Expert Meeting on
THE IMPACT OF ACCESS TO FINANCIAL SERVICES,
INCLUDING BY HIGHLIGHTING THE IMPACT ON REMITTANCES ON
DEVELOPMENT: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH
12-14 November 2014

SESSION 4:
REMITTANCES AND FINANCIAL INCLUSION

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INTEGRATING MIGRATION INTO DEVELOPMENT
Diaspora as a development enabler

UNCTAD Expert Meeting on the Impact of Access to Financial Services, Including by Highlighting Remittances on Development: Economic Empowerment of Women and Youth

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Geneva, 12-14 November 2014
Our goal is to:

* Increase the financial resources of those who receive remittances, particularly in rural areas,*

* Maximize the developmental impact of remittances once received, and *

* Provide migrants and their families with opportunities to invest their capital in their home communities. *
Remittance and migration

Focus of the presentation

- Volume and size
- The migration and remittance cycle
- The remittance market: Challenges and opportunities
- Maximizing the development impact of remittances
  - Development community priorities
  - Project examples
Remittances are the traditional means of financial support to family members back home.

- **US$440 Billion (2013)**
- **US$37 Billion**, the cost of sending money back home
- **230 Million** migrants worldwide
- **1.5 billion financial transaction yearly**
- **40% of these flows went to rural areas**
- **US$200 typical, most standard transaction**

**Global Remittance Flows**

- **US$60 Billion** (Latin America)
- **US$50 Billion** (Europe)
- **US$40 Billion** (Near East)
- **US$30 Billion** (Africa)
- **US$260 Billion** (Asia)

**IFAD**
Investing in rural people
Remittance Flows and Markets

The Migration and Remittances’ cycle

**Migration Phenomenon occurs**

**Remittances trend occurs**

If not leveraged

- Cycle continues and dependency is created
- Lack of income generating activities
- Poor savings capability and investments
- Consumption, housing and other non productive expenditures persist.

If leveraged

- Can lead to savings mobilization, assets building through investment
  - **IMPACT** - Increase in Local economic activity/jobs/income, “Breaking the cycle”

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Remittances Flows and Markets

Challenges in the Remittance Market:

- **ACCESS**: poor rural payment networks make it expensive to reach the “last mile”

- **COMPETITION AND INTERMEDIATION** are still scarce in a market largely dominated by a few Money Transfer Operators (MTOs) and with limited participation of the formal financial sector,

- **REGULATION** compliance still remains a key issue for many market players and generates high operating cost,

- **USE TECHNOLOGIES**, such as mobile payments, is on the rise but requires investments and have yet to make a impact in the remittance market.

As a result, **COSTS are slow in decreasing**: Although global average cost has come down to around 8%, many **LDCs** (and particularly their rural areas) still witness costs ranging from **14% to 20%** on average.
Remittances and Development Opportunities
Remittances and Development Opportunities

A general consensus from development practitioners

• Promote effective and efficient regulation
• Empower market actors and increase competition (MFIs and postal networks)
• Adopt new technologies (Mobile, card-based, etc.)
• Expand access to financial services (linking remittances services to savings, loans, insurance, etc.)
• Link and promote scalable models of investments for migrants and their families.
Remittances and Development Opportunities for IFAD and strategic objectives

1. Strengthen the remittance rural market
2. Promote Financial Inclusion in rural areas
3. Create a more conducive environment for Productive Investment of savings and remittances in rural areas
Almost US$40 million in pilot projects and US$40 in scaling-up projects
Active in more than 40 countries
50 innovative projects
Over 200 partners worldwide
Sub-programmes on:
- Diaspora Investment in Agriculture
- Postal Financial Services
Remittances and Development Opportunities
A stepped operational approach to achieve scale

- Public, Private, and People Partnerships
- Diaspora investment (SMEs, Agriculture, etc.)
- Nostalgic trade
- Securitization / Diasporas Bonds

- Financial services linked with remittances (savings, credit, Insurance, housing.)
- Financial literacy for migrants and families

- Expand payment networks (MFI, Postal, Banks)
- Innovation and technology (Mobile, internet-based,..)

- Research and Market data
- Surveys
- g20, Global Forum R.
**Development Objective:** establish inclusive youth- and gender-sensitive remittance-related financial products and services, facilitating investment and savings in diaspora capital into apexes and local financial institutions in Pakistan, Philippines, Sri Lanka and Nepal.

**Outcomes:**

- Develop financial services for migrants and their remittance recipient families that enable them to save and invest safely with financial institutions that finance rural economic activities in countries of origin.
- Enhance capacity of migrants and their families to save and invest, and provide access to secured savings and investment products in countries of origin.
- Disseminate successful models for channeling diaspora capital towards rural economic activities, in target countries.
Area: Mountainous east region, 
Amount: US$62 million 
(40% grant and 60% loan) 
Recipients: Government of Nepal and chambers of commerce

Key Remittances and migration component objectives

- **Link remittances to innovative financial products and services;**

- **Facilitate migrants’ reintegration** and harness migrants capital and family remittance for investment in rural, farm and non-farm enterprises;

- **Promote an enabling legal, social and business environment** to maximize the development potential of migration
SAMRIDDHI Target Groups

Primary target group

(i) **poor households**, particularly the families that are landless or close to landless, families resorting to migration, unemployed or underemployed youth, socially excluded Dalits, Janajatis, other ethnic minorities and women;

(ii) **migrants**: potential migrants, returnee migrants and remittance receiving households, esp. venerable families;

(iii) **Rural micro-enterprises**: existing formal or informal rural micro-entrepreneurs that have a potential for development;

(iv) **small enterprises** that either play a key role in securing microenterprise access to inputs, services and markets, or have a potential to generate employment.

Secondary target group

Medium and large enterprises and service providers, who will provide support to the primary target group through the development of cluster approaches, job placements, vocational trainings and apprenticeship packages, and products.
Conclusions and Policy Considerations

- Remittances are *private* funds. They are neither a development strategy, nor a replacement for development assistance.

- **Governments and Development institutions** should focus their efforts in providing migrants and their families with financial options and tools that allow them to best manage and maximize the impact of their funds. This will empower migrants and recipients families.

- Financial inclusion policies should take full advantage of the migration and remittances realities in order to achieve scale.
Global Forum on Remittances and Development 2015
16-19 June 2015 Milan, Italy

Launch of the first *International Day of Family Remittances*
Remittance market, technology fair, and innovation awards
Best practices on policies and regulations, private sector models

Launch of the Remittances 2020 Process: *Implementation Strategies for IFIs*
G20 agenda and GFMD special session (tbd)
Civil society partnership development

Over 400 participants for public and private sector and the civil society
Four days of interactive and cross-cutting discussions

**Public Sector Day** - 16 June
**Private Sector Day** – 17 June
**Civil Society and Development Organizations Day** – 18 June
**Special sessions and workshops** – 19 June
Thank you

www.ifad.org/remittances

www.RemittancesGateway.org