

Development of savings and insurance products for migrants through international postal transfers

1. DEVELOPMENT RELEVANCE

Economic and poverty context

Burkina Faso is a landlocked country in sub-Saharan Africa, with low income, limited natural resources, and a population of 19.1 million in 2018ⁱⁱⁱ. Since 2017, the country experienced an economic growth acceleration (from 5.9% in 2016 to 6.7% in 2017) thanks to a large agricultural sector and expanding gold production^{iv}. Nevertheless, Burkina Faso still faces great poverty with more than four out of ten people still living below the poverty line. This poverty is characterized by strong inter and intra-regional disparities. Burkina Faso remains among the countries that produce the least wealth, with a GDP per capita of \$642 in 2014 and \$753 in 2018. To support development efforts and reduce poverty, the government of Burkina Faso has adopted the National Plan for Economic and Social Development (PESD), to aim to reduce poverty to below 35 % by 2020.

Unfortunately, the implementation of this plan is weakened by growing insecurity. After the uprising in 2014 that overturned the government of President Campaoré, insecurity greatly increased, particularly since 2016, with armed non-state actors mounting attacks on military, police and civilian targets in several regions. This situation has a negative impact on the standard of living of the populations especially in rural areas and on the economy in general, but especially agriculture. To secure the country and its borders, Burkina Faso takes part in the G5 Sahel, composed of Mauritania, Mali, Niger, Burkina Faso and Chad, to combine their efforts both in the fight against terrorism and in bringing economic development to the region.^v

Financial sector context

Driven by economic growth over the past two years, the banking and microfinance sectors continued to consolidate in 2017. However, financial inclusion remains a big challenge. The 2016 FINSCOPE report reveals that Burkina Faso counted 10 million people aged 15 and older, in 2016^{vi}, and for the adult population there are:

- 39% of adults are financially excluded, they do not use any financial product / service.
- 21% of adults have/use informal financial mechanisms.
- 22% of adults have/use other formal non-banking products / services.
- 18% of adults have/use commercial banking products / services.

The government of Burkina Faso developed the National Inclusive Finance Strategy (SNFI) to promote increased and permanent access to a wide range of financial products and services that are sustainable, adapted, and affordable and are offered by healthy institutions to a financially literate population, particularly women, men and women. young people, rural actors and small and medium-sized enterprises all over Burkina Faso.

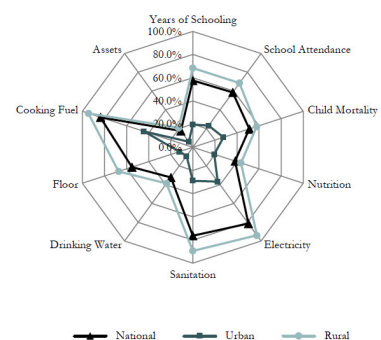
Table 1ⁱ: Population and economic indicators

Population in million (2017)	19.1
GDP growth (2017)	6.30%
Inflation (2017)	0.37%
Trade balance (% of GDP) (2017)	- 0.37%
Foreign direct investment (net) (% of GDP) (2017)	3.94%
Net ODA received (% of GNI) (2017)	7.43%
Remittances received (% of GDP) (2017)	3.61%
Economic Freedom Index ⁱⁱ (Rank among 186 countries) (2019)	96
Poverty indicators	
GDP per capita (USD) (2018)	753
Gini Index (0= equality 100= inequality) (2014)	35.3
International poverty rate (2015; at 1.90 USD/day)	10%
National poverty rate (2014)	40.1%
National rural poverty headcount rate (2014)	47.5%

Burkina Faso financial sector

Structures	2015	2016
Banks	13	13
Financial Institutions	04	04
Insurance Company	14	15
Reinsurance Company	01	01
Microfinance Institution	135	133

Multidimensional Poverty Index (2017)



Partner financial institution/s

SONAPOST (Société Nationale des Postes), now known as *La Poste du Burkina* (the Burkina Faso Post Office, hereafter *La Poste*), was established in 1997. Through its mission of collecting savings, it has become an important economic player in Burkina Faso, employing 1'200 persons. *La Poste* has set itself the goal of offering quality services to citizens and of becoming a leading driver of development at the national level. In 2017, *La Poste* had 112 functional agencies spread over the 13 regions, making it the densest network of any deposit-taking institution at a national level. There are more than 458'612 accounts for a combined savings of more than 129'443'797 € (145'491'000 CHF) managed by the *Caisse Nationale d'Epargne* (National Savings Agency, CNP)^{vii} and more than 4,265 accounts for a total savings of 105'026'242 € (118'046'500 CHF) managed by the *Centre des Cheques Postaux* (Centre for Postal Checks, CCP).



The team of the General Direction of La Poste at the start of the marketing campaign

La Poste offers its customers a range of financial products and services:

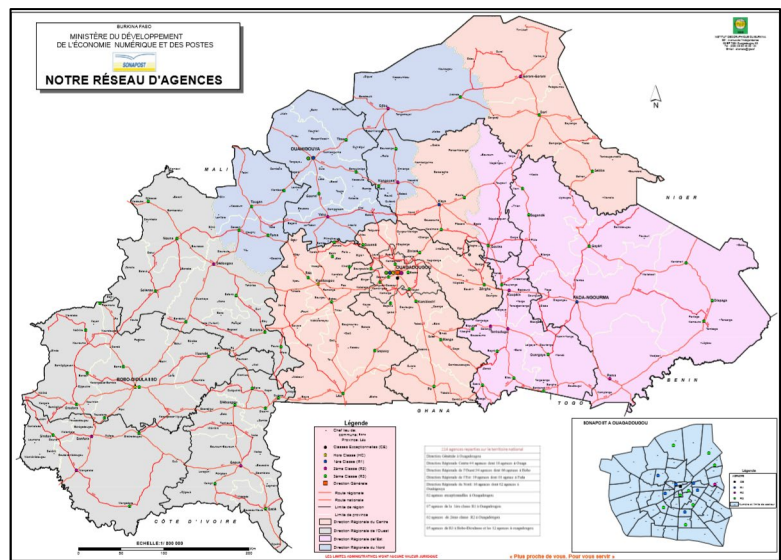
- Savings products: general savings, retirement savings, education and investment savings.
- Insurance products in partnership with Allianz: the Post-Assur and a Super savings account (an account with a direct subscription to an insurance).
- The products and services of postal checks: postal transfers, domiciliation of wages, cashing of checks, express checks.

Due to the advent of digital technology, *La Poste's* activity has been disrupted *and management* intends to rely on new technologies to make its traditional products more efficient.

2. INTERVENTION APPROACH

Capacity building needs

Burkina Faso is a net receiver of money transfers. Some families depend nearly exclusively on remittances sent by parents living outside the country. The heavy reliance on these transfers makes them vulnerable but many families seem resigned to this and are not preparing themselves for if or when these parents will no longer be able to send money. A World Bank's Migration and Development Brief shows that officially recorded remittances to developing countries touched a new record—\$466 billion in 2017, up 8.5 percent over 2016. Remittance flows to developing countries are expected to grow 4.1 percent to reach \$485 billion in 2018^{viii}.



La Poste's Branch network on Burkina Faso national territory in 2019.

However, this money is used only for everyday needs and does not impel a take-off in the economy. Thus, the project "Development of savings and insurance products related to the international postal transfer service for the benefit of Burkinabe migrants and their families" aimed to link migration and development in South-South corridors, particularly in Burkina Faso, Mali and Ivory Coast. The goal was to propose a new offer of money transfer services that would (1) allow burkinabe migrants to save in their country of origin for future investments and (2) encourage the families of migrants residing in the national territory to create income-generating activities and strengthen their financial independence.

Main activity areas (goals, targets, resources & time frame) and outputs

This technical assistance project to improve *La Poste's* financial products and services offering for migrants and their families was organized around the following activities:

- 1 - The training of 14 staff of *La Poste* from across departments and involved at different stages of the development of new products (DNP). An additional training of trainers in financial education was delivered to 16 agents from the marketing and communication department.
- 2 - Develop product prototypes suitable for money transfers and adapted to the needs of the targeted populations. Two savings products have been developed: *Bangré* (Education saving account) and *Baara* (Investment saving account). The planned improvement of the insurance product could not be achieved due to an inability to find consensus *between La Poste* and the planned insurance company partner.
- 3 - Deployment of the pilot phase for the product in five agencies of *La Poste* in order to test and refine the products' characteristics. A field evaluation with beneficiaries that used the final products concluded this phase.
- 4 - Generalization of the savings products in 112 *La Poste* agencies, supported by a marketing campaign. This stage - financially supported by the African Development Bank (AfDB) - was held in Burkina Faso in 2017 and 2018 and in Ivory Coast at the end of 2018 to raise awareness among burkinabe migrants and their families.

The table below provides information on the funding received (in euros):

	Phase of the savings products deployment project			SCBF financing of the project phase from the design of savings products to the pilot phase
	Contributed to project	Thereof allocated to Sonapost	Thereof allocated to Positive Planet for this phase of the project	
AfDB	442'921	442'921	0	
Sonapost	132'584	68'402	64'182	
SCBF	67'615	0	25'395	42'220
TOTAL	650'230	511'323	89'577	42'220

The project originally foresaw the creation of a new insurance product and use of a cash-to-account system by using the *mandate express internationale (MEI)* transfer to send money at an advantageous rate to the new savings products and provide insurance. Unfortunately, the insurance product could not be developed due to resistance from the insurer to changing the existing savings-linked insurance product (the *Super Compte*). As a result, the insurer and *La Poste* dropped the vision of a new voluntary insurance product, leaving the old mandatory savings-linked product in place. The MEI aspect was based on linkages between the national postal services of Mali, Burkina Faso and the Ivory Coast. Unfortunately, due to the instability that gripped Mali in 2015, the Mali postal service dropped out, as did the Ivory Coast for unrelated political difficulties. In the end, *La Poste* adapted to this situation by opening the service to other money transfer operations: this was not a severe issue as most burkinabe migrants in the region do not use MEIs in any case.

3. RESULTS ACHIEVED AND NOT ACHIEVED

Client level

The new savings products have been well received among customers. These products offer customers an interesting flexibility: they are allowed to set the amount of their monthly deposit according to their means (minimum deposit amount is € 7.6) and the duration of their savings efforts (minimum duration is at least 6 months). Testimonials collected among customers during the pilot phase and the marketing campaign show that customers consider that the commitment to a monthly deposit (imposed by the nature of a savings contract) is a sign of their willingness to achieve their savings goals. Some customers have said they want *Bangré* savings so they do not have to take out a school credit during the academic year. For a large number of customers, saving money little by little for education of their children removes a great financial pressure. Other customers opened a saving account because fees and minimum deposits are low: small sums are consistent with their income. As for holders of *Baara* accounts (investment savings), their goal is usually to broaden their activities and increase their income. They think it's easier to rely on a third party for credit. For holders of *Baara* accounts, the funds are destined to grow their economic activities without having to bear the extra costs of reimbursement of credits. Savers also say that they are motivated by the different remunerative interest rates offered with these accounts, which ranges from 3.75 to 4%.

In the Ivory Coast, Burkinabe migrants have also shown enthusiasm for the proposed savings products and believe that it will enable them to more easily send money home. The meeting with the diaspora was held in December 2018, during which *La Poste* staff presented all the products available to Burkinabe migrants.

Scale-up has enabled the availability of savings products in 112 post offices, 70% of which are in rural areas. There is therefore a sharp increase in the number

of accounts which is accompanied by a fall in average savings. This could be explained by: (1) In the rural world, where there are most accounts, people have lower incomes, which results in lower total savings and (2) the Bangré account is used for payment of tuition, therefore people usually subscribe for a period of six months and withdraw money to pay for schooling before the savings cycle anew. As a result, these accounts experience sharp declines in their balance. For the year 2018, the distribution in gender and in zones of the numbers of the accounts and the amounts of the savings has not yet been communicated. The current Management Information System (MIS) of *La Poste* requires manual reprocessing to generate information and has not yet provided this data.

Outreach	Pilot Phase	Scale-up
	2017	2018
	Pilot phase in five agencies	Scale-up in 112 agencies:
Number of Bangré accounts	485	2'403
Savings amount Bangré	261'229 €	609'466,92 €
Average Amount of Savings Bangré	538,62 €	253,63
Number of accounts in rural area	102	N/A
Amount collected in rural areas	13'061,42 €	N/A
Number of accounts held by women	N/A	N/A
Number of Baara account	69	934
Baara savings amount	44'971 €	216'667,26 €
Average amount of savings Baara	651,75 €	330,31 €
Number of accounts in rural area	21	N/A
Amount collected in rural areas	N/A	N/A
Number of accounts held by women	15'290,1 €	N/A

Client profiles

Armand OUEDRAOGO, 34 years old, is in the defence and security forces. He explains that a bank had approached him and over the course of a meeting, convinced him to open an account. However, with time he found a number of fees, high in his estimation, that had not been explained, thus he wanted to change institutions. In 2018 he went to the Post Office to inquire about the savings options and he decided to open two Bangré accounts, one for his 7-year-old son and one for his 3-year-old daughter. The first account is open for 2 years with monthly deposits of € 22.87 and the second account for a period of one year with monthly payments of € 15.25. As he is satisfied with the products, he extended the contract for his daughter's account by one year and hopes to keep the accounts as long as possible to build a security fund for his children.

Mrs **Rahinatou TINSOBA** (right), born on May 11, 1991, is a *La Poste* worker. She is single with a child in charge. » *I opened a Bangré account in February 2019 on behalf of my daughter who is 1 year and 8 months old. I opened this account because often managing money is difficult and at the end of the month, I find myself without money after making the necessary expenses. So, I preferred to open this account and chose the payments at the source to have funds for my child's needs. I intend to renew in order to prepare for her entry to the nursery school and I intend to open another account for myself because I plan to go back to university next year.* »



The financial education aspect of this project began late with training of 16 trainers from the marketing division of *La Poste* in October 2018. Next, these trainers held six multiplication sessions with 98 clients of *La Poste* in February 2019 thanks to the flexibility of the SCBF, the African Development Bank and the commitment of *La Poste* management. Concurrently, financial education was integrated into the communication and marketing actions of *La Poste* more generally. The theme of the training sessions was “*how to manage your money: the notion of savings.*” At the end participants found the logic of savings and the techniques to increase their savings shared during the session useful. Most participants shared their planned tactics for saving upon leaving the training, such as defining a set amount to save each month, establishing a monthly expenditure budget, and making automatic deposits in their savings account (for those with regular salaries).

Partner financial institution/s level

As part of this intervention, the *La Poste* was able to:

- Reinforce its capacities in the process of development and diffusion of new products.
- Increase its ability to mobilize migrants' savings through the development of the cash-to-account system and establishing partnerships with money transfer operators in the region. This will enable members of the diaspora to direct transfers to their savings accounts in Burkina Faso without having to send money to family or friends to perform certain operations, which can create tensions in the family if the money is misused. The discussions carried out in December 2018 with Burkinabe migrants in Ivory Coast enabled the opening of 448 savings accounts, including 444 ordinary savings accounts, 2 retirement savings accounts and 2 Bangré savings accounts. The deposits in this account will be done by the cash-to-account mechanism. Migrants have shown more enthusiasm for the ordinary savings product, than the Bangré or Baara savings products.
- The training of trainers allows *La Poste* to have financial education trainers in-house to educate clients, thus strengthening the commercialisation process of savings products. As the trained staff are part of the marketing department, they must strengthen the sales pitches of savings products using the concepts of financial education. This provides a welcome added value and a differentiating factor for *La Poste*, which is often handicapped by the fact that it does not grant credit. The training received here will support the inclusion of financial education in *La Poste*'s 2019-2023 action plan.
- *La Poste* is still hoping to be able to integrate with the postal services of Mali and Ivory Coast once the current political situations pass. *La Poste*, is also exploring opening a cash-to-account mechanism for Burkinabe migrants in Ghana, which has a significant Burkinabe population. Finally, due to inclusion of non-MEI remittance operators in this project, *La Poste* is exploring opening the cash-to-account options for many other countries that will not require negotiations with their respective postal services.

4. LESSONS LEARNT

The proposed solution for linking migration and development through the provision of adapted financial services supported by financial education has been shown to be scalable and replicable. These solutions to mobilize savings of migrants and migrants' families could be an important growth factor for the economies of the Global South. The figures gathered in this project clearly show the enthusiasm for these types of products, but customer satisfaction and social performance remains to be documented over the medium term – *La Poste* will conduct a satisfaction survey once per year to determine clients' perception and satisfaction with all their products including these new ones.

About development of new products linking transfer and development:

- The MEI is a special tool that requires bilateral agreements between postal services of different nations to facilitate the cash-to-account feature across borders. Difficulties in reaching agreements between different national postal services to standardize this tool meant that a strategy of openness to other transfer tools had to be applied.
- Adopt strategies and tools that will allow flexibility between partners as migrants use several solutions in reality to transfer their money.
- The use of different tools in transfer operations required security measures to open the financial institution's information system at the web level to establish the connection between the different technical platforms of the transfer partners. Risk analysis at this level and analysis of IT skills in MIS is one key to success in this activity and avoids huge delays.
- The density of the *La Poste*'s network means it will remain a key player in financial inclusion. However, its staff need capacity building to continue to provide clients with affordable and quality services.

About the management of the project

- It is important to set up a team entirely dedicated to the project within the financial institution and ensure that the main departments of the institution are represented to allow ownership at each level.
- Create and empower a steering committee in which the management staff will be involved in order to avoid delays due to validation and key decision-making as the project progresses.
- In the marketing campaign set up a strong, well-formed sales team with clear objectives in the field.
- Avoid large turnover of the project team members which can lead to a loss of the essence of the project and also to important delays in the implementation of the project.
- The capacity of the MIS of the institution, the estimation of the skills needed to carry out the project, and the financial means necessary for these operations must be well evaluated for successful implementation, especially for complex cross-border transactions involving many stakeholders.

About the partners of the project institution that may be infected by the project activities:

- If the new products involve external partners of the institution concerned, it is important to include these partners in the steering committee from the beginning in order to eliminate obstacles to implementation.
- Introduction of new products may necessitate modifying or changing the existing products, thus potentially threatening the interests internal and external stakeholders. It is necessary to have the approval of the management and the institution's legal service to determine how far the agreements can be modified. Otherwise the negotiations will fail because those partners who are long accustomed to a certain way of doing things that benefit them will not find it worthwhile to change a convention which may involve more effort and a reduced gain.

About the beneficiaries of the project:

- Provide good communication, especially small group discussions with beneficiaries to encourage changes in habits, including the use of money transfer tools.
- During the design phase of the project, take into account issues such as changes in customer behaviour that may result from new products.
- Prefacing marketing campaigns with awareness raising in financial education would make it easier for people to sign up for new savings products.

ⁱ The World Bank Group (2018). World Development Indicators database. Washington, DC. <http://data.worldbank.org>. Accessed (29.07.2019)

ⁱⁱ Heritage Foundation, (2018) Index of Economic Freedom, <http://www.heritage.org/index/ranking> Accessed (29.07.2019)

ⁱⁱⁱ Site de la Banque Mondiale : <https://donnees.banquemondiale.org/pays/burkina-faso?display=def>

^{iv} Perspectives économiques en Afrique 2019: Groupe de la Banque Africaine de Développement

^v <https://www.reuters.com/article/us-africa-sahel-g-idUSBREA1F0P520140216>

^{vi} See the FINSCOPE Burkina Faso survey 2016.

^{vii} <http://www.sonapost.bf/index.php/nos-sites/cne>

^{viii} <http://blogs.worldbank.org/peoplemove/record-high-remittances-low-and-middle-income-countries-2017>. Record high remittances to low- and middle-income countries in 2017. Published on 04/22/2018