the beginning of the project.

External (environmental) success factors:

- The high volume of remittances coming into the Dominican Republic has created demand for remittance services.
- The fact that banks can now handle foreign currency under the regulatory framework has given them an opportunity to compete with the remittance companies on margins.
- Alliances with partners, such as microfinance banks with outreach into previously underserved rural markets and large remittance companies such as MoneyGram, have helped BHD achieve its project goals.
- Participation of the IFC and the IDB has helped strengthened BHD financially and has improved its credibility.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- No institutional problems were noted.

External (environmental) problems encountered:

- BHD manages only 10 percent of the market, which limits its influence.
- The financial crisis has had a negative impact on remittance flows.
- Continued demand for home delivery of remittance payments is strong, which has slowed down acceptance of the BHD model. However, growing security concerns due to crime, plus the elevation of transportation costs for home delivery couriers, is nudging consumers toward other models.

REGULATORY ISSUES

The sale of BHD's offices in the United States due to regulatory changes in that country meant that BHD had to change its expansion strategy. BHD has opted to pursue the model in this project where it receives remittances from companies or banks in remittance-sending countries.



IMPACT AT BENEFICIARY LEVEL

- The volume and amount of remittances transferred have increased compared to levels from before the project.
- Access to remittance services for Dominicans, especially for rural inhabitants, has improved. There are 200 points of service for remittance payouts in commercial establishments located near remittance recipients. The number of BHD branch offices has increased from 56 to 88.
- Faster receipt of remittance transfers has been one of the project's impacts. This lowers the transaction and opportunity costs for recipients.

LESSONS LEARNED

- Cultural preferences, such as a preference for home delivery, had a strong effect on BHD's ability to change distribution channels.

CONCLUSIONS

Project funds and activities helped BHD broaden its distribution channels for remittance transfers, expand its infrastructure, and invest in information technology. The activities have increased remittance flows and expanded access to points of service for rural remittance recipients. By reducing the number of home deliveries of transfers, BHD is improving the potential for the banking sector to offer additional products to remittance recipients. BHD is now investigating how to scale up remittance transfers using the more-efficient SWIFT system, which can bundle transfers.



Executing Agency:*Banco ProCredit***Project Title:***Financing for Micro and SMEs through Formal Financial Intermediaries***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***Line of Credit of up to US\$7.5 millions, (US\$ 166,000 technical cooperation, US\$252,000 counterpart)*

This project concerns four rapidly growing regulated microfinance institutions: Banco ProCredit (El Salvador), Caja de Ahorro y Préstamos los Andes (now Banco ProCredit Los Andes) (Bolivia), Financiera ProCredit (Nicaragua) and Banco ProCredit (Ecuador), all entities under the ProCredit Holding Company. Projections for 2004 and 2005 called for a growth of their overall portfolios in the range of US\$87 million and US\$107 million respectively, with mobilization of deposits in local financial markets covering only 60 percent of this. In order to sustain their growth, these microfinance institutions have to gain access to additional funding, as they cannot, at this point, obtain the funds to grow solely from public deposits.

PROJECT DESIGN

The objectives of the project are to:

- Provide funds on commercial terms in order to support the growth objectives of these four financial institutions so that they can increase their loan portfolio by at least 13,200 loans over two years.
- Increase the number of remittance-transfer points of service via the installation of new ATMs and the provision of debit cards.

The project hypothesis is:

- A MIF loan and technical assistance grant for increasing remittance-transfer services to four MFIs in four different countries yet under the same holding company will enable them to respond to the demand for loans, increase the number of remittances transferred and the number of recipients served, and provide both recipients and senders with additional financial products.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Develop MasterCard or Visa cards linked to different kinds of savings accounts.
- Develop mechanisms for cross-selling products.
- Install five new ATMs per institution in areas not previously reached.

- Train credit officers and support personnel in the management of remittances.
- Conduct studies of remittance recipients to determine the impact of remittances.
- Adjust information technology systems so that all processes and all branches are linked.

RESULTS TO DATE

The project began in 2005, with an execution period of 60 months and an extension of 60 months. Two of the ProCredit projects (Bolivia and Ecuador) are closed, while the El Salvador and Nicaragua projects are still in execution. Relevant achievements for this project include increases in points of service through the installation of ATMs, availability of new products such as debit cards for remittance families, increases in the volume of transfers, and reduced transfer costs in some cases.

The original monitoring framework for the project was established as a consolidated framework for all four institutions. Once the project was started, it was found that a consolidated framework was not useful, and individual frameworks were established. The paragraphs below present examples of accomplishments of each ProCredit bank, where information is available.

INTERMEDIATE RESULTS OF THE PROJECT

- New products have been developed to cross-sell to remittance recipients and senders, including a debit card. In Nicaragua, this card can be used to pay water, telephone, television, and electricity bills. In El Salvador, ProCredit also provides payment services for utility bills, processing 35,000 of them per month. The ProCredit banks now have licenses from Visa or Mastercard and are promoting their debit cards for remittance senders and recipients. ProCredit Nicaragua had delivered 811 debit cards to remittance clients by December 2008. In Bolivia, ProCredit Los Andes created a savings account called Esperanza [Hope], accompanied by a MasterCard debit card and access to ATMs without charge. Bank transfers for remittance clients are through the low-cost SWIFT system with accounts at Standard Chartered Bank of New York. ProCredit El Salvador has an exclusivity arrangement with Western Union that allows remittances to be deposited in a recipient's bank account, which lowers the indirect cost of the remittance transfer service to ProCredit Bank.
- The volume of transfers has gone up in some of the executing agencies. For example, in Banco ProCredit El Salvador, remittance transfers now number 36,000 per month, up from 21,000 in 2005. In Nicaragua, ProCredit has surpassed its goal of 85,000 remittances received over the life of the project, achieving 86,672 transfers by December 2008. In Bolivia, ProCredit Los Andes reached 8,800 transfers per month by March 2008.
- Banco ProCredit Los Andes Bolivia has been able to lower the cost of remittance transfer commissions to 5 percent for clients who are legal residents in the United States and who transfer through Standard Chartered Bank, compared to 10 percent for Western Union transfers.



INSTITUTIONAL IMPACT OF THE PROJECT

- The business of remittances has been institutionalized. Staff members have been trained in handling remittances. They have also been trained in the use of the Visa debit card platform and in cross-selling other products to remittance recipients.
- The majority of the ProCredit banks are more competitive in their markets, due to faster remittance services and a greater range of product offerings. In Bolivia, for example, ProCredit now controls 4 percent of the national market of remittance transfers.
- In terms of equipment, the ProCredit banks increased the number of ATMs (Ecuador added 5, Nicaragua added 20, Bolivia added 24, and El Salvador, 28). Their information technology systems have improved: for example, in El Salvador, ProCredit has built a technology platform for points of service, ATMs, and Visa debit cards.
- In Ecuador, ProCredit has been able to “bank” 13 percent of the people who receive remittances at its offices (see “Impact at Beneficiary Level” below for details on which products have been used). In El Salvador, 13 percent of remittance recipients have loans and 37 percent have savings accounts.
- In El Salvador, ProCredit reorganized as a result of the project’s consultancies, creating a Department of Credit/Debit Cards, with a head, an assistant, and three personnel responsible for customer service via a hotline.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The four institutions are strong microfinance institutions, with a traditional focus on low-income populations, which are more likely to receive remittances.
- The institutions had sufficient counterpart funding to carry the project forward and expand upon it. For example, ProCredit Los Andes purchased 19 more ATMs than budgeted in the project.
- There was good buy-in from the institutions’ management, which led to achievement of goals.
- There was very good infrastructure on which to build the project, in terms of staff, systems, and offices.

External (environmental) success factors:

- There is a high dependence on remittances among the population, creating demand for these services.
- The political and economic environments in all four of these countries are stable.

PROBLEMS ENCOUNTERED

General internal (institutional) problems encountered:

- There were problems with the logical framework, which was not adjusted for the individual partner banks or discussed with them during the design phase.



Specific internal (institutional) problems encountered:

In Bolivia:

- The number of ATMs is still small; clients do not solicit debit cards because they do not have access to ATMs and because the cost of using these debit cards with other networks is high.²¹
- There has been insufficient advertising and promotion of the debit cards.
- The processing of remittances between the central office and the branches is slow, which lowers the demand.

In Ecuador:

- There was staff rotation in the institution, which caused delays in soliciting letters of non-objection for certain expenditures.

External (environmental) problems encountered:

- The increase in unemployment due to the general economic crisis caused remittance flows to decrease.

Specific internal (institutional) problems encountered:

In Bolivia:

- The competition does not cover commissions on the receipt of remittances (as ProCredit does), which lowers the demand.
- The processing of remittances between Spain and Bolivia takes more than three days, reducing the demand.

In Ecuador:

- The implementation of debit cards and ATMs has been more complicated than anticipated, due to issues of connectivity with MasterCard Europe, since the platforms are different between Europe and Latin America. This complication has slowed implementation.

REGULATORY ISSUES

In Bolivia:

- There are now additional visa requirements (established April 1, 2007) for Bolivian citizens who wish to enter any of the countries of the European Community, which significantly reduced the flow of remittances from that destination to Bolivia.
- Since October 2007, the Central Bank of Bolivia has established a fee of 1 percent of each amount transferred to and from foreign countries, which causes financial institutions to pass this tax on to remittance senders.

21. More than 5000 debit cards had been distributed by the date of the final project evaluation (April 2008); the institution predicted that 15,000 cards would be distributed before the end of 2008.



IMPACT AT BENEFICIARY LEVEL

- At least 811 clients of ProCredit Nicaragua have remittance-linked debit cards. More than 332,924 transactions have been made using ProCredit Nicaragua's 20 ATMs.
- Remittance-receiving clients of ProCredit in El Salvador have 10,000 active debit cards and 20,000 current accounts (savings). Clients now have access to remittances through 320 points of service, 28 ATMs and 50 branches.
- In Bolivia, ProCredit clients make 80,000 transfers per year, compared to a national market of approximately 2 million. The percentage of remittances directed toward productive uses reached 7.1 percent.
- In Ecuador, 12,162 remittance recipients received some US\$10.68 million between April 2006 and December 2008, averaging US\$442 per transfer.

LESSONS LEARNED

- The remittance market is extremely sensitive to changing international conditions. Therefore some flexibility should be incorporated into the design of similar future projects.
- Low-income populations may resist using the debit card because of the lack of operational ATMs, or for security reasons.
- Although a stated goal was to increase remittance transfers among the four institutions, it has remained insignificant.

CONCLUSIONS

The project had the desired effect of getting these four institutions further committed to remittance transfers as a line of business, and they have developed new products to attract the target population. Banking previously unbanked remittance recipients and senders has been successful. Access to services has improved with additional points of service. Remittance transfers have become a profitable line of business for these entities. Most of the project's activities in El Salvador were done with counterpart funds (from ProCredit). The MIF technical cooperation contribution was small compared to the actual investment. However, ProCredit would not have expanded its remittances services to this extent without MIF support.



Executing Agency:*Banco Solidario***Project Title:***Support Microenterprises Utilizing a Line of Credit***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$430,944*

Banco Solidario S.A. was created in 1996. Its primary mission and strategy has been to provide financial services to the microenterprise sector and groups excluded from the traditional Ecuadorian financial system. At the time the project was being designed (2000–2001), Banco Solidario had four branch offices (Otavalo, Riobamba, Guayaquil, and Ambato), seven agencies, and eight service counters. It ranked 14th in assets and 11th in equity capital among Ecuador's 25 banks, and was thus considered a medium-sized bank in Ecuador. Banco Solidario's total assets in June 2001 were US\$96 million, and its equity capital was US\$9 million. It had 321 employees, more than one-third of whom worked in the Office of the Vice President of Microcredit, which at that time served 43,475 of the bank's 49,372 clients.

PROJECT DESIGN

One of the greatest obstacles faced by Banco Solidario has been its inability to obtain stable medium- and long-term financing from diversified sources, which would allow it to increase its supply of lending products. The project was designed to partially address the lack of financing. The revolving line of credit was to be used to increase Banco Solidario's loan portfolio for microenterprises. A technical cooperation grant was also provided for Banco Solidario to co-finance a pilot project for transferring, distributing, and managing remittances sent by Ecuadorian migrants. This grant aimed to promote a partnership between Banco Solidario, the Confederación Española de Cajas de Ahorro [Spanish Confederation of Savings Banks] (CECA), and the Madrid and Murcia Cajas de Ahorro, to provide Ecuadorian migrants in Spain and their families in Ecuador with access to lower-cost remittances transfers, and to encourage both the senders and recipients to deposit the remittances in savings accounts.

The project hypotheses are:

- Supporting a local bank with a line of credit for growing its portfolio, and technical assistance for improving its remittance services, will enable the bank to overcome the lack of access to medium- and long-term financing, while at the same time building its microenterprise portfolio and establishing a profitable remittance transfer business with cross-selling of other financial product offerings.



PLANNED ACTIVITIES

This project was designed to include the following activities:

- Assistance in improving remittance transfers, including: (i) technical assistance for designing a remittance transfer system; (ii) training in the management of remittances for Ecuadorian personnel; (iii) procurement of specialized software for remittance transfers and consulting services for installing the software and training bank personnel in its use; and (iv) design and launching of a campaign to disseminate information about the project.
- Assistance in designing and launching financial products that make it easier for migrants to build savings, and the subsequent channeling of these savings to productive uses, such as helping migrants set up small businesses upon their return to Ecuador.

RESULTS TO DATE

This successful project began in 2001 with an execution period of 54 months, and is now closed. Remittance transfers far surpassed the project targets, as did the volume of savings deposited by remittance senders and recipients. The number of points of service increased dramatically, improving access. New products were developed for this market.

The project achieved the following outputs in comparison to its final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>961 new savings accounts of remittance recipients.</i>	<i>1611 remittance recipients have new savings accounts.</i>
<i>US\$864,900 in savings deposits from remittance recipients.</i>	<i>US\$3,826,000 in savings deposits from remittance recipients.</i>
<i>15,500 total remittance transfers.</i>	<i>65,500 total remittance transfers during the life of the project.</i>

INSTITUTIONAL IMPACT DUE TO THE PROJECT

- Banco Solidario is now linked with over 18,000 points of service (POS) in Spain and 450 in Italy, while in Ecuador it has 1,300 of its own POS.
- Banco Solidario has developed a housing loan product and a credit for travel expenses.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There was commitment to the project goals on the part of Banco Solidario's management.
- Banco Solidario had sufficient infrastructure to undertake the project activities.
- Banco Solidario had sufficient counterpart funding, and in fact contributed more than the required amount.

External (environmental) success factors:

- Demand was high and growing for the remittance services from migrants in Spain and Italy.
- There was little competition for Banco Solidario in the remittance market.

PROBLEMS ENCOUNTERED**Internal (institutional) problems encountered:**

- There was no logical framework for the project.

External (environmental) problems encountered:

- No information is available.

REGULATORY ISSUES

- No information is available.

IMPACT AT BENEFICIARY LEVEL

- There was increased access to remittances for senders through more points of service established in both Spain and Italy, and for recipients in Ecuador.
- Remitters were able to send remittances at no cost.
- Recipients had greater access to savings accounts, opening 1611 accounts during the two years of the project, and depositing US\$3.8 million in savings.

LESSONS LEARNED

The project would have benefited from clear indicators and targets.

CONCLUSIONS

The project was successful in creating linkages to remittance-sending entities in other countries and increasing the volume of remittance transfers, the number of remitters, and the amount remitted. The project also was able to “bank” previously unbanked remittance recipients and increase the financial product offering for this market.



Executing Agency:*Centro Acción Microempresarial***Project Title:***Mobilization of Remittances through Microfinance Institutions***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$1,620,000*

ACCIÓN International (AI) is a private, nonprofit organization supporting microfinance initiatives around the world. Its activities in Latin America are coordinated through a regional office located in Colombia, called Centro Acción Microempresarial (CAM). CAM is a private, nonprofit organization founded in 1992 in Colombia. Its mission is to provide microentrepreneurs and low-income individuals with access to financial services in order to reduce unemployment and poverty.

PROJECT DESIGN

This project aims at resolving the problem that arises from the fact that remittance recipients have to use two types of entities, money transfer companies and financial institutions, to take care of the range of their financial needs. If MFIs adapted themselves to be able to provide remittance transfer services, it would benefit both the remittance families and the MFIs. Remittance senders and recipients would benefit from more convenience, while the MFIs would benefit from the commissions on the remittance transfers, the increase in the number of clients, and the cross-selling of products to these new clients.

The project's objective is therefore to work with an MFI network, AI, to mobilize remittances and link them to microfinance products. Under the coordination of the Centro Acción, the project brings together five AI affiliates: BancoSol, in Bolivia; FAMA, in Nicaragua; Banco CajaSocial (BCSC), in Colombia; Mibanco, in Peru; and Sogesol, in Haiti. These are the institutions within the AI network that have the most experience providing remittance delivery services and that are authorized to receive remittances directly or indirectly.

Because FAMA in Nicaragua, was an unregulated entity at the beginning of the project, it was not authorized to accept deposits. The program therefore supported it in the development of remittance-linked credit products. In the case of Haiti, there are three connected entities: Sogebank, as a commercial bank; Sogesol, as an entity that manages the microcredit portfolio of Sogebank and is therefore not authorized to accept savings deposits; and Sogexpress, which receives remittances. As part of this project, Sogesol would establish the agreements necessary to bring remittance transfer services to its clients.

The project hypothesis is:

- Working through a network of MFIs can be an efficient way to link remittances with financial products, thereby bringing people into the financial sector who previously did not have access to formal financial products.

PLANNED ACTIVITIES

Activities were planned to occur in two phases. The first phase includes analysis of the MFI's potential remittance market and the preparation of a remittance-transfer business plan for each MFI. The purpose of this component is to improve the MFIs' understanding of their potential market, including both senders and recipients. In the receiving markets, consultants will study and identify: (i) the potential demand for the MFI; (ii) the economic profile and preferences of potential clients; (iii) the main local competitors; and (iv) the positioning of product supply by the MFI. In the sending markets, consulting activities will be performed to: (i) conduct market research that includes a profile, needs assessment, and demand of the senders; and (ii) identify potential partners in the markets.

Based on the information from these studies, the MFIs will be able to develop business plans. A consultant will be hired to analyze and evaluate each MFI's business plan. Consulting activities will also be performed to assess the technological needs of these institutions. This assessment will give each institution a better idea of the upgrades or new acquisitions it will need to make during the second phase in order to ensure the program's success.

After the business plans are approved by the institutions' management and Boards, the MFIs move on to Phase 2: implementation of the business plan, consisting of the following components. The first step is to institute technology infrastructure upgrades for remittance management. This calls for: (i) upgrading software and hardware based on the technical analysis in the previous phase; (ii) providing training to staff in the use of information systems; and (iii) performing consulting work to strengthen internal and external control procedures (safeguards against money laundering and compliance with remittance handling laws).

The next activity is the development of microfinance products based on remittance flows. Activities will be pursued to: (i) market financial products in preselected markets; (ii) conduct customer satisfaction surveys in the United States and in each local market using focus groups; and (iii) design and develop financial product(s) in the receiving markets. These consulting activities include training for the officers and managers of the MFIs.

At the same time, agreements with remittance transfer companies are needed in the remittance-sending markets. To accomplish this, activities will be pursued to: (i) support the final phase of negotiations and implement strategic alliances with potential partners (money transfer companies and/or financial institutions) that would make it easier to link remittance services and microfinance products; (ii) design and develop financial product(s) in the issuing market and customize and test the products; and (iii) help the MFIs establish ties with community organizations and migrant associations to promote the new products.



The last activity in the project will be dissemination of the remittance transfer model and outreach throughout and beyond the AI network.

RESULTS TO DATE

The project began in 2004, with an execution period of 36 months and two extensions for a total of 17 months. This project is still in execution, ending shortly. The five MFIs involved in this project were able to increase their remittance transfer volume and numbers by a consolidated 64 percent during the project. There was a 19 percent increase in the number of remittance families who took advantage of other products. Five new products were developed among the MFIs for this new market. Banco Sol in Bolivia now captures 25 percent of the remittance market, and project activities have contributed to lowering remittance transfer costs by at least 5 percent. BCSC in Colombia has developed a debit card for remittance recipients that works with any ATM in the country. FAMA has a loan product for remittance recipients that helps them purchase appliances.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>25 percent increase in volume and number of remittances transferred via MFIs.</i>	<i>64 percent increase in both volume and number of remittances transferred via MFIs (December 2008).</i>
<i>15 percent to 20 percent increase in the number of MFI clients accessing new financial services.</i>	<i>19 percent increase in the number of MFI clients accessing new financial services (not including Sogesol) (December 2008).</i>
<i>Implementation of at least one new profitable financial product related to remittances and/or savings in each MFI.</i>	<i>At least 5 new products were implemented.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- The program has generated extensive knowledge of the factors affecting the remittance market and its relationship with the banking of remittance senders and recipients. Based on this knowledge, MFIs developed new financial services for clients tailored to their specific needs, including: a home improvement loan product (FAMA); a savings account-linked debit card for remittance recipients (MiBanco); a housing improvement product for salaried employees who receive remittances, using the flow of remittances as a component of income (Sogesol); and a savings product with debit card and life insurance (BCSC).
- In most of the MFIs, the cross-selling of financial products to remittance families is now institutionalized, i.e., staff are now competent in cross-selling. This has helped maintain profit margins.
- New alliances have been forged with remittance companies. One example is FAMA's new contracts with Viamericas and Vigo, and MiBanco's new contracts with Caixa of Spain and Banco de Desarrollo de Chile [Development Bank of Chile].



- Information technology systems have improved, making the MFIs more efficient and enhancing their capacity to offer multiple products. For example, FAMA has a platform that can link to multiple remittance-transfer companies. BancoSol now uses the SWIFT platform for transfers.
- Banco Sol's housing loan product has a 0 percent portfolio at risk rate, despite the problems in the global economy.

Internal (institutional) success factors:

- The partner MFIs are strong institutions, and there was significant buy-in from their senior management teams for the remittance project.
- The presence in the region of Centro Acción and its coordination of the project were fundamental to its success. This presence was particularly important for FAMA and Sogesol, the weakest of the five MFIs.
- The fact that these MFIs worked within a network was important for learning. For example, Sogesol implemented a product that it learned from FAMA in Nicaragua.

External (environmental) factors:

- There is high demand for remittance services in the areas where these MFI operate.
- There were stable macroeconomic conditions in the majority of these countries (with the exception of Haiti.)

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- FAMA became a regulated financial institution during the project period, which caused difficulties during implementation. BCSC was formed from the merger of two different banks: Banco Caja Social and Banco Colmena. These transformations slowed project activities.
- FAMA did not have enough points of service to be taken seriously by some remittance companies. It eventually signed an agreement with Western Union.
- Sogesol and BCSC experienced problems implementing the project and finally had to reduce the activities envisioned, canceling the financial education component.
- The fact that Sogesol is linked to two other entities (Sogebank and Sogexpress) made the project more complicated. Clients picked up their remittances in Sogexpress but sought credit from Sogesol. This complication demanded a different promotional activity and caused both logistical and technical difficulties.
- MiBanco was sold to ScotiaBank during the project time period, and ScotiaBank decided not to pursue the remittance line of business.
- Banco Sol encountered problems in designing a prepaid card that required its signature on transactions to certify the origin of the funds, as part of anti-money laundering laws. The product was abandoned for this reason.



External (environmental) problems encountered:

- The global financial crisis caused a reduction in remittance flows and consequently a reduction in the number of cross-sold products. It also caused an increase in loan delinquency. In Nicaragua, ACCION is assisting FAMA to mitigate this situation with a plan to strengthen internal and external controls and reduce delinquency.
- There was political instability in Haiti, which caused transportation and other difficulties.
- MiBanco was sold to ScotiaBank, which closed the remittance line of business.

REGULATORY ISSUES

No regulatory issues adversely affected project implementation. Since it was not a licensed bank, FAMA had to act as a sub-agent to Western Union in order to be able to handle remittance transfers.

IMPACT AT BENEFICIARY LEVEL

- Individuals who did not have access to financial services for sending/receiving remittances gained access to these services, as well as to financial products specifically designed for managing these funds. Banco Sol increased its remittance transfers by 800 percent by the third year of the project, MiBanco by 800 percent, and FAMA by 600 percent.
- Seven percent of remittance recipients have been “banked” with other financial products in BancoSol.
- Remittance recipients are now welcome at these MFIs, where previously they were not.
- Remittance transfers have decreased in cost in some products and MFIs. For example, the savings account product in MiBanco is free, with no charge for the transfers. Overall, during the time of the project, there was a drop in transfer costs, down to 4 percent from 9–11 percent at the beginning of the project. Although these results cannot be attributed exclusively to the project, they were influenced by it.
- In MiBanco, remittance recipients are given a free telephone card to call senders to convince them to send remittances through the savings account.

LESSONS LEARNED

- It would have been useful to perform an institutional assessment of the participating MFIs before initiating the program. This would have better equipped the executing agencies to anticipate situations that caused difficulties in the project, such as the transformation of FAMA into a bank, the fusion of BCSC, and changes in information systems.



- The level of banking of remittances on the part of the recipients varies according to specific market conditions. In markets such as Peru, clients use savings accounts for transactions, whereas in Colombia, clients use accounts for additional services, contributing additional domestic resources into savings. Not all remittances have the same potential to be banked, and important regional differences exist in this potential. It is important to develop a banking strategy that takes into account the specific characteristics of the recipient market and the impact of remittances in the country in which an institution is working.
- The proportion of remittance recipients who can receive credit from MFIs is limited by the amount of remittances that must be spent on basic needs and the recipient's profile (only one-third are microentrepreneurs).
- The banking of recipients requires more than simply offering remittance services through financial institutions. Communications and marketing strategies are needed to effectively reach prospective clients and overcome the negative perceptions that tend to be associated with the use of bank branches for payment of remittances.
- Financial literacy tools should be integrated into communications strategies in order to provide recipients with information that helps them make informed decisions on the use of financial services and the management of their remittance funds.
- MFIs have to determine whether specialized remittance-linked niche products will reach scale. If not, MFIs must determine how to attract remittance recipients to the MFI's generic products.

CONCLUSIONS

The five MFIs involved in this project were able to increase their remittance transfer volume and numbers, develop new financial products for the market, and increase the number of remittance families who took advantage of other products. The MFIs faced significant challenges, such as negotiating with remittance companies, breaking even on financial products, and attracting new clients from among remittance recipients, who tend to depend on their remittances for basic needs. Overall, the results have been extremely positive, and have been a learning experience for other MFIs.



Executing Agency:*Cooperativa Salcajá***Project Title:***More than Remittances***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$352,140*

Cooperativa Salcajá (Cooperativa de Ahorro y Crédito Salcajá R.L.) [Salcajá Savings and Credit Cooperative] (Salcajá) was founded in 1965. The Cooperative began its remittance transfer business in 2001 under an agreement between its federation, the Federación Nacional de Cooperativas de Ahorro y Crédito [National Federation of Savings and Loan Cooperatives] (FENACOAC) and the international remittance transfer company Vigo. FENACOAC had 26 cooperatives and 104 points of service throughout the country at the beginning of the project, while Salcajá had 18,991 members and a loan portfolio worth approximately US\$12.8 million. In an area of high migration, Salcajá receives 8 percent of the remittances coming into its zones of influence. These remittances come primarily from the cities of Trenton, Houston, Chicago, Los Angeles, and Washington D.C. in the United States.

PROJECT DESIGN

The lack of rural remittance services and rural financial intermediation was a problem. The project's objective is to provide support to a rural Guatemalan cooperative to improve the efficiency of its remittance transfer line of business, through improving an online platform to permit international account-to-account transfers. The project strategy is to increase the cooperative's understanding of its market (both senders and recipients), develop remittance-linked products based on the results of the market studies, create a marketing strategy for the cooperative to increase membership of recipients, and provide them with financial education so that they will be more likely to utilize other products and services from the cooperative.

The project hypothesis is:

- A rural cooperative can increase its membership and expand its remittance transfer services by improving its online platform, understanding the needs of senders and recipients in its target communities, and providing financial education to its members and to remittance recipients.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Identify the needs of migrants and their families.
- Design the financial products and strategy for marketing them over the technological platform that the cooperative has been developing.
- Design a strategy to increase the number of cooperative members.
- Design remittance-linked financial products and services.
- Update the information in the database on the needs of remittance-sending migrants and remittance recipients in the region.

RESULTS TO DATE

The project began in 2006, with an execution period of 36 months. The project is still in execution and will end shortly. It has been successful in attracting new clients from remittance families to the cooperative. Salcajá has attracted nearly 90 percent of remittance recipients as new clients. The volume of remittances increased by 57 percent at its highest point and has declined recently due to the global financial crisis. Many new products have been designed and implemented, with significant uptake. In particular, a children's savings account, linked to tree planting, has proved to be very popular.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Some 1200 individuals have access for the first time to new financial products and services.</i>	<i>Some 1190 people have access for the first time to new financial products and services; 87 percent of remittance recipients have become "banked" with new financial products and services.</i>
<i>A 30 percent increase in three years in the number of transfers through Salcajá.</i>	<i>The number of monthly transfers is the same as in 2005. However, it increased by 52 percent in 2007, and has since dropped back to its original amount.</i>
<i>A 30 percent increase in three years in membership, from 4600 to 6000.</i>	<i>Salcajá began the project with 18,000 members and now has over 27,000.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- The project funded a study on remittance recipients that was a key input to the design of three new products: a savings product for children, an insurance product for repatriating deceased migrants, and a loan for productive investments. Project funds also supported a study on

institutional image, with recommendations that helped Salcajá increase its membership. One recommendation was to produce audiovisual materials for orientation of new members. The cooperative has also initiated a customer service program. There are now radio announcements about the children's savings account "Mi Pinito" and the remittance-linked savings account "Remesalcajá" in Spanish, Quiche, and Mam. Logos have been designed for six of the cooperative's new products. MIF funds supported a study on redesigning the platform for the program "More than Remittances," a hardware upgrade, and purchase of ATMs with debit card options. The ATMs and debit cards allow members to withdraw cash and obtain account balances.

- The cooperative has implemented ten new products, services and benefits:
 - Credit card services
 - Repatriation insurance for deceased migrants
 - Children's savings accounts, linked to reforestation activities by giving each child a tree to grow with their savings account
 - A savings account linking remittances to other products
 - Payment of utility bills
 - Hospitalization insurance
 - Debit cards
 - Online account consultations
 - Funeral insurance
- The cooperative has strengthened its procedures and processes for the selection of consulting firms and procurement.
- The cooperative's transfer costs have fallen significantly due to efficiencies from the IT systems.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Cooperative leaders strongly supported the project's goals.
- The cooperative had a good governance structure in place before the project began.
- Salcajá is committed to social development and to helping its target communities, which has helped it define appropriate products and programs.
- Salcajá has a direct relationship with the families of migrants in the United States and with formal and informal migrant organizations there. It has a thorough understanding of the problems faced by migrants in the United States and their families in its area of influence.

External (environmental) success factors:

- There was limited competition in the remittance market in Salcajá's outreach areas at the beginning of the project.



PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The cooperative's small size from the perspective of remittance companies was a problem, which translated into a lack of negotiating power on the part of the cooperative. Salcajá does not get a beneficial exchange rate on its remittances, which has a negative impact on its members.

External (environmental) problems encountered:

- U.S. immigration laws increased the difficulty of obtaining information on senders.
- The global economic crisis has caused the volume of remittance transfers to decline.
- In the study of remittance senders in the United States, the use of telephones to gather information was a failure. People were too afraid to provide information over the phone. In contrast, the focus groups worked well.

REGULATORY ISSUES

The Superintendency of Banks suspended the repatriation insurance product for a short time to investigate whether it complied with insurance laws. The Superintendency was concerned that the cooperatives and the partner insurance company did not have the capacity to handle insurance claims. These concerns were allayed in a meeting between the Superintendency and the other two entities, and the product was approved shortly thereafter.

IMPACT AT BENEFICIARY LEVEL

- Migrants can open bank accounts with the cooperative at the offices of the remittance company Viamericas, in its more than 1500 points of service in 20 U.S. states.
- Children became a target group for savings products and now have their own product, which is linked with tree planting to help the environment. Currently there are nearly 4,000 Mi Pinito [My Little Pinetree] accounts.
- Members have new products and services from which to choose. For example, 351 debit cards and 766 credit cards had been issued as of August 2009. The debit cards function with the new ATMs in the central office and in one branch office. With the debit card, members can withdraw cash and make balance inquiries.
- Household incomes have reportedly improved. Through the Programa de Desarrollo Económico y Financiero Cooperativo [Program of Cooperative Economic and Financial Development] (PRODEFIC), aimed at the poorest, for the first time 1,190 new members have access to financial services and products.
- Transfer costs have fallen due to the new partnership with Viamericas, which offers a better exchange rate than the previous operator.



LESSONS LEARNED

- The cooperative could not control remittance-transfer cost. Costs and exchange rates are determined by remittance companies, and the cooperative has no influence over them.
- Gathering information on migrants is more effective in focus groups than by telephone.
- When negotiating terms with remittance companies, the size of the institution and its remittance market are key to receiving good terms.
- Branding an institution and its products can help improve acceptance of these products by new clients.

CONCLUSIONS

This project had a significant positive impact. The percentage of remittance recipients who are now members with savings accounts is impressive. Children are included in the product offering, and there is an environmental component to the children's savings account. Remittance transfer services have become more efficient, so that the cost to the cooperative has fallen. The cooperative has completely internalized the remittance transfer business as a core business line for its rural clients.



Executing Agency:*El Comercio***Project Title:***Bringing Unbanked Remittance Recipients into the Formal Financial System***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$420,000*

The executing agency, El Comercio Financiera S.A.E.C.A. [Commerce Finance Company (El Comercio)] is a Paraguayan financial institution whose business strategy targets mainly microfinance for the rural and agricultural sector. Licensed in 1976, it received a previous grant from the MIF for institutional strengthening and expansion into rural areas. At the beginning of the project, El Comercio was already a Western Union agent, handling an average of 1,000 transfers per month, and was interested in expanding into other markets.

PROJECT DESIGN

Despite the presence of a significant percentage of the Paraguayan population living and working abroad (in countries such as Argentina, Spain, Brazil, and the United States), when this project began, no Paraguayan financial institutions offered remittance-transfer services. Nor was any information available on the financial needs and preferences of populations that could benefit from such services.

El Comercio was the first financial institution in Paraguay to offer remittance transfers between Argentina and Paraguay and between Paraguay and other emigrant destinations (Brazil, the United States, and Spain). With project support, El Comercio is designing products for households that send and receive remittances. Through its partnership with Western Union, El Comercio is using the Western Union data system to offer and cross-sell its new products in rural areas that receive remittances from Argentina.

The project hypothesis is:

- By strengthening a finance company with outreach to the rural areas, the project can build a remittance corridor between Paraguay and Argentina, improve the flow of remittances to Paraguay, and attract remittance recipients to other financial products designed to meet their needs.



PLANNED ACTIVITIES

This project was designed to include the following activities:

- Conduct three market studies in Paraguay, Argentina and the United States to improve knowledge of the target market and potential demand for the new financial products.
- Develop two microfinance products based on remittance flows.
- Develop a strategy for marketing and promoting products to migrants..
- Train loan officers.
- Strengthen technological infrastructure, i.e., the remittance-transfer platform.

RESULTS TO DATE

The project began in 2006, with an execution period of 39 months and an extension of 18 months. This project is still in execution. The project got off to a slow start, due to a lack of focus by the executing agency as to where to expand its remittance activities. Four market studies were conducted in that many countries. Due to the expense of expanding into Europe or the United States El Comercio decided to expand into Argentina. This strategy had limited success, and El Comercio's branch office in Argentina was recently closed.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Market studies conducted in Argentina, United States, and Paraguay.</i>	<i>All three market studies have been completed.</i>
<i>Volume of transfers increases to 3,500 the first year, and to 4,500 the second year.</i>	<i>No results yet.</i>
<i>US\$100,000 in additional deposits from remittances in the first year, and US\$135,000 in the second year.</i>	<i>No results yet.</i>
<i>US\$50,000 in remittance-linked loan products in the first year, and US\$100,000 in the second year.</i>	<i>No results yet.</i>
<i>By project end, 1,800 people have first-time access to new financial products and services.</i>	<i>For the first time, 685 remitters have debit cards (remittance transfers are automatically deposited to the card). A microinsurance product and home improvement product are in the pilot phase.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- The completion of the three market studies (on links between Argentina, the United States, and Paraguay) has helped El Comercio define a strategy to attract remittance recipients to other products. A fourth study, in Spain, has been approved.
- Three new remittance-linked financial products have been designed. One is a housing loan and the other is a Visa debit/credit card coupled with a line of credit paid by the remittance transfer when it arrives. The debit/credit card, Te Acercamos [We Get Closer to You] was launched in 2008. The third product is the home improvement loan. These three products were designed based on the findings of the market studies.

INSTITUTIONAL IMPACT OF THE PROJECT

El Comercio has a better understanding of the needs and habits of Paraguayan migrants and remittance recipients, and knowledge of markets in Spain, the United States, and Argentina.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- El Comercio is well positioned in the Paraguayan market. The broad outreach through its branch offices (32 as of September 2008) covering 70 percent of rural markets, makes it easier to reach remittance recipients.
- El Comercio had previous experience with remittances.
- El Comercio's contract with Western Union has enabled it to utilize Western Union's database for cross-selling products.

External (environmental) success factors:

- Paraguay has a stable macroeconomic and political environment.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- An exclusive arrangement with Western Union prevents El Comercio from working with other remittance companies; thus, El Comercio is also restricted to Western Union's markets.

External (environmental) problems encountered:

- The economic downturn is decreasing the amount and value of remittances sent from abroad, and Paraguayan migrants are returning home. This shift affects the profitability of the remittance line of business, as well as the cross-selling of other products.
- There is serious competition from other money transfer organizations. In particular, there is a strong competitor in Argentina, which limited El Comercio's expansion possibilities there.



IMPACT AT BENEFICIARY LEVEL

- Some 685 remitters have debit cards onto which transfers are automatically deposited. A microinsurance product and a home improvement product are in the pilot phase.

REGULATORY ISSUES

In Argentina it is difficult to open agencies due to regulatory constraints, which has slowed the project's progress.

LESSONS LEARNED

- Executing agencies need a clear focus for their market expansion if it entails working across borders. El Comercio was not focused on a particular market, which slowed project implementation. Market studies take at least six months to conduct, and the rest of the project activities are determined by the results.
- Paraguayan remittance recipients have little interest in leveraging remittances with financial products. El Comercio has found that it is more effective to market the products to the senders.
- Working with remittance companies (in this case, Western Union) is important when marketing products, since the company is already marketing its own services to migrants. It was less costly for El Comercio to piggyback its sales strategies onto Western Union's infrastructure.

CONCLUSIONS

The project suffered some delays with the market studies, which slowed the rest of the activities. The institution gained a better understanding of the potential market, but uptake of new products by remittance senders and recipients proved to be quite challenging. In addition, the market of creditworthy people (based on recurrent remittance flows) is small, and it is not clear if the credit products for remitters and their families will reach scale. Still, the three new products have potential, and the remittance-linked debit card is already in use by a good number of remittance senders. Remittance transfers have increased significantly for El Comercio, reaching 60 percent of the market in Paraguay. This is, however, not due to the project, but rather to Western Union's expansion in Paraguay.



Executing Agency:*Federación de Cooperativas de Ahorro y Crédito de Honduras***Project Title:***Institutional Strengthening of Credit Unions in Honduras***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$2,100,000*

The executing agency is the Federación de Cooperativas de Ahorro y Crédito de Honduras [Cooperative Federation of Honduras] (FACACH), a second-tier cooperative association founded in April 1996. The FACACH network currently has 76 cooperatives with 600,000 members. At the time of this review, FACACH had US\$558 million in assets, US\$228 million in liabilities, and US\$330million in equity. Most of FACACH's revenue comes from financial intermediation and training services for its affiliates.

PROJECT DESIGN

There is a huge unmet demand for remittance services in the rural areas of Honduras, and the services that do exist are rudimentary and inefficient. The project's general objective is to extend access to stable, reliable, and diversified financial services to underserved segments of the population. The specific objective is to improve the administrative and financial management capacity of the cooperative sector. The project's three components are: (i) development, implementation, and certification of tools for risk control, administration, and management; (ii) development, implementation, and deepening of new financial products and services, including remittance transfer services; and (iii) creation of a financial information system for the cooperative sector.

The project hypothesis is:

- By strengthening a cooperative apex and its members, member services (including remittances services) will improve.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Conduct an assessment of the financial and technological "toolbox."
- Develop or update risk management and control tools, implement those tools at cooperative headquarters, and train managers and line staff on their use.
- Conduct market research to determine the scope and potential for clearance and remittance services and assess credit and savings needs.
- Develop at least one new product, along with respective handbooks, software upgrades, and implementation procedures.



- Implement technological improvements in the communication and control systems needed to strengthen and expand remittance and clearance services.
- Train cooperative managers and line staff in promotion, handling, and financial and operational control of these services.
- Help the sector implement a standardized information system that combines, certifies, and centralizes the financial, administrative, and risk exposure data of the cooperatives.

RESULTS TO DATE

The project began in 2003, with an execution period of 48 months and an extension of 12 months. This project is still in execution, although it will be completed shortly. Relevant achievements in the theme of remittances include an increase in the number of remittance transfers and amount of transfers. The cooperatives have improved capacity for self-monitoring, which in turn has improved their performance, reflected in their A rating. Membership in 18 cooperatives has increased.

As of August 2009, the project had achieved the following selected outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>The volume and number of transactions involving remittances from abroad through FACACH cooperatives have increased by 20 percent over baseline.</i>	<i>The volume of remittance payments has increased 418 percent over baseline (from US\$12M to US\$62.5 million per year between 2003 and 2008). The number of remittances has increased by 720 percent over baseline (from 28,000 to 230,000 per year during the same years).</i>
<i>25 cooperatives are providing remittance payment services and have at least a BB rating.</i>	<i>25 cooperatives are paying remittances and have an A rating.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- FACACH and its cooperatives have better capacity in risk management, administration, internal controls, and liquidity management. FACACH implemented a new organizational structure and adopted policies, manuals, and processes to improve its management to its affiliates. FACACH also recorded a technological advance considering that management of remittances is now completely automated, and the clearance services of 25 cooperatives are also automated.
- Attention to clients has improved due to more efficient operations, with the average time to wait on a member dropping to five minutes (previously, a remittance transaction took one hour and 45 minutes). This improvement has diminished staff work-load by 50 percent.
- Quality control using the WOCCU PEARLS rating system for cooperatives has been installed in 25 cooperatives, which has improved their ability to self-monitor. These 25 are now qualified with an A rating.
- Loan delinquency has dropped in 11 cooperatives, influenced by the implementation of a scoring system.



- Membership has increased by a consolidated 19 percent in 18 of the 25 cooperatives.²² Loan portfolio has increased by 20 percent in 17 cooperatives (December 2008).
- The web-based UNIRED platform has been designed and installed, and the cooperatives have Internet access, which they did not have before the project. UNIRED contains the following automated financial transactions: remittances, loan payments, savings deposits, savings withdrawals, and balance consultations. Through this web-based platform, FACACH is now linked with all cooperatives that are part of the network. All 25 cooperatives are using the remittance-transfer platform, and 14 of them are also using it for savings deposits, withdrawals, and loan payments.
- Forty-three new points of service have become part of the network.
- Three new financial products for remittance senders have been designed and are in the pilot stage. These are a savings product, a credit product, and an insurance policy.
- FACACH has contracts with five money-transfer organizations (remittance companies).

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There were champions among the FACACH and cooperative staff who moved the process along.
- The cooperative vision and mandate to work with low-income people was important to maintaining commitment to the project's goals.
- The large scope of the cooperative network contributed to the project's impact.
- FACACH's previous experience with other donors (USAID, GTZ, etc.) helped the Federation understand the MIF procedures.
- The existence of the UNIRED network, in which membership is based solely on the solid financial performance of the cooperatives, was important to maintaining good financial performance.

External (environmental) success factors:

- There is a lack of remittance payment competition in the rural areas.
- In the context of a stable economic environment, there is growing demand for remittance payment services.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- Initially there was a certain degree of resistance from some cooperative staff to sharing information with other cooperatives in the network. The project champions were able to mitigate this problem.
- Problems arose during implementation of the IT systems, for example, there was some fear among the cooperatives about going automatic and online. FACACH was able to convince these staff members about the utility of becoming automated.

²² No information was available on the remaining seven cooperatives.



External (environmental) problems encountered:
None.

REGULATORY ISSUES

No regulatory issues affected the project.

IMPACT AT BENEFICIARY LEVEL

- Remittance recipients now have greater access to a wider range of financial services.
- Remittance recipients receive their funds in a shorter time period—five minutes—as opposed to the previous one hour and 45 minutes.
- Cooperative members, including remittance recipients, now have online access to services.

LESSONS LEARNED

- Good coordination is key in projects with multiple entities. In this project, there was a technical execution committee, which had maximum authority over the projects and could also sign consultant contracts for the project. This structure made the project move quickly.
- Resistance to some of the project's activities on the part of some of the directors was due to lack of understanding of the importance of the project's goals. Project design should have included strengthening governance.
- Cooperative staff members working with manual systems should have the opportunity to observe automated systems at work in similar situations, so as to reduce reluctance to automate.
- Participating entities should be using standardized MIS before installation of additional systems, automated tools, or platforms.

CONCLUSIONS

Strengthening a cooperative apex and its members improved the efficiency of services, including remittance payment services, to members. This project helped broaden access to remittance services, particularly in rural areas. Remittance recipients now have the opportunity to obtain additional products from the cooperatives.



Executing Agency:*Federación de Cooperativas de Ahorro y Crédito de El Salvador***Project Title:***Strengthening of Financial Services and Remittances***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$2,300,000*

The member cooperatives of the Federación de Cooperativas de Ahorro y Crédito de El Salvador [Federation of the Association of Savings and Credit Cooperatives of El Salvador] (FEDECACES) are the major providers of financial services in El Salvador. Currently, FEDECACES has 32 cooperative affiliates, 58 points of service, and 250,000 members and is active in all departments in the country.

PROJECT DESIGN

In El Salvador, cooperatives play an active role in the development of the rural sector, but the supply of financial services, especially savings products and efficient remittance services, is still insufficient. The project's strategy is to assist FEDECACES in strengthening its network of cooperatives in order to deal with inefficiencies in its remittance payment systems and develop a broader range of financial products for remittance families.

The project hypothesis is:

- Strengthening a cooperative network and improving its remittance payment services will lead to better outreach to rural and low-income populations and greater access to financial services for them.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Strengthening of remittance payment services and their links to other financial services, including: (i) review the requirements and develop technological options to add remittance services to the automated operations and information technology systems; (ii) acquire hardware and software to automate the services; (iii) design and introduce a training program for staff of the cooperatives and FEDECACES to instruct them in how to promote and administer the service; (iv) develop and introduce remittance-linked financial products; and (v) develop a plan for marketing the remittance service.



- Adaptation to the rules governing non-banking financial institutions: To enable the cooperatives and FEDECACES to comply with the new regulations (see the section below on Regulatory Issues), the project helped: (i) train trade unions, administrators and staff in the new regulations and develop and implement a plan to introduce the necessary adjustments to bring them into compliance; (iii) conduct audits of the ten cooperatives in the system that have the most assets; (iv) develop and introduce financial modernization plans for cooperatives that are not up to system standards; (v) review FEDECACES' self-regulation and oversight systems and procedures and their adaptation in order to ready FEDECACES to serve as a subsidiary oversight agency under the Ley de Intermediarios Financieros No Bancarios [Non-bank Financial Intermediaries Act] (LIFNB); (vi) create a set of early-warning financial signals; and (vii) create and implement an ongoing training program for FEDECACES staff and member cooperatives who are assigned to the self-regulation and oversight area and the auditing area. The project also aims to provide FEDECACES with advisory assistance in: (i) developing a strategy and design business plans specifically tailored to the system as a whole and to the individual cooperatives; (ii) analyzing current and potential markets; (iii) designing new products; and (iv) developing and standardizing business strategies and procedures.
- Modernization of procedures and systems: The project aims to advise FEDECACES on: (i) revising and standardizing the system's handbooks of administrative and operating procedures; (ii) reviewing, updating, and standardizing the systems, procedures, and reporting for financial and administrative information; (iii) designing and implementing a systematic program of administrative and financial advisory services for the cooperatives, including development and introduction of a system of productivity- and efficiency-benchmarking standards; and (iv) reviewing the system's current technologies and developing an information-technology strategy tailored to the system's technological possibilities and designed to accommodate the system's potential development.
- A personnel training plan: The project will help FEDECACES design and implement a comprehensive training program targeting: (i) cooperative directors; (ii) managers and administrative personnel from the cooperatives and the Federation; and (iii) staff from various business areas, in financial and administrative management, risk assessment, compliance with prudential norms and auditing, as well as strategic and business planning.

RESULTS TO DATE

The project began in 2002, with an execution period of 34 months and an extension of 42 months. This project is still in execution, and will be completed shortly. The federation and its member cooperatives have significantly increased the number of remittance transfers received each month. The cost of transferring remittances has decreased, as has the time to transfer remittances. More than 20 percent of these remittances have been channeled into new savings accounts.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Improved remittance services, offered in combination with other financial services, measured by: Average number of remittances transacted per month >3,000.</i>	<i>325,000 remittance transfers in 2008, averaging 27,000 per month. In 2001 there were 3,009 transactions.</i>
<i>Revenues per transfer/ total revenues >15 percent Operating cost per remittance <US\$1 Transaction time per remittance <30 min Remittance clients' enrollment as members >25 percent.</i>	<i>Revenues per transfer / total revenues = 1.2 percent Operating cost per remittance = \$0.62²³ Transaction time per remittance = 5 minutes Remittance clients' enrollment as members (it is not possible to measure this indicator with the existing MIS).</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- US\$110.9 million was transferred in remittance payments in 2008, versus US\$1.2 million in 2001.
- Twenty-five of the FEDECACES cooperatives have formed a network of financial services called RedActiva, with 58 points of service, and over 500 networked computers, through the entire country. Members can use any point of service in the country to do financial transactions in any cooperative in the network. These transactions include savings deposits or withdrawals, loan payments, insurance payments, bill payments and remittance transfers or pickup.
- Remittance families have more convenient services as well as new products available to them. Recipients can pick up their remittances in cash. Both senders and recipients can have the remittances directly deposited into their own savings accounts. FEDECACES has also begun activities for piloting a credit and debit card, and is working on an insurance product. FEDECACES' cooperatives also provide remittance services from El Salvador to foreign countries, and by December 2008 had transferred US\$5.8 million through MoneyGram, experiencing a growth of 98.3 percent in the number of transactions and 100 percent in the amounts mobilized over December 2007.
- The network of cooperatives has strengthened its image with new logos for the cooperative system. The network has increased its investment in advertising to bring in more members and is conducting client satisfaction surveys on a regular basis.
- FEDECACES has devoted project resources to improving the quality of service to members, by training staff in customer service and the use of the remittance transfer platform.
- The FEDECACES cooperatives have contracts with 11 remittance-transfer companies (including Vigo, Moneygram, La Nacional, Viamericas, Uniteller, Global, Santo Domingo Express, among others), which together provide over 3,000 points of service in the United States and more than 50 in other countries.²⁴
- FEDECACES' cooperatives cover 3 percent of the remittance market in El Salvador.

23. Note that this cost corresponds to the cooperatives, not the remittance sender.

24. Data from the FEDECACES website: http://www.fedecaces.com/principal/FEDECACES/cobertura_remesa.htm



- In terms of products available to remittance recipients, FEDECACES' cooperatives have an 8 percent representation of remittance recipients in their credit portfolio, and 12 percent representation of remittance families in their savings portfolio.
- FEDECACES' Central Liquidity Fund is vested with US\$2 million for managing liquidity in remittance transfers.
- The cooperatives have captured approximately 21 percent of the remittances in savings.
- FEDECACES has strengthened its Supervision and Internal Audit unit and Corporate Marketing unit, giving them more personnel and information technology.
- The cooperatives have discovered the importance of financial education as an instrument for attracting remittance recipients as members, using the themes of the importance of savings and training in order to use credit correctly. Training attendees (in groups of 20-25 individuals) learn to make budgets, save money on household expenses, and other financial exercises.
- The FEDECACES network is upgrading its information technology system, which will be entirely online. This switch is making the handling of remittance transfers as well as all other operations more efficient and faster.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There was excellent buy-in of cooperative managers and directors, which was maintained despite some turnover of key positions.
- The cooperatives' vision and mandate to work with low-income people contributed to the institutionalization of project goals within the cooperative system. The cooperatives' missions include a social focus as well as a profit focus.
- The Central Liquidity Fund, which existed before the project began, is essential to maintaining sufficient liquidity for remittance transfers. The Liquidity Fund pays out advances on commissions that are due the cooperatives, since the remittance companies pay 30 days after transfers are made.

External (environmental) success factors:

- The financial system of El Salvador remained stable during the six years of project implementation.
- There is limited competition; commercial banks have not shown interest in serving this market.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There were problems with some of the indicators in the logical framework: some were underestimated and others were overestimated. One example is the ratio of income for services/ total income > 15 percent. FEDECACES was only able to achieve 3.4 percent.

External (environmental) problems encountered:

- None.



REGULATORY ISSUES

Because of their size, none of the cooperatives affiliated with FEDECACES is subject to the LIFNB. However, this new law created a window of opportunity for the system to professionalize. LIFNB-regulated cooperatives are able to expand their markets by providing services to non-members. The law provided incentives for greater integration into the system. Under the LIFNB, FEDECACES, with authorization from the Superintendencia del Sistema Financiero [Superintendency of the Financial System] (SSF), became accredited as an auxiliary oversight agency for the system and set up a federation stabilization fund.

IMPACT AT BENEFICIARY LEVEL

- Access to financial services has improved for the cooperatives' target populations, both for senders (through 52 points of service in El Salvador) and recipients (through the increased number of remittance-transfer companies with which the FEDECACES network is linked).
- The time for receipt of remittances has decreased from three hours at the beginning of the project to five minutes at the end.
- FEDECACES estimates that approximately 43 percent (11,000) of remittance recipients have become new members. These people now have access to loans, savings, and microinsurance, and soon they will have access to debit and credit cards.
- The provision of remittance services has helped lower the theft of remittances in the target areas.

LESSONS LEARNED

- A fundamental lesson learned for FEDECACES and its cooperatives is that a second-tier structure (i.e., FEDECACES itself) is indispensable for the smooth operation of the remittance-payment business. A second-tier facility is needed to manage liquidity in the system and to advance money to the cooperatives until the remittance companies pay the commissions.

CONCLUSIONS

Remittance-payment services became an instrument of development for FEDECACES and its member cooperatives. These entities have changed their whole transfer system, put all the cooperatives online (which allows account-to-account transfers), and have grown their central facility to manage their increased liquidity. For recipients, there are now more points of service and more financial services and products available to them.



Executing Agency:

FINDESA/BANEX

Project Title:*Investment in Financiera Nicaragüense de Desarrollo (FINDE S.A.)***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:**

US\$2,910,000

The origins of FINDE S.A. (FINDESA) date from 1963, the year in which the Instituto Nicaragüense de Desarrollo [Nicaragua Development Institute] (INDE) was created. INDE is one of Nicaragua's oldest NGOs and it continues in operation today, promoting education and technical assistance, providing training programs for cooperatives, and supporting projects aimed at improving the conditions under which microenterprises and small businesses operate. In 1993, INDE began a program to finance microenterprises called FINDE, with funds provided by the German technical cooperation agency GTZ. In October 2001, authorization was obtained from the Superintendency of Banks to create the Financiera Nicaragüense de Desarrollo Sociedad Anónima [Nicaraguan Development Finance Company] (FINDESA), under the Act Governing Banks, Non-banking Financial Institutions and Financing Groups. To date, FINDESA has advanced small amounts of credit to thousands of entrepreneurs; these lines of credit are financed with the proceeds of loans that FINDESA obtains from international organizations such as GTZ, Dexia Micro-Credit Fund, and other lenders. In 2008, FINDESA became a regulated microfinance bank, BANEX.

One of the biggest challenges FINDESA faced at the beginning of this project was developing its capacity to attract deposits and expand its loan portfolio. This growth was the rationale for obtaining its banking license. Once it receives a banking license to accept deposits from the public, FINDESA will be able to mobilize more funds within the local financial system and from the public at large, and—most importantly—it will have an opportunity to offer a range of other services in addition to loans, among these the handling of family remittances and utilization of debit cards.

PROJECT DESIGN

The two challenges that this project aimed to address were the growth and transformation of FINDESA into a regulated entity and the lack of remittance services for Nicaraguan migrants, primarily in Costa Rica, but also in the United States and Europe. The project's objective was to help FINDESA achieve its transformation goal, and to build its remittance-transfer business to benefit Nicaraguan migrants working in Costa Rica by providing funds for growth and transformation and a grant for building remittance services.

The project hypothesis is:

- Supporting a local non-bank financial institution (NBF) in its transformation to a bank, while at the same time aiding it in expanding its remittance transfer services to Nicaraguan migrants in Costa Rica, will contribute to the bank's sustainability and at the same time will help Nicaraguans gain access to a larger share of their remittances and to opportunities for leveraging those remittances.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Investment by the MIF in conjunction with two private-sector institutions, Développement International Desjardins (DID) of Canada and Stichting Hivos-Triodos Funds of the Netherlands, in shares of FINDESA to strengthen its financial structure and improve its corporate governance.
- Provision of a loan to FINDESA at market terms and conditions, for on-lending to microenterprises and small businesses (to be available to FINDESA after transformation).
- A technical cooperation grant to strengthen the company's institutional capacity, in particular by improving its ability to attract deposits from the public, expanding its area of coverage, and launching new services for the transfer of family remittances from Nicaraguan migrants in Costa Rica. FINDESA intends to create a broad network of points of service in Nicaragua, and expand remittance partnerships in Costa Rica as well as other remittance-sending countries.

RESULTS TO DATE

The project began in 2003, with an execution period of 48 months and an extension of 20 months. The project is now closed. FINDESA transformed into a licensed bank: Banco del Éxito (BANEX). BANEX significantly increased the number and amount of remittance transfers and the number of new clients by broadening its partnerships with remittance companies from seven to 16 and by expanding points of service within Nicaragua via new branch offices. The remittance business has become an integral part of BANEX's business strategy.

The project achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>FINDESA increases its annual remittance transfers to 9960 by the end of the project.</i>	<i>Approximately 121,000 transfers (2008), totaling US\$21 million.</i>
<i>Seven remittance transfers contracts are signed in Costa Rica.</i>	<i>Sixteen contracts with remittance companies in Costa Rica, the United States, and Europe.</i>
<i>An average of 830 remittances are sent monthly.</i>	<i>An average of 10,000 remittances sent monthly.</i>
<i>US\$110 average amount per remittance transfer.</i>	<i>US\$177 average amount per remittance transfer.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- FINDESA converted to a licensed bank in 2008.
- FINDESA opened three branch offices in underserved rural areas: Moyogalpa, Nueva Guinea, and Siuna.
- FINDESA's deposits have remained stable despite the economic downturn, and the number of depositors has increased; there are now over 72,000 depositors.
- At the end of 2008, FINDESA had developed, updated, and put into practice 14 manuals, including an Operations Manual and a Remittances Manual. These manuals have helped standardize processes, establish strategic guidelines for operations, strengthen corporate culture, and train staff. The manuals are available online to all 600 employees.
- BANEX has established contracts with Serviexpreso, Teledolar, and Banco Nacional de Costa Rica, for Costa Rica; CISA and Latinoenvios for Europe; and Bancomercio, Alante Financial, Quisqueyana, OrderExpress, Viamericas, Ria Financial, Rapid Envios, Vigo Corporation, Sigue Corporation, Intermex, and Teledolar-Representatividad for the United States.
- BANEX has purchased and installed Core Banking software for its operations, and the accompanying hardware and licenses for all systems have been delivered by the supplier. The new system is a stable platform used by many medium and large national and international banks. Before converting to a bank, FINDESA made a change in its organizational structure, putting savings mobilization under a deputy manager of products within the Department of Business, with the aim of increasing savings.
- FINDESA created a specific department with the task of making the remittance product profitable.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- FINDESA has good strategic planning skills and has built other skills through training.
- FINDESA senior management and board were committed to the goal of making remittances a core business line in the bank.
- FINDESA senior management was committed to maintaining and expanding the infrastructure of the bank (branch offices, systems), making this a principal strength in confronting the competition.

External (environmental) success factors:

- Strong competition has pushed FINDESA to become a more professional organization. On the other hand, the competition is primarily in the urban areas, which gave FINDESA a window of opportunity to expand in rural areas.
- The existence of donors and investors who fund FINDESA's growth has been essential to FINDESA's transformation and the support for the remittance business.
- The macroeconomic environment in Nicaragua has been stable.
- Demand for remittance services continued to increase during the project period.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- FINDESA was not able to achieve one target, which was to reach 35 percent of deposits as a proportion of total liabilities, and instead reaching only 23 percent of deposits to liabilities. This was partly due to the financial crisis and partly due to the change of government. Another factor is the fact that FINDESA has tried to reach out to low-income populations, who can deposit less. FINDESA did reach 50 percent in 2006, but since then the percentage has declined.

External (environmental) problems encountered:

- None.

REGULATORY ISSUES

No regulatory issues influenced the project.

IMPACT AT THE BENEFICIARY LEVEL

- Remittance recipients now have greater access to remittance services through three additional branch offices.
- Remittance senders have more access to sending points, as a result of the multiple contracts with remittance companies.
- The volume of remittances from Nicaraguan workers in Costa Rica has increased, as well as from other countries, to US\$121 million in 2008.
- FINDESA/BANEX can now offer savings services to remittance families, as well as to the general public, due to its conversion to a bank. Some 72,000 people now have savings accounts, totaling US\$37.6 million.²⁵

LESSONS LEARNED

- Changes of government can have significant impact on the mobilization of savings of the population. The change affected the entire financial system, not just FINDESA.

CONCLUSIONS

The equity investment, loan, and technical cooperation grant helped FINDESA convert to a bank. The MIF's support gave FINDESA credibility and brought in new investors. At the same time, the MIF technical cooperation helped FINDESA expand its remittance services by creating linkages not just with Costa Rica, but also the United States and European countries. This expansion benefited Nicaraguan migrants working in those countries. The volume and number of remittances has increased. The project's hypotheses were validated.

²⁵ No data is available on the number of recipients or senders who have opened bank accounts or taken loans.



Executing Agency:

Fonkoze

Project Title:*Enhancement of the Remittances Services to and within Rural Haiti***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:**

US\$572,565

Established in 1994, Fonkoze is a regulated microfinance institution serving poor Haitians. Just before the beginning of the project (2005-06), Fonkoze had over 80,000 depositors, almost 26,000 active borrowers (96 percent are women), and 26 branch offices located throughout every department of Haiti. Fonkoze's services include: (i) solidarity group and individual loans that are used to start or expand a small business; (ii) savings products geared toward meeting the needs of the poor; (iii) currency-exchange services that allow Haitians to change U.S. dollars into Haitian gourdes at a preferential rate; (iv) money-transfer services that allow Haitians living overseas the opportunity to transfer funds to Haiti at very low cost; and (v) literacy and business skills training. In September 2005, Fonkoze had more than \$6 million in savings deposits, almost US\$5 million in outstanding loans, and a portfolio at risk (30 days) rate of 5 percent. Its NGO partner, Fonkoze USA, established in 1997, works with Fonkoze. It has four main objectives: (i) to raise donated funds to help Fonkoze reach its goals, including expanding the literacy program, opening new branches, and testing new products; (ii) to raise loan funds to help Fonkoze finance and expand its loan portfolio; (iii) to increase public awareness about Fonkoze and Haiti in the United States; and, (iv) to facilitate technical assistance to Fonkoze.

PROJECT DESIGN

Haiti has remittance services through large money-transfer companies that tend to charge high fees and operate only in the urban areas. Through this project, Fonkoze implemented a strategy to tackle market inefficiencies in remittance transfers to rural areas by expanding its remittance services further into those areas and building the capacity of hometown associations (HTAs) as agents of development in Haitian communities. In addition, Fonkoze USA helped the HTAs find the optimum channels and choices for funding development projects in Haiti.

The project hypothesis is:

- Fonkoze can expand its remittance services in rural areas efficiently, and with training, migrants involved in HTAs in the United States can become agents of development in Haiti.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Develop a database of Haitian HTAs, which will function as an information clearinghouse with data about the organizations, their work in Haiti, and the range of projects they carry out.
- Conduct a needs assessment of three rural communities in Haiti with links to HTAs in the United States.
- Develop training materials and organize one-day workshops with seven HTAs on how to contribute effectively to the development of their communities in Haiti.
- Open eight new branches with telecommunications capacity, computer hardware and management information systems in areas where there is no remittance service.
- Recruit and train staff. Fonkoze will train its staff on the new technology and remittance-transfer procedures.
- Implement a marketing campaign to target Haitian Americans in the United States to educate them on Fonkoze's money-transfer service and provide them with tools to improve their financial literacy.

RESULTS TO DATE

The project began in 2007, with an execution period of 32 months. The project is now in its final phase. The relevant achievements at the date of this review are that Fonkoze's remittance transfers numbered 62,000 in 2008-09, making 5,000 transfers per month compared to its baseline of 300 per month, for a volume of nearly US\$40 million. Fonkoze now has contracts with five money-transfer organizations. New financial products for remittance families, including a pre-paid Visa card, have been launched. Fonkoze has established a large database with HTA information and has trained HTA leaders.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Expand Fonkoze's payment capacity by partnering with at least three money transfer companies.</i>	<i>Eight money-transfer companies became partners, four are currently partners.</i>
<i>Increase remittance transfers from 300 to 800 per month.</i>	<i>Fonkoze now handles > 5000 transfers per month.</i>
<i>Reduce Fonkoze's transaction cost of remittance transfers by 20 percent.</i>	<i>Could not be determined. Fonkoze has no measurement system in place to assess this cost.</i>
<i>Provide capacity building on basic needs in rural Haiti for 15-20 HTAs in Boston, New York, and Miami.</i>	<i>Fifteen HTAs (200 leaders) received training in those three cities.</i>
<i>Prepare and distribute basic needs assessment of three rural communities in Haiti that are connected to HTAs in each of the above-mentioned cities.</i>	<i>Two community needs assessments have been completed.</i>
<i>Produce and distribute a directory of Haitian HTAs in the United States.</i>	<i>A directory (database) of over 300 HTAs exists and is being used by Fonkoze to build relationships.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- Twenty-two rural branches of Fonkoze were established, equipped with the necessary technological equipment (22 computers, six printers, 22 Internet satellites reaching all 32 branches, etc.), and are now operational.
- The number of remittance transactions per month has increased by 81 percent since the project began.
- Partnerships were formed between Fonkoze and eight other money transfer institutions, of which five are current partners.
- Sixty-five Fonkoze employees are now trained in IT for remittance transfers.
- Although Fonkoze has not been able to determine if transfer costs have decreased, Fonkoze is launching a new product that will do that. In March 2008 Fonkoze signed an agreement with the Central National Bank and Trust Company (CNB) and Alianza International for the launch of a Pre-paid Visa card for remittances. The cost of the card is highly competitive. For US\$6, a client can send up to US\$2,500 to Haiti. The pre-paid Visa card is a payroll card that should help unbanked Haitians in the United States reduce their sending costs.
- An ongoing dialogue was created with the HTAs, which has proved useful to Fonkoze and its clients. By providing financial education to the HTAs, Fonkoze has been able to market its pre-paid debit card (Visa), where remitters can deposit funds in the United States that can be withdrawn in Haiti by family members.
- A database including more than 300 HTAs from the United States, France, and Canada was set up, which will help Fonkoze improve its outreach.
- There are five brochures for the Financial Literacy program:
 - How to open a checking or saving account
 - Prepaid, Credit and Debit cards
 - Sending Money Back Home (Remittances)
 - Loans for homes, cars and microcredit
 - Insurance

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Fonkoze has a strong historical commitment to its target population of poor Haitians.
- Fonkoze's outreach extends to rural areas, where there is unmet demand for remittance services.
- Fonkoze was already operating remittance transfer services, with contracts with remittance transfer companies.
- Fonkoze had a pre-existing relationship with Haitian diaspora, making it easy to scale up those activities.
- The former system of remittances was costly and not secure, which motivated Fonkoze to change.
- Fonkoze's partner NGO, Fonkoze USA, is located in New York City, an ideal spot to reach the Haitian diaspora.
- Fonkoze USA was willing to provide its expertise for this project to Fonkoze Haiti at no cost.

External success factors:

- There are no competing financial services or remittances providers in rural areas.
- There is high demand for remittance-transfer services due to a large Haitian migrant population.
- There are established HTAs in the United States, Canada, and France with which Fonkoze could link.
- A grant from the Appleseed Foundation supported the printing of the financial literacy brochures (in addition to MIF funds).

PROBLEMS ENCOUNTERED**Internal (institutional) problems encountered:**

- Two indicators established by the project were impossible to measure because systems had not been previously set up. The two indicators were the number of remittance recipients who opened new savings accounts, and the cost of transfers.
- The travel budget exceeded projections. There was no budget to perform mid-term evaluation and final evaluations, none for a project-required launch event, and none for multiple trips to and from Haiti for the HTA events.

External (environmental) problems encountered:

- The cost of training HTA members in financial literacy in the U.S. was extremely high. Fonkoze therefore decided to conduct training through videoconferencing, which was successful and less costly.

REGULATORY ISSUES

No regulatory issues affected the project.

IMPACT AT BENEFICIARY LEVEL

- Haitian remitters have more access to remittance services due to an increased number of remittance-transfer company partners (four.)
- Haitian recipients have more access to remittances due to the expanded branch network of Fonkoze, especially in rural areas (32.)
- A new financial product, a pre-paid debit card, is in the works, which will significantly reduce transfer cost for remitters.

LESSONS LEARNED

- Systems should be in place to measure project indicators.
- There is an urgent need for more financial education for clients.



CONCLUSIONS

This project was highly successful in that it exceeded its expected outputs and opened the Fonkoze's vision to new possibilities, such as pre-paid Visa cards. Capacity building of HTAs via trainings was successful in terms of the number of people reached and were met with great interest and demand. HTAs are a great source of potential for development in Haiti. A solid foundation has been established for expanding their potential to influence the positive development of low-income, rural Haitian communities. In Haiti, the number of Fonkoze's new rural branches far exceeds what was expected, increasing access to remittances and other financial services in zones where there previously were none. Fonkoze was able to successfully partner with existing money-transfer institutions, expanding its services even further.



Executing Agency:*Instituto de los Mexicanos en el Exterior***Project Title:***Financial Education and Access to Financial Services***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$358,000*

The Instituto de los Mexicanos en el Exterior [Institute of Mexicans Abroad] (IME) is a branch of the Ministry of Exterior Relations. Its mission is to improve the standard of living of Mexican communities living abroad. IME provides courses in a variety of topics in Mexico and abroad and has a close relationship with Mexican consulates.

PROJECT DESIGN

The project's objective was to provide information to migrants about the possibility of leveraging their remittances with other financial services. The Institute will use its wide infrastructure in the United States to reach out to migrants and provide them with information on remittance services and financial products offered by Mexican financial institutions, such as mortgage products by Su Casita, remittance services through BANSEFI's L@ Red de la Gente, and others. Information will be provided to migrants in Mexican consulates, fairs and trade shows and other events where migrants congregate. Courses on providing financial literacy to migrants will also be given to business leaders in the United States who work with these populations.

The project hypothesis is:

- A government entity can effectively provide information on financial institutions, products and services, and financial education, especially how to better use remittances for building assets.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Seminars and courses on encouraging the use of banks and other financial institutions and the productive use of remittances.
- Preparation of a study on access to banking services and how to support productive investments to learn about demand and preferences.
- Use of videos and pamphlets in waiting rooms of Mexican consulates in the United States to provide information to migrants about financial services and financial education.



RESULTS TO DATE

The project began in 2007, with an execution period of 24 months. This project is in its final phase. Relevant achievements include training of financial representatives in the United States from institutions involved with migrant communities in financial products available for those migrants. Also important is the outreach to migrants via Mexican consulates, which now provide information on financial products and the institutions that offer them.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Ten seminars to immigrants on encouraging the use of the financial system and on the productive use of remittances.</i>	<i>Four educational seminars given to an unknown number of participants in four U.S. cities.</i>
<i>Approximately 500 community leaders are trained and informed about the methods and possibilities of using the financial system and investing remittances productively. At least 30 percent of the 500 will be women.</i>	<i>Two informational seminars given to business leaders linked to the Hispanic community in the United States; 53 received training (the number of women trained is unknown).</i>
<i>A study on banking access levels and investment levels of migrants and their families. The study's results will be shared with community leaders in seminars.</i>	<i>No study was conducted due to the availability of many other studies on the subject. The funds were reprogrammed to the final evaluation line item in the budget.</i>
<i>Approximately 50,000 Mexican migrants will have received financial education about financial services through the materials provided in waiting rooms of Mexican consulates.</i>	<i>Videos on financial services for remittance senders are now shown in 23 consulates. These informational videos highlight financial products such as insurance, credit and debit cards, savings, and remittances. Fifty consulates are participating in annual events with financial education themes.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- IME has received requests from banks for their brochures on access to finance.
- The project has helped improve coordination among Mexican entities working on remittances. IME is creating a task force on remittances with interested institutions.

INSTITUTIONAL IMPACT OF THE PROJECT

The videos that are shown to migrants in Mexican consulates discuss financial products such as insurance, credit and debit cards, savings, and remittances. Fifty consulates are participating in annual events with financial education themes. IME has sponsored three educational seminars and

an unknown number of informational seminars. The number of people reached is unknown. The impact of the information disseminated is also unknown. IME will incorporate financial education into its regular agenda once the project ends. However, it will not be promoted with the same intensity as during the project, as it will be competing for time and resources with other agenda items.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- IME's credibility as an entity of the government has created trust among migrants.
- IME's network of migrant community leaders.
- The contributions (counterpart) of the financial institutions that benefited from IME's activities.

External (environmental) success factors:

- In the United States, the matricula consular (Mexican identity card) is accepted by banks as a valid form of identification (in lieu of a passport or driver's license). This gives Mexican migrants easier access to banking services than migrants from other countries.
- Legal agreements exist between the Mexican and U.S. governments to facilitate banking services for migrants and reduce remittance service costs.
- Financial institutions in the United States are willing to participate in IME's activities.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The project activities have had to compete with other activities that IME is conducting.

External (environmental) problems encountered:

- None.

REGULATORY ISSUES

There have been no regulatory issues affecting the project.

IMPACT AT BENEFICIARY LEVEL

- Information on the type, availability and cost of financial services in the United States and Mexico is more readily accessible. The number of people who have received this information and its impact are unknown.



LESSONS LEARNED

The remittances industry is constantly changing. Therefore, project staff should periodically update their teaching materials.

CONCLUSIONS

This government entity was able to incorporate financial education into its normal activities and has seen the value of doing so. IME will continue its focus on financial education after the project ends. IME has introduced financial education and information on financial products and services offered by Mexican financial institutions, including some MIF executing agencies for other projects, into Mexican consulates. However, the number of people reached and the impact of the training and informational seminars could not be determined.



Executing Agency:

PRODEM

Project Title:*Development of Services to Improve Remittances Access and Management***Remittance Model:***Remittances and Banking the Unbanked***Total Project Amount:***US\$692,000²⁶*

The executing agency is Fondo Financiero Privado PRODEM S.A. [Private Finance Fund PRODEM] (PRODEM), a non-bank financial institution incorporated under the laws of the Republic of Bolivia and licensed by the Superintendency of Banks and Financial Institutions. PRODEM had over 56,000 loan customers and 118,000 savings customers at the time of project design, and had the largest rural outreach of any financial institution. All of its urban and rural branches offered a full range of financial products and services. In terms of remittances, it had been providing money-transfer services from various countries as an agent of DHL for several years (by agreement with Western Union). It had the largest network in the Bolivian financial system, with 76 branches, and the highest number of rural ATMs (52.) Its agreement with Western Union/DHL restricts PRODEM's access to the WU/DHL database, so it cannot be used to obtain names of remittance recipients for marketing purposes.

PROJECT DESIGN

The problems with the remittance markets in Bolivia are the transfer costs, the inefficient and insecure means of transfers, and the scarcity of points of service in rural areas. The project's general objective was to help deepen the Bolivian financial system by extending its reach and coverage in rural low-income sectors. The specific objective was to promote a remittance management model that would bring disadvantaged rural communities in Bolivia into the financial service system.

The project hypothesis is:

- A microfinance institution can expand its remittance services into the rural areas with MIF support.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Research on the profiles of remittance senders and recipients
- Design of financial products to meet the needs of remitters and recipients

26. PRODEM used MIF resources only for legal studies investigating the feasibility of long-distance remittance services, and the remaining portion of the technical cooperation grant was cancelled.



- Creation of a promotional strategy to market new products
- Upgrading of an IT platform to help PRODEM remain competitive in remittance transfer business

RESULTS TO DATE

The project began in 2006 with an execution period of 30 months, and is now closed. PRODEM implemented the project activities without using the bulk of MIF funds. Nevertheless, the results were excellent, with the volume of remittances increasing and a number of previously unbanked remittance recipients now gaining access to other financial products.

PRODEM, using its own funds, accomplished most of the project's goals:

<i>Expected</i>	<i>Delivered</i>
<i>4,200 remittance recipients who previously did not have access to financial services gain access to these services.</i>	<i>2,744 families receiving remittances have access to new financial products and services.</i>
<i>1500 monthly remittances with an average value of US\$240.</i>	<i>2,539 monthly transfers with an average value of US\$573.</i>
<i>Development of a remittance-backed housing loan product, and financing of the construction of 103 housing units to raise the quality of life for individuals, families, and communities.</i>	<i>A housing product was developed. Sixteen credits were disbursed for approximately US\$438,500 to fund the construction of homes by families whose incomes depend on remittances from abroad.</i>
<i>20 percent increase in working capital for nearly 100 businesses owned by people who receive remittances from relatives.</i>	<i>Increased working capital in about 20 family-owned businesses owned by remittance recipients (the amount of the increase could not be determined).</i>
<i>Reduction of transfer costs to a fixed fee of US\$8 plus 1 percent for transfers under US\$300, and a fixed fee of US\$5 plus 1.6 percent for amounts above US\$300.</i>	<i>Reduced costs of transfer to a flat rate of US\$6 for amounts under US\$300 and a flat rate of US\$12 for amounts above \$300.</i>
<i>1500 new savings accounts opened with an aggregate balance of over \$800,000.</i>	<i>Some 815 new savings accounts were opened with remittances from abroad, with a total savings of US\$1.6 million.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

There was no institutional impact due to the project. PRODEM implemented the activities without the need for MIF funds. However, institutional changes due to the implementation of the activities did occur:

- PRODEM developed three remittance-linked financial products: Cuenta a Distancia [Distance Account], Crédito de Vivienda a Distancia [Distance Housing Loan], and Crédito Productivo a Distancia [Distance Productive Loan]. The first two had already been launched by the end of the project, while the third was in the pilot stage. All three products are available to migrants.

- PRODEM's remittance-transfer services grew to the extent that it achieved a market share in remittances of 9.3 percent for the Bolivia-U.S. corridor.
- PRODEM has been able to lower the cost of remittances for those recipients who link their transfers to a savings account or to pay off loans. Competitors have followed suit.
- PRODEM provides a call center to help remittance recipients contact their migrant family members about remittance transfers.
- PRODEM transfers approximately US\$1.45 million per month from approximately 2,600 customers.
- PRODEM now has nearly 150 points of service.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- PRODEM is a strong institution with many years of experience, a capable management team, good governance, and experience with donors and investors.
- There was sufficient institutional commitment to the project's goals.

External success factors:

- A conducive regulatory environment contributed to the project's success.
- A stable political and economic environment enabled activities to proceed without problems.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- PRODEM executed the project with its own funds, which indicates that it did not have substantial need for the funds in order to accomplish the project.
- There were continuous changes in the project coordinator position in PRODEM, which led to problems in using MIF resources.

External (environmental) problems encountered:

- A factor contributing to the non-use of MIF funds in this project was that PRODEM was in the process of being sold to the Banco de Desarrollo Social (BANDES) and was consequently distracted from this project. This lack of attention led to the closing of the project on the intended date without PRODEM having used MIF resources.

REGULATORY ISSUES

There were no regulatory issues affecting the project's implementation.



IMPACT AT BENEFICIARY LEVEL

- Families that had not previously had access to financial services now have savings and housing loans. Nearly 2,750 remittance-receiving families now have access to new financial products and services. For savings accounts, 815 new accounts were opened whose source of capital is remittances. The balance of these accounts at the end of December 2008 was approximately US\$1.16 million. Sixteen remittance-receiving families received US\$438,500 in loans, which financed the construction of housing.
- Implementation of the project's activities has helped lower the cost of remittance transfers when the money is deposited directly into a savings account or channeled into loan payments. In response, competitors have also reduced the cost of their remittance transfer services.
- By the end of 2008, 1,507 women had received information about remittance-transfer services.

CONCLUSIONS

The activities were successful and the objective of the project was accomplished, even though MIF funds were not used. The volume of transfers increased, as did the number of people with access to financial services. The institution receives significant income from its transfer business, transferring currently more than \$7 million monthly.



Summary of Remittances and Banking the Unbanked

CONSOLIDATED SELECTED INDICATORS

The table below contains selected consolidated indicators for each of the projects in the remittances and banking the unbanked model. The indicators in this table were chosen as representative of the progress made in reaching the goals of MIF's remittances portfolio.

<i>Executing Agency</i>	<i>Key Output Indicator and Target</i>	<i>Achieved</i>	<i>Remarks</i>
<i>Asociación de Instituciones Rurales de Ahorro y Crédito (AIRAC)</i>	<i>Number of points of service increases from six to 60; delivery time is reduced from two days to two hours.</i>	<i>There are now 80 points of service for remittance transfers. Delivery time has been reduced to 20 minutes. Nine out of 14 cooperatives are working with remittances.</i>	<i>The project design did not take regulatory difficulties into account, which has hampered project implementation.</i>
<i>Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)</i>	<i>Monthly transaction volume has increased from 3,000 to 12,000 transfers</i>	<i>The number of transactions reached 9,624 transfers in Dec. 2008.</i>	<i>Lack of safety in rural areas is a key constraint to providing remittance services.</i>
<i>Apoyo Integral</i>	<i>By project end, the coverage of financial services in large migrant communities reached US\$14.5 million in family remittance transfers, and US\$4 million in housing and investment loan products.</i>	<i>US\$26.6 million in family remittance transfers and US\$4.46 million in housing and investment loans.</i>	<i>Promoting transnational credits is more complicated than the executing agencies originally thought. It entailed defining a business model that links brokers, remitters, recipients, and financial institutions across borders.</i>
<i>Banco ADOPEM</i>	<i>5,300 remittance-transfer transactions for an approximate total of US\$625,000 over the three years of the project.</i>	<i>In June 2009 ADOPEM had paid 3,041 remittances to 2,700 people, for a total amount of US\$1.6 million.</i>	<i>ADOPEM has benefited from its relationship with BHD (see the BHD project above), which provided the remittance-transfer platform to ADOPEM. New financial products for remittance recipients have been developed.</i>
<i>Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)</i>	<i>A new remittances transfer network, linking BANSEFI and 1,000 branch offices, will be established and functioning.</i>	<i>L@ Red de la Gente established and used by 1,431 branches (938 savings banks and 493 branches.)</i>	<i>Remittances were a small component in a project aimed at bringing rural savings and credit entities into the regulatory framework. However, the remittance component evolved into an important network.</i>

<i>Executing Agency</i>	<i>Key Output Indicator and Target</i>	<i>Achieved</i>	<i>Remarks</i>
<i>Banco Central del Ecuador</i>	<i>At least 10 regulated and 30 unregulated cooperatives use the Central Bank of Ecuador (BCE) National Payment System (SNP).</i>	<i>Three cooperatives supervised by the Ministry for Economic and Social Inclusion (MIES) are now connected to the SNP, and another 49 have submitted paperwork to become qualified.</i>	<i>Early in the project, it seems that the largest limitation is the scant number of contracts with remittance-transfer companies in other countries.</i>
<i>Banco Hipotecario Dominicano (BHD)</i>	<i>Total volume of 5.5 million remittances distributed over five years (2004-09). Total volume for fifth year equals 1.27 million remittances.</i>	<i>At the end of 2008, the number of remittances received by BHD was 1.3 million, 17 percent less than in 2007, due to the economic crisis. BHD's goal for 2009 is to reach 1.6 million.</i>	<i>There is a network of 20 rural and urban financial institutions using the BHD platform to receive remittance transfers. Reaching scale was difficult due to the preference of recipients for home delivery of remittances, but this culture is slowly changing.</i>
<i>Banco Procredit (four MFIs)</i>	<i>236,000 clients receiving remittances from the partner institutions.</i>	<i>The volume of transfers has gone up in some of the MFIs. In Banco ProCredit El Salvador, remittance transfers now number 36,000 per month, up from 21,000 in 2005. In Nicaragua, ProCredit has surpassed its goal of 85,000 remittances received over the life of the project, achieving 86,672 transfers by December 2008. In Bolivia, ProCredit Los Andes reached 8800 transfers per month by March 2008. In Ecuador, there were 24,649 remittance transactions between April 2006 and December 2008.²⁷</i>	<i>The four participating MFIs have succeeded in making remittances a profitable line of business for their banks.</i>
<i>Banco Solidario</i>	<i>15,500 remittance transfers.</i>	<i>65,500 remittance transfers made during the life of the project.</i>	<i>By the end of the project, Banco Solidario was linked with more than 18,000 points of service in Spain and 450 in Italy, while in Ecuador it had 1300 of its own POS.</i>
<i>Centro Acción Microempresarial (5 MFIs)</i>	<i>A 25 percent increase in volume and number of remittances transferred via MFIs.</i>	<i>There was a 64 percent increase in both volume and number of remittances transferred via partner MFIs (December 2008).</i>	<i>New products were also designed and rolled out for remittance families. Some MFIs did not have sufficient outreach to be attractive partners for remittance companies.</i>
<i>Cooperativa Salcajá</i>	<i>Approximately 1,200 people have access for the first time to new financial products and services.</i>	<i>Some 1190 people have access for the first time to new financial products and services; 87 percent of remittance recipients have become banked with new financial products and services.</i>	<i>The cooperative has completely internalized the remittance transfer business as a core business line for its rural clients, and has designed other financial products for them.</i>

27. The global indicator could not be determined. Individual monitoring frameworks for each entity in the project do not allow calculation of a consolidated indicator.

Executing Agency	Key Output Indicator and Target	Achieved	Remarks
El Comercio	By project end, 1,800 people have first-time access to new financial products and services.	For the first time, 685 remitters have debit cards, where remittance transfers are automatically deposited to the card; a microinsurance product and a housing improvements product are in the pilot phase.	The project was slow to start, due to an overly broad focus on remittance markets in the United States, Europe, and Argentina. Focusing on one market would have been advisable.
Federación de Cooperativas de Ahorro y Crédito de Honduras (FACACH)	The volume and number of transactions involving remittances from abroad through the FACACH cooperatives have increased by 20 percent over baseline.	The volume of remittance payments has increased 418 percent over baseline (from US\$12 million to US\$62.5 million per year between 2003 and 2008). The number of remittances has increased by 720 percent over baseline (from 28,000 to 230,000 per year during the same years.)	The project was fundamentally about strengthening the federation and its members, with a small component of remittance activities. The capacity-building activities were essential and contributed to the success of the remittance component.
Federación de Cooperativas de Ahorro y Crédito de El Salvador (FEDECACES)	Average number of remittances transacted per month is greater than 3,000.	325,000 remittance transfers were conducted in 2008, averaging 27,000 per month. (The number of transactions in 2001 was 3,009.)	The cooperatives have captured a significant (21 percent) part of the remittances in savings.
FINDESA/BANEX	FINDESA increases its annual remittance transfers to 9,960 by the end of the project.	There were 121,000 transfers (in 2008), totaling US\$21 million.	BANEX significantly expanded its remittance activities and now has contracts with 16 remittance transfer companies in the United States, Europe, and Central America.
Fonkoze	Increase remittance transfers from 300 to 800 per month.	Fonkoze is now making over 5,000 transfers per month.	Not only did Fonkoze significantly expand its remittance-transfer business, it also designed new products, including a prepaid Visa card for remitters. HTAs are playing a role in promoting this product.
Instituto de los Mexicanos en el Exterior (IME)	Approximately 50,000 Mexican migrants will have received financial education about financial services through the materials provided in waiting rooms of Mexican consulates.	Videos on financial services for remittance senders are now shown in 23 consulates.	Institutions executing other MIF projects, such as BANSEFI and Su Casita, benefited from the promotion of their products through the IME project.
PRODEM	1,500 monthly remittances with an average value of US\$240.	There were 2,539 monthly transfers with an average of US\$573 at the end of the project.	New products were designed, such as a housing loan, savings accounts, and a microenterprise loan, specific to remittance families.

GENERAL PROJECT ISSUES

- **Types of Institutions:** Larger institutions with broader outreach (i.e., number of points of service, branch offices, etc.) had better success in negotiating with remittance-transfer companies that are looking for economies of scale. Cooperatives did well in implementing projects because of their rural outreach, low operating costs, and the trust of their members. Banks were successful at expanding their remittance services and product lines because of their large infrastructure. MFIs without a rural focus did not do as well (for example, the Centro Acción project). These entities were challenged in trying to negotiate contracts as a block with remittance-transfer companies. **Recommendation:** Ensure in the project design phase that entities have sufficient scale to negotiate with remittance-transfer companies, or include activities that create scale for these entities (i.e., by creating points of service.)
- **Governance:** Institutional strengthening was key in the projects dealing with cooperatives. Governance activities were perhaps a missing link in some of these projects. **Recommendation:** In all projects dealing with cooperatives, ensure that governance capacity-building needs are analyzed in the project design phase, and if required, include governance-strengthening activities in the technical-cooperation component.
- **Product Design Studies:** Support for hiring consultants to design new products linked to remittances was quite useful. The interaction of these consultants and the executing agencies, backed up by information from the previous market studies (also developed with project funds), led to the creation of some innovative products that are now being tested. Moreover, this interaction created new vision among management in many entities about how their entities could respond to clients' needs with financial products. **Recommendation:** Continue funding market studies and financial innovation studies.
- **Buy-in:** Institutional buy-in is key to project success, and it may change with a change in ownership. Buy-in is influenced by both the social orientation of the institution (i.e., toward low-income segments) and its profit orientation (i.e., toward remittance-linked financial services as a profitable business line.) **Recommendations:** (1) Support institutions with both orientations. (2) Emphasize the importance of project goals to those institutions that have changed ownership.
- **Networks, Federations, and Apexes:** In some cases, working with these entities seemed to be a way to efficiently build remittance services in a greater number of organizations (e.g., FEDECACES, FACACH, and BANSEFI). Even in the case where the "network" did not previously exist (e.g., Apoyo Integral and two other MFIs), there was open communication and good results despite the inherent competition between the partners. In other cases (Banco ProCredit, Centro Acción), the links between the entities were looser, and the interaction between the institutions was less because of the location of the entities in different countries. In general, it is not clear if there were efficiencies in working with international networks. **Recommendations:** (1) Continue to work with in-country networks to build scale. (2) For international networks, clearly assess in the design phase the level of advantage in combining the entities into one regional project.

- **Project time periods:** Project time periods are routinely and necessarily extended. Developing or purchasing IT systems, for example, takes a long time. Yet many of the follow-on activities are dependent upon earlier activities, and obtaining an extension often incurs unnecessary delays. **Recommendation:** Lengthen project execution periods from the beginning.

ISSUES WITH THE BANKING THE UNBANKED MODEL

- **Liquidity:** Liquidity management was challenging for some of the entities. Handling remittances implies having funds available for payout and for paying expenses associated with the service. Remittance companies pay the commissions due to the subagents within 30 days after the remittance transfer has occurred. This delay implies that an entity must have sufficient liquidity on hand. When working with an apex (such as the federations of cooperatives or associations of credit unions), the entities had to create a liquidity management function if it did not already exist. **Recommendation:** Ensure in the project proposal stage that potential executing agencies understand all the ramifications of adding on remittance services, one of which is the need for a liquidity management function. Build support for such a function into project activities if it is missing.
- **Profitability:** Profitability of the remittance-transfer services was an issue for some entities, especially the smaller rural ones (e.g., AMUCSS) and the ones that are dependent on credit as a core profit-making product (e.g., Centro Acción's MFIs). The service is not inherently profitable (unless scalable to a great degree) and entities must rely on cross-selling other products and/or lowering the cost of the remittance services to achieve benefits. Where the costs of providing the services are higher (e.g., in the drug violence-prone areas where AMUCSS works), or where the demand for credit is not high (also AMUCSS), the cost of providing the service must be lowered through other means, through automatically linking remittances to savings accounts (such as with debit cards). **Recommendations:** (1) Ensure in the project design that these issues are sufficiently analyzed and mitigating activities included, so that the entities realize benefits early in the project. (2) If possible, a profitability indicator (clearly defined) for remittance-transfer services should be included in project logical frameworks. If such an indicator is not possible due to institutional capacity or MIS limitations, it would be useful to conduct an independent study of a selected sample of remittance projects to gather this information. Publishing this indicator may encourage other institutions to provide the services or deter those that could not make the service profitable. If a profitability indicator is included, the volume and number of transfer indicators would not be necessary.
- **Market Presence:** Entities with a presence near migrants have advantages. If executing agencies have a "captive" market, i.e., if they have offices in migrant communities in foreign countries where they can sell their remittance services, it lowers their costs. If they are able as well to transfer the remittances (e.g., BHD before it sold its U.S. offices), then they can capture the commissions. **Recommendations:** (1) For entities that do not have these advantages, ensure in the project design that other strategies are used to reach the migrant communities and that



activities and budget are planned accordingly to deal with the length of time needed to market products and build alliances in foreign countries. (2) Ensure that the project timeline allows sufficient time for these marketing and networking activities to mature. (3) Organize forums to discuss regulatory environments related to remittance transfers, specifically for low-income populations, and disseminate the conclusions.

- Cost of Remittance Services:** There are two issues here that seem to be confused in the projects' monitoring frameworks. One is the cost of providing the distribution service and the other is the cost to the sender. Some institutions in the MIF portfolio have succeeded in reducing their cost of distributing remittance transfers to themselves. Most have not succeeded in reducing the cost of the transfer to the remitter outside the country, due to their lack of control over this side of the transaction, which is related not only to the service itself but also to exchange rates. **Recommendations:** (1) Include as an indicator for all projects the cost of remittance distribution services to the EA. (2) Eliminate the indicator related to reducing the transfer cost/fee, since it is often not attributable to project activities anyway.
- Consumption vs. Investment of Remittances:** The most successful products seem to be linked savings accounts and debit cards. The prepaid card is new and information on it is limited. The percentages of people banked using any financial product range from the 87 percent reported by Cooperativa Salcajá, to the 16 percent reported by Centro Acción's MFIs. Some executing agencies have confirmed the fact that approximately 80 percent of remittance transfers is used for household consumption, but this percentage seems to depend on the income level of the receiving household. In the experience of at least one executing agency (Centro Acción), the lower the income level of the recipient household, the lower the amount available to be banked. This trend has implications for the profitability of the remittance services for the EAs. **Recommendations:** (1) Use the indicator of "people banked who were previously unbanked". This should be clearly defined for all projects on a consistent basis. If EAs' measurement systems permit, data could be compiled on which products they were banked with. (2) Finance further studies on segmentation of remittance households in different countries and on independent projects, and make this information publicly available. (3) Compile information on the linked savings accounts over time, to see how the average balance in these accounts changes, and why (i.e., are these services useful, or are people responding to marketing by the EAs.)
- Information Technology (IT):** IT is a critical component to remittance transfer services. The challenges faced by EAs are that IT is rapidly changing, expensive, and requires extensive knowledge to be able to assess its usefulness. Even IT systems not directly related to remittance distributions are important, and if these systems are not standardized, it will create delays in adding on remittance-specific platforms. **Recommendations:** (1) Take into account the rapidly changing nature of the IT environment for remittances by hosting conferences/seminars dedicated to this topic, sponsoring trade fairs with vendors, and setting up a website dedicated to the issue. (2) Continue to finance improvements to IT, while keeping specifications for IT fairly flexible in order to adjust to frequently changing institutional needs. (3) Ensure sufficient budget allocation for obtaining IT expertise in project budgets, since it tends to be expensive. (4) Project timelines should take into account the lengthy nature of obtaining IT expertise, and the demand

for IT vendors, which may mean that they are not immediately available. (5) For networks or federations, if MIS are not standardized, project activities should take this into account, and activities and funds for standardizing them should be included.

- **Financial Education:** Clients benefit from financial education, and it can be useful for cross-selling other products. Yet it is not a profit-making activity for financial institutions. **Recommendation:** Fund projects outside of financial institutions that provide financial education to the public. These activities should be clearly linked to promoting consumer protection in using financial products and services.

EXTERNAL FACTORS

- **Regulatory Environments:** Regulatory issues were critical factors in the success of the remittance activities. This factor is doubly important if the executing agency expects to work in foreign countries, because there will be additional regulatory environments to deal with. In some projects (e.g., AIRAC), these factors were not sufficiently analyzed in the project-design phase. **Recommendations:** (1) Ensure that regulatory frameworks for remittances, non-bank financial institutions, and other areas that might influence a future project (such as mobile banking) are sufficiently analyzed before designing project activities. (2) Project strategies should not depend on a regulatory environment changing during the course of a project, since this is beyond the agency's control.
- **Global Economic Downturn:** The global economic downturn had a negative impact on remittance flows, more so on the volume than on the number of transactions. This reduction has implications for the possibility of banking excess amounts (beyond the amount needed for consumption), and makes it harder to cross-sell other financial products. **Recommendation:** Ensure that project goals are flexible to respond to changes in the economic context.

LESSONS LEARNED

Valuable lessons were learned in this model that can be applied to future projects:

- **Regulatory Environment:** The regulatory environment needs to be sufficiently understood in all countries where the activities will be undertaken before the project contract is signed.
- **Monitoring Frameworks and Measurement Systems:** There should be some common indicators across all projects, linked to the goals of the MIF remittance program. Systems for measuring these and all indicators should be in place before project activities begin.
- **Liquidity:** Liquidity management is an issue in providing remittance services. It needs to be planned in advance during the project design phase.
- **Changing Remittance Environment:** The remittance markets are not stable, actors continue to change, as do transfer and distribution mechanisms and regulatory environments. These variables create a need for executing agencies to monitor and understand these changes.



- **Culture Matters:** Recipients and senders from different countries and even different regions within each country may have distinct preferences and needs that influence the use of remittance services and uptake of new products. Trust in financial institutions is important, and where it does not exist, it must be built through marketing and/or alliances.





Remittances and Productive Investments

Section 4

Remittances and Productive Investments

This model, remittances and productive investments, is centered on the goal of channeling remittances into businesses. The model has several facets. One concept is to encourage associations of migrants to invest together in businesses in their home communities. A similar concept is to encourage individual migrants to invest their remittances in businesses when they return to their home country. This is usually accompanied by training activities, which is a subset of the model. This subject is covered more deeply in the next section, Section Five, on financial education and entrepreneurship training.

Ten projects in MIF's portfolios fall into this category (see the table below for details). There are also elements of this strategy (to increase remittance investment in productive activities) in other MIF projects, such as AIRAC and Fonkoze. However, these projects are classified by the more predominant model of "remittances and banking the unbanked," and are consequently found in that section.

<i>Executing Agency</i>	<i>Project</i>	<i>Type of Institution</i>	<i>Country</i>
<i>Academia de Centroamérica (ACA)</i>	<i>Remittances, Financial Democratization and Entrepreneurship Opportunities</i>	<i>NGO</i>	<i>Costa Rica, Nicaragua</i>
<i>Asociación Peruano Japonesa (APJ)</i>	<i>Support for Returning Entrepreneurs</i>	<i>NGO</i>	<i>Peru</i>
<i>Banco del Trabajo</i>	<i>Enhance Development Impact of Peruvian Workers' Remittances from JP</i>	<i>Commercial bank</i>	<i>Peru</i>
<i>Caixa Econômica Federal</i>	<i>Remittances and Training for Brazilian Migrants and their Beneficiaries</i>	<i>Development bank</i>	<i>Brazil</i>
<i>Fundación CREA</i>	<i>Voluntary Return Migration Model Based on Entrepreneurship Development</i>	<i>NGO</i>	<i>Bolivia, Colombia, Ecuador, Uruguay</i>
<i>Fundación para la Productividad en el Campo, A.C. (FPC)</i>	<i>Investment of Remittances</i>	<i>NGO</i>	<i>Mexico</i>
<i>Hispanics in Philanthropy (HIP)</i>	<i>Promoting Diaspora and Local Support for Productive Initiatives</i>	<i>NGO</i>	<i>Regional</i>
<i>Nacional Financiera (NAFIN)</i>	<i>Capitalization of Remittances for Local Economic Development</i>	<i>Development bank</i>	<i>Mexico</i>
<i>Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE)</i>	<i>Dekassegui Entrepreneur Program</i>	<i>NGO</i>	<i>Brazil</i>
<i>INMIGRA-CEPROM Strategic Partnership</i>	<i>Pilot program to promote business leadership through transnational migrant family networks</i>	<i>NGO partnership</i>	<i>Peru</i>

This section discusses the highlights of each project in the remittances and productive investments portfolio. Following the summaries of these projects, there is a discussion of the success factors found in the projects, and then some global lessons learned related to the model.

Executing Agency:*Academia de Centroamérica***Project Title:***Remittances and Productive Investments, Financial Democratization, and Entrepreneurship Opportunities***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$540,271²⁸*

The executing agency, Academia de Centroamérica [Central American Academy] (ACA), is a nonprofit private research institute in Costa Rica that promotes social sciences research, especially in economic policy. ACA holds seminars and conferences on themes in economic policy, and publishes on topics such as foreign trade and investment, financial reform, pension systems, and poverty. ACA has established collaborations with bilateral donor agencies, the World Bank, universities, foundations, and NGOs.

PROJECT DESIGN

Costa Rica is both a sending country for south-south remittances (i.e., remittances sent by Nicaraguans in Costa Rica to their families in Nicaragua), and a receiving country for north-south remittances (i.e., remittances sent by Costa Ricans in the United States to their families in Costa Rica.) Most remittances (90 percent) sent by Nicaraguan migrants in Costa Rica to their families in Nicaragua do not go through the formal financial system, so the cost to the sender amounts to more than 10 percent of the total value of each remittance. Most remittance senders do not have access to financial services in Costa Rica (fewer than 30 percent have a checking or savings account), nor do their families in Nicaragua (fewer than 12 percent have a checking or savings account). In addition, most of the 209,138 adult Nicaraguan migrants in Costa Rica belong to the poorest segment of the population in Costa Rica (89.2 percent are in the lowest income-distribution quintile). The purpose of the project is to increase access to financial and business products and services for these Nicaraguan migrants in four cantons of northern Costa Rica and for remittance recipients in Nicaragua. As the first project specifically targeting a Latin American intraregional corridor, it will generate valuable knowledge about the dynamics and specific features of transfers within the region, i.e., between developing countries, and how they differ from the north-south dynamics, in particular for countries that are both sending and receiving countries. It is also expected to build a model for training migrants in starting up businesses.

The project hypothesis is:

- Nicaraguan migrants in Costa Rica are interested in learning business skills, are willing to apply these skills in building their own businesses when they return to Nicaragua, and will use their remittances to invest in their businesses.

28. Unless otherwise noted, "Total Project Amount" refers to a MIF technical cooperation (TC) grant plus the executing agency or agencies' counterpart contribution. In some cases, loans accompanied the TC grant, and such cases will be noted in the text.

PLANNED ACTIVITIES

This project was designed to include the following activities:

For the remittances and banking components:

- Establish a baseline through surveys of remittance recipients in Nicaragua and investigate their demands for better remittance services.
- Create a Costa Rica-Nicaragua remittance service with sufficient penetration in the pilot geographic areas. On the Costa Rican side, the entity involved is the Banco Nacional de Costa Rica [National Bank of Costa Rica] (BNCR), while the Nicaraguan financial institutions are to be identified.
- Create at least four new services and two financial products of value to the Nicaraguan remittance senders.
- Encourage the Nicaraguan financial institutions participating in the remittance-transfer service to adopt new financial services for the benefit of remittance recipients in Nicaragua.

For the training of Nicaraguan entrepreneurs:

- Select 35 business proposals submitted by Nicaraguan migrants, and train the entrepreneurs in how to develop business plans.
- Provide technical support to these 35 Nicaraguan migrant entrepreneurs for implementation of their business plans for one year after startup.
- Test and evaluate the guarantee mechanism provided by the Instituto Mixto de Ayuda Social [Joint Social Action Institute] (IMAS), which is designed to lower the credit risk taken by financial institutions such as BNCR when lending to customers below the poverty line who operate small-scale enterprises.²⁹

RESULTS TO DATE

The project began in 2008 with an execution period of 24 months and is ongoing. The project is very new, and there are no significant achievements to date. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Increase the number of documented Nicaraguan migrants in Costa Rica by at least 10 percent (excluding seasonal workers), affording them access to remittance and other financial services offered by banks and financial intermediaries.</i>	<i>No results yet.</i>
<i>At least 20 start-ups owned by Nicaraguan migrants in Costa Rica have been put into operation.</i>	<i>No results yet.</i>
<i>The cost of sending remittances through formal financial intermediaries must be less than 5 percent, given the 6 percent - 10 percent initial baseline.</i>	<i>No results yet.</i>
<i>A comparative study completed, looking at the dynamics and behavior of migrant population and recipient households concerning use of formal financial services and use of financial intermediaries to send remittances.</i>	<i>No results yet.</i>

29. This is the only guarantee fund in Costa Rica for new business start-ups.



INTERMEDIATE RESULTS OF THE PROJECT

- A baseline study investigating the status of Nicaraguan migrants in Costa Rica, Nicaraguan recipients of remittances in Nicaragua, and recipients and senders in the U.S./Costa Rica corridor is underway.
- BNCR has designed two financial products related to remittances. The first is the National Bank Express Card (Tarjeta Banco Nacional Express), and the second is an insurance policy for Nicaraguan migrants' repatriation in case of death. The first product is being launched in the target geographic zones.
- BNCR has strengthened its relationship with Bancentro in Nicaragua, and has established new commercial relationships with remittance companies Correos de Nicaragua and Teledolar. BNCR is also exploring partnerships with two more remittance companies (Soluciones Monetarias and Fundeser.)
- Seventy-eight Nicaraguans working in the northern zone of Costa Rica have been chosen to receive a six-day training course on topics such as Generating New Business Ideas, Administration of Businesses, Sales, Basic Accounting, Production and Operations.

INSTITUTIONAL IMPACT OF THE PROJECT

No institutional changes have occurred to date.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- ACA has been enthusiastic about the project, which has helped get the it going quickly (see Problems Encountered, below.)

External (environmental) success factors:

- The International Organization for Migration (IOM) provided the counterpart funding after project signing, which also helped get the project going quickly.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- No internal problems encountered.

External (environmental) problems encountered:

- One limitation so far in the project is the lack of technological sophistication of Nicaraguan financial entities, needed for remittance-transfer systems, which is preventing some of them from working with the BNCR.



REGULATORY ISSUES

The Costa Rican government has recently passed a law to strengthen its anti-money laundering compliance. The law requires additional documentation (such as passports and telephone bills) for sending remittances to Nicaragua, whereas formerly the only document needed was a Nicaragua ID card. So far the new law has not yet affected project implementation, but may in the future.

IMPACT AT BENEFICIARY LEVEL

There is no impact at the beneficiary level at this point in the project.

LESSONS LEARNED

There are no lessons learned yet.

CONCLUSIONS

The project is too new to have significant achievements. However, the activities are well underway and the entities involved appear to be coordinating their activities without difficulties. The project design seems to have addressed all the components and partners needed. Lessons learned from earlier MIF projects, such as the need for a credit component, were also incorporated in the design.



Executing Agency:*Asociación Peruano Japonesa***Project Title:***Support for Returning Entrepreneurs***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$1,163,000*

The executing agency was the Asociación Peruano Japonesa [Japanese Peruvian Association] (APJ), established in 1917 as a nonprofit organization to organize and channel the efforts of the first members of the Japanese colony in Peru and help them integrate themselves into Peruvian society.

PROJECT DESIGN

At least 2.5 million Peruvians currently live abroad, nearly 10 percent of the total population. This group is made up primarily of young people between the ages of 20 and 35, and 60 percent are women. In the late 1980s, with the difficult economic conditions prevailing in Latin American countries, thousands of Latin Americans of Japanese origin emigrated to Japan, in what became known as the “dekassegui” phenomenon, a Japanese word meaning “to leave to earn money.” A significant proportion of migrants are academically and/or vocationally overqualified for their current jobs, and these migrants are strongly inclined to save so they can return to Peru and invest. Given these conditions, the project, which is now closed, sought to foster an entrepreneurial culture in people returning from Japan to Peru and to encourage private investment in their business initiatives in Peru. This goal was to be achieved by strengthening entrepreneurship and entrepreneurial ventures, contributing to job creation and economic development in Peru. The specific objective was to create a pilot mechanism for promoting and financing sustainable small businesses, particularly startups, of Peruvians working temporarily abroad who return to Peru.

In addition to APJ as the executing agency, four large credit cooperatives of Japanese origin were expected to participate in the project through cash contributions, logistical support for training activities in Japan through their subsidiaries, and serving on the technical committee that selects the entrepreneurs.

The project hypotheses were:

- Demand exists from migrants in Japan for entrepreneurship training.
- Training migrants can enhance their business performance in Peru.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Develop, promote and market training courses in business management to Peruvian migrants living in Japan.
- Train 120 Peruvian migrants living in Japan with basic business-management tools (financial management, accounting, and marketing), plus leadership and entrepreneurship, by offering four rounds of intensive one-week courses in places with the highest concentration of Peruvians.
- Provide technical assistance, centered on refining business concepts and activities and developing a viable business plan, to migrants who have returned to Peru and started businesses.
- Provide hybrid debt instruments with an equity element, averaging US\$100,000, from the cooperative partners to three businesses selected from those migrants who have received technical assistance.
- Disseminate information to Peruvian community associations in other countries on lessons learned and the outcomes of the project activities.

RESULTS TO DATE

The project began in 2004, with an execution period of 36 months and an extension of four months. The project suffered from implementation problems; 82 percent (US\$410,300) of the technical cooperation grant was cancelled. There were no significant achievements.

The project achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>120 migrants trained, and 80 projects designed.</i>	<i>No results.</i>
<i>50 small businesses are started successfully or better managed, operating more efficiently in terms of production, marketing, financial management, etc.</i>	<i>No results.</i>
<i>Established pilot fund for financing businesses.</i>	<i>No results.</i>
<i>Positive performance of the three pilot firms financed by the pilot fund (profitability and overall managerial efficiency are above the national average for firms of similar size).</i>	<i>No results.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

The institution has better knowledge of the needs of the Peruvian migrant population in Japan and of the needs of their family members in Peru, as a result of efforts to build a training course in Japan.



INTERNAL AND EXTERNAL FACTORS

Internal (institutional) success factors:

- There were no internal success factors.

External (environmental) success factors:

- There were no external success factors.

PROBLEMS ENCOUNTERED:

Internal (institutional) problems encountered:

- There was insufficient time between design and approval (two months), and a consequent lack of maturation of the project concept.
- There was a lack of institutional support for the Project Coordinator, and limited buy-in from APJ senior management.
- The executing agency had limited capacity for carrying out the program. The project coordinator did not receive the support needed from APJ.
- There was a lack of clarity about the counterpart contribution between APJ and the four cooperatives. At the same time, the four cooperatives stated that for legal reasons they could not provide loans to returning migrants unless they were members of the cooperatives.

External (environmental) problems encountered:

- The training of migrants in Japan did not take place. Demand for the training was minimal, due to the long working hours of migrants and to the distance that they would have to travel to the training. These conditions were not identified in the project design or by the firm that was hired to conduct the trainings. In any case, the trainings were designed for migrants with a college education, while the typical migrant has only a secondary education. Another reason for lack of demand was that the migrants to Japan were not interested in returning to Peru.

IMPACT AT BENEFICIARY LEVEL

There was no impact at the beneficiary level.

REGULATORY ISSUES

No regulatory issues had a negative impact on the project.



LESSONS LEARNED

- Executing agencies must be involved in the project design.
- The executing agency's capacity and commitment to implement the project should be clearly established. In this project, the EA was not committed to the project goals.
- The project implementation unit needs support from other departments or units within the EA.
- Demand for project activities should be clearly documented before project approval.
- Peruvian migrants in Japan perhaps need support for learning the Japanese language and culture, which would enable them to obtain better/easier employment, and therefore send or bring more remittances back to Peru.

CONCLUSIONS

One project hypothesis—that demand exists from migrants for entrepreneurship training—was disproven. The second hypothesis, that training can enhance business performance, was not tested. The project was designed quickly and with little involvement from the executing agency, and there was no commitment to the project goals.



Executing Agency:*Banco del Trabajo***Project Title:***Enhance Development Impact of Peruvian Workers' Remittances from Japan***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$7,400,000 (US\$7,000,000 loan, US\$ 200,000 technical cooperation, US\$200,000 counterpart)*

Banco del Trabajo [Bank of Labor] (BdT) launched its commercial operations in 1994 with the mission of becoming the first financial entity in Peru at the service of employed people in the lower-middle and low-income segments who have received no previous attention from the formal banking sector. In 1997, BdT broadened its mission to offer services to the small and microenterprise sector. BdT is now a leader in microfinance and consumer lending in Latin America, with the largest number of loans outstanding of any microfinance institution in Latin American and the Caribbean. The portfolio of the bank is divided into four main categories: microfinance, consumer loans, credit cards, and mortgage loans. Among BdT's four main loan products, mortgage loans and small entrepreneurial loans have experienced the fastest growth in recent years.

As one of the country's fastest-growing banks, Banco del Trabajo (BdT) made a strategic decision to expand its remittance-related business and signed a business cooperation agreement with the Corporacion Kyodai S.A. (Kyodai), the Peruvian-Japanese association in Peru, to provide financial services to the clients of Kyodai, including the handling of remittances. BdT also negotiated a business cooperation agreement with Unidos Ltd. (Unidos), an affiliated company of Convenio Kyodai, which offers remittance services to Kyodai members in cooperation with Mizuho Bank in Japan. Before the agreements with BdT, Kyodai's members in Peru had limited and costly options to withdraw remittances. They now have access to BdT's 70 branches and more than 400 automated teller machines to withdraw remittances funds. Furthermore, BdT charges essentially break-even fees for handling remittances and has developed a new special saving account called "Cuenta Commigo" [Count on Me] for the recipients of remittances whereby the remittances will be deposited directly into their accounts.

PROJECT DESIGN

Access to medium- to long-term hard-currency funding at attractive rates for financial institutions and private companies in Peru is constrained by the Peru's BB- country credit rating, which is below investment grade. This project addresses that problem by structuring a US\$7 million loan that uses remittance flows to partially secure the loan, which will finance the expansion of the BdT's microfinance, SME, and mortgage-backed housing portfolios. Most of these remittance flows are from Japan. The loan is arranged so that Kyodai collects remittances in Japan, sends them through Mizuho Bank, and then on to a trust fund handled by Citibank to pay of the BdT loan.

The technical cooperation component was to be used to strengthen a new nonprofit foundation of Banco del Trabajo, “La Fundación de la Gente” [Foundation of the People] (Fundación). The Fundación would have a mission to improve the living standards of the low-income segment of the Peruvian population. The TC was designed to help improve low-income people’s and microentrepreneurs’ access to capital for housing and other ends and to improve the use of remittances by those populations.

The project hypotheses are:

- Remittances can be used to partially securitize a loan for building the portfolio of a fast-growing bank.
- A foundation established by a bank can provide training services to entrepreneurs, which will help improve their standards of living.

PLANNED ACTIVITIES

This project was designed to include the following activities on productive investments:

- Market research to understand the financial profiles and needs for the financial services of low-income households.
- Financial product development to support low-income housing, continuing education, training for microentrepreneurs, and business improvement for SMEs.
- Staff training for the nonprofit foundation and training of microentrepreneurs.

RESULTS TO DATE

The project lasted from 2005 until 2007 and is now closed. Relevant achievements for this project were establishment of the Foundation and training to migrants in Peru. The loan is being paid back in a timely manner, using remittance flows as planned in the project documents. The project achieved the following outputs related to the remittances and productive investments theme, in comparison to final expected outputs:

<i>Expected outputs for Fundación de la Gente</i>	<i>Delivered</i>
<i>Training provided to 3,000 entrepreneurs.</i>	<i>1695 entrepreneurs trained (57 percent).</i>
<i>A sustainable and validated model for training microentrepreneurs.</i>	<i>A training model exists.</i>
<i>Promote acquisitions of homes by those who depend on remittance flows for their living.</i>	<i>Could not be determined.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

Banco del Trabajo:

- Due to the two studies financed by the project, BdT has a better understanding of the financial needs of microentrepreneurs and remittance senders and recipients.³⁰

Fundación:

- Four modules for training microentrepreneurs have been developed. Training topics include identifying market opportunities, taxes and labor laws, access to external markets, obtaining contracts with the government, improving client satisfaction, and preparing business plans.
- The Fundación has developed a fundraising strategy for sustainability and has received US\$347,700 in donations.
- As a result of the competition for the National Prize for a Woman Microentrepreneur, the Foundation has established a network of women microentrepreneurs.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There is no information available on internal success factors.

External (environmental) success factors:

- No information is available on external success factors.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- BdT was sold to Scotiabank in the early years of the project and there is no longer a strong commitment to the project's goals. BdT has contracts with remittance companies that pay low commissions, and so the remittance business is not profitable for BdT. The idea of opening a branch in Japan has been abandoned.
- The change in ownership also affected staff positions, which slowed down implementation. Especially impacted were the activities to develop new financial products, because the Director of Marketing was replaced.
- The Fundación's promoters were not sufficiently experienced to be able to provide the necessary technical assistance in business skills to the target group.

External (environmental) problems encountered:

- According to the final evaluation of the project, there is great demand for training courses from micro and small business owners.

30. New products were not developed by BdT due to its sale to Scotiabank. However, Kyodai itself implemented new products for its remittance-receiving members, including a program for acquiring housing through government assistance (a program called Mivivienda), a remittance insurance policy, and a medical insurance policy.

REGULATORY ISSUES

No regulatory issues had a negative impact on the project.

IMPACT AT BENEFICIARY LEVEL

- A number of microentrepreneurs (1,695) were trained. The impact on their businesses could not be determined.
- As a result of the competition for the National Prize for a Woman Microentrepreneur, a program of the Fundación, the Fundación has established a network of women microentrepreneurs.

LESSONS LEARNED

- Project goals should be clearly defined in the design phase, and activities established that contribute to those goals. Indicators and targets for both the loan and the TC component should be established at the beginning of every project.
- Advisors who provide technical assistance to microentrepreneurs should have the necessary experience and technical capacity to do so.

CONCLUSIONS

The project's objectives were not focused and the technical cooperation component had limited results. The purpose of supporting the establishment of the Fundación was not clearly defined. The activities related to the National Woman Microentrepreneur Award seem far removed from the goals of the MIF remittance program. There is no way to determine if remittances were used in business start-ups. The loan component was more successful and showed that remittance flows to a bank can be used to pay off a loan.



Executing Agency:*Caixa Econômica Federal***Project Title:***Remittances and Training for Brazilian Migrants and their Beneficiaries***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$1,064,560*

The executing agency for this program is Caixa Econômica Federal (Caixa). Caixa is a public-sector bank that acts as the main agent of the Brazilian government's social policies. It operates through 17,000 service points nationwide, serving 170 million Brazilians. Caixa, which was established in 1861 and became a state-owned financial institution in 1969, is attached to the Ministry of Finance and headquartered in Brasília. It is regulated and supervised by the Central Bank of Brazil. In 2004, at the beginning of the project, Caixa had over 32 million accounts and current assets of US\$65 billion.

A partner agency in this project is Serviço Brasileiro de Apoio à Micro e Pequena Empresa's [Brazilian Service of Support to the Micro and Small Enterprise] (SEBRAE), which has been working for the sustainable development of small businesses since 1972. SEBRAE promotes training courses, facilitates access to credit, stimulates cooperation between enterprises, organizes business fairs and business roundtables, and provides incentives for the development of activities that contribute to job creation. SEBRAE is also an executing agency for the MIF on another remittances and productive investments project.

PROJECT DESIGN

The program's specific objective is to promote the development of productive activities in the state of Minas Gerais based on remittances sent by Brazilian migrants living in the United States. Many Brazilian migrants returning to Brazil have tried to invest the capital earned abroad (i.e., their remittances) in business activities, with limited success due to a lack of training, information, and business experience. The project sought to link a financial services provider and a training provider to improve the ability of returning migrants to achieve business success. Project assistance to Caixa will help it improve its remittance services and financial product offerings, while assistance to SEBRAE will make it possible to offer training for both returning migrants and other Caixa customers on aspects of entrepreneurship that encourage productive use of money. SEBRAE's program will pursue two parallel objectives: (i) to ensure that Brazilian migrants in the United States with entrepreneurial capacity receive training through SEBRAE's online training system so that they return to Brazil with ideas of businesses to start with their savings; and (ii) to ensure that remittance recipients in Brazil receive training to start and strengthen businesses, also using mechanisms available through SEBRAE. Caixa will support both the migrants and their relatives with financial services tailored to their needs.

The project hypothesis is:

- When provided with the necessary tools via trainings and capacity building around small business enterprise establishment, Brazilian migrants will utilize these tools to establish new businesses, using their remittances, and participating in the formal financial system aided by new products developed for their needs.

PLANNED ACTIVITIES

The project was structured around the following planned activities:

- Analyze the socioeconomic profile of the migrant population in Massachusetts and their relatives in Minas Gerais.
- Analyze their needs and opportunities in terms of remittance services, financial education, financial products, and business training.
- Design the technological structure and infrastructure needed to implement and maintain the contents of the program's technology platform, including the web portal for migrants, relatives and interested Brazilian entrepreneurs.
- Identify migrants with potential for entrepreneurial development, based on distance tests, using SEBRAE tools.
- Develop and conduct financial education programs in Brazil that include contents and concepts of life, aspiration, cooperation, determination and teamwork.
- Provide packages of financial services from Caixa to the target group.
- Establish a network to serve migrant clients through partners in the United States for the purpose of sending remittances to Brazil.
- Develop an integrated program of training, funding and intensive support for migrants' business activities for the target population in Brazil.
- Develop distance business orientation and training over the Internet for migrants in the United States.
- Select 30 projects on the basis of eligibility criteria to be defined by Caixa and SEBRAE, and provide technical assistance.

RESULTS TO DATE

The project began in 2006, with an execution period of 36 months and an extension of 24 months. The project is still in execution. It has had difficulties starting up and there are no significant achievements to date.



As of August 2009, the project had achieved the following selected outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>2,250 beneficiaries in Minas Gerais participate in the process of financial orientation; 3,750 beneficiaries in the United States participate.</i>	<i>25 beneficiaries have participated in a financial orientation course in Minas Gerais, none in the United States</i>
<i>At least one customized financial package for migrants and their families is developed and launched.</i>	<i>Six packages have been developed and launched.</i>
<i>At least 500 people receive business guidance services or SEBRAE training / instruction programs reflecting the objectives of the program.</i>	<i>50 people have received business guidance services or SEBRAE training/instruction programs reflecting the objectives of the program.</i>
<i>800 new firms are established with program support.</i>	<i>No results yet.</i>
<i>30 selected enterprises are funded by Caixa and will be receiving support for their sustainable growth.</i>	<i>No results yet.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- One partnership with a U.S. bank has been established.
- A needs assessment of migrants and their families living in Massachusetts has been completed.
- Six financial products linked to remittances have been developed by Caixa and tailored to the target population (December 2008).³¹ These products were created based on the needs assessment mentioned above.
- A strategy for the implementation of the project and trainings has been defined for both the United States and Brazil.

INSTITUTIONAL IMPACT OF THE PROJECT

- Caixa gained international experience where it previously had none due to its sole focus in Brazil.
- Caixa is now focusing on the needs of migrants returning from the United States rather than focusing solely on those still there. Caixa has started to develop programs to provide credit to returned migrants.
- Caixa has become quite creative in developing products and services. For example, a savings product is under development that allows clients to build a savings history that can then lead to a housing loan down payment, as well as providing payment capacity for a 20-year loan. Caixa reduced the required savings period from 24 months to 12 months.

31. The products are "Remittances online," "Remittances with Partner Banks," "Credit for Immigrants," "Savings," "Housing Credit," and "Payment Orders."

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- Buy-in from the institution has been positive.
- Caixa's social mission of working with the "base of the pyramid" is positive in this project.
- Caixa is very creative in developing products and services (for example, the savings product for housing down payment.)

External (environmental) success factors:

- There are no external success factors identified as yet.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There were coordination problems between Caixa and SEBRAE, which slowed implementation.

External (environmental) problems encountered:

- Initially, there were difficulties building relationships with U.S. banks to begin the project, due to the financial crisis, which reduced the incentive for U.S. banks to participate. Efforts failed with three banks, but the fourth finally succeeded. These difficulties slowed the project's initiation.

REGULATORY ISSUES

No regulatory issues have had a negative impact on the project to date.

IMPACT AT BENEFICIARY LEVEL

- Twenty-five beneficiaries have participated in a financial orientation course in Minas Gerais.
- Fifty people have received business guidance services or SEBRAE training/instruction programs reflecting the program's objectives.

LESSONS LEARNED

- Interaction with the MIF at remittances program events was positive. It created a competitive atmosphere and motivated Caixa to accelerate its performance.
- MIF support to executing agencies helps improve their credibility to other actors and broadens their vision beyond the national arena.

CONCLUSIONS

It is too early in the project to validate the hypothesis. Due to delays, an extension will be necessary. The development of new products for remittance families is a sign that the institution is committed to the project's goals.



Executing Agency:

Fundación CREA

Project Title:

Voluntary Return Migration Model Based on Entrepreneurship Development

Remittance Model:

Remittances and Productive Investments

Total Project Amount:

US\$7,000,000

The executing agency is Fundación CREA [CREA Foundation] (CREA), a nonprofit agency set up by a number of large Spanish companies. Spain has developed programs to promote the return of Spaniards who migrated to Latin America based on supporting the development of new businesses. These programs are being implemented by CREA. CREA has designed, developed, and executed its own methodology to support start-up businesses and develop entrepreneurial skills.

PROJECT DESIGN

Returning migrants face many difficulties in starting up businesses with their overseas earnings in their home countries. The challenges include lack of knowledge of markets, inexperience in business, lack of financing, and others. The project’s objective is to encourage migrants in Spain to set up new businesses in their countries of origin, either when they return or by investing in local businesses in their countries of origin even while they are overseas.

The project hypothesis is:

- When provided with the necessary training and capacity building on business themes, remittance senders from abroad will utilize these skills to establish new businesses with their remittances.

PLANNED ACTIVITIES

The project was designed to include the following five components:

- Develop a network of institutions and disseminate the initiative.
- Launch a business start-up program.
- Channel remittances into productive investment.
- Coordinate a business network.
- Implement a project monitoring and sustainability system.

Countries of origin targeted in this project include Bolivia, Colombia, Ecuador, and Uruguay.



RESULTS TO DATE

The project began in 2009, with an execution period of 48 months, and to date an extension of 24 months. This project is just beginning. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Five business networks consolidated (one per beneficiary country and Spain).</i>	<i>No results yet.</i>
<i>525 new businesses created (90 in Ecuador and Colombia; 60 in Bolivia; 45 in Uruguay; and 240 in Spain).</i>	<i>No results yet.</i>
<i>1050 new direct jobs and 4200 new indirect jobs created through project-supported businesses.</i>	<i>No results yet.</i>
<i>By the sixth month, four local institutions identified and trained for implementation of project activities in each of the four beneficiary countries.</i>	<i>FUNDASOL (Uruguay); Fundación Alternativa (Ecuador); Universidad Sergio Arboleda (Colombia); and FIE NGO (Bolivia) have been identified and are being trained.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- The design and procurement of studies to supplement the mapping data on migrants is in process.
- Operational coordination and improved methods of financial and administrative management between the executing agencies and the in-country partners are now in place.
- CREA has identified 157 people with 123 business projects in Spain to receive technical assistance.
- Eighteen training courses in entrepreneurship have been completed or initiated in the four countries (four in Bolivia and Uruguay, five in Colombia and Ecuador), involving more than 330 beneficiaries.
- The total number of training and tutorials has reached 16 programs in Spain, with more than 400 beneficiaries in three different communities (Murcia, Castile and Leon and the Province of Jaén).
- CREA has presented a request for funds to the Ministry of Industry of Spain for financing a virtual network that links businesses in Spain and businesses established by migrants upon returning to their home countries.
- CREA is requesting funding from the Ministry of Work and Immigration in Spain to provide grants to returning migrants to supplement their remittances, since these have decreased during the economic crisis.



INSTITUTIONAL IMPACT OF THE PROJECT

- A network has been initiated between CREA in Spain and a partnership of four executing agencies in four countries in Latin America.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- The executing agencies are committed to the project goals.

External (environmental) success factors:

- The global economic crisis has affected the flow of remittances. Especially impacted is the construction sector in Spain, which employs a large number of migrants. This may affect the number of migrants who are able to invest in remittances in their home countries.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- Time was needed to transfer know-how from Fundación CREA to the implementing agencies in the four countries, which slowed project implementation.
- The financial component (financing businesses or guaranteeing the financing of business through remittances) was not well defined in the project design. A mechanism is being designed now.

External (environmental) problems encountered:

- There is a small population of Uruguayans in Spain, which will make it more difficult and costly to include them in project activities. It is not clear why Uruguay was included in the project.

REGULATORY ISSUES

No regulatory issues have had a negative impact on the project to date.

IMPACT AT BENEFICIARY LEVEL

- At least 157 people in 123 projects in Spain and countries of origin are benefiting from project training and assistance.
- More than 330 returned migrants are benefiting from training courses in entrepreneurship in the four Latin American countries.
- More than 400 migrants in three different communities in Spain are benefiting from business training courses.



LESSONS LEARNED

- MIF funds should be used as a guarantee for loans linked with remittances from Latin American migrants in Spain and/or to adapt financial products to the needs of the microentrepreneurs (which could include investment or working capital, longer terms, etc.).
- In each country, the financing mechanism should be developed with other executing agencies (FIE in Bolivia, Fundación Alternativa in Ecuador, Fundasol in Uruguay) and with local financial institutions such as Cajas de Compensación Familiar in Colombia.
- In parallel, a partnership with microfinance institutions in Spain could be explored in order to design a complementary mechanism allowing beneficiaries in Spain to get financing for developing a project in their country of origin.

CONCLUSIONS

The project is too new to evaluate impact, yet training courses are designed and underway. A network of institutions between Spain and Latin America is beginning to solidify. The government of Spain is supportive of the initiative and may increase funding, and the government of Italy is interested as well. The project's financial component was not well thought out in the design phase, and its redesign needs to happen quickly.



Executing Agency:*Fundación para la Productividad en el Campo A.C.***Project Title:***Investment of Remittances***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$920,000*

The project was executed by the Fundación para la Productividad en el Campo A.C. [Foundation for Rural Productivity] (FPC). FPC is a nonprofit institution established in 1996, with headquarters in Mexico City. Its mission is to promote an improved quality of life for low-income agricultural producers by strengthening their organizations for the production, implementation and assimilation of viable technological alternatives, access to sources of financing, and establishment of strategic partnerships with industry and marketing companies. FPC is well respected for its work in rural Mexican communities.

PROJECT DESIGN

In rural Mexican communities affected by high levels of migration, hundreds of people (mostly women) who remain behind have begun to produce crafts, invest in livestock, and engage in other types of productive agricultural activities. These people lack business skills and access to markets and systematically updated information. At the same time, migrants organized into hometown associations in the United States and other remittance-sending countries are interested in investing in the productive capacity of their communities of origin but have limited information about business opportunities and do not trust banking institutions or governments.³² There is great potential for developing productive projects in the communities of origin and connecting them to the U.S. market.

The general objective of the project, now closed, was to help increase revenues and job opportunities in the rural communities affected by high migration. This was to be done by promoting and supporting the business activities of producer groups established primarily by women in the states of Michoacán, Oaxaca, and Guerrero. The specific objective was to establish a model for the productive use of remittances through interaction between producers in the communities of origin and migrating entrepreneurs, working with links between communities in these three states and hometown associations in the United States.

The project hypotheses are:

- Remittances can be channeled to productive investments in countries of origin.

32. HTAs fulfill various functions, ranging from social exchange to political influence. They often contribute to development projects in their communities of origin, including those related to productive investments.

- HTAs are willing to pool their money and invest in productive investments (i.e., start-up businesses in their hometown communities.)
- Family members can be entrepreneurs.

PLANNED ACTIVITIES

The project was designed to include the following activities:

- Analyze the amount, use, and frequency of remittances as well as the skills and interests of the community and the financial and economic assets available locally.
- Identify and select economic groups of producers and projects to be developed by the HTAs and local groups, in a structure that will allow the HTAs and local communities to develop businesses in a context of integration.
- Analyze the productive and technological capacities of the groups identified.
- Select 20 groups with defined characteristics that meet project criteria.
- Provide intensive training courses and specialized technical assistance to the 20 groups to support existing productive activities or the expansion of start-up businesses.
- Provide support to structure a financing arrangement designed for the producers.

The direct beneficiaries of the project were producers in those communities, primarily female heads of household who were left behind when their husbands migrated.

RESULTS TO DATE

The project began in 2002, with an execution period of 30 months and a 24-month extension. The project is closed. There were many successes in this now-closed project, such as expansion of FPC into new rural zones, the establishment of links to HTAs in the United States, the establishment of a trust fund for funding new business startups, and investment of funds by HTAs in start up businesses in their home communities.

The project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>30-40 productive projects in communities of high migration in the states of Michoacán, Oaxaca and Guerrero, are identified.</i>	<i>53 productive projects were identified.</i>
<i>In these three states, the economic groups of producers develop at least 10 projects/businesses that produce good quality products that are marketed in the United States.</i>	<i>23 of the 53 were selected for technical assistance, from which five businesses were formed. The number of these that sell good quality products in the United States could not be determined. 638 people in these 23 projects were trained.</i>
<i>The HTAs' contributions (a minimum of US\$200,000) are obtained to guarantee commercial loans to producers.</i>	<i>In three businesses, there were respectively: US\$237,000 in two investments, and US\$300,000 in a grant to the third business from various migrants. These investments leveraged US\$1.15 million in government donations and US\$1.181 million in loans from various sources.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

- FPC learned how to build social capital between communities of origin and migrants. FPC conducted 19 promotional workshops, one international forum, 18 outreach meetings, 10 briefings, three workshops on organizing, managing and obtaining additional funds, and created three videos in the United States and Mexico.
- FPC now has a methodology for building groups, and has learned how to implement the methodology efficiently and in a shorter period of time (around six months.)
- FPC has more staff and branch offices in the rural areas than before the project began. This expansion gives communities the impression that FPC will have a permanent presence, creates more trust among the community, and lowers costs.
- FPC now has the know-how to commercialize products in the United States (organic certification, business registration processes, and so on.) For example, FPC assisted one business (a nopal producer) to become certified.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- FPC's prior experience with rural groups helped in project execution.
- FPC's senior management's buy-in to the project goals also contributed to successes.
- FPC's participation as an agent of Fideicomisos Instituidos en Relación con la Agricultura [Trust Funds Established in Relation to Agriculture] (FIRA), a government financing agency, guaranteed that two of the projects received sufficient government support to start up their business.

External (environmental) success factors:

- FPC made efforts to link with other governmental sources for financing (subsidizing) the business start-ups but its efforts were hampered by differences in state policies, political problems in Oaxaca (2006), and other issues.
- FIRA's rule changes during the project prevented more businesses from benefiting from financing.
- Members of HTAs are risk-averse when it comes to investing their savings in start-up businesses without a history of profits.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The project took 2.5 years to be approved.
- The relationship with UCLA, which was to act as a promoter of the project to the HTAs, did not function. UCLA used students to promote the program, but the students changed, which did not inspire confidence among the HTA members. FPC took over the promotional aspect itself.

- Moving large sums of money across national borders was problematic due to anti-money laundering laws. This complication led FPC to establish corporations on both sides of the borders, and an umbrella corporation for both of these national corporations. This streamlining also led to greater credibility for the businesses and improved investment possibilities.
- Start-up businesses need working capital until they can generate cash flow. The project had no source of working capital. For their part, local entrepreneurs who wished to start up a business were risk-averse and did not want to take out loans, even if they had been available.
- FPC's director was budgeted at half time, which was insufficient to manage the project.
- There were no indicators or activities that were specific to women's projects, although that was a stated goal of the project.
- The educational level of the participants ranged from illiterate to college educated, posing additional challenges.

External (environmental) problems encountered:

- Migrants in the United States have low levels of trust, some having lost their savings through poor investments in their home countries or misuse by family members. This reticence made it difficult to convince them to invest in start-up businesses in their communities.

REGULATORY ISSUES

There was no influence of the regulatory or legal environment.

IMPACT AT BENEFICIARY LEVEL

- One project was quite successful, benefiting 140 female heads of household. According to interviews with these women during the final evaluation of the project, their revenues had increased by 50 percent.
- HTAs members (an unknown number) received information about business opportunities in their home communities.

LESSONS LEARNED

- In this project, HTAs were not mechanisms for capturing savings or investing in businesses. Pooling HTA member money is difficult given that there are different expectations about return on investment, places to invest, terms of investment, etc. These differences makes it difficult to come to agreements.
- The transnational corporations set up by FPC functioned well because migrants did not want to be involved in the production side, but rather on the value-added side (i.e., exporting and selling in the United States).
- FPC was too small for such a large project with a complicated set of actors. The stress on the institution was significant.



- Additional variables are related to the link between migrants and their communities of origin that were not considered in the project selection, such as age at migration and stability in the United States. The younger the age of the migrant, the less identification s/he has with the community of origin. The more stable the migrant, the more likely s/he is to be interested in investing.
- While the relationship with UCLA did not function, there is still a need to create a link with a credible U.S. organization to give confidence to migrants who might want to invest.
- Creating effective means of communications between communities of origin and HTAs is critical to building trust. The state-level committees were useful in this regard.

CONCLUSIONS

The impact of the project has been limited but the testing of the hypotheses was important. Results show that HTA members are reluctant to pool their savings for investment due to trust issues and the concern of a low return on investment. Start-up businesses were viewed as risky by HTA members. Family members from rural communities usually did not have entrepreneurial motivations, and if they did, the level of entrepreneurial capacity was low. There was significant learning by the executing agency, which has helped it improve the effectiveness of its work in rural areas. A significant number of people received technical assistance in business skills. HTAs became interested in supporting local business development in their hometowns.



Executing Agency:*Hispanics in Philanthropy***Project Title:***Promoting Diaspora and Local Support for Productive Initiatives***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$7,345,000*

The executing agency is Hispanics in Philanthropy (HIP), founded in 1983 to promote stronger partnerships between organized philanthropy and Latino communities. Hispanics in Philanthropy is a transnational network of 480 grantmakers and others committed to strengthening Latino communities across the Americas. In its work, HIP informs funders of the needs of the Latino community through regional, national, and international conferences and briefings, research and publications, and professional development programs. HIP seeks to increase resources for the Latino civil sector by leading a funding collaborative, the Funders' Collaborative for Strong Latino Communities, which has raised nearly \$35 million and has made grants to 427 Latino-led nonprofits across the Americas to date.

PROJECT DESIGN

Remittances could provide an opportunity for development of income-generating activities for individuals and families residing in high migration communities. An opportunity also exists for civil society to leverage development impact and support social and financial inclusion by developing innovative partnerships to promote training and local productive opportunities.

The specific objective of the project is to develop transnational linkages to foster local productive development among communities throughout the region, by providing grants to NGOs, foundations, associations and cooperatives and other entities. It seeks to leverage the contributions made through hometown associations (HTAs) and cross-border remittances throughout the United States to communities of origin. As an additional source of resources, local philanthropic entities would also be incorporated into this effort as funders and partners in support of the local initiatives. The general objective of the project is to improve the economic conditions of low-income communities affected by migration in Argentina, Mexico, Dominican Republic, El Salvador, Nicaragua, and Guatemala.

The project hypotheses are:

- Remittances and contributions from HTAs, supplemented by philanthropic contributions, can be channeled into productive activities.
- The mechanism for this strategy can be implemented using a competitive grant-making process, utilizing local NGOs, who will also be responsible for fundraising for these projects.



- This approach, encompassing six countries, will be a more efficient mechanism for the MIF to contribute to local development than its traditional project approach of working with one executing agency.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Promote the project via a symposium to announce the program, conducting exchanges between current grantees and potential grantees, diaspora meetings and other similar sessions, holding informative sessions to generate increased interest and opportunities for the program, and development of local sites and institutional partners for program activities in additional countries.
- Select local NGO partners and initiate the grant-making process, financing entities that focus on income-generating activities.
- Monitor and evaluate the impact of the program, and disseminate the results.

RESULTS TO DATE

The project began in 2007, with an execution period of 60 months. Relevant achievements for this ongoing project include successful fundraising at the national level in Mexico, Argentina, and the Dominican Republic, which have contributed counterpart funds to subgrantees of this project. Six subgrantees have received funds. Transparent processes for vetting applications from potential subgrantees now exist.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>At least 3,000 jobs created, new community-based business established, participating microenterprises and SMEs increase performance (annual sales indicators.)</i>	<i>No results yet.</i>
<i>At least 33 projects are supported with alliances forged with community migrants that have become involved with the development of their communities of origin by the end of the project.</i>	<i>By the third year, six projects have been forged between local projects and migrant groups. Migrant groups in the United States have indicated willingness to help subgrantees in selling products in the United States but this has not yet occurred.</i>
<i>At least US\$2.3 million is raised from diaspora organizations/individuals and other foundations to support communities in the region.</i>	<i>By the project's third year, approximately US\$1.1 million was raised from foundations and individuals, and \$570,000 was raised from diaspora organizations or individuals for a total of approximately US\$1.6 million.</i>



INTERMEDIATE RESULTS OF THE PROJECT

- Local NGOs have been chosen in each country to handle granting procedures. Transparent processes for vetting applications from potential subgrantees now exist.
- Six entities in Mexico, the Dominican Republic, and Argentina have received subgrants from this project, two in each country.
- More than US\$1 million in local counterpart funds has been raised. Local funders' networks, including business people, have been established in Argentina, Mexico and the Dominican Republic.
- Capacity-building workshops and informational sessions and meetings were held to share experiences and lessons learned with grantees.

INSTITUTIONAL IMPACT OF THE PROJECT

The program has served as a tool to build funder networks in Latin America and to find new ways to engage the diaspora. HIP's mission goes beyond supporting productive initiatives. Its goal is to build a transnational model that in the long-term may serve as a platform to promote strategic philanthropy and open channels that allow the entrance of new players in the region. HTAs, individual donors and others may play a role in philanthropy in addition to the work traditionally performed by the church, family foundations and corporate philanthropy.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- HIP has expertise in capacity building and fundraising.
- NGOs with experience in grant making exist in the target countries.

External (environmental) success factors:

- There is interest from HTAs in local economic development in their communities of origin.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- Staff rotation in HIP has slowed implementation.
- HIP has limited experience in economic development. To strengthen its capacity to manage productive initiatives, the program included in its design the hiring of part-time local expert consultants. However, this model has not proven as successful as expected and HIP is the process of restructuring this area of its operational structure.



External (environmental) problems encountered:

- Funders in Latin America tend to donate to charitable purposes, and the majority designates funds for projects of their own interest. There is limited interest in a collaborative model focused on economic development, which has limited the amount of counterpart funding raised to date.
- Diaspora groups have traditionally focused their efforts on advocacy, public policy, community development and other social aspects. They have limited knowledge and experience with microenterprises. Thus, the majority of proposals received had very weak diaspora components, which reduced the number of viable projects and as a result the number of projects financed under the program so far.
- The lack of economic development and business-management experience at some community organizations and/or NGOs, which traditionally focus their activities on social services, has slowed progress.
- The global economic crisis has led to:
 - a decrease in remittances sent by migrants to Latin America.
 - a decrease in philanthropic dollars available.
 - a return of many migrants to their homeland due to loss of job opportunities in the United States.
- There is a lack of successful diaspora engagement models similar to HIP’s that may be used to establish benchmarks and identify lessons learned.

REGULATORY ISSUES

No regulatory issues have had a negative impact on the project to date.

IMPACT AT BENEFICIARY LEVEL

There is no impact at the beneficiary level to date.

LESSONS LEARNED

- The diaspora in the United States is not organized to support projects of a productive nature. Further efforts are needed to improve the capacity of these organizations.
- The most successful diaspora linkages have occurred through close family and/or friendship ties to individuals living abroad who can make in-kind donations to the projects, such as land donations or volunteering.
- The culture and level of development and engagement with the home country vary among diaspora groups. The Mexican diaspora is by far the most organized, due to government programs such as the Tres por Uno [Three for One] Program (which supports productive investments by migrants with government matching grants.)
- NGOs in Latin America require more training in business management and leadership in order to be able to support cooperatives or community enterprises on a larger scale.



CONCLUSIONS

The executing agency has had difficulties in implementing the project, which has required skills that staff did not have, such as vetting business proposals. The scope of the project was too broad (too many countries) and will probably be scaled back. However, there has been some success raising money and visibility for the project on the national level from local philanthropists. All in all, the project hypotheses remain unproven as yet.



Executing Agency:*Nacional Financiera***Project Title:***Capitalization of Remittances for Local Economic Development***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***US\$2,232,000*

The Nacional Financiera [National Financial Institution] (NAFIN) of Mexico, through its Department of Entrepreneurial Services and Government Agencies, implemented this project. NAFIN is a Mexican government development bank providing credit and technical assistance to micro, small and medium businesses in all states in Mexico. In addition to national coverage in Mexico, NAFIN also has departments in the United States, with one office in Washington, D.C. and one that recently opened in Santa Ana, California. NAFIN has experience in the administration of technical cooperation projects of supplier development and productive chains, and has substantial convening authority in various branches of the private sector, a direct relationship with the governors in each Mexican state, staff skilled in administrative and technical management, as well as financial and nonfinancial development instruments.

PROJECT DESIGN

Hometown associations have pooled their remittances and used these transfers to support activities for community-type works, such as restoring churches, paving streets, supplying potable water, and building schools. From this experience, it seems clear that there is a great potential for these associations to contribute to local entrepreneurial development. Of all Latin American migrants, Mexicans in the United States and in other countries show the most willingness to support entrepreneurial projects and find new formulas for collaboration that would enable them to channel their individual abilities and savings to productive investments in their hometowns. However, these resources or remittances have yet to achieve the regularity and volume required to stimulate the entrepreneurial base of predominantly rural regions where the business climate is limited and local necessities are complex. These businesses require solid technical and financial support. Moreover, there are factors linked to HTA organizational development that hinder ideal investment conditions: (i) the HTAs have little information on current needs, economic capacities, or business opportunities in their hometowns, and few connections with local investors; (ii) the interaction between HTAs and their home communities is costly because they are so far away and scattered; (iii) the migrants tend to mistrust government institutions, and (iv) there are no technical assistance mechanisms to educate persons seeking productive projects.

This pilot project's global objective was to channel remittances from Mexican migrants in the United States to productive activities in Mexico, by linking NAFIN with three Mexican state governments (Jalisco, Zacatecas and Hidalgo), the private sector (i.e., business advisors and potential investors) and Mexican migrant clubs in the United States.

The project envisioned the establishment of a civil association where state representatives, business advisors, and entrepreneurs would interact, and the establishment of a trust fund to channel the remittances and other grants. The project aimed to finance the start up of approximately 60 new businesses, or to expand existing ones.

The project hypotheses are:

- HTAs are interested in pooling their savings to invest in business projects in their communities of origin.
- Their friends or family members are interested in becoming entrepreneurs.
- NAFIN and the states are the appropriate entities to build the relationship between HTAs in the United States and potential entrepreneurs in Mexico.

PLANNED ACTIVITIES

The goal of using remittances for local development was to be achieved by the following activities:

- Work with state governments to create a mechanism for vetting and funding start up businesses.
- Conduct market studies to identify feasible business proposals and prepare business plans in the three Mexican states.
- Provide technical assistance to these business start-ups.
- Promote the use of remittances mobilized from migrant clubs as investments in these businesses.

RESULTS TO DATE

The project began in 2002, with an execution period of 30 months and an extension of 24 months. The project is now closed. Its relevant achievements were the formation of three state-level subcommittees composed of state representatives, business advisors, and NAFIN state coordinators, who identified and vetted feasible project ideas, and communicated with HTAs about these investment opportunities. Three state-level trust funds were established to channel investments from HTAs to these new businesses; 225 business proposals were identified, out of which 14 businesses were formed.



The project achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>For each of the three selected states, a mechanism exists for channeling remittances to current productive projects with the active involvement of the migrants and local private investors.</i>	<i>Three state-level subcommittees, which included state representatives, NAFIN staff and business advisors, were established during the project execution period. Three trust funds at each state level were formed to channel remittances to start up business. One trust fund closed after project end.</i>
<i>At least 20 businesses are identified and assessed in each state.</i>	<i>225 business proposals were identified, of which 56 received technical assistance for business plan writing; 14 of these became businesses.</i>

INSTITUTIONAL IMPACT DUE TO PROJECT

There were no discernable changes in NAFIN as a result of this project. NAFIN did not visualize the importance of remittances and has not internalized this business model.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- NAFIN had branches in the United States, which improved its ability to contact and work with diaspora migrant groups.

External (environmental) success factors:

- The project was able to take advantage of some pre-existing state structures that were already established for encouraging migrants to invest their remittances in their home communities.
- During the life of this project, the economy in the United States was good and migrants were able to save.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There were many changes in staffing at NAFIN and changes in the location of the project unit, which slowed implementation and made an extension necessary.
- There were difficulties in finding a project coordinator.
- Design problems:
 - It was very difficult to approach migrants in the United States and build enough trust to engage them in the project’s activities.
 - The project design necessitated hiring many consultants for doing feasibility studies and technical assistance to entrepreneurs, which incurred delays.

- The assumptions on which the project was based were not valid (see Conclusions).
- There was no credit component to the project. Even with an investment from a migrant club in support of the start-up costs, working capital was still needed. NAFIN, although a financial intermediary, was not willing to lend to unproven start-up businesses.
- Although a project activity was established to study sectors for potential investment, this knowledge already existed at the state level.
- The technical assistance component to potential entrepreneurs was paid for 100 percent by the project, and because of this, was undervalued by the entrepreneurs. Later in the project, the funding was changed to a 70/30 arrangement, where the entrepreneur contributed 30 percent of the cost of the study. This arrangement was more effective.

External (environmental) problems encountered:

- There were no indicators or targets for amount of remittances invested, and no businesses were started.

REGULATORY ISSUES

No regulatory issues had a negative impact on the project.

IMPACT AT BENEFICIARY LEVEL

According to the project final evaluation, more than US\$3.5 million was raised from migrants for investment, mostly from individual investors. Three successful businesses are reportedly still operating. Fifty-six groups of potential entrepreneurs received technical assistance in business skills.

LESSONS LEARNED

- Migrants use remittances for basic needs, not for business investments.
- Pooling migrant clubs' member money is extremely difficult. There are different expectations about the return on investment, where to invest, terms of investment, etc. To reach consensus from a group of potential investors is a challenge. In addition, migrants do not have the expertise to choose investments that will produce returns.
- Migrants' family members in Mexico did not want to be entrepreneurs. Moreover, there were different cultures of work in the different states. For example, in Jalisco, entrepreneurs are very individualistic. In Zacatecas, they are more group-oriented. This requires different types of technical assistance.
- A financing component to the project would have been useful.
- A website was established to promote communication between the various actors. Nevertheless, this was not promoted and there was no sustained source of funding for it. Therefore, it was shut down after 1.5 years.



- Most of the people working on this project in NAFIN and at the state level had no experience in starting businesses.
- The project should have had a broader outreach and been coordinated with IME, so that migrants interested in investing in any state could have been linked to a counterpart in that state and paired with a financial institution for working capital loans.

CONCLUSIONS

The project was interesting in that it linked state entities with a national development bank, and HTAs with local businesses. However, the activities were not suited to the development bank, and its core business, consisting of its credit products, was not part of the project. At the migrant level, the hypotheses were not borne out. Migrants are hesitant to invest their savings in businesses and are reluctant to pool their money with other migrants. Moreover, family members are not necessarily suited to being entrepreneurs.



Executing Agency:

Serviço Brasileiro de Apoio às Micro e Pequenas Empresas

Project Title:

Dekassegui Entrepreneurs

Remittance Model:

Remittances and Productive Investments

Total Project Amount:

US\$3,100,000

The executing agency is Serviço Brasileiro de Apoio às Micro e Pequenas Empresas [Brazilian Microenterprise and Small Business Support Service] (SEBRAE), an entity that promotes the development of small businesses in Brazil and has extensive experience and proven institutional expertise.

PROJECT DESIGN

Dekassegui, Brazilians of Japanese ancestry who emigrate to Japan, have a strong propensity for entrepreneurship, which is reinforced by their level of education and drive to save. However, the high rate of failure of start-up businesses established by these migrants with their remittances, although not much different than the average rate of failure for businesses in Brazil, results in the loss of significant capital. These resources, if used more effectively, could have a positive impact on the country's development.

This project envisioned accessible training and technical assistance activities, in order to increase the rate of business success among returning Brazilians who have migrated to Japan. The project targets Brazilians still living in Japan, as well as those who have returned to Brazil, who have been identified as having a strong entrepreneurial spirit and plans to open a business.

The project hypothesis is:

- There is demand on the part of Brazilian migrants living in Japan for business training.
- Dekassegui will participate actively in the program and adopt the instruments and techniques taught.
- Dekassegui will utilize their savings (remittances) to start up their businesses.

PLANNED ACTIVITIES

This project was designed to include the following activities:

- Dissemination of information about the program to dekassegui.
- Strengthen the network of institutions involved in the program with training, including the Associação Brasileira de Dekasseguis [Brazilian Dekassegui Association] (ABD), institutions in the Japanese-Brazilian community, universities, and banks.



- Selection and training of potential entrepreneurs in Japan: a first phase is an online self-assessment, which acts as a filtration mechanism to identify potential entrepreneurs with appropriate characteristics.
- Business training (basic training, advanced training, and business plan development).
- Support to dekassegui for reintegration.
- Technical assistance for starting and running new businesses.
- Systematization of the experience and dissemination of the results.
- Opening SEBRAE offices in each of the four states in which the project will be implemented.

RESULTS TO DATE

The project began in 2005, with an execution period of 49 months, and is in the final phase. This project is still in execution. Relevant achievements include the implementation of an online assessment for migrants in Japan, to test business capacity. Approximately 150,000 people have used this diagnostic tool. More than 900 business proposals have received further technical assistance in business training.

As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>10,000 people approaching the program and conducting the online self-assessment.</i>	<i>Approximately 150,000 people did the online assessment.</i>
<i>6500 ex-dekassegui participants in the program are benefiting from capacity building, consultancies, and services offered by SEBRAE in 4 different states in Brazil.</i>	<i>18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in 4 different states in Brazil.</i>
<i>5000 participants in Japan are participating in 5 free capacity training courses offered via the Internet.</i>	<i>1548 participants in Japan participated in capacity trainings offered via the Internet.</i>
<i>40 new businesses are provided with subsidized technical assistance to start up (Dec 09).</i>	<i>950 new business proposals were provided with subsidized technical assistance.</i>
<i>1000 Ex-dekassegui have established businesses with support from the project.</i>	<i>No ex-dekassegui has established businesses with support from the project.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- SEBRAE successfully organized and implemented capacity trainings both in Brazil and online for remote access by dekassegui living in Japan. These activities cultivated SEBRAE's client-based and client-oriented approach to doing business and situated it as an institution that is responsive to the particular needs of its clients.



- SEBRAE was able to conduct periodic missions to Japan and carry out capacity trainings there, thus building a presence there.
- SEBRAE formed partnerships with numerous organizations throughout Brazil, alliances that could prove to be valuable resources for future projects.
- SEBRAE launched a call center in Brazil to support dekassegui.
- A website resource center for dekasseguis has been launched:
<http://www.dekassegui.sebrae.com.br/>

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- SEBRAE has availability of bilingual Portuguese-Japanese personnel to organize project activities.
- SEBRAE has a database for tracking dekassegui participants in the program.
- SEBRAE is a strong institution with experience in the core project activities and many years of experience.
- There was buy-in from SEBRAE management for the project's goals and activities.

External (environmental) success factors:

- Demand from migrants for training exists.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- There needed to be more activities aimed at reinforcing the associations that do the training to entrepreneurs.
- There may be a risk that the project lacks a component of credit for start up businesses.
- The indicators in the logical framework were not adequate to measure the progress of the project, and these need to be adjusted.
- There was not enough attention paid to strengthening co-executing agencies in Japan.

External (environmental) problems encountered:

- It was difficult to establish an office in Japan, forcing the consultant to undertake costly short-term missions instead.
- Changes in the global economic climate have decreased the amount of remittances that dekasseguis can invest in their new businesses.

REGULATORY ISSUES

No regulatory issues have had a negative impact on the project to date.



IMPACT AT BENEFICIARY LEVEL

- 150,000 people conducted the online assessment.
- 18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil.
- 1,548 participants in Japan participated in capacity trainings offered via the Internet.
- 950 new business proposals were provided with subsidized technical assistance.

LESSONS LEARNED

- Bureaucratic obstacles between co-executing agencies can slow progress in implementation.
- The creation of the website, while positive for linking the project with the target group, has also generated demand from others outside the target group, which was not planned for. SEBRAE has agreed to manage these cases.

CONCLUSIONS

The project focuses on training migrants and only indirectly on channeling remittances to investments in businesses. There is demand from dekassegui both in Brazil and in Japan for business training as shown by the number of people attending informational seminars and the number of online participants. The number of people trained was impressive, indicating that the co-executing agencies had sufficient interest and experience to achieve these results in the project's time frame. A network of these co-executing agencies was formed to provide trainings in the different regions of the project's activities. The success of this training, in terms of number of business created and succeeding, could not be determined, nor could the amount of savings (remittances) that dekassegui invested in their businesses.



Executing Agency:*INMIGRA-CEPROM Strategic Partnership***Project Title:***Pilot program to promote business leadership through transnational migrant family networks***Remittance Model:***Remittances and Productive Investments***Total Project Amount:***€157,844*

There are two executing agencies acting in strategic partnership. Instituto de Migración y Desarrollo en la Región Andina [Institute of Migration and Development in the Andean Region] (INMIGRA) is a Peruvian NGO that supports the development of Peruvian communities living in foreign communities. Centro de Promoción de la Mujer y el Desarrollo [Center of Promotion of Women and Development] (CEPROM) is an NGO working in the Tacna region on women's rights and development. CEPROM is in charge of the entrepreneurial leadership and INMIGRA is responsible for the research activities.

The project's goal is to promote development by linking organizations of migrants and their families to productive investments of remittances in Peru. The leading migrant regions are Lima, Junín, La Libertad, and Piura, whose native residents live in 25 destination countries, including Italy, Spain, the United States, Chile, and Argentina. The project was developed within the framework of the Global Junín program, a pilot initiative coordinated with the Junín Regional Government through an interagency cooperation agreement. The initiative seeks to encourage migrant men and women and their families to forge ties with regional and local governments to promote co-development processes that will help generate productive investment opportunities and lessen the motivation to migrate.

PLANNED ACTIVITIES

Activities that the project is undertaking include the following:

- Training Program for Entrepreneurial Leadership for Codevelopment.
- Specialized training and consultancy in foreign trade to transnational family enterprises.
- Developing a Codevelopment Projects Bank in coordination with five migrant organizations from the Junín region, with transnational family corporations and five local government agencies.
- Preparation of a diagnostic assessment of transnational families and the use of remittances in the Junín Region.
- Developing and implementing an advocacy strategy directed at local government officials and regional government.



The project hypothesis is:

- A strategic partnership between two NGOs can be effective in encouraging migrants to invest in productive activities in their home regions.

RESULTS TO DATE

As of August 2009, the project had been in execution for less than one year, and had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>20 transnational families trained in leadership for co-development, each with its own business plan.</i>	<i>A database on 40 identified transnational families interested in generating business ideas and building businesses has been established. Six concrete business ideas of transnational families have been formulated. There is a preliminary version of the Training Plan for Promoting Entrepreneurial Leadership for Codevelopment</i>
<i>20 legally established and operating family transnational businesses.</i>	<i>No results yet.</i>
<i>Five organizations of Junin migrants providing financial support for co-development projects in their communities.</i>	<i>Three federations of associations of Peruvians abroad have been identified and contacted for promoting joint activities of codevelopment: The National Coordination of Associations and Peruvian Organizations in Italy (CONAPI), the Federation of Associations of Peruvians in Spain (FEDAP), and The Association of Peruvian Institutions in the United States and Canada, based in the United States.</i>
<i>One research study on the situation of transnational migrants from the Junin region and the investment of their remittances.</i>	<i>A working paper on the profile of transnational families benefiting from the Business Leadership Program has been produced. This will serve as a tool for defining the methodology to be carried out during the training process.</i>
<i>Five municipalities and the regional government of Junin supporting transnational families, and eight NGOs promoting co-development through an institutional network.</i>	<i>Various outreach activities with the municipalities in Huancayo, El Tambo, Huachac, Muquiyauyo and Tunanmarca to establish the Alliance for Codevelopment are underway. A training workshop on the concepts of codevelopment was given to the municipalities.</i>

INTERMEDIATE RESULTS OF THE PROJECT

- Several families have invested their remittances in the construction and improvement of their houses with all the conditions necessary to provide reception services and promotion of cultural tourism.
- A mapping of stakeholders and strategic partners for promoting the strengthening of micro and small businesses is in process.

INSTITUTIONAL IMPACT OF THE PROJECT

There is a better understanding of the profiles of migrant families within the two strategic partners.

INTERNAL AND EXTERNAL SUCCESS FACTORS

Internal (institutional) success factors:

- There is strong commitment to the project from strategic partners (organizations of Peruvians abroad and public entities, local and regional).

External success factors:

- Could not be determined.

PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- No internal problems encountered.

External (environmental) problems encountered:

- Remittance-receiving families are reluctant to devote a portion of their remittances to business investments. This situation is being dealt with by raising awareness about the opportunity that remittances present to create a business project.
- Another problem is the reluctance of remittance-receiving families to share the contact information of their relatives living abroad. This limitation has been overcome by daily visits to families, planning activities together, and clarification of the goals of the project.
- Another difficulty is the dispersion of families in eight districts. This difficulty was overcome by defining a zone of intervention in five districts: Huancayo, El Tambo, Huachac, Tunanmarca and Muquiyauyo, where the number of transnational families is high.
- The global economic situation has led migrant associations to rethink their short-term activities, prioritizing actions to assist and advise on unemployment, their precarious situation, and their potential return as a final alternative to the emergency. Considering this reality, the project was redefined in terms of its intervention strategy, aligning it with the current problems of migrants abroad. This slowed the process, especially with regard to the relationship with transnational beneficiaries, who are also suffering from the effects of international crisis.

IMPACT AT BENEFICIARY LEVEL

There is no impact to date.

REGULATORY ISSUES

The effect, if any, of regulatory issues on project implementation could not be determined.



LESSONS LEARNED

- Gathering information from migrant families can be challenging due to their distrust of authorities.
- Remittances are, for the most part, used for basic needs, and encouraging remittance recipients to re-direct some portion of remittances to business investments is a challenge.
- The issue of immigration can be co-opted by local and regional governmental authorities for political purposes.

CONCLUSIONS

The project is too new to have concrete results. The two co-executing agencies appear to be well coordinated and committed to the project goals. The development of transnational linkages by a small NGO focused on a single region of Peru may prove challenging.



Summary of Remittances and Productive Investments

The table below contains selected consolidated indicators for each project in the remittances and productive investments model, using those indicators that most accurately reflect the goals of the MIF remittances program.

Executing Agency	Key Output Indicator and Target	Achieved	Remarks
Academia de Centroamérica (ACA)	At least 20 start-ups owned by Nicaraguan migrants in Costa Rica have been put into operation.	No results yet (the project is new).	78 Nicaraguans working in the northern zone of Costa Rica were chosen to receive a six-day business-training course.
Asociación Peruano Japonesa (APJ)	120 migrants trained, and 80 projects designed.	No results (the project was closed).	A key design component was demand for the training by migrants in Japan, but this turned out to be minimal.
Banco del Trabajo/ Fundación de la Gente	Training provided to 3000 entrepreneurs.	1695 entrepreneurs trained.	The bank was sold in the early years of the project, which affected implementation.
Caixa Econômica Federal	2,250 beneficiaries in Minas Gerais who have participated in the process of financial orientation; 3750 beneficiaries in the United States have participated.	25 beneficiaries have participated a financial orientation course in Minas Gerais, none in the United States.	Project start-up was slow due to coordination difficulties with the co-executing partner, SEBRAE, and problems in establishing an alliance with a U.S. bank.
Fundación CREA	525 new businesses created.	No results yet (the project is new).	The four country-level co-executing agencies have been identified and are being trained in the methodology.
Fundación para la Productividad en el Campo, A.C. (FPC)	The HTAs' contributions (a minimum of US\$200,000) have been obtained to guarantee commercial loans to producers.	Invested in three businesses: US\$237,000 in two investments, and US\$300,000 in a grant to the third business from various migrants. These investments leveraged US\$1.15 million in government donations and US\$1.181 million in loans from several sources.	The concept of promoting investments by HTAs in businesses in their hometown communities is difficult in practice. HTAs are not investment groups.
Hispanics in Philanthropy (HIP)	At least 33 programs supported through alliances forged with community migrants who have become involved with the development of their communities of origin by the end of the project.	By the project's third year, six programs forged between local projects and migrant groups. None has involved financial investments from the diaspora.	It has been difficult to identify businesses in the target countries with a clear link to the diaspora.
Nacional Financiera (NAFIN)	At least 20 businesses identified and assessed in each state.	225 business proposals were identified; 56 received technical assistance for business plan writing; 14 of these became businesses. Three are reportedly still operating.	The project involved a great deal of coordination between NAFIN, three states in Mexico, and HTAs in the United States. The model of HTAs investing in businesses in their home communities may not be feasible.
Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE)	40 new businesses received subsidized technical assistance to start up (December 2009.)	950 new business proposals received subsidized technical assistance.	The project is too new to determine if activities will result in sustainable migrant businesses.
INMIGRA-CEPROM Strategic Partnership	There are 20 transnational business legally established and operating.	No results yet.	Households receiving remittances are reluctant to use part of these resources to business investment.

CONCLUSIONS AND RECOMMENDATIONS

GENERAL PROJECT ISSUES

- **Buy-in to Project Goals:** Institutional buy-in is key to project success, and it may change with a change in ownership (e.g., Banco del Trabajo). Buy-in is influenced by the social orientation of the institution (i.e., toward the low-income segment), and by the project design process, which should take time to negotiate. In the example of APJ, there was insufficient time for “maturation” of the project concept (a mere two months before the project document was signed), which influenced results. **Recommendation:** The project design phase should be long enough for the executing entity and its potential partners to internalize the vision of the project.
- **Types of Institutions:** Larger institutions with broader outreach (i.e., branch offices) had better success in implementing large-scale projects. FPC, a small institution, had difficulty implementing activities in three Mexican states, as well as its diaspora activities. Regional activities involving many partners need longer times for start up. **Recommendations:** (1) Tailor the scope of activities to the size of the institution. (2) Lengthen timelines for regional projects.
- **Market Studies:** Support for market studies is very useful. For example, the two studies undertaken by Banco del Trabajo have helped it understand remittance families better and have contributed to the design of new products for this market. On the other hand, in one case, studies were budgeted but not needed because the research had already been done. In the case of APJ, initial studies on demand for training were inaccurate, which affected project accomplishments. **Recommendations:** (1) Continue funding market studies. (2) Ensure that such studies are completed before projects are conceptualized. (3) If studies are conducted after project start up, projects should incorporate a sufficient degree of flexibility so that strategies can change if market studies give different results. (4) If studies are not needed, continue to allow reprogramming of that money.
- **Project time periods:** Defining the terms of reference for consultancies takes time, and many follow-on activities depend on earlier activities. Project time periods are routinely and necessarily extended, but the extension request process incurs delays. **Recommendation:** Lengthen the project execution periods from the beginning.



ISSUES WITH THE REMITTANCES AND INVESTING IN PRODUCTIVE INVESTMENT MODELS

- **Diaspora Groups (Hometown Associations):** There has been limited success in mobilizing remittances from diaspora groups for a variety of reasons, including: lack of contact with the HTAs, level of organization, level of trust, level of income, knowledge of investment opportunities in the home country, and entrepreneurial skills. **Recommendation:** A number of activities need to take place with HTAs before remittances can be pooled and channeled into productive activities. The time needed to complete these initial activities may not fit within a project execution time period. These activities would include the following, among others:
 - Since HTAs are distinct one from the other, due to cultural or organizational variables, it is important to improve executing agencies' knowledge of HTAs, their member profiles, missions, cultures and organizational levels.
 - HTAs' organizational capacity must be strengthened.
 - HTA members' knowledge of their legal rights must be strengthened in order to build trust.
 - Alliances should be built with business groups in HTAs' home communities (e.g., Chambers of Commerce).
 - HTAs should be linked with financial institutions to increase savings.
 - Financial education to improve money management and knowledge of investing is needed.

These activities may improve HTA members' willingness to invest in their home communities.

- **Business Development Skills of EAs:** Several of the executing agencies that were chosen to implement this model had limited knowledge of business development process or investing (e.g., NAFIN, FPC.) Successful business investments require more than the capacity to train entrepreneurs; executing agencies must also possess business expertise. **Recommendations:** (1) Ensure that the entities chosen to implement this model have sufficient knowledge of business processes and investment. (2) If the executing agency does not have this knowledge, foster the establishment of partnerships with entities that do. State entities and NGOs are less likely to have this experience compared to private sector entities or nonprofits that are running social enterprises. (3) Include in such projects the option for migrants to buy a business and/or purchasing a franchise.
- **Business Development Skills of Migrants' Families in the Home Country:** A flaw in the model is the inability to be an entrepreneur (or lack of interest in becoming one) on the part of migrants' family members. **Recommendations:** (1) Identifying family members who wish to become business partners with migrants is a time-consuming process, so additional time should be factored into project timelines. (2) Linking diaspora groups to existing profitable businesses that want to expand but lack capital could be an alternative.



- **Availability of Remittances for Investment:** Projects aiming to stimulate investment of remittances should have matching sources of financing (grants or loans) for new businesses in addition to remittances, which are rarely sufficient for start up and operating capital. In the case of the FPC and NAFIN projects, state resources were mobilized. Even these were not sufficient, and so a credit component could be important to incorporate into project activities. Credit for working capital was not available in the NAFIN, FPC and CREA projects, but the ACA project incorporated a guarantee fund to motivate lenders to lend to risky start-up businesses. **Recommendations:** Factor into project design partnerships with entities that can supply financing for business start-ups.
- **Indicators for Measuring Project:** Project outcome indicators for these projects did not clearly reflect the stated intent of the projects' objectives. For example, identification of businesses, assessment of businesses, and training of interested migrants are all output indicators rather than outcome indicators, and will not measure the success of the model. A better outcome indicator would be "establishment of a business that survives more than one year and is profitable by the end of the second year." If the project timeline is not sufficient to measure such progress, then conclusions about the model will not be accurate. **Recommendations:** Lengthen project timelines to allow the time needed to measure outcomes, or consider follow-up projects, or ex-post evaluations.

EXTERNAL FACTORS

- **Global Economic Downturn:** The global economic downturn, which began in 2007, had a negative impact on remittance flows, more so on the volume than on the number of transactions. It has had implications for the possibility of investing migrants' savings, beyond the amount needed for consumption. **Recommendations:** Although it may have been impossible to predict the depth of the downturn, mitigating strategies should nevertheless be including in project proposals. One possible mitigating strategy is to allow longer project execution periods.

LESSONS LEARNED

Valuable lessons were learned in this model that can be applied to future projects:

- From the performance of these projects, HTAs do not seem to be viable mechanisms for capturing savings or investing in businesses. Pooling HTA member money is difficult; there are different expectations about return on investment, places to invest, terms of investment, etc. This makes it difficult to come to agreements.
- There are additional variables related to the link of migrants with their communities of origin that were not well understood by executing agencies at the beginning of projects, such as age at migration and stability in the United States. The younger the age of the migrant, the less identification s/he has with the community of origin. The more stable the migrant, the more likely s/he is to be interested in investing. Knowledge of these variables is important for understanding the potential for HTAs and individual migrants to invest in their communities.



- It is essential to create effective means of communications between migrants and hometowns in order to build trust, a first step to encouraging migrants to pool their money to invest in projects in their communities.
- The diaspora in the United States is not organized to support projects of a productive nature, and further efforts are needed to improve the capacity of these organizations to assess business potential.
- The culture, level of education, and engagement with the home country vary among diaspora groups. The Mexican diaspora is by far the most organized as a result of government programs such as the 3x1 Program, which supports productive investments by migrants.
- NGOs in Latin America need more training in business management and leadership in order to be able to support cooperatives or community enterprises on a larger scale.
- Migrants use remittances mostly for basic needs, and significantly less for business investments.
- Remittances are often insufficient to fully fund a start-up business. Projects should be able to provide a financing component to supplement remittances.





Remittances, Financial Education and Entrepreneurship Training

Section 5

Remittances, Financial Education and Entrepreneurship Training

This model, in which remittances are linked with financial education and entrepreneurship training, is a subcomponent of other models. The concept behind the financial education subcomponent is to improve the information available to remittance recipients and senders on the formal banking sector in order to encourage them to see the benefits of using these services. The concept behind the entrepreneurship-training component is to improve the capacity of migrants and their family members to build successful businesses using their remittance funds as investments.³³ Activities under this subcomponent include conducting studies to understand the needs of migrants and their families, providing orientation activities on financial products and financial management, and providing business training. Key targets and indicators focus primarily on the number of clients trained and number of businesses started.

Eleven projects in the MIF portfolio fall into this category. Two of these projects (Banco ADOPEM and Fonkoze) are based predominantly on the remittances and banking the unbanked (Section Three) model, with an element of financial education. Another, Sociedad Hipotecaria Federal, is a remittances and housing project with a financial-education activity for potential clients. The other eight are primarily based on the model of remittances and productive investments (Section Four), with an element of entrepreneurship training. This section only contains information on the education components. More comprehensive information on these projects is found in the “predominant model” section.

33. For the purposes of this discussion, “financial literacy” (or “financial education”) training refers to teaching people about financial products. “Entrepreneurship training” refers to teaching people skills for running a business. Both are distinguished from “technical assistance” for business start-ups, which is more tailored to the type of business, while training addresses general business skills.



Executing Agency	Project	Predominant Model	Type of Institution	Country
<i>Academia de Centroamérica (ACA)</i>	<i>Remittances, Financial Democratization and Entrepreneurship Opportunities</i>	<i>Remittances and Investments in Productive Activities</i>	<i>NGO</i>	<i>Regional (CR, NI)</i>
<i>Asociación Peruano Japonesa (APJ)</i>	<i>Support for Returning Entrepreneurs</i>	<i>Remittances and Investments in Productive Activities</i>	<i>NGO</i>	<i>Peru</i>
<i>Banco ADOPEM</i>	<i>Remittances and Development in rural Dominican Republic</i>	<i>Remittances and Banking the Unbanked</i>	<i>Bank</i>	<i>Dominican Republic</i>
<i>Banco del Trabajo and Fundación de la Gente</i>	<i>Enhance Dev. Impact of Peruvian Workers' Remittances from Japan</i>	<i>Remittances and Investments in Productive Activities</i>	<i>Commercial Bank</i>	<i>Peru</i>
<i>Caixa Econômica Federal</i>	<i>Remittances and Training for Brazilian Migrants and their Beneficiaries</i>	<i>Remittances and Investments in Productive Activities</i>	<i>Development Bank</i>	<i>Brazil</i>
<i>Caja de Compensación Familiar de Antioquia</i>	<i>The Role Of Remittances In The Development Of The Low-Income Housing Market</i>	<i>Remittances and Housing</i>	<i>NGO</i>	<i>Colombia</i>
<i>Fonkoze</i>	<i>Enhancement of the Remittances Services to and within Rural Haiti</i>	<i>Remittances and Banking the Unbanked</i>	<i>Bank</i>	<i>Haiti</i>
<i>Fundación CREA</i>	<i>Voluntary Return Migration Model Based on Entrepreneurship Development</i>	<i>Remittances and Investments in Productive Activities</i>	<i>NGO</i>	<i>Regional RG (SOE - BO, CO, EC, UR)</i>
<i>Fundación para la Productividad en el Campo, A.C. (FPC)</i>	<i>Investment of Remittances</i>	<i>Remittances and Investments in Productive Activities</i>	<i>NGO</i>	<i>Mexico</i>
<i>Instituto de los Mexicanos en el Exterior (IME)</i>	<i>Financial Education and Access to Financial Services</i>	<i>Remittances and Banking the Unbanked</i>	<i>Government entity</i>	<i>Mexico</i>
<i>Nacional Financiera (NAFIN)</i>	<i>Capitalization of Remittances for Local Economic Development</i>	<i>Remittances and Investments in Productive Activities</i>	<i>Development Bank</i>	<i>Mexico</i>
<i>Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE)</i>	<i>Dekassegui Entrepreneur Program</i>	<i>Remittances and Investments in Productive Activities</i>	<i>NGO</i>	<i>Brazil</i>
<i>Sociedad Hipotecaria Federal</i>	<i>Facilitation of Access to Housing Finance for Recipients of Remittances</i>	<i>Remittances and Housing</i>	<i>Government Entity</i>	<i>Mexico</i>



Executing Agency:*Academia de Centroamérica***Project Title:***Remittances, Financial Democratization, and Entrepreneurship Opportunities***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$540,271³⁴*

The purpose of the project is to build a model for training migrants in starting up businesses (see also the ACA project under the section on Remittances and Productive Investments). The executing agency, Academia de Centroamérica [Central American Academy] (ACA), is a nonprofit private research institute in Costa Rica. ACA is partnering with the Centro de Incubación de Empresas del Instituto Tecnológico de Costa Rica [Business Incubator of the Technological Institute of Costa Rica] (CIETEC), to provide the training courses for Nicaraguan migrants in Costa Rica.

The entrepreneurship-training activities in this project are:

- With CIETEC, adapting an entrepreneurial incubation method to the needs of Nicaraguan migrants who live in northern Costa Rica.
- The selection of 35 business ideas for incubation and the training of Nicaraguan migrant entrepreneurs in the development of business plans.
- The provision of technical support, using consultants, for the start up and operation of the 35 business plans for one year.

RESULTS TO DATE

This project is just beginning. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
<i>At least 20 start-ups owned by Nicaraguan migrants in Costa Rica have entered into operation.</i>	<i>No results yet.</i>

34. Unless otherwise noted, "Total Project Amount" refers to a MIF Technical Cooperation (TC) Grant plus the executing agency's or agencies' counterpart contribution. In some cases, loans accompanied the TC grant, and such cases will be noted in the text.



INTERMEDIATE RESULTS OF THE PROJECT

Seventy-eight Nicaraguans working in the northern area of Costa Rica were chosen to receive a six-day training course to address subjects such as Generating New Business Ideas, Business Administration, Sales, Basic Accounting, Production and Operations. After the training is completed, 35 will be chosen for further business start-up training, including developing a business plan. It is too early in the project to be able to assess impact.

CONCLUSIONS

The project is too new to have achieved concrete results. The activities are well underway, however, and the entities involved appear to be coordinating their activities without difficulty. The project design seems to have addressed all the components and partners needed, and to have incorporated lessons learned from earlier MIF projects.



Executing Agency:*Asociación Peruano Japonesa (APJ)***Project Title:***Support for Returning Entrepreneurs***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$1,163,000*

The executing agency was the Asociación Peruano Japonesa [Japanese-Peruvian Association] (APJ), a nonprofit organization promoting the welfare of the Japanese-Peruvian community. The objective was to create a pilot mechanism for promoting and financing sustainable small businesses, particularly start-ups, owned by Peruvians who had migrated and then planned to return to Peru. The primary activities of the project were to train Peruvians in Japan, provide technical assistance to migrants who have already returned to Peru and started businesses, and to provide loans to these businesses (see also the APJ project under the section on Remittances and Productive Investments.)

RESULTS TO DATE

The project, which began in 2004 with an execution period of 36 months and an extension of four months, is now closed. The project had execution difficulties and did not achieve the expected results.

Expected	Delivered
<i>120 migrants trained, and 80 projects designed.</i>	<i>No results.</i>
<i>Fifty small businesses successfully started or better managed, operating more efficiently in terms of production, marketing, financial management, etc.</i>	<i>No results.</i>

INSTITUTIONAL IMPACT DUE TO THE PROJECT

The institution has better knowledge of the needs of the Peruvian migrant population in Japan and of the needs of their family members in Peru, acquired from attempts to establish a training course in Japan.



PROBLEMS ENCOUNTERED

Internal (institutional) problems encountered:

- The executing agency had limited capacity for carrying out the program. The project coordinator did not receive the support needed from APJ, which slowed project execution.
- There was a lack of institutional support for the Project Coordinator and limited buy-in from APJ senior management.

External (environmental) problems encountered:

- The training of migrants in Japan did not take place. Demand for the training was minimal, due to the long working hours of migrants and the distance they would have to travel to the training. These conditions were not identified in the project design or by the firm that was hired to conduct the trainings. In any case, the trainings were designed for migrants with a college education, while the typical migrant has only a secondary education. Another reason for the lack of demand was that migrants in Japan were not especially interested in returning to Peru.

LESSONS LEARNED

- Peruvian migrants in Japan need support for learning Japanese language and culture, which would enable them to obtain better employment, and therefore remit or take more money back to Peru.

CONCLUSIONS

The target market, Peruvian migrants in Japan, was not well understood and therefore the project was not well designed. One project hypothesis—that there is demand on the part of Peruvian migrants for entrepreneurship training—was disproven.³⁵ The second hypothesis—that training can enhance business performance—was not tested. The project was designed quickly and there was no commitment on the part of the executing agency to the project goals.

35. Similar MIF efforts with Brazilian migrants in Japan have been successful. The lack of interest on the part of Peruvians does not necessarily mean that this model does not work.

Executing Agency:

Banco ADOPEM

Project Title:

Remittances and Development in Rural Dominican Republic

Remittance Model:

Remittances and Financial Education/Entrepreneurship Training

Total Project Amount:

US\$615,000

Banco ADOPEM is a microfinance bank specializing in credit to women and the rural sector, and its NGO ADOPEM has a training institute (see also the ADOPEM project under the section on Remittances and Banking the Unbanked). The project’s goal was to increase remittance flows to recipients so that some of them would invest a portion of their remittances in productive activities, which would help generate income for their families. Providing financial education to remittance recipients was also contemplated in the project design, with the financial education being provided by ADOPEM NGO. The project is in its final phase.

This project was designed to include the following activities:

- Provide financial education to remittance recipients.
- Provide entrepreneurial training to remittance recipients interested in starting a business.
- Promote the use of remittances in rural production-oriented projects.

RESULTS TO DATE

The project began in 2005, with an execution period of 36 months and a nine-month extension. This project is in the final phase. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
350 female heads of household will receive training on efficient management of remittances and on possibilities for investing those resources.	Seventy-nine female remittance recipients have received technical assistance and training in starting a business, and 25 finished the course. Nine have submitted loan applications to Banco ADOPEM. 5,549 female remittance recipients (at least 350 are heads of households) have received financial education.

INSTITUTIONAL IMPACT OF THE PROJECT

After having seen a positive response to the financial education courses, both Banco ADOPEM and its NGO are now fully committed to the financial education component of the NGO's activities and are seeking additional funds to continue.

The NGO has had to adapt the training to the needs of the participants and to do some marketing to convince people of the training's value-added. There are 11 comprehensive sessions, including basic accounting, marketing, savings and financial management. Surveys show that participants appreciate the training and are learning from it. People who have gotten the training have become more professional and formal in their approach to their businesses, and family members have commented on the difference. Family members of migrants who send money to invest in the businesses have more appreciation of the work that the migrants are doing. ADOPEM has established a network of trainers who are now training community facilitators to broaden the program's outreach.

IMPACT AT BENEFICIARY LEVEL

- Seventy-nine female remittance recipients have received technical assistance and training in starting a business, and 25 finished the course.
- Nine women have submitted loan applications to Banco ADOPEM for microenterprise loans.
- At least 5,549 female remittance recipients (more than 350 are heads of households) have received financial education.

LESSONS LEARNED

- In implementing the project, ADOPEM validated the importance of financial education for remittance recipients.

CONCLUSIONS

The number of people trained in financial education is impressive. The number of people trained in entrepreneurship is much smaller due to its intensive nature. According to the management of ADOPEM NGO and Bank, both of these activities have been well received and have improved people's lives. It would be useful to develop some outcome and impact indicators to measure the effectiveness of these activities, both from the perspective of the executing agency (i.e., more savings, new clients, and cross-selling of other products) and of the final beneficiary (i.e., increase in financial knowledge of remittance recipients). The sustainability of these activities would depend on further donor funding.



Executing Agency:*Banco del Trabajo***Project Title:***Enhance Development Impact of Peruvian Workers' Remittances from Japan***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$7,400,000 (US\$7,000,000 loan, US\$200,000 technical cooperation, US\$200,000 counterpart)*

As a complement to a loan to Banco del Trabajo, a technical cooperation (TC) component was to be used to strengthen a new nonprofit foundation of Banco del Trabajo, "La Fundación de la Gente" (see also the BdT project under the section on Remittances and Productive Investments.) The foundation was to be established with a mission to improve the living standards of the low-income segment of the Peruvian population. The TC was designed to help improve access of low-income individuals and microentrepreneurs to capital for housing and other purposes and to improve the use of remittances of those populations.

RESULTS TO DATE

The project lasted from 2005 until 2007 and is now closed. The project achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>TC to Fundación de la Gente: Training for 3,000 entrepreneurs</i>	<i>1,695 individuals (57 percent) people received training.</i>
<i>A sustainable and validated model for training microentrepreneurs.</i>	<i>The model is in place.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

- Four modules for training microentrepreneurs have been developed. Training subjects include identifying market opportunities, taxes and labor laws, access to external markets, securing contracts with the government, improving client satisfaction, and preparing business plans.
- The Fundación has developed a fundraising strategy for sustainability and has received US\$347,700 in donations.



REGULATORY ISSUES

No regulatory issues had a negative impact on the bank. There were slight delays in obtaining regulatory approval for establishment of the Foundation.

IMPACT AT BENEFICIARY LEVEL

- A number of microentrepreneurs (1,695) were trained. The impact on their businesses could not be determined.

LESSONS LEARNED

- The impact on the businesses of the entrepreneurs who received the training could not be determined. There were no indicators established to measure this impact.
- There is great demand for training courses from microentrepreneurs and small business owners.

CONCLUSIONS

The purpose of supporting the establishment of the Fundación was not clearly defined. Although a number of entrepreneurs were trained, there is no way to gauge impact, as impact assessment was not included in the original project. A framework for measuring impact would be useful in future projects.



Executing Agency:*Caixa Econômica Federal***Project Title:***Remittances and Training for Brazilian Migrants and their Beneficiaries***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$1,064,560*

The executing agency for this program is Caixa Econômica Federal (Caixa) (see also the Caixa project under the section on Remittances and Productive Investments.) Caixa is a public-sector bank that acts as the main agent of the Brazilian government's social policies. The program's specific objective is to promote the development of productive activities in the state of Minas Gerais based on remittances sent by Brazilian migrants living in the United States. Caixa will provide loans to start-up businesses owned by returning migrants who will be trained by the co-executor, Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE), a national training institution for the microenterprise and small business sector. The training is online for migrants to study while they are out of the country, and training courses for returning migrants and family members of migrants still away are provided by local co-executing agencies in Brazil with ties to the Japanese-Brazilian community. Both financial education and entrepreneurship training are provided in this project.

RESULTS TO DATE

The project began in 2006, with an execution period of 36 months and an extension of 24 months. This project is still in execution. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
<i>2,250 beneficiaries in Minas Gerais will have participated in the process of financial orientation; 3,750 beneficiaries in the United States have participated.</i>	<i>Twenty-five beneficiaries have participated in a financial orientation course in Minas Gerais, none in the United States.</i>
<i>At least one customized financial package for migrants and their families has been developed and launched</i>	<i>Six packages have been developed and launched.</i>
<i>At least 500 people have received business guidance services or SEBRAE training/instruction programs reflecting the objectives of the program.</i>	<i>Fifty people have received business guidance services or SEBRAE training/instruction programs reflecting the objectives of the program.</i>



INTERMEDIATE RESULTS OF THE PROJECT:

- A needs assessment of migrants and their families living in Massachusetts has been completed.
- A strategy for implementation of the project and training workshops has been defined for both the United States and Brazil.

IMPACT AT BENEFICIARY LEVEL

- Twenty-five beneficiaries have participated in a financial orientation course in Minas Gerais.
- Fifty people have received business guidance services or SEBRAE training/instruction programs reflecting the objectives of the program.

CONCLUSIONS

The project suffered some delays related to the joint execution and to establishing relationships with banks in the United State. A limited amount of training has occurred to date, but it is upscaling quickly. The impact of the training cannot yet be gauged.



Executing Agency:*Caja de Compensación Familiar de Antioquia (COMFAMA)***Project Title:***The Role of Remittances in the Development of the Low-income Housing Market***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$2,925,000*

The Cajas de Compensación Familiar [Family Equalization Funds] (CCFs) are private nonprofit entities organized as community-based organizations, whose function is to collect payroll taxes from the private sector and redistribute them to low-income workers. The executing agency is one of the CCFs, La Caja de Compensación Familiar de Antioquia (COMFAMA) (see also the COMFAMA project under the section on Remittances and Housing.) The project's specific objective is to implement a pilot model for channeling remittances from Colombians to investment in low-income housing. A small component aims to increase migrants' knowledge of housing loans.

ACTIVITIES

This project was designed to include the following activities:

- Studies on remittance senders and recipients, including housing preferences and development of a database to track them, and
- Development of financial and nonfinancial products and services for helping migrants and their families leverage remittances to build assets.

RESULTS TO DATE

The project began in March 2007, with an execution period of 36 months. The project is still in execution. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Financial education has been provided to at least 2,000 Colombians living abroad. At least 400 will be trained in the use and advantages of the financial products designed by the project.</i>	<i>This activity has not been implemented yet. It is expected to begin soon, as the financial products are now being rolled out.</i>

CONCLUSIONS

This component has not yet been implemented, and so there are no conclusions.



Executing Agency:

Fonkoze

Project Title:

Enhancement of the Remittances Services to and within Rural Haiti

Remittance Model:

Remittances and Financial Education/Entrepreneurship Training

Total Project Amount:

US\$572,565

Fonkoze USA initiated a program for outreach and training to HTAs in the United States to make their role in aiding development more effective (see also the Fonkoze project under the section on Remittances and Banking the Unbanked.) The project’s specific objective is to improve the effectiveness of Haitian HTAs and support groups as agents of development for local communities in Haiti.

This project includes the following activities:

- Knowledge development with HTAs to identify their needs and those of rural communities in Haiti. Subsequently, the project will hold trainings with HTAs to share information gleaned from needs assessments to optimize the Haitian diaspora’s ability to aid in developing Haiti.

RESULTS TO DATE

The project began in 2007, with an execution period of 32 months. This project is in the final phase. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>Provide capacity building on rural Haiti’s basic needs to 15-20 HTAs in Boston, New York, and Miami.</i>	<i>Fifteen HTAs (some 200 leaders) received trainings.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

Through the implementation of this FE/ET activity, Fonkoze realized that a need and demand exist for additional training of HTA members in financial literacy. It developed a strategy for providing this function. The training was also useful for introducing Fonkoze’s financial products to the HTAs, and it has created a level of HTA loyalty to Fonkoze.



CONCLUSIONS

Fonkoze found that a demand existed for financial education, and that it helped build support for introducing new financial products, such as the Visa pre-paid card for remittance senders, now in the launch phase. Fonkoze is searching for additional funding to continue building its links to HTAs and its financial education approach.

Executing Agency:

Fundación CREA

Project Title:

Voluntary Return Migration Model Based On Entrepreneurship Development

Remittance Model:

Remittances and Financial Education/Entrepreneurship Training

Total Project Amount:

US\$7,000,000

The executing agency is Fundación CREA, a nonprofit agency set up by a number of large Spanish companies (see also the CREA project under the section on Remittances and Productive Investments.) CREA has designed, developed, and executed its own methodology to start up businesses and develop entrepreneurial skills. The project's goal is to encourage migrants in Spain to set up businesses in their countries of origin, either directly by returning, and/or by channeling a portion of the remittances for the development of businesses together with local partners. The entrepreneurship-training component is based on two phases. The first provides courses in basic business management, and the second provides technical assistance for business start-ups.

RESULTS TO DATE

The project began in 2009, with an execution period of 48 months and an extension of 24 months.

Expected	Preliminary Results
<p><i>By the end of the second year:</i></p> <ul style="list-style-type: none"> - Six training courses in Ecuador and Colombia. - Four courses in Bolivia. - Two courses in Uruguay. - Fourteen courses in Spain. 	<p><i>18 training courses in entrepreneurship have been completed or initiated in the four Latin American countries (four in Bolivia and Uruguay, five in Colombia and Ecuador), involving more than 330 beneficiaries.</i></p> <p><i>16 training programs have been conducted in Spain, with more than 400 participants.</i></p>

CONCLUSIONS

The project is too new to evaluate its impact. There is a great deal of interest in the activities from the Spanish government, which is interested in expanding the activities to other regions, and from other European governments as well. There is high demand for the training from migrants. More than 150 promising business ideas have been identified for further technical assistance. The MIF will follow this project and update accordingly.

Executing Agency:*Fundación para la Productividad en el Campo A.C.***Project Title:***Investment of Remittances***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$920,000*

The project, now closed, was executed by Fundación para la Productividad en el Campo A.C. [Foundation for Rural Productivity] (FPC). FPC is a nonprofit institution established in 1996, with headquarters in Mexico City. Activities centered on improving the business skills of groups of producers needed to produce and market agricultural and microindustrial products, providing access to markets and information and facilitating access to financing leveraged by the capital contributed by the migrants abroad (see also the FPC project under the section on Remittances and Productive Investments).

RESULTS TO DATE

The project began in 2002, with an execution period of 30 months and a 24-month extension, and is now closed. FPC and its partners provided training and technical assistance to 638 people in 23 pre-selected projects. In the three successful start-ups from the project, 159 people were trained on business development and received technical assistance. The training participants included both the people in-country who would run the business as well as the migrants in the United States who would provide either financing (equity) or technical assistance (transfer of skills) to the businesses. Participants rated the training as valuable.

The project achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
<i>30-40 productive projects in communities of high migration in the states of Michoacán, Oaxaca, and Guerrero, have been identified.</i>	<i>53 potential business opportunities identified.</i>
<i>In these three states, groups of producers have developed at least 10 projects/businesses that produce good-quality products that are marketed in the United States.</i>	<i>23 of the 53 were selected for technical assistance (with training to 638 people in those businesses); five start-up businesses were formed.</i>



IMPACT AT BENEFICIARY LEVEL

- One project was quite successful, benefiting 140 female heads of household. According to interviews with these women during the final evaluation of the project, their revenues had increased by 50 percent.
- Twenty-three business start-ups received technical assistance, benefiting 638 people in these 23 projects.
- HTAs received information about business opportunities in their home communities.

CONCLUSIONS

A significant number of people with business projects received training in business skills, using a network of consultants built during the life of the project. The business-training component expanded the capacity of the executing agency, which did not have skills in this area before the project began. FPC developed new areas of expertise in transnational business and in developing linkages with associations of Mexican migrants in the United States. Five businesses were formed. One successful business employs 140 females heads of household.



Executing Agency:*Instituto de los Mexicanos en el Exterior***Project Title:***None***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$358,000*

The financial education/entrepreneurship training component of this project was to provide information to migrants about the possibility of leveraging their remittances with other financial services. The executing agency, Instituto de los Mexicanos en el Exterior [Institute of Mexicans Abroad] (IME), is a branch of the Ministry of Foreign Relations. Its mission is to improve the standard of living of Mexican communities living abroad (see also the IME project under the section on Remittances and Banking the Unbanked.)

Project activities include:

- Seminars and courses encouraging migrants to use banks and other financial institutions and support the productive use of remittances.
- Use of videos and pamphlets in waiting rooms of Mexican consulates in the United States to provide information to migrants about financial services and financial education.

RESULTS TO DATE

The project began in 2007, with an execution period of 24 months. This project is in the final phase. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

<i>Expected</i>	<i>Delivered</i>
<i>10 seminars for migrants to encourage the use of the financial system and the productive use of remittances.</i>	<i>Four educational seminars given to an unknown number of participants in four cities in the United States.</i>
<i>500 community leaders are trained and informed about the methods and possibilities of using the financial system and of investing remittances productively. At least 30 percent of the 500 will be women.</i>	<i>Two informational seminars given to business leaders linked to the Hispanic community in the United States; 53 were trained.</i>



INSTITUTIONAL IMPACT OF THE PROJECT

IME has found the financial education activities to be valuable to its constituents and to the institutions whose financial products it is promoting. These courses will be added to IME's regular agenda once the project ends.

IMPACT AT BENEFICIARY LEVEL

- Migrants have more information about the type, availability, and cost of financial services in the United States and Mexico.

CONCLUSIONS

Improving the availability of information on financial products to migrants would appear to be an important activity for linking unbanked people to financial systems. Information was made available to migrants in this project, and community leaders were given educational seminars about linking remittance senders and recipients to the banking system. There is no framework in place to measure the impact of this activity on migrants' behavior with respect to the number of products they have accessed.



Executing Agency:*Nacional Financiera S.A.***Project Title:***Capitalization of Remittances for Local Economic Development***Remittance Model:***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$2,232,000*

This was a pilot project whose objective was to channel remittances from Mexican migrants in the United States to productive activities in Mexico by linking a government development bank with three Mexican state governments, the private sector and Mexican migrant clubs in the United States. The Nacional Financiera [National Financial Institution] (NAFIN) of Mexico, through its Department of Business Services and Government Agencies, implemented this project. NAFIN is a Mexican government development bank providing credit and technical assistance to microenterprises, small and medium-sized businesses in all Mexican states. Activities in the FE/ET component focused on identifying business ideas and turning them into start-up businesses via training and technical assistance (see also the NAFIN project under the section on Remittances and Productive Investments).

RESULTS TO DATE

The project began in 2002, with an execution period of 30 months and an extension of 24 months, and is now closed. The project achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
<i>At least 20 businesses identified and assessed in each state.</i>	<i>225 business proposals were identified, of which 56 groups received technical assistance in business plan writing. Fourteen became businesses. Three are reportedly still operating.</i>
<i>Tutorials developed for 10 management teams of business start-ups based on the identified entrepreneurial projects.</i>	<i>Could not be determined. Technical assistance was provided to potential entrepreneurs and their projects.</i>



IMPACT AT BENEFICIARY LEVEL

- Fifty-six groups of potential entrepreneurs received technical assistance in business skills.
- Fourteen business proposals became business start-ups as a result of technical assistance received from the executing agency.
- Three of these businesses are reportedly still operating.

CONCLUSIONS

The project was interesting in that it linked state entities with a national development bank for the purpose of building entrepreneurship using remittances in three states in Mexico. However, the activities were not suited to the development bank, and its core business, loans, was not used in the project. Migrants are hesitant to invest their savings in businesses when they are required to pool their money with other migrants.



Executing Agency:

Serviço Brasileiro de Apoio à Micro e Pequena Empresa

Project Title:

Dekassegui Entrepreneurs

Remittance Model:

Remittances and Financial Education/Entrepreneurship Training

Total Project Amount:

US\$3,100,000

The project supports training and technical assistance activities for Brazilians who have migrated to Japan, saved money, and wish to open a business in Brazil upon their return. The project targets Brazilians still living in Japan, as well as those who have returned to Brazil, who have been identified as having a strong entrepreneurial spirit and plan to open a business (see also the SEBRAE project under the section on Remittances and Productive Investments.)

This project was designed to include the following activities:

- Selection and training of potential entrepreneurs in Japan through a self-assessment for business success.
- Reintegration support and business training in Brazil.
- Technical assistance for starting up and running new businesses.

RESULTS TO DATE

The project began in 2005, with an execution period of 49 months, and is now in the final phase. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
10,000 people utilizing an online self-assessment.	Approximately 150,000 people did the online assessment.
6,500 ex-dekassegui participants in the program benefited from capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil.	18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil.
5,000 participants in Japan participating in five free capacity training courses offered via the Internet.	1,548 participants in Japan participated in free capacity trainings offered via the Internet (first phase of training).
40 new businesses received subsidized technical assistance to start up (December 09).	950 new business proposals were provided with subsidized technical assistance.
1,000 Ex-dekassegui have started businesses with support from the project.	Several examples of successful businesses can be found at: http://www.sebrae.com.br/customizado/dekassegui



INSTITUTIONAL IMPACT OF THE PROJECT

SEBRAE successfully organized and implemented capacity trainings both in Brazil and online for remote access by dekassegui living in Japan. These activities cultivated SEBRAE's client-based and client-oriented approach to doing business and situated it as an institution that is responsive to the particular needs of its clients. SEBRAE was also able to establish a presence in Japan via SEBRAE Itinerante, which accomplished periodic missions to Japan and carried out capacity trainings there. SEBRAE also formed partnerships with numerous organizations throughout Brazil that could prove to be valuable resources for future projects. Finally, SEBRAE launched a call center in Brazil to support dekasseguis upon their return.

IMPACT AT BENEFICIARY LEVEL

- 150,000 people did the online assessment.
- 18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in four states in Brazil.
- At least 1,548 participants in Japan participated in trainings offered via the Internet.
- More than 950 new business proposals were provided with subsidized technical assistance.

CONCLUSIONS

There is demand from dekassegui in both Brazil and Japan for business training as shown by the number of people attending informational seminars and the number of online participants. The number of people trained was impressive, indicating that the co-executing agencies had sufficient interest and experience to achieve these results in the project's timeframe. A network of these co-executing agencies was formed to provide trainings in the different regions of the project's activities.



Executing Agency:*Sociedad Hipotecaria Federal***Project Title:***Facilitation of Access to Housing Finance for Recipients of Remittances***Remittance Model***Remittances and Financial Education/Entrepreneurship Training***Total Project Amount:***US\$3,400,000*

The Sociedad Hipotecaria Federal [Federal Mortgage Company] (SHF) is a government entity, created in 2001 to provide market-rate financing to SOFOLES (specialized mortgage finance companies) for mortgage origination (see also the SHF project under the section on Remittances and Housing.)

This project includes the following FE/ET activity:

- Provision of financial literacy courses and information for remittance-receiving households interested in mortgage financing.

RESULTS TO DATE

The project began in 2005, with an execution period of 36 months and an extension of 12 months. This project is still in execution. As of August 2009, the project had achieved the following outputs in comparison to final expected outputs:

Expected	Delivered
<i>4,000 people trained in the financial concepts of mortgage loans.</i>	<i>7,050 people were trained in the financial concepts of mortgage loans.</i>

INSTITUTIONAL IMPACT OF THE PROJECT

Financial education training modules on mortgages now exist, and five seminars have been held. Promotional materials also exist. Over 10,000 brochures were distributed in the United States to educate migrants on transnational mortgage products.

CONCLUSIONS

The purpose of the component was to increase remitters' level of understanding of financial concepts that underpin mortgages and the programs that disburse them. Some 7,050 people received information on financial products, especially transnational mortgage loans. The increase in understanding of the financial concepts about mortgages was not assessed in the project, and could not be determined.



Summary of Remittances, Financial Education and Entrepreneurship Training

The table below contains selected consolidated indicators for each project in the remittances and financial education/entrepreneurship training model. The indicators in this table are those related to this component, which is a subcomponent of other models.

<i>Executing Agency</i>	<i>Output Indicator and Target related to FE/ET</i>	<i>Achieved</i>
<i>Academia de Centroamérica (ACA)</i>	<i>Train 35 Nicaraguan migrant entrepreneurs in how to develop business plans.</i>	<i>78 Nicaraguans working in the northern zone of Costa Rica chosen to receive a six-day business-training course.</i>
<i>Asociación Peruano Japonesa (APJ)</i>	<i>120 migrants trained, after 12 months.</i>	<i>Demand for the training by migrants in Japan was minimal.</i>
<i>Banco ADOPEM</i>	<i>Entrepreneurship training for female recipients will have been established. 350 female heads of household trained.</i>	<i>5,549 female remittance recipients (at least 350 heads of households) have received financial education; 79 women have been extensively trained in business skills.</i>
<i>Banco del Trabajo/ Fundación de la Gente</i>	<i>Training for 3,000 entrepreneurs.</i>	<i>1,695 people have received training.</i>
<i>Caixa Econômica Federal</i>	<i>At least 1,250 individuals have participated in financial education activities in Minas Gerais; of the target public, a total of 5,000 beneficiaries have received individual services and business culture and business training programs provided by SEBRAE.</i>	<i>50 people have received business guidance services or SEBRAE training/instruction programs reflecting the objectives of the program. The project has been slow in starting.</i>
<i>COMFAMA</i>	<i>Financial literacy has been provided to at least 2,000 Colombians living abroad; at least 400 will be trained in the use and advantages of the financial products designed by the project.</i>	<i>Financial literacy training has not been implemented yet.</i>
<i>Fonkoze</i>	<i>Provide capacity building on basic needs in rural Haiti to 15 to 20 HTAs in Boston, New York, and Miami.</i>	<i>15 HTAs (around 200 leaders) received capacity building trainings.</i>

Executing Agency	Output Indicator and Target related to FE/ET	Achieved
<i>Fundación CREA</i>	By the end of the second year: - Six training courses in Ecuador and Colombia. - Four courses in Bolivia. - Two courses in Uruguay - Fourteen courses in Spain.	18 training courses in entrepreneurship have been completed or initiated in the four Latin American countries (4 in Bolivia and Uruguay, 5 in Colombia and Ecuador), involving more than 330 beneficiaries. 16 training programs have been conducted in Spain, with more than 400 participants.
<i>Fundación para la Productividad en el Campo, A.C. (FPC)</i>	Approx. 150 individuals belonging to 20 projects/ economic groups trained and with better skills in the areas of production and marketing through technical assistance.	638 people trained and given technical assistance projects in 23 pre-selected projects.
<i>Instituto de los Mexicanos en el Exterior (IME)</i>	500 community leaders are trained and informed about the methods and possibilities of using the financial system and of investing remittances productively. At least 30 percent of the 500 will be women.	Two informational seminars given to business leaders linked to the Hispanic community in the United States; 53 were trained.
<i>Nacional Financiera (NAFIN)</i>	At least 20 businesses identified and assessed in each state.	225 business proposals were identified, of which 56 groups received technical assistance in business plan writing. Fourteen of these became businesses. Three are reportedly still operating.
<i>Serviço Brasileiro de Apoio à Micro e Pequena Empresa (SEBRAE)</i>	6,500 ex-dekassegui participants in the program benefited from capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil.	18,000 ex-dekassegui participants in the program benefited from training, capacity building, consultancies, and services offered by SEBRAE in four different states in Brazil
<i>Sociedad Hipotecaria Federal (SHF)</i>	3,250 people trained in the financial concept of mortgage loans.	7,050 persons have been trained in the financial concepts of mortgage loans. The results are unknown.

CONCLUSIONS AND RECOMMENDATIONS

Some of the FE/ET projects are new, and in the older ones with this component, the success rate was not good, or could not be determined. Therefore, identifying success factors has been difficult. In three cases, the training activities seemed to work well and have impact. In the case of Banco ADOPEM, the existence of the NGO ADOPEM, its experience in training and fundraising, and the 15 percent of profits that it receives from Banco ADOPEM contributed to its ability to deliver the training on a sustainable basis. For its part, Fonkoze had significant prior experience in training its clients and was committed to the process. Adding training to HTAs had value-added for Fonkoze, since it increased the flow of remittances and customer loyalty. The SEBRAE project was successful in helping Brazilians in Japan to create business models and implement them upon their return to Brazil. **Recommendations:** 1) Continue to support financial education and entrepreneurship training activities for institutions that have prior experience with these activities and can demonstrate impact.



LESSONS LEARNED

The lessons learned in this model on financial literacy and entrepreneurship training that can be applied to future projects are:

- **Undefined Model:** The model is not clearly defined. In the projects in the MIF portfolio, training, information dissemination, and marketing seem to be mixed, such as in the case of SHF. This may be due to a lack of clarity in the project documents, or in the activities and approaches themselves. For example, the indicator for SHF reads: The number of people trained through housing fairs and seminars. In five seminars, apparently 7,050 people were “trained.” It is likely that these were informational seminars rather than true trainings. **Recommendation:** 1) The MIF should define the terms “training,” “financial education,” “financial literacy,” “entrepreneurship training,” and so on, and set some standards. For example, to be called training, an event should last at least two hours and be conducted by a professional in that subject area.
- **Mixed Components:** Components are mixed within projects, making it difficult to differentiate their impact. Projects have combined financial education with entrepreneurship training with cross-selling. While not inherently a bad approach, with combined components it is more difficult to measure impact. **Recommendation:** 1) Develop a framework for measuring impact of these approaches and ensure that there are funds in the project budget for this purpose.
- **Sustainability:** The FE/ET activities were often outsourced to consulting firms (e.g., with SHF), and as such are costly. Some of the training activities took place in foreign countries, which made them more expensive. One project brought business leaders to Mexico for training, which was also expensive (IME). **Recommendations:** If the training skills are not available within the organization, and/or cannot be sustained past the project’s end due to the cost, then it is not advisable for the MIF to support this activity.
- **No Standard Measurement Criteria:** There are no standard measurement criteria for determining the success of these activities. To measure outputs, such as number of people trained, is not complicated. The MIF needs to ensure that the results of activities are coherent with its program goals, and should therefore develop indicators related to those goals. **Recommendations:** 1) If the goal is “banking the unbanked,” then the indicator should be “number of people trained who accessed other financial products and services from the entity as a result of the training.”
- **Conflict-of-Interest Issues:** There was an inherent conflict of interest when institutions hired to train people in financial literacy had a vested interest in selling their products to consumers receiving the training. **Recommendations:** 1) The MIF should be aware of this conflict of interest and make an informed decision on whether or not support such projects.

CONCLUSIONS

There is a demand for financial education. Because the number of past projects that have successfully carried out financial literacy and/or entrepreneurship training in the MIF portfolio is small and the education component was not the main focus, it is difficult to draw concrete conclusions. Even for those who have successfully finished a project's training activities, it is difficult to measure impact. A few projects used surveys of training participants to determine satisfaction with the trainings, but again, results were uncertain. A better monitoring and evaluation framework with indicators clearly related to activities and goals should help demonstrate the impact of this model. The MIF is working with other donors to develop a comprehensive model and evaluation mechanism for future financial education work.



Research and Knowledge Dissemination

Section 6

Research and Knowledge Dissemination

Since the MIF launched its remittance strategy in 2001, it has produced voluminous research on remittances flows to Latin America and the Caribbean (LAC), making the MIF an expert on the topic. This section outlines the activities undertaken by the MIF, including research, data compilation, and dissemination of information. These activities include commissioning over 50 studies/surveys in both remittance-sending and receiving countries, and organizing more than 45 conferences and roundtables in both remittance-sending and receiving countries, including events in the LAC region, North America, Asia, Africa and Europe.

The MIF-sponsored conferences and roundtables include:

- Regional Conference: Remittances as a Development Tool (Washington D.C. February 26, 2002).
- Remittances as an Instrument for Development (Washington D.C. November 24, 2003).
- Regional Remittances: Regional Multilateral Banks Approach to Remittances Flows (Washington D.C. October 2004).
- Sending Money Home, the 2004 Map of Remittances to Latin America (New York. March 24, 2005, with Citigroup and Women's World Banking).
- Promoting Financial Democracy: Statistical Comparisons on Remittances (MIF, Washington D.C. 2006).
- Sending Money Home: Remittances and Transnational Families (Washington, D.C. May 12, 2006, with the Annie E. Casey Foundation).
- Remittances in Crisis in Times of Financial Instability (Bogota, Colombia. June 5, 2009).

Studies and surveys include, among others:

- Country-specific surveys of remittance senders.
- Survey of Remittance Senders: United States to Latin America (Bendixen & Associates, Miami FL. February 2002).
- Worker Remittances: An International Comparison (Manuel Orozco, Inter-American Dialogue. February 2003).
- Analysis of Surveys of U.S. Remittance Senders: State by State (MIF, Washington, D.C. May 2004).
- Banking the Unbanked in Latin America (MIF, Washington D.C. June 2005).
- The Changing Pattern of Remittances: 2008 Survey of Remittances from the U.S. to LAC (MIF, Washington, D.C. April 2008).

In addition to studies and conferences, the MIF has also engaged in other information-disseminating activities such as press releases, websites, and presentations. Some of these are described below.

Numerous press releases have been published on the subject, including the following:

- Rapid changes in money transfer industry could improve income of poor households in the United States and Latin America (November 2002).
- Remittances to Latin America and the Caribbean reached \$32 billion in 2002, according to IDB's Multilateral Investment Fund (February 2003).



- Dominican migrants around the world to send home record \$2.7 billion in 2004; \$1 billion from metropolitan New York (November 2004).
- Remittances to Latin America and the Caribbean to reach \$55 billion in 2005, according to IDB Fund (November 2005).
- IDB: Paraguay to receive \$650 million in remittances in 2006 (October 2006).
- Remittances to Latin America and the Caribbean to top \$100 billion a year by 2010, according to IDB fund (Oct 2007).
- Remittances to Latin America and the Caribbean to drop 11 percent in 2009, according to IDB (Aug 2009).

Presentations to governments, other policy-making entities, and practitioners have included presentations at the FOROMIC event, the G-8, the International Forum on Remittances 2005, the Joint Conference on Remittances (ADB/IDB/UNDP) in 2005, several U.S. and foreign government meetings, the Ministerial Conference of the Least-Developed Countries on Enhancing the Development Impact of Remittances in 2006 and other events.

The amount of attention paid to the subject has increased enormously in the ten years since the MIF began publishing information. Other multilateral institutions, NGOs, and policy institutes have begun publishing studies as well. These include DFID, ADB, IFAD, the EU, the International Organization for Migration, the U.S. Congressional Research Service, and the World Bank. The MIF survey figures and data from presentations have been quoted on numerous occasions by the media, including *The Economist* (which has a blog on remittances), the *Financial Times*, the *New York Times*, the *Washington Post*, BBC, CNN en Español, NPR, and others.

The impact of MIF's information dissemination has not been limited to the LAC region. MIF representatives have been invited to speak at other regional forums and events.

MIF data have been used to design projects. Even more, they have been used by organizations soliciting funds from the MIF to justify their proposals. MIF projects have enhanced the MIF's own knowledge dissemination activities, because the executing agencies also provide MIF survey data as an introduction to their own projects when doing presentations at events. The remittance information available from the MIF has been quickly adopted by the microfinance community to demonstrate the potential for increasing impact on microfinance clients who tend to be at the same income level as remittance recipients. International NGOs have embraced remittances as a way to leverage development impact, and the MIF's data have helped them do so.

MIF activities in conducting surveys and research, and disseminating this information through conferences, seminars, and press releases, has been very important to raising the profile of the issue of remittances to the forefront of policy debates. It has spurred investment in remittance projects all over the world, and has undoubtedly contributed to the decrease in the cost of remittances and to a better understanding of who remittance senders and recipients are.



RECOMMENDATIONS

The MIF's data-collection activities should continue. One current activity, in conjunction with the CEMLA project "Improving Central Bank Remittance Reporting and Procedures" (RG M1059), is developing a centralized database to which all participating countries of the region report their net remittance flows.³⁶ This database will prove to be particularly useful for double-checking the accuracy of data, standardizing data collection, and making all sources of data on remittance flows congruent. The MIF should also continue to commission studies on specific topics related to remittance flows. Further segmentation is needed on remittance recipients in different countries and markets, for example. MIF staff should continue to present information at various forums and events.

MIF activities involving dissemination of information via the Internet could benefit from more systematization. The MIF remittances unit is in the process of collecting market studies and other publications that have resulted from its project activities to populate the library. There should be a library on the MIF website dedicated specifically to remittances, and a sub-topic for those documents that come directly out of project activities. The MIF remittance database and the MIF project database should be updated with all the remittance project documents, including supervision reports (both TC and loan reports), evaluations, and documents for sustainability and closing project seminars. Since updating website information is time-consuming, an additional staff member may be necessary.

36. See the CEMLA project in the Section on Remittances and Policy.



A green-tinted background image featuring a black pen and a spiral-bound notebook. The pen is positioned diagonally across the upper half of the frame, and the notebook is open, showing lined pages. The overall aesthetic is professional and academic.

Conclusions and recommendations

Section 7

Conclusions and Recommendations

This section contains, first, general conclusions and recommendations for the MIF remittances program, followed by more specific conclusions and recommendations for each model.

GENERAL PROJECT ISSUES

- Institutional Factors:** Institutional strength and capacity, a for-profit orientation, commitment to working with low-income groups, existing infrastructure, and credibility are all factors that contribute to the success of remittance projects. Larger institutions with broader outreach (i.e., numerous points of service, branch offices, etc.) had more success in negotiating with remittance-transfer companies, which are looking for economies of scale. Cooperatives did well because of their rural outreach, low operating costs, and the trust of their members. Banks such as Banco Solidario achieved good project results because of their large infrastructure. MFIs without a rural focus did not do as well, for example, in the Centro Acción project. These entities were challenged in trying to negotiate contracts with remittance transfer companies. **Recommendations:** (1) For successful projects, the MIF should continue to choose strong institutions with whom to partner. (2) For institutions that are not strong and yet offer potential for innovative product development, there should be mitigating activities incorporated into the project, such as governance strengthening, especially in the case of cooperatives. (3) For strong institutions that need to develop new markets with new profiles of clients, there should be sufficient support (such as the MIF studies, which have been very useful). (4) Creating synergies with institutions (such as remittance companies or mortgage brokers) that have already reached these markets in remittance-sending countries is important.
- Governance:** Institutional strengthening was key in the projects dealing with cooperatives. Governance activities were perhaps a missing link in some other projects. **Recommendation:** In all projects dealing with cooperatives, ensure that governance capacity building needs are analyzed in the project design phase, and if needed, include governance-strengthening activities in the technical cooperation component.
- Networks, Federations, and Apexes:** In some cases, working with these entities seemed to be a way to efficiently build remittance services in a greater number of organizations (e.g. FEDECACES, FACACH, and BANSEFI). Even in the case where the “network” did not previously exist (e.g. Apoyo Integral and two other MFIs), there were synergies despite the inherent competition between the partners. In other cases (Banco ProCredit, Centro Acción), the links between the entities were looser, and the synergies fewer, no doubt because the entities in these regional projects were located in different countries. In general, it is not clear if there were efficiencies in working with international networks. **Recommendations:** 1) Continue to work with in-country networks to build scale. 2) For international networks, in the design phase, clearly assess the extent to which there are advantages to combining the entities into one regional project.



- **Institutional Commitment to the Project:** Institutional buy-in is key, and it may change with a change in ownership (e.g., Banco Agrícola). Buy-in is influenced by both the social orientation of the institution (i.e., toward the low-income segment) and profit orientation (i.e., to remittance-linked financial services as a profitable business line). **Recommendations:** (1) The MIF should continue to choose institutions with both orientations. (2) The MIF should continue to stress the importance of project objectives with those institutions that have changed ownership.
- **Project Design:** On different occasions, there were problems in the length of the project design phase, conceptualization of the project, and involvement of the executing agency. In some cases the project design period was too long. In one, it was too short. In nearly all, the process involved the executing agency (as it should). In some cases (e.g., AIRAC), the regulatory environment was not analyzed sufficiently, which led to delays in project implementation. **Recommendations:** (1) Ensure that the project design is completed within six months, so that the context is still relevant to the activities and vice versa. (2) Ensure that sufficient time is given to the project design phase so that the executing agency has time to accept the premises of the project. (3) Use remittance experts in the design phase, especially with regard to the regulatory environment. (4) Make sure in the design phase that projections indicate that the executing agency will be able to reach profitability with the remittance transfer.
- **Project Time Periods:** Project time periods are routinely and necessarily extended. Developing or purchasing IT systems, for example, takes a long time. Hiring consultants also takes a long time, yet many of the follow-on activities are dependent upon earlier activities. **Recommendation:** Lengthen project execution periods from the beginning.
- **Activities Financed –Product Design Studies:** MIF support for hiring consultants to design new remittance-linked products was quite useful. The interaction of these consultants and the executing agencies, backed up by information from previous MIF-funded market studies led to the creation of innovative products, which are now being tested. More importantly, it created new vision among management in many entities about how their entities could respond to clients' needs with financial products. **Recommendation:** Continue funding market studies and financial innovation studies.
- **Activities Financed - Information Technology:** Information technology is a key factor of success, and projects that built capacity in this area were more likely to be successful. Software is useful for tracking client preferences, analyzing risk factors to loan applications, communicating between branches across borders and between allied entities, demonstrating products to potential clients (such as houses for sale), tracking loan application process, accepting payments on loans, and allowing clients to access information about their accounts. This is an area where experienced consultants added great value given that IT changes quickly and requires a vision of the future growth of the institution. **Recommendations:** (1) The MIF should take into account the rapidly changing nature of the IT environment for remittances by hosting conferences/seminars on the subject, sponsoring trade fairs with vendors, and publishing a website dedicated to the



issue (using CGAP's website on MIS for MFIs as an example).³⁷ (2) The MIF should continue to finance improvements to IT, while keeping specifications for IT fairly flexible in order to adjust to frequently changing IT needs. (3) The MIF should ensure that the project budget has correctly calculated the costs of obtaining IT expertise in project budgets, since it tends to be expensive. (4) Project timelines should take into account the lengthy nature of obtaining IT expertise and the competitive environment for IT vendors, which may mean that they are not immediately available. (5) For networks or federations, if information systems are not standardized, project activities should take this into account, and budget for standardization.

- **Activities Financed – Staff Training:** MIF funding for training staff was quite important to the achievement of results. Executing agencies reported that staff quality, morale, and stability had improved, which made the institution more competitive, more customer-oriented and more efficient. **Recommendation:** Continue to fund staff training activities.
- **Instruments:** The MIF used primarily technical cooperation grants in its remittance projects. In a small number of projects, there was also a loan or equity investment. In one case, there was a loan only (see table below):

<i>Loan Only</i>	<i>Loan (and/or Equity) and TC Grant</i>	<i>Grant Only</i>
<i>Banco Hipotecario Dominicano (BHD)</i>	<i>Banco ProCredit, FINDESA/BANEX, Su Casita, Banco Agrícola (loan cancelled), Mutualista Pichincha</i>	<i>ACA, AIRAC, AMUCSS, Apoyo Integral, APJ, Banco ADOPEM, BANSEFI, BCE, Banco Solidario, Caixa Econômica Federal, CEMLA, Centro Acción, Cooperativa Salcajá, COMFAMA, CREA, El Comercio, FACACH, FEDECACES, Fonkoze, FPC, HIP, IME, NAFIN, PRODEM, SEBRAE, SHF</i>

In some projects with a loan and/or equity investment, the loan was not needed at all or only partially used (e.g., Banco ProCredit El Salvador, BHD, and Banco Agrícola). In some cases, the remittance component was a small part of the total project (e.g., FINDESA/BANEX). The loans were specifically designated to increase portfolio, while the TC grant was specific to remittance activities. Supervision of the two components was separate due to the MIF's institutional structure. For these reasons, it is not possible to evaluate whether the loan was a necessary component in remittance projects or not. **Recommendation:** The MIF should combine reporting on loans and TCs so that the impact of each is clear.

- **Monitoring and Evaluation Framework:** There are no standard measurement criteria for determining the success of the overall MIF remittance program, making it difficult to compare the success of different models and other factors. In some projects, there was no indicator that measured whether remittance families were accessing other products (i.e., banking the unbanked) even though this was the goal of the model. In some cases the targets were unrealistic, either overly optimistic or not within the control of the executing agency (e.g., AIRAC). Indicators were established that the executing agencies were not able to measure with

37. See: <http://www.microfinancegateway.org/p/site/m/template.rc/1.11.48240/>

their existing systems (e.g., Fonkoze). In some cases the executing agencies were not involved in the establishment of indicators and targets. The most important outcome indicators for projects are not tracked during the life of the projects, making it difficult to establish whether the project is on track to achieve its outcomes. There were a limited number of projects with a gender indicator. **Recommendations:** (1) If the program goal is “remittances and banking the unbanked,” then there should be at least one standard indicator tracking the number of senders and/or recipients who were previously unbanked (i.e., lacked access to the formal financial system) and who now have taken advantage of a financial product. A battery of indicators related to program goals would also be useful. (2) Indicators should be limited in number to the most important. (3) Indicators should be achievable. (4) If “banking the unbanked” is a program goal, and the majority of the unbanked are women, there should be gender indicators. (5) Project designers should ensure that a system is in place in the executing agency to be able to measure outputs.

- **Knowledge Dissemination – Cluster Events:** Cluster events, where executing agencies present their projects and results, have been perceived as quite useful to those entities who attended. These events have occurred twice, once in each of the last two years. Cluster events have contributed to replicating interesting practices, learning from others’ mistakes, networking, sharing resources (such as consultants’ names), and inspiring a spirit of friendly competitiveness between entities in the cluster. After one cluster event, the EA, a cooperative federation, made copies of all the presentations on CDs to pass out to its cooperative members. **Recommendations:** (1) Continue cluster events. (2) It may be useful to segregate large institutions from small institutions and do separate events for each group. (3) Ensure that costs of participating in cluster events are budgeted in the project budget. (4) Ensure that the project contracts clearly state that institutions are expected to participate. (5) Ensure that documents and presentations are quickly available after the event on the MIF website, and easily downloadable. (6) Continue inviting MIF country specialists to attend.
- **Research and Knowledge Dissemination:** Research and Knowledge Dissemination: MIF activities in conducting surveys and research and disseminating this information through conferences, seminars, and press releases has been very important in raising the profile of the issue of remittances to the forefront of policy debates. It has spurred investment in remittance projects all over the world, and has undoubtedly contributed to the decrease in the cost of remittances and a better understanding of who remittance senders and recipients are. One current activity, in conjunction with the CEMLA project “Improving Central Bank Remittance Reporting and Procedures” (RG M1059), is developing a centralized database to which all participating countries of the region report their net remittance flows. This database will prove to be particularly useful for double-checking the accuracy of the data, standardizing data collection, and making all sources of data on remittance flows congruent. **Recommendations:** (1) The MIF’s activities related to collecting data independent of projects should continue. (2) The MIF should also continue to commission studies on specific topics related to remittance flows. For example, further segmentation is needed on remittance recipients in different countries and markets. MIF staff should continue to present information at various forums and events. (3) MIF activities in disseminating information via the Internet could benefit from

more systematization. The MIF remittance unit is in the process of collecting market studies and other publications that have resulted from its project activities, to populate the library. There should be a library on the MIF website dedicated specifically to the theme of remittances, and a sub-topic for those documents that come directly out of project activities. The MIF remittances database and the MIF projects database should be updated with all the remittance project documents, including supervision reports (both TC and loan reports), evaluations, and documents for sustainability and closing project seminars. Since updating website information is time-consuming, an additional staff member may be necessary.

- **External Factors - Regulatory Environments:** Regulatory issues were critical factors in the success of the remittance activities. This factor is doubled in importance if the executing agency expects to work in foreign countries, because there are now additional regulatory environments to deal with. In some projects (e.g., AIRAC), these factors were not sufficiently analyzed in the project-design phase. **Recommendations:** (1) Ensure that regulatory frameworks for remittances, for non-bank financial institutions, and for other areas that might influence a future project (such as mobile banking) are sufficiently analyzed before designing project activities. (2) Project strategies should not depend on a regulatory environment changing during the course of a project, since this is beyond the agency's control. (3) Continue to promote transparent regulatory environments that conform to international standards in Latin American countries, such as through the CEMLA General Principles project.
- **External Factors - Global Economic Downturn:** The global economic downturn had a negative impact on remittance flows, more so on the volume than on the number of transactions. This reduced flow has implications for the possibility of banking excess amounts (beyond the amount needed for consumption). **Recommendation:** Although it may have been impossible to predict the depth of the downturn, this possibility should be highlighted in project proposals, and mitigating strategies developed. Lengthening project execution periods is one mitigating strategy.

The discussion below focuses on project issues specific to each model.

HOUSING – REMITTANCE MODEL

- **Alliances and Networking:** Alliances with institutions that add value to the project for the EA, such as those that are reaching a new market, are important to project success. The MIF has done a good job of promoting these alliances, such as the COMFAMA project involving Bancolombia. Housing models in particular need alliances to fill gaps. Such is the case with Banco Agrícola, which needed to build alliances with builders and mortgage brokers to promote its products. **Recommendations:** 1) Build alliances into the project design if these add value to the project goals. 2) Continue to fund activities that help build alliances.
- **Marketing:** Promotion of the mortgage product was challenging in the United States due the large size of the country, the overabundance of marketing commercials, the number of brands being marketed, and the characteristics of the specific target group (migrants) to be reached,



including the dispersion of that group, their legal status, lack of geographic stability, and their general distrust of financial institutions and authorities. **Recommendations:** (1) Ensure that project activities include the building of alliances with groups that can help lower the cost of marketing (such as hometown associations, church groups, migrant radio stations, and NGOs working with migrants). (2) Ensure that projects contain an activity for branding both a product and an institution. (3) Support the creation and maintenance of databases that provide information on the location and profile of migrant populations. Make this information publicly available. (4) Ensure that there is sufficient time in the project timeline for marketing.

- **Risk:** Because mortgage loans are for higher amounts and longer periods, their risk increases for the lending institution. With the global economic downturn, mortgage-financing companies are reluctant to continue lending and prefer to wait out the crisis before resuming lending activities. **Recommendations:** (1) In future projects, investigate the possibility of using guarantee funds to encourage continued lending. (2) Develop housing microfinance (i.e., housing improvement) models and projects to test, since these lower the risk for the lending institution and have more similarities to the mechanisms currently used by low-income populations to improve housing.
- **Regulatory environment:** The regulatory environment can constrain or facilitate transnational mortgage products. Environments differ significantly between countries, and special attention also has to be given to U.S. state-level regulations. **Recommendations:** (1) Ensure that project design adequately reflects regulatory environments. (2) Support forums that link U.S. state regulators with executing agencies promoting remittances in order to discuss barriers.
- **Savings:** Savings, in addition to future remittance flows, are a necessary piece of a mortgage product for the down payment needed and/or to cover potential decreases in remittance flows. Banco Agrícola developed a remittance-based savings product as a result of a MIF-financed market study. The Su Casita project did not address this need. **Recommendation:** Although there is no evidence that the lack of a savings product affected Su Casita's product disbursement, it would be interesting to address this component in future projects.
- **Liquidity:** Housing loans require medium-term capital (for housing improvement loans) and long-term capital (for mortgage loans). The CCFs of Colombia are constrained in this respect, which was not addressed in the project design. **Recommendation:** Ensure that there is a match between product loan tenor and capital availability.
- **Instruments:** Pichincha and Banco Agrícola had liquidity at the time of project implementation, and so did not use the MIF lines of credit. Su Casita used the MIF dollar-based loan, but once it was exhausted, stopped disbursing dollar-based mortgage loans. **Recommendation:** Ensure in the project design phase both the need for a line of credit and commitment to the sustainability of the pilot after the line of credit is exhausted.
- **Information technology:** Information technology is a key factor of success, and projects that built capacity in this area were more likely to be successful. Software is useful for tracking client preferences, analyzing risk factors to loan applications, communicating between branches



across borders and between allied entities, demonstrating products to potential clients (such as houses for sale), tracking loan application process, accepting payments on loans, and allowing clients to access information about their accounts. This is an area where experienced consultants added great value, since IT changes quickly and requires a vision of the future growth of the institution. **Recommendations:** (1) Launch awareness campaigns to disseminate information about the rapidly changing nature of the IT environment for remittances by hosting conferences/seminars dedicated to the theme, sponsoring trade fairs with vendors, and publishing a website dedicated to the issue. (2) Continue to support improvements to IT, while keeping specifications for IT fairly flexible in order to adjust to frequently changing IT needs. (3) Ensure that the project budget has correctly calculated the costs of obtaining IT expertise in project budgets, since this tends to be expensive. (4) Project timelines should take into account the lengthy nature of obtaining IT expertise, and the competitive environment for IT vendors, which may mean that they are not immediately available. (5) For networks or federations, if MIS are not standardized, the project activities should take that into account, and budget for standardizing them.

- **Financial Education:** In the remittances and housing portfolio, financial education was occasionally combined with marketing and promotion of products, such as in the case of SHF. There are no studies on the impact of the financial education component. Yet a mortgage loan is a huge and long-term commitment for migrants, and they should be made aware of the characteristics of a mortgage loan, so as to avoid late payments and other problems. This awareness benefits both clients and financial institutions. **Recommendation:** Support projects or promote activities outside of financial institutions that provide financial education to the public. These activities should be clearly linked to promoting consumer protection in using financial products and services.

LESSONS LEARNED

Some valuable lessons learned in this model can be applied to future projects:

- **Risk:** Risk is a key factor in the sustainability of the financial product being developed and the commitment of the institution to the product, due to the length of the mortgage loan and its higher amounts.
- **Capturing the Value Chain:** Mutualista Pichincha was very successful with its transnational loan, because it had the value chain of financing and construction within its control.
- **Market Presence:** Market presence abroad is important. COMFAMA and the CCFs have not been as successful, because of their lack of presence in foreign countries with migrants.
- **Pilots:** Pilot projects seemed to be less successful because of issues related to buy-in (Banco Agrícola), or profit (Banco Agrícola), or missing infrastructure (COMFAMA). The two most successful projects were those that had already begun transnational lending—Su Casita and Mutualista Pichincha.
- **Marketing:** The promotion of new products and services is a key component of these projects, and yet project timelines do not allow for the time needed to develop and implement a comprehensive marketing strategy. Longer timelines would be better.



- **Financial education:** Financial literacy training is needed to protect consumers.
- **Regulatory environment:** The country's legal framework is a key factor in project success and should be duly studied in the project design phase.
- **Changing Remittance Environment:** The remittance market changes rapidly. Actors continue to change, as do transfer and distribution mechanisms and regulatory environments. Executing agencies need to monitor and understand these changes and their impact on the institution.
- **Changing Immigration Patterns:** Migrant populations are mobile, and even more so in hard economic times, which increases marketing costs, and risks of lending.

REMITTANCES, POLICY AND REGULATORY FRAMEWORKS MODEL

- This model is unique and may not be replicable in other regions unless there is an entity such as CEMLA that has regional Central Bank participation. **Recommendations:** If the model is replicated, the following success factors will be key: (1) a long timeframe, to incorporate increases in demand and challenges that arise; (2) a sufficient budget, for the same reasons; (3) support from multilateral institutions to give credibility; (4) organized and well-respected project unit staff, with expertise in consensus-building; and 5) dissemination of information on the project, its goals, and the research conducted.

REMITTANCES AND BANKING THE UNBANKED MODEL

- **Liquidity:** Liquidity management was challenging for some of the entities. Handling remittances implies having funds available for pay-out, and for paying expenses associated with the service. Remittance companies pay the commissions due to the sub-agents within 30 days after the remittance transfer has occurred. This lapse implies that an entity must have sufficient liquidity on hand. When working with an apex such as the federations of cooperatives or associations of credit unions, the entities had to create a liquidity management function if one did not already exist. **Recommendation:** Ensure in the project proposal stage that potential executing agencies understand all the ramifications of adding on remittance services, one of which is the need for a liquidity management function. Build this into project activities if it is missing.
- **Profitability:** Profitability of the remittance transfer services was an issue for some entities, especially the smaller rural ones (e.g., AMUCSS) and the ones that are dependent on credit as a core profit-making product (e.g., Centro Acción's MFIs). The service is not inherently profitable (unless scalable to a great degree) and entities must rely on cross-selling other products and/or lowering the cost of the remittance services to achieve benefits. Where the costs of providing the services are higher (e.g., in the drug violence-prone areas where AMUCSS works), or where the demand for credit is not high (also AMUCSS), the cost of providing the service must be reduced by other means, through automatically linking remittances to savings accounts (such as with debit cards). **Recommendations:** (1) Ensure in the project design that these issues are sufficiently analyzed and mitigating activities included, so that the entities realize benefits in the short term of the project. (2) If possible, a profitability indicator (clearly defined) for remittance transfer services should be



included in project logical frameworks. If such an indicator is not possible due to institutional capacity or MIS limitations, an independent study of a selected sample of remittance projects would be useful to gather this information. Publishing this indicator may encourage other institutions to provide the services, or deter those who could not make the service profitable. If a profitability indicator is included, the volume and number of transfer indicators would not be necessary.

- Market Presence:** Entities with a presence near migrants have advantages. If executing agencies have a “captive” market, i.e., if they have offices in migrant communities in foreign countries where they can sell their remittance services, it lowers their costs. If they are also able to transfer the remittances (e.g., BHD before it sold its U.S. offices), then they can capture the commissions. **Recommendations:** (1) For entities that do not have these advantages, ensure in the project design that other strategies are used to reach the migrant communities and that activities and budget are accordingly planned to deal with the length of time needed to market products and build alliances in foreign countries. (2) Ensure that the project timeline allows sufficient time for these activities marketing and networking activities to mature. (3) Organize forums to discuss regulatory environments related to remittance transfers specifically for low-income populations, and disseminate the conclusions.
- Cost of Remittance Services:** There are two issues here that seem to be confused in the projects’ monitoring frameworks. One is the cost of providing the distribution service and the other is the cost to the sender. Some institutions in the MIF portfolio have succeeded in reducing their cost of distributing remittance transfers to themselves. Most have not succeeded in reducing the cost of the transfer to the remitter outside the country, due to their lack of control over this side of the transaction, which is related not only to the service itself but also to exchange rates. **Recommendations:** (1) Include as an indicator for all projects the cost of remittance distribution services to the EA. (2) Eliminate the indicator related to reducing the cost/fee of the transfer, since it is often not attributable to the project’s activities anyway.
- Consumption vs. Investment of Remittances:** The most successful products seem to be a linked savings account and a debit card. The prepaid card is new and information on it is limited. The percentages of people banked using any financial product range from the 87 percent reported by Cooperativa Salcajá to the 16 percent reported by Centro Acción’s MFIs. Some executing agencies have confirmed the fact that approximately 80 percent of remittance transfers is spent on household consumption, but it seems to depend on the income level of the receiving household. In the experience of at least one executing agency (Centro Acción), the lower the income level of the recipient household, the lower the amount available for being banked. This trend has implications for the profitability of the remittance services for the EAs. **Recommendations:** (1) Use the indicator of “people banked who were previously unbanked” (clearly defined) for all projects on a consistent basis. If EAs’ measurement systems permit, data could be compiled on which products they were “banked” with. (2) Finance further studies on segmentation of remittance households in diverse countries and on independent projects, and make this information publicly available. (3) Compile information on the linked savings accounts over time to see how the average balance in these accounts changes, and why (to determine if these services are useful and whether people are responding to marketing by the EAs.)



- **Information Technology (IT):** IT is a critical component to remittance-transfer services. The challenges faced by EAs are that IT is rapidly changing, expensive, and requires extensive knowledge to be able to assess its usefulness. Even IT systems not directly related to remittance distributions are important, and if these systems are not standardized, it will create delays in adding on remittance-specific platforms. **Recommendations:** (1) Take into account the rapidly changing nature of the IT environment for remittances by hosting conferences/seminars dedicated to the theme, sponsoring trade fairs with vendors, and publishing a website dedicated to the issue. (2) Continue to finance improvements to IT, while keeping specifications for IT fairly flexible in order to adjust to frequently changing institutional needs. (3) Ensure that there is sufficient budget for obtaining IT expertise in project budgets, since it tends to be expensive. (4) Project timelines should take into account the lengthy nature of obtaining IT expertise and the demand for IT vendors, which may mean that they are not immediately available. (5) For networks or federations, if MIS are not standardized, the project activities should take this into account and include activities and funds for standardizing them.
- **Financial Education:** Clients benefit from financial education, and it can be useful for cross-selling other products. Yet it is not a profit-making activity for financial institutions. **Recommendation:** Fund projects outside of financial institutions that provide financial education to the public. These activities should be clearly linked to promoting consumer protection in using financial products and services.

LESSONS LEARNED

Valuable lessons were learned in this model that can be applied to future projects:

- **Regulatory Environment:** The regulatory environment needs to be sufficiently understood in all countries where the activities will be undertaken, before the project contract is signed.
- **Monitoring Frameworks and Measurement Systems:** There should be some common indicators across all projects, linked to the goals of the MIF remittance program. Systems for measuring these and all indicators should be in place before project activities begin.
- **Liquidity:** Liquidity management is an issue in providing remittance services. It needs to be planned in advance during the project design phase.
- **Changing Remittance Environment:** The remittance markets are not stable, and actors continue to change, as do transfer and distribution mechanisms and regulatory environments. Executing agencies need to monitor and understand these changes.
- **Culture Matters:** Recipients and senders from different countries and even different regions within each country may have distinct preferences and needs that influence use of remittance services and uptake of new products. Trust in financial institutions is important, and where it is nonexistent, it must be built through marketing and/or alliances.

REMITTANCES AND PRODUCTIVE INVESTMENTS MODEL

- **Diaspora Groups (Hometown Associations, or HTAs):** There has been very limited success in mobilizing remittances from diaspora groups for a variety of reasons, including: lack of contact with these HTAs, level of organization, level of trust, level of income, knowledge of investment opportunities in their home countries, entrepreneurial skills, and others. **Recommendation:** There are a number of activities that need to take place with HTAs before remittances can be pooled and channeled into productive activities. The time needed to do these initial activities may not fit within a project execution time period. These activities would include the following, among others:
 - Since HTAs are distinct from one another, due to cultural or organizational variables, it is important to improve executing agencies' knowledge of HTAs, their member profiles, their missions, their cultures, and their organizational levels.
 - HTAs' organizational capacity must be strengthened.
 - HTAs members' knowledge of their legal rights must be strengthened in order to build trust.
 - Alliance should be built with business groups in HTAs' home communities (e.g., Chambers of Commerce).
 - HTAs should be linked with financial institutions to improve savings abilities.
 - Financial education to improve money management and knowledge of investing is needed.

These activities may improve HTA members' willingness to invest in their home communities.

- **Business Development Skills of EAs:** Several of the executing agencies chosen to implement this model had limited knowledge of the business development process or investing (e.g., NAFIN, FPC.) Successful business investments require more than the capacity to train entrepreneurs; executing agencies must also possess business expertise. **Recommendations:** (1) Ensure that entities chosen to implement this model have sufficient knowledge of business processes and investment. (2) If the executing agency does not have this knowledge, foster the establishment of partnerships with entities that do. State entities and NGOs are less likely to have this experience compared to private sector entities or nonprofits that are running social enterprises. (3) Include in such projects the option for migrants to buy a business and/or purchase a franchise.
- **Business Development Skills of Migrants' Families in the Home Country:** A flaw in the model is the inability or lack of interest in becoming an entrepreneur on the part of migrants' family members. **Recommendations:** (1) Identifying family members who wish to become business partners with migrants is a time-consuming process, so additional time should be factored into project timelines. (2) Linking diaspora groups to existing profitable businesses that want to expand but lack capital could be an alternative.



- **Availability of Remittances for Investment:** Projects aiming to stimulate investment of remittances should have matching sources of financing (grants or loans) for new businesses in addition to remittances, which are rarely sufficient for start-up and operating capital. Such was the case in the FPC and NAFIN projects, which mobilized state resources. Even these additional resources were not sufficient, and so a credit component could be important to incorporate into project activities. Credit for working capital was not available in the NAFIN, FPC and CREA projects, but the ACA project has incorporated a guarantee fund to motivate lenders to lend to risky start-up businesses. **Recommendation:** Factor into project design partnerships with entities that can supply financing for business start-ups.
- **Indicators for Measuring Project:** Project outcome indicators for these projects did not clearly reflect the stated intent of the projects' objectives. For example, identification of businesses, assessment of businesses, and training of interested migrants are all output indicators rather than outcome indicators, and they will not measure the success of the model. A better outcome indicator would be "establishment of a business that survives more than one year and is profitable by the end of the second year." If the project timeline is not sufficient to measure this, then conclusions about the model will not be accurate. **Recommendation:** Lengthen project timelines to adjust to the need to measure outcomes, or consider follow-on projects, or ex-post evaluations.

LESSONS LEARNED

Valuable lessons were learned in this model that can be applied to future projects:

- From the performance of these projects, HTAs do not seem to be viable mechanisms for capturing savings or investing in businesses. Pooling HTA member money is difficult; expectations differ about return on investment, places to invest, terms of investment, etc., which makes it difficult to come to an agreement.
- Additional variables are related to the connectedness of migrants with their communities of origin that were not well understood by executing agencies at the beginning of projects, such as age at migration and stability in the United States. The younger the age of the migrant, the less identification s/he has with the community of origin. The more stable the migrant, the more likely s/he is to be interested in investing. Knowledge of these variables is important for understanding the potential for HTAs and individual migrants to invest in their communities.
- Creating effective means of communications between migrants and hometowns is critical to building trust, a first step to encouraging migrants to pool their money to invest in projects in their communities.
- The diaspora in the United States is not organized to support projects of a productive nature, and further efforts are needed to improve the capacity of these organizations to assess business potential.
- The culture, level of education, and engagement with the home country vary among diaspora groups. The Mexican diaspora is by far the most organized, as a result of government programs such as the 3x1 Program, which supports productive investments by migrants.

- NGOs in Latin America require more training in business management and leadership in order to be able to support cooperatives or community enterprises at a larger scale.
- Migrants use remittances mostly for basic needs, and significantly less so for business investments.
- Often remittances are not sufficient to fully fund a start-up business. Projects should be able to provide a financing component to supplement remittances.

REMITTANCES AND FINANCIAL EDUCATION/ENTREPRENEURSHIP TRAINING

The lessons learned in this model on financial literacy and entrepreneurship training that could be applied to future projects are:

- **Undefined Model:** One problem is that the model is not defined. In the projects in the MIF portfolio, training, information dissemination, and marketing seem to be mixed, such as in the case of SHF. This problem may be due to a lack of clarity in the project documents or in the activities and approaches themselves. For example, the indicator for SHF reads: The number of people trained through housing fairs and seminars. In five seminars, apparently 7,050 people were “trained.” It is probable that these were informational seminars rather than true training sessions. **Recommendation:** The MIF should define the terms “training,” “financial education,” “financial literacy,” “entrepreneurship training,” and so on, and set some standards. For example, to be called a training an event should last at least two hours, and be conducted by a professional in that subject.
- **Mixed Components:** Another problem is that the components are mixed within projects, and so it is hard to differentiate their impact. Projects have combined financial education with entrepreneurship training with cross-selling. While not inherently a bad approach, with combined components it is more difficult to measure impact. **Recommendation:** Develop a framework for measuring impact of these approaches and ensure that there are funds in the project budget for this purpose.
- **Sustainability:** The FE/ET activities were often outsourced to consulting firms (e.g., with SHF), and as such are costly. Some of the training activities took place in foreign countries and for that reason are very expensive. One project brought business leaders to Mexico for training, which is also expensive (IME). **Recommendation:** If the training skills are not available within the organization, and/or cannot be sustained past the project’s end due to the cost, then it is not advisable for the MIF to support this activity.
- **No Standard Measurement Criteria:** There are no standard measurement criteria for determining success of these activities. It is not complicated to measure outputs, such as number of people trained. However, the MIF needs to ensure that the results of activities are coherent with its program goals, and for this reason, it needs to use indicators related to those goals. **Recommendation:** If the goal is “banking the unbanked,” then the indicator should be “number of people who were trained who accessed other financial products and services from the entity as a result of the training.”



- **Conflict of Interest Issues:** One issue related to training people in financial literacy is the conflict of interest of having institutions with a vested interest in selling their products to consumers also doing the training. **Recommendation:** The MIF should be aware of this conflict of interest and make an informed decision on whether it wants to support these efforts.

GENERAL CONCLUSIONS ON THE MIF'S ROLE

The MIF has been promoting remittance activities since 2000, nearly 10 years. Its strategy for its remittances work has focused on the three pillars of projects, knowledge management, and research. The sum of these activities has been overwhelmingly positive. No other entity has done as much as the MIF to raise the issue of remittances before the world's policymaking bodies, and the MIF has been a catalyst for bringing this important issue to the world's attention. It is due to the MIF's labors that the extent of the remittance flows from migrants to their home countries in Latin America and the Caribbean is measured, even if that measurement has not yet been perfected. The amount of money transferred by migrants, first measured by the MIF, astonished world leaders. This awareness led the G-8 to concern itself with the well-being of the senders of these funds.

In the space of these ten years, other entities have begun to replicate the MIF's remittances activities. Multilateral and bilateral funding agencies have remittance projects and engage in remittance research. Remittance flows are being measured in Asia, Africa, and Eastern Europe. Governments are developing policies to make remittance markets more competitive. Remittance-transfer companies have had to lower their prices in response. Information on remittance-transfer costs is more transparent. Governments, donors, and financial institutions are paying attention to remitters' and recipients' needs. The joint Remittances Facility of the MIF and IFAD has blossomed into a global facility with more donors. Other donors are replicating the facility on a national basis, such as DFID's Remittances and Payments Partnership Programme in Bangladesh.

The MIF, for its part, has been committed to disseminating the results of its work and providing advice to other entities seeking to achieve the same results. MIF remittance team members have appeared at numerous conferences and are members of task forces on remittances, including the G-8 International Remittances Task Force. Their expertise is so highly valued that the MIF is developing advisory services on remittances to individual governments, and has also exported its remittance program model to the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, and parts of the World Bank by sharing the experiences and lessons learned from the establishment of the MIF program. Cross-learning between projects has also taken place through the MIF Remittances Cluster events, which are much appreciated by the participants, and by incorporating lessons learned into new projects. Broader dissemination of results will occur once the MIF websites have been updated. Publications by the MIF are widely read and quoted in international media.

The MIF's projects in remittances, no matter which model was used, are cutting-edge. There may have been problems in implementation, and some failures, but the overall result has been a portfolio of experiences that gives the MIF and other international financial institutions, donors, and investors,

valuable information about what works and what needs adjustment. Executing agencies have also benefited, with a new, broadened vision about what they can accomplish in their communities (for example, Cooperativa Salcajá). Their liquidity position has improved, which has given rise to new structures to manage remittances and new programs to utilize them for credit (i.e., AMUCSS). New clients have been brought into the banking system (i.e., FEDECACES). Loan portfolios have expanded (i.e., Mutualista Pinchincha). Small rural entities are now linked to international markets (i.e., BANSEFI) and information technology has improved efficiencies of transfer services (i.e., AIRAC).

For both senders and recipients of remittances, the benefits of the MIF's projects are clear. On both sides of the borders, remittance families have more access to more affordable transfer services. Some of these are now automatic, through the use of debit cards (i.e., El Comercio). Rural areas have more access, with new points of service (i.e., Banco ADOPEM). Remittance families have access to other financial services, even insurance (i.e., Banco Sol). These new products benefit the senders, who have more control over the use of their remittances (i.e., Su Casita), and recipients, who can leverage the remittances into assets such as houses and savings (i.e., Banco Agrícola). Convenience and security of transfers have improved. There is less danger to recipients of robbery of their funds when transfers are done over the Internet or deposited directly into bank accounts (i.e., BHD).

At the governmental level, there is better measurement and improved regulatory environments in some countries, to be followed by more countries as the CEMLA projects continue.

In sum, the value of the MIF's work in remittances has been considerable. Its activities in Latin America and around the world have paved the way for more and better initiatives that will have positive impact on migrants, their families and their communities.



Annex One: List of People Interviewed

<i>Name</i>	<i>Position</i>	<i>Entity</i>	<i>Location</i>
Alberto Bucardo	MIF Specialist	MIF/IDB	Mexico
Miguel Ángel Almeyda	MIF Specialist	MIF/IDB	Mexico
Guillermo Aguilar	MIF Specialist	MIF/IDB	Mexico
José Espinosa Girón	Binational Business Manager	NAFIN	Mexico
Iliana De Silva Muñoz	Deputy Director of Mortgage Promotion	SHF	Mexico
Oscar Grajalves	Deputy Director of Multilateral Relations	SHF	Mexico
JJ Olivares	Deputy Director of Strategy and Products	SHF	Mexico
Verónica Kaneen	Technical Assistance Coordinator	Su Casita	Mexico
Francisco Merlos	Executive Director	Su Casita	Mexico
Gonzalo Palafox	General Manager	Su Casita	Mexico
Bernardo González Ismael Díaz	Deputy Director, Institutional Banking	BANSEFI	Mexico
Ismael Díaz	International Finance Unit	BANSEFI	Mexico
Ana María Carrillo	Director of Economic Affairs and Talent Network	IME	Mexico
Sofía Orozco	Deputy Director of Economic Affairs	IME	Mexico
Isabel Cruz	Director	AMUCSS	Mexico
Roberto Ramírez	Director	FPC	Mexico
Alejandra Garduño	Project Coordinator	FPC	Mexico
Ignacio Corona	Project Administrator	CEMLA I	Mexico (regional)
Rene Maldonado	Project Coordinator	CEMLA I	Mexico (regional)
Corina Arteche	Project Coordinator	CEMLA II	Mexico (regional)
Jempsy Fils-Aimee	MIF Specialist	MIF/IDB	Haiti
Anne Hastings	Director	FONKOZE	Haiti
Katleen Felix	Project Coordinator	FONKOZE	Haiti
Guillermo Villacorta	MIF Specialist	MIF/IDB	El Salvador
Camille Ponce	MIF Specialist	MIF/IDB	Bolivia
Jaime Giesecke	MIF Specialist	MIF/IDB	Peru
Carlos Novoa Molina	MIF Specialist	MIF/IDB	Colombia
Griselda Soto Bravo	MIF Specialist	MIF/IDB	Nicaragua
Gladys Moreno Gómez Gavarette	MIF Specialist	MIF/IDB	Honduras
Mariel Sabrá	MIF Specialist	MIF/IDB	Argentina
Luciano Schweizer	MIF Specialist	MIF/IDB	Brazil
Smeldy Ramírez Rufino	MIF Specialist	MIF/IDB	Dominican Republic
Morgan Doyle	MIF Specialist	MIF/IDB	Washington, D.C.
Claudio Cortellese	MIF Specialist	MIF/IDB	Washington, D.C.
Bibiana Vásquez	MIF Specialist	MIF/IDB	Washington, D.C.
Paula Auerbach	MIF Specialist	MIF/IDB	Ecuador
Marco Macias	MIF Specialist	MIF/IDB	Ecuador
Gregory Watson	MIF Remittance Program Coordinator	MIF/IDB	Washington, D.C.
Maria Natalia Bajuk	MIF Remittance Program Coordinator	MIF/IDB	Washington, D.C.
Manuel Orozco	Remittances and Development Program Coordinator	Inter-American Dialogue	Washington, D.C.
Tetsuro Narita	Investment Officer	MIF/IDB	Washington, D.C.
Edgar Rivera	Senior Investment Officer	MIF/IDB	Washington, D.C.
Yann Brenner	MIF Specialist	MIF/IDB	France
Rodolfo Lauritto	Senior Portfolio Manager IFAD Programmes Latin America and the Caribbean	UNOPS	New York

<i>Name</i>	<i>Position</i>	<i>Entity</i>	<i>Location</i>
<i>Tomas Miller</i>	<i>Senior Investment Officer</i>	<i>MIF/IDB</i>	<i>Washington, D.C.</i>
<i>Marco Camagni</i>	<i>Country Programme Manager, Latin America and the Caribbean Division</i>	<i>IFAD</i>	<i>Latin America</i>
<i>Sabina López</i>	<i>Project Coordinator</i>	<i>Banco Agrícola</i>	<i>El Salvador</i>
<i>Gustavo Denys</i>	<i>Director, Consumer Products</i>	<i>Banco Agrícola</i>	<i>El Salvador</i>
<i>Wendy Escobar</i>	<i>Project Coordinator</i>	<i>Apoyo Integral</i>	<i>El Salvador</i>
<i>José Napoleón Duarte III</i>	<i>Director</i>	<i>MicroNegocios</i>	<i>El Salvador</i>
<i>Emmanuel deCamps</i>	<i>Director</i>	<i>Banco ProCredit</i>	<i>El Salvador</i>
<i>Héctor Córdova</i>	<i>Director</i>	<i>FEDECACES</i>	<i>El Salvador</i>
<i>Bertha Silvia Mena</i>	<i>Head of Audit Department</i>	<i>FEDECACES</i>	<i>El Salvador</i>
<i>Misael Barahona</i>	<i>Supervision Head</i>	<i>FEDECACES</i>	<i>El Salvador</i>
<i>Manuel Tejada</i>	<i>General Manager</i>	<i>COOPFEPROCA Inc.</i>	<i>Dominican Republic</i>
<i>Carlos Jiménez</i>	<i>Consultant</i>	<i>HIP</i>	<i>Dominican Republic</i>
<i>Mercedes Canalda</i>	<i>Executive Director</i>	<i>ADOPEM</i>	<i>Dominican Republic</i>
<i>Eva Carvajal</i>	<i>Business Vicepresident</i>	<i>ADOPEM</i>	<i>Dominican Republic</i>
<i>Claribel Díaz</i>	<i>N.A.</i>	<i>ADOPEM</i>	<i>Dominican Republic</i>
<i>Niove Rivera</i>	<i>N.A.</i>	<i>ADOPEM</i>	<i>Dominican Republic</i>
<i>Blanca Español</i>	<i>N.A.</i>	<i>ADOPEM</i>	<i>Dominican Republic</i>
<i>Virgilio Gerardo</i>	<i>Executive Director</i>	<i>AIRAC</i>	<i>Dominican Republic</i>
<i>Julio Caminero</i>	<i>Executive Director</i>	<i>AIRAC</i>	<i>Dominican Republic</i>
<i>María Cristina Álvarez</i>	<i>Vice President</i>	<i>BHD</i>	<i>Dominican Republic</i>
<i>Luís Ramón Valdez</i>	<i>Director, President</i>	<i>INDEPRO</i>	<i>Dominican Republic</i>
<i>Francesco Rispoli</i>	<i>Technical Advisor,</i>	<i>IFAD</i>	<i>Italy</i>
	<i>Technical Advisory Division</i>		
<i>Rosemary Vargas Lundius</i>	<i>Policy Coordinator - Policy Division</i>	<i>IFAD</i>	<i>Italy</i>
<i>María Paulina Restrepo González</i>	<i>Chief, Project Development Department</i>	<i>COMFAMA</i>	<i>Colombia</i>
<i>Víctor Rosal</i>	<i>Manager</i>	<i>Cooperativa Salcajá</i>	<i>Guatemala</i>
<i>Nicole Desiree Rossell</i>	<i>MIF Specialist</i>	<i>MIF/IDB</i>	<i>Guatemala</i>
<i>Rina Santos</i>	<i>Project Coordinator</i>	<i>FACACH</i>	<i>Honduras</i>
<i>Arturo Yara</i>	<i>Project Coordinator</i>	<i>APJ</i>	<i>Peru</i>
<i>Don Terry</i>	<i>Former MIF Manager</i>	<i>MIF/IDB</i>	<i>Washington, D.C.</i>
<i>Betsy Karen Murray</i>	<i>MIF Specialist</i>	<i>MIF/IDB</i>	<i>Costa Rica</i>
<i>Natalia Sturla</i>	<i>Project Manager</i>	<i>HIP</i>	<i>Miami</i>
<i>Gracia Goya</i>	<i>Director, Transnational Programs</i>	<i>HIP</i>	<i>Miami</i>
<i>Erick Loza</i>	<i>Project Coordinator</i>	<i>PRODEM FFP</i>	<i>Bolivia</i>
<i>Leila Rispens-Noel</i>	<i>Chair</i>	<i>International</i>	<i>Perú</i>
		<i>Network of</i>	
		<i>Alternative Financial</i>	
		<i>Institutions (INAFI)</i>	
<i>Silvia de Mendez</i>	<i>Director</i>	<i>El Comercio</i>	<i>Paraguay</i>
<i>Nobuyuki Otsuka</i>	<i>Investment Officer</i>	<i>MIF/IDB</i>	<i>Washington, D.C.</i>
<i>María Victoria Saenz-Samper</i>	<i>Senior Project Officer</i>	<i>MIF/IDB</i>	<i>Washington, D.C.</i>
<i>Patricio Maldonado</i>	<i>Director, MIF/IDB project</i>	<i>Mutualista</i>	<i>Ecuador</i>
		<i>Pichincha</i>	
<i>Pedro de Vasconcelos</i>	<i>Coordinator Financing Facility for Remittances</i>	<i>IFAD</i>	<i>Italy</i>



Annex Two: Acronyms and Abbreviations

ABD	<i>Associação Brasileira de Dekasseguis [Brazilian Dekassegui Association]</i>
ACA	<i>Academia de Centroamérica [Academy of Central America]</i>
ADB	<i>Asian Development Bank</i>
AIRAC	<i>Asociación de Instituciones Rurales de Ahorro y Crédito [Association of Rural Savings and Loan Institutions]</i>
AMUCSS	<i>Asociación Mexicana de Uniones de Crédito del Sector Social [Mexican Association of Social Sector Credit Unions]</i>
APJ	<i>Asociación Peruano Japonesa [Japanese-Peruvian Association]</i>
ASOCAJAS	<i>Asociación Nacional de Cajas de Compensación Familiar [National Association of Family Equalization Funds]</i>
ATM	<i>Automatic Teller Machine</i>
BA	<i>Banco Agrícola</i>
BANSEFI	<i>Banco del Ahorro Nacional y Servicios Financieros [National Savings and Financial Services Bank]</i>
BCE	<i>Banco Central del Ecuador [Central Bank of Ecuador]</i>
BdT	<i>Banco del Trabajo [Workers Bank]</i>
BHD	<i>Banco Hipotecario Dominicano [Dominican Mortgage Bank]</i>
BNCR	<i>Banco Nacional de Costa Rica [National Bank of Costa Rica]</i>
CAM	<i>Centro ACCION Microempresarial</i>
CB	<i>Central Bank</i>
CDs	<i>Certificates of Deposit</i>
CECA	<i>Confederación Española de Cajas de Ahorro [Spanish Confederation of Savings Banks]</i>
CEMLA	<i>Centro de Estudios Monetarios Latinoamericanos [Center for Latin American Monetary Studies]</i>
CEU	<i>Central Executing Unit</i>
CGAP	<i>Consultative Group to Assist the Poor</i>
CNB	<i>Central National Bank and Trust Company</i>
CNBV	<i>Comisión Nacional Bancaria y de Valores [National Banking and Securities Commission]</i>
COMFAMA	<i>Caja de Compensación Familiar de Antioquia [Antioquia Family Equalization Fund]</i>
CONOREVI	<i>Consejo Nacional de Organismos Estatales de Vivienda [National Council of State Housing Institutes]</i>
CPSS	<i>Committee on Payment and Settlement Systems</i>
CREO	<i>Centro Regional de Originación [Regional Center for Loan Origination]</i>
CRM	<i>Customer Relationship Management</i>
DFID	<i>Department for International Development of the United Kingdom</i>
EAs	<i>Executing Agencies (MIF partners)</i>
EU	<i>European Union</i>
FACACH	<i>Federación de Cooperativas de Ahorro y Crédito de Honduras [Federation of Savings and Credit Cooperatives of Honduras]</i>
FE/ET	<i>Financial Education and Entrepreneurship Training</i>

FEDECACES	<i>Federación de Cooperativas de Ahorro y Crédito de El Salvador [Federation of Savings and Credit Cooperatives of El Salvador]</i>
FENACOAC	<i>Federación Nacional de Cooperativas de Ahorro y Crédito [National Federation of Savings and Loan Cooperatives]</i>
FINDESA	<i>Financiera Nicaragüense de Desarrollo, S.A. [Nicaraguan Development Finance Company]</i>
FIRA	<i>Fideicomisos Instituidos en Relación con la Agricultura, Government of Mexico</i>
FOMICRO	<i>Caja Central y Fondo de Inversiones [Central Savings Bank and Investment Fund]</i>
FONAEVI	<i>Fondo Nacional de Apoyo Económico a la Vivienda [National Fund for Economic Support of Housing]</i>
FPC	<i>Fundación para la Productividad en el Campo, A.C. [Foundation for Rural Productivity]</i>
GP	<i>General Principles</i>
HIP	<i>Hispanics in Philanthropy</i>
HTAs	<i>Hometown Associations</i>
IAC	<i>International Advisory Committee</i>
IDB	<i>Inter-American Development Bank</i>
IFAD	<i>International Fund for Agricultural Development</i>
IMAS	<i>Instituto Mixto de Ayuda Social [Joint Social Action Institute]</i>
IME	<i>Instituto de los Mexicanos en el Exterior [Institute for Mexicans Abroad]</i>
IMF	<i>International Monetary Fund</i>
INDE	<i>Instituto Nicaragüense de Desarrollo [Nicaragua Development Institute]</i>
INMIGRA- CEPROM	<i>Instituto de Migración y Desarrollo en la Región Andina [Institute of Migration and Development in the Andean Region] and Centro de Promoción de la Mujer y el Desarrollo [Center of Promotion of Women and Development]</i>
IOM	<i>International Organization for Migration</i>
IT	<i>Information Technology</i>
LAC	<i>Latin America and the Caribbean</i>
LIFNB	<i>Ley de Intermediarios Financieros No Bancarios [Non-bank Financial Intermediaries Act]</i>
MFIs	<i>Microfinance Institutions</i>
MIF	<i>Multilateral Investment Fund</i>
MIS	<i>Management Information Systems</i>
MTO	<i>Money transfer operator</i>
NAFIN	<i>Nacional Financiera [National Finance Institution]</i>
NBFIs	<i>Non-bank Financial Institutions</i>
NGO	<i>Non-governmental Organizations</i>
PAHNAL	<i>Patronato del Ahorro Nacional [National Savings Trust]</i>
POS	<i>Point of sale</i>
PPMR	<i>Project Performance Monitoring Report</i>
PRODEFIC	<i>Programa de Desarrollo Económico y Financiero Cooperativo [Cooperative Economic and Financial Development Program]</i>
RG	<i>Regional (MIF Project)</i>
RTG	<i>Remittances Working Group</i>
SEBRAE	<i>Serviço Brasileiro de Apoio à Micro e Pequena Empresa [Brazilian Service of Support to the Micro and Small Enterprise]</i>



ANNEX TWO: ACRONYMS AND ABBREVIATIONS

<i>SHF</i>	<i>Sociedad Hipotecaria Federal [Federal Mortgage Company]</i>
<i>SNP</i>	<i>Sistema Nacional de Pagos [National Payment System] (Ecuador)</i>
<i>SOFOLAS</i>	<i>Sociedades Financieras de Objeto Limitado [Limited Purpose Financial Companies]</i>
<i>SWIFT</i>	<i>Society for Worldwide Interbank Financial Telecommunication</i>
<i>TC</i>	<i>MIF Technical Cooperation</i>
<i>UNCDF</i>	<i>United Nations Capital Development Fund</i>
<i>USAID</i>	<i>United States Agency for International Development</i>
<i>WB</i>	<i>World Bank</i>



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