

## **Final Report from the International Institute for Advanced Studies, January 2013**

Project title: International Remittances, Poverty and Inequality: The West African Case

IDRC Funded Project No: 105034-002

### **Introduction**

This is the final report of a two-year study examining the impact of remittances from migrants in Ghana, Ivory Coast and Nigeria on poverty reduction and economic growth. The lead institution is the Center for Demographic and Allied Research (CDAR), Department of Economics, University of Nigeria at Nsukka with Dr. William Fonta as the principal investigator. The collaborating institutions are the Centre Ivoirien de Recherche Economiques et Sociales (CIRES) at the University of Cocody-Abidjan, and the International Institute for Advanced Studies (IIAS) in Accra, Ghana. For the two latter institutions, Dr. Silvere Yao Konan and Professor Emmanuel Akyeampong are the project leaders respectively. The project commenced in December 2010 and ended in December 2012.

### **IIAS First Quarter: December 2010 – April 2011**

IIAS's first quarter targeted three important components of the two-year project:

- Review of the relevant literature on migration, remittances and development in Ghana, the West African sub-region and the larger continent;
- The conduct of an exit survey at Western Union and Money Gram institutions at Nsawam (Eastern Region of Ghana) in the week before Christmas 2010; and
- A focus group discussion (FGD) with opinion leaders at Nsawam on the perceived impact of remittances on poverty reduction and economic growth at Nsawam. However, this last component was moved to the second quarter because the acting chief of Nsawam, at whose house the forum was to be held, had to deal with an emergency and requested for a rescheduling of the FGD.

As part of preparations for the project and to seek external input in the design of the research project, IDRC recommended that the project leaders attend the 3rd international conference on migration and development in September 2010 in Paris, organized by the Paris School of Economics (PSE) and the French Development Agency Research Development (AFD). IDRC also recommended that Sylvie Lambert, one of the organizers of this conference, could serve as an external adviser to the project. Silvere Konan and William Baah-Boateng (IIAS, labor economist) attended the conference and their submitted reports were discussed at a meeting of the three institutions in Ghana on December 6-7, 2010. Insights from the Paris conference endorsed IIAS intention to use the exit survey to explore not just economics, but the social dynamics of migration, remittances and household behavior. The three project leaders of the collaborating institutions were present at the December meetings, as well Martha Melesse, IDRC project manager.

### **Stakeholders' Workshop, December 8, 2010**

The project was launched at the stakeholders' workshop which was held at the University of Ghana, Accra on December 8, 2010. As prescribed in the project proposal, this workshop aimed to brainstorm on the project's design and policy relevance, and to seek input in the framing of the questionnaire to be administered in the exit survey at financial institutions that partner with Western Union and Money Gram. Designed as a working session, it aimed to be small, based strictly on invitation. Researchers and officials from the Economics Department (University of Ghana), the Institute for Social and Statistical Research (ISSER), the Center for Migration Studies, and the Bank of Ghana attended, and their contributions were invaluable in the final design of the survey instrument. The stakeholders' workshop commenced with four short presentations. Fonta provided a broader description of the project: context, objectives and anticipated outcomes. Baah-Boateng discussed the databases the project will draw on, such as living standard surveys, balance of payments, censuses, etc. Raymond Atuguba gave a presentation on law and the framework of migration and remittances. Akyeampong discussed the project interest in the end use of remittances, and in understanding how this influences spending patterns and the possible creation of wealth. He outlined the survey and ethnographic approach to be pursued in a pilot study that would embrace the exit survey at financial institutions, a focus group discussion, and a select number of open-ended interviews with opinion leaders. Two sites were proposed for the pilot: the trading town of Nsawam in the Eastern Region, and the fishing and administrative town of Winneba in the Central Region, also the site of one of Ghana's public universities. Traders and marine fishing communities have long been mobile, and we believe these sites would enable us compare traditional modes of remitting with more current modes through financial institutions via Western Union and Money Gram. Discussions at the workshop shaped the decision to use only one town in the pilot study, and the logistics of travel and day return made Nsawam the attractive site.

### **Nsawam Pilot Study: Preliminary Visit, December 11, 2010**

Akyeampong and Konan made a preliminary visit to Nsawam on the morning of December 11, 2010. Konan wanted to understand the social profile of Nsawam as a guide to how the Ivory Coast team selects a survey site. Prior to this, a phone call between Akyeampong and Ebenezer Ayesu, a Ph.D. student at Indiana University and a native and long-time resident of Nsawam, had provided a brief overview of chieftaincy and other vital issues in the social life of Nsawam. Ayesu provided a list of opinion leaders in Nsawam, and directed us to Kojo Boahene as a possible liaison for the pilot study. Boahene is a product of the University of Ghana (History and the Institute of African Studies), a seasoned researcher, an elder in the Seventh Day Adventist Church (SDA), and the son of the late queen mother of Aburi, the town with traditional oversight over Nsawam. Akyeampong contacted Boahene, who gave us a quick tour of Nsawam and the relevant financial institutions, and agreed to introduce us to the banks, the post office manager, and the regent of the town. He subsequently served as the survey's local coordinator. We identified five institutions for the exit survey: the Ghana Commercial Bank (Money Gram), Citizens Rural Bank (Western Union), Akuapem Rural Bank

(Western Union), South Akim Rural Bank (Western Union), and the Post Office (Western Union). We chose the week of Christmas (December 20-24) as the week to administer the exit survey at these institutions in Nsawam, the week of Christmas being one of the peak periods for remittances.

### **Nsawam Pilot Study, December 20-24, 2010: Exit Survey Report**

An exit survey was conducted at Nsawam on the eve of 2010 Christmas. The survey was conducted between Monday 20<sup>th</sup> and Friday 24<sup>th</sup> of December to elicit relevant information on international remittances from recipients through money transfer agents. There are two main money transfer agencies in the town namely Western Union and MoneyGram. These agencies operate through the banks and post office. Three banks and one post office operate Western Union with one bank operating MoneyGram. The survey adopted a simple technique. The recipients were approached by enumerators after receiving their transfer and politely requested for an interview using a structured questionnaire.

A total of 219 recipients were interviewed comprising 163 (or 74.4%) from Western Union and 56 (or 25.6%) from MoneyGram. Females accounted for 58% with the remaining 42% being males. The average age of recipients was 42.01 and a median age of 38 years while a tri-modal age of 25 years, 30 years and 35 years. About 91% were Christians compared with 7.8% Muslims and less than 1% with no religion.

Preliminary results of the survey indicate that about 98% of remittances come through formal channel. Siblings account for over a third of total remitters with spouse and children accounting for 17% each. Remittances do not often come from non-relatives such that only 28% reported that they receive remittances from non-relatives. About 36% of respondents claim that remitters are not specific on what to use the remittance for compared with 64% who said that the remitters are sometimes (31%) or often (33%) specific on what to use the remittances for. Most of the remittances were received from the US followed by UK to the extent that the two account for over 60% of total remittances received in the past year. The remittances are often used to subsidize household expenses, education of children and building or building repairs.

In terms of poverty status of recipients, less than 10% claim to be poor as against 47% who claim to be neither poor nor non-poor and 43% being non poor. The effect of remittances on poverty was found to be significantly positive judging from the claim of less than 1% that remittances have not improved their poverty status. Specifically, about 63% of recipients reported that remittances have greatly improved their poverty status compared with 29% and 7% who claim that their poverty status has improved moderately and to a limited extent respectively. Less than 1% claim that their poverty status has not been positively affected by remittances.

## **IIAS Second Quarter: May 2011 – July 2011**

### **Focus Group Discussion at Nsawam, June 24, 2011**

For the second quarter of the two-year project, IIAS conducted a Focus Group Discussion with a cross-section of the community in Nsawam comprising traditional leaders, educationists, church leaders, civil servants and self-employed and semi-employed persons as a complement to the exit survey conducted in December 2010. This was a select group of fifteen made up of six females including the queen mother Nana Awo Yaa Amankwah I and nine males. The venue was the library of Prince Boateng Memorial School in Nsawam. After a general introduction, we split the group into three for protocol reasons and to facilitate discussion in smaller groups. The queen mother was interviewed separately as protocol demands with her linguist (spokesperson) and secretary. The females were interviewed in a second group, and the men in a third group. Key insights from the discussion included the fact that very few remittances were directed into investment projects. Notable exceptions include a battery factory in Somanya for the past five years employing eight persons; and a water processing project at the inception phase. Most remittances supplemented household consumption such as school fees, health and utility bills. Compared with the standard of living before remittances, the living standard after the receipt of remittances is much better. It can therefore be concluded that remittances reduce poverty levels in Nsawam. Household income inequality reduces for poor households receiving remittances as against a rich household with remittances. However, household income inequalities widen between poor households receiving remittances and rich ones receiving remittances. Most migrants from poor households migrate in search of greener pastures to help household upkeep. Not many migrants referenced in the group discussion were within Africa. Both the male and female groups commented on some beneficiaries of remittances who have consequently become lazy in terms of actively seeking or engaging in productive work. Carolina Kporheme, who works at the post office, which has a Western Union counter, observed that the United States was a leading source of remittances. The queen mother pointed to larger projects within the community, such as the school venue of our focus group discussion and a pineapple growing and processing plant (Blue Skies), that were funded partially through family remittances.

## **IIAS 3<sup>rd</sup> Quarter: August 2011 – January 2012**

The third quarter saw:

- Further review of relevant Literature on migration, remittances and development in Ghana, the West African sub-region and the larger continent.
- Completion of research instruments
- Pre-testing of the instruments

## **IIAS 4<sup>th</sup> Quarter: February 1 – July 15, 2012**

This fourth quarter saw:

- Finalization of the relevant literature on migration, remittances and development in Ghana, the West African sub-region and the larger continent.
- Preparation of a short paper outlining migration policy in Ghana and remittances regulatory framework, and how these interface with the ECOWAS regional protocol.
- Design of survey questionnaire for household survey in Akuapem South District, including the district administrative center of Nsawam. We pre-tested and finalized questionnaire.
- Training of enumerators to commence household survey Akuapem South District.
- Household survey conducted in April 2012.
- In July 2-3, 2012, preliminary results of the household survey were presented at an IDRC workshop in Abidjan for the three participating institutions. Emmanuel Akyeampong and William Baah-Boateng presented two papers. The papers also drew on the IIAS exit survey (December 2010), focus group discussion (June 2011), and the extensive literature review conducted by the institute.

### **The Household Survey**

The household survey from April 2012, which covered a wider area, enabled us to situate the exit survey and the focus group discussion from Nsawam within the larger context of the Akuapem South district. The household survey covered 20 enumeration areas, and we selected 15 households in each giving us a total number of 300 households with 950 household members. The household survey involved 10 enumerators and two supervisors who spent 14 days in the field. The enumerators listed all households in a particular enumeration area and segregated them into remittance recipient households and non-recipient households. This is followed by a random sample of households from remittances recipient and non-recipient households depending on the number of remittances recipient households recorded. In all instances there were very few households that were identified to receive remittances and where the number was below 9, all were selected. The 2000 census gives us an urban population of 49% for the district and a rural population of 51%. One hundred and sixty-seven of our 300 households (55%) were urban, and 136 (45%) were rural.<sup>1</sup> Of the 300 households, 74 (24.70%) received remittances, while 226 (75.30%) received none. Of the 135 rural households, only 27 (20%) received remittances, compared to 47 (28.60%) out of the 165 urban households. International migration while significant in rural and urban South Akuapem district cannot be described as overwhelming. But this, perhaps, puts more emphasis on the value of remittances in reducing poverty in receiving households, and in increasing income inequality between receiving and non-receiving households. Of the total amount

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<sup>1</sup> We added three extra households in the survey in case of incorrect returns to ensure that we had our sample of 300 households.

of GH¢122,249 (Ghana cedis or about US\$64,999 at the present rate of US\$1 to GH¢1.9) received through remittances in the 12 months before April 2012, GH¢89,298 accrued to urban households and GH¢32,951 to rural households, confirming the urban bias documented in remittances where the literature is concerned. For both rural and urban households receiving remittances, consumption came first in the ranking of value of remittances expenditure, accounting for GH¢21,270 in rural households (64.55% of expenditure) and GH¢45,572 (51.03%) in urban households, a combined total of GH¢66,842 (54.68%) of all household expenditure. Building projects ranked a distant second (13.54%) in terms of all expenditure, being numerically more significant in the urban areas than the rural ones.

There were significant similarities and differences between urban and rural households where expenditure was concerned. For both urban and rural households remittances played an important role in funding health and education, ranked fourth and sixth in overall expenditure. Investing in small business ranked fifth in both urban and rural expenditure, but the total amount of GH¢6,675 is insignificant compared to the GH¢66,842 which went into consumption. The amount invested in shares is negligible for both urban and rural households, being zero for rural households. For urban households funerals represented an important category, accounting for 8.98% of urban expenditure from remittances. This perhaps reflects the increased monetization of funerals in urban areas compared to rural areas, and relatives abroad make monetary contributions in lieu of physical presence. Another important difference is in the realm of savings, which was more important for rural households (8.65% of remittances received) than urban ones (1.95%). This may reflect the vulnerability threshold of rural households that are more prone to shocks and the desire to minimize this vulnerability through some savings, however minimal. In this regard GH¢2,850 out of GH¢32,951 received was put in savings by rural households.

What is clear from the combined evidence from the exit survey, focus group discussion and household survey is the basic nature of remittances as a subsidy to livelihoods, as seen in the large percentage of expenditure that goes to consumption at the household level. In Akuapem South district this applied to both rural and urban households, indicating that differences in poverty levels in rural and urban settings were not that pronounced as would have been expected ordinarily. From the Ghana Living Standards Survey (GLSS), one can see across the country the large percentage of expenditure that goes to food. The total expenditure on food by locality for all areas in the country as a whole was 55.7% in 1991-2 (GLSS 3); 55.7% in 1998-9 (GLSS 4); and 50.6% in 2005-6 (GLSS 5). Instructively, the percentage of total expenditure devoted to food was highest in the food producing rural coast, rural forest, and rural savanna; and lowest in Accra, reflecting perhaps the higher incomes earned in Accra and the reality of subsidized living in the capital city (Colombe and McKay, 2008: 22). The high consumption values in the Akuapem South district might reflect high poverty, and the return of households that responded to the survey question on the frequency of remittances usage was not statistically different where the use of remittances to subsidize household expenses was concerned: 81.25% for rural households and 81.8% of urban ones.

## **IIAS Fifth (final) Quarter: July 15 2012 – December 31, 2012**

For the fifth and final quarter, IIAS focused on the following:

- Analyzing of data from the household survey conducted in April 2012.
- Organization of a seminar with IIAS technical advisory committee members to discuss the preliminary findings of the household survey.
- Participation of IDRC final workshop in Abidjan.

### ***Analysis of Akwapim Household Survey***

Analysis of data from household survey in Akwapim South in 2012 used household consumption expenditure to classify household by poverty status. Any household that spent Ghana cedi equivalent of \$1.25 is classified as poor and those that spent more than Ghana cedi equivalent of \$1.25 was classified as non-poor. On the basis of poverty status of household covered in the survey in Akwapim South, we analysed frequency of remittances as shown in table 1

Table 1: Frequency of Inflow of remittances from within Africa and outside Africa

Frequency	From Outside Africa			From within Africa		
	Poor	Non-poor	All	Poor	Non-poor	All
Every month	0.0	21.8	17.7	20.0	0.0	8.3
Every 3 months	38.5	29.1	30.9	20.0	14.3	16.7
Every 6 months	23.1	12.7	14.7	20.0	28.6	25.0
Once a year	30.8	23.6	25.0	0.0	42.9	25.0
Less than once a year	7.7	12.7	11.8	40.0	14.3	25.0

*Source: Based on Akwapim South Household Survey*

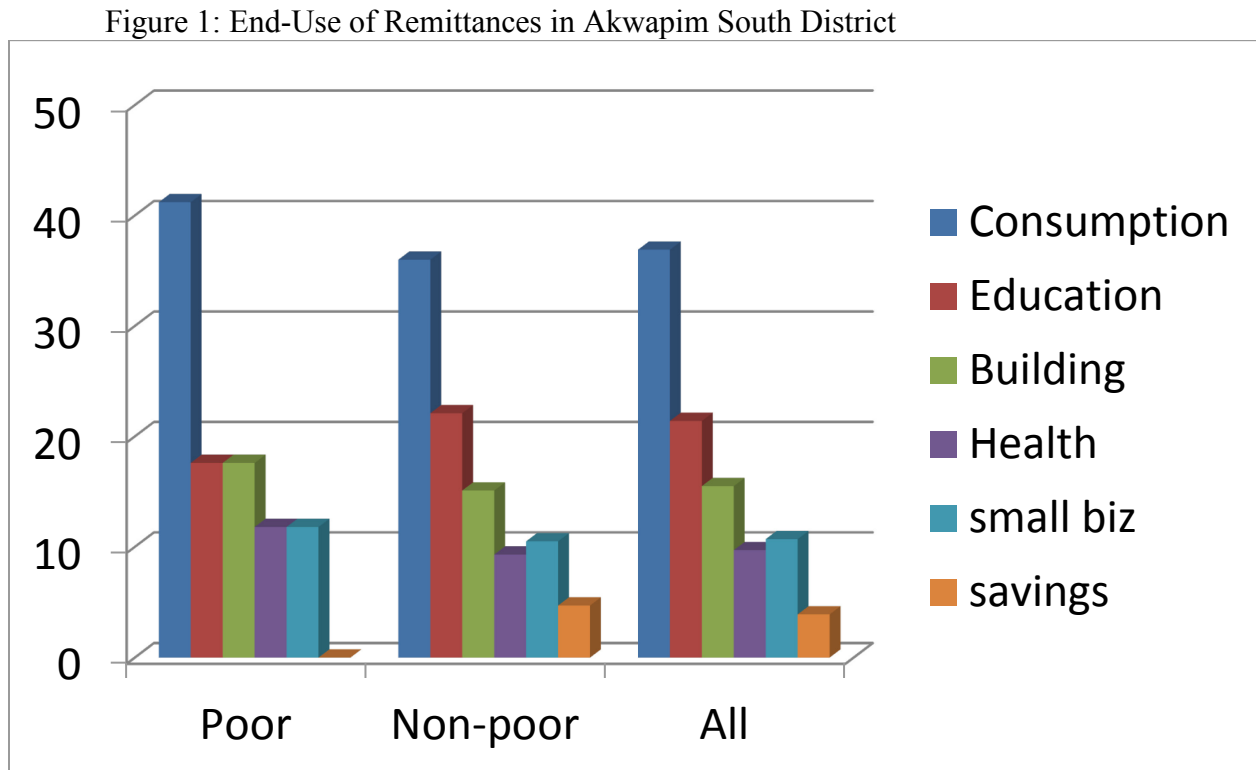
### ***Origin of Remittances:***

The analysis also revealed that 75% of remittances received in Akwapim South came from outside Africa with the remaining 25% from within Africa. About 72% of remittances received by poor households originated from outside Africa compared with 76% by non-poor households. This was in line with observations based on a nationally representative survey conducted in 2005/06 (GLSS5), which suggests 84% of international remittances were received from outside Africa.

### ***End use of remittances***

Remittances were mostly used to subsidise household consumption and this is in line with results from the national survey. About 37% of remittances were used for consumption compared with 21% for education, 16% for building, 11% for small

business, 10% for health and 4% for savings. There was no difference between the poor and non-poor regarding end-use of remittance (see figure 1).



Source: Based on Akwapim South Household Survey

#### *Effect of Remittances on Poverty*

A probit regression analysis also reveals that households that received remittances in Akwapim South were more likely to be poor. In addition, the value of remittances was also found to have a declining effect on poverty. Based on the national household survey, it came up that remittances from women senders were found to have stronger poverty declining effect relative to their male counterparts

#### **Technical Seminar on Remittances and Poverty in October 2012**

As part of the project, a technical seminar based on the findings from the study was held in Accra on October 31, 2012 to present preliminary findings of the project. It was attended by members of our technical advisory committee for this project drawn from people with expertise in migration and remittances from the academia and policy making institutions such as the Bank of Ghana, Ministry of Finance, the International Organisation of Migration in Ghana, and the National Migration Unit. Useful comments that came up from the seminar were taken on board in the analysis and subsequent presentation made in Abidjan in December 2012.

#### **IDRC Final Workshop in Abidjan, Cote d'Ivoire**

Participants from Ghana at the Final Workshop in Abidjan in December 2012 were made up of Emmanuel Akyeampong and William Baah-Boateng who are members of the



project and Nii Ahulu Sowah of Bank of Ghana from the Technical Advisory Committee. Two papers presented on Ghana from the project. The title of the papers are “*Migration, Diaspora and Development in West Africa*” and “*Understanding Remittances in Ghana: Analyzing Poverty Reducing Effect of International Remittances*” by Professor Emmanuel Akyeampong and Dr. William Baah-Boateng respectively.

At the final IDRC workshop in Abidjan, the three collaborating institutions discussed ways to disseminate the results of the project. They decided to:

1. Place 4-5 articles on the project as a special issue in a relevant, peer-reviewed international journal, such as the *Journal of African Development*, published in the US, or the *Economic Journal of Developing Economies* based in South Africa. The issue would consist of an introduction by Akyeampong, a co-authored comparative article on the project's results by Fonta, Konan and Baah-Boateng, and an article each based on separate country findings.

2. A short report on the three-country study for policy makers (policy brief).
3. Each institution would host its project results on its website under a special heading with a link to the other two institutions websites for researchers and policy makers who would like to place the three-country results in comparative perspective.



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