Promoting innovative remittance markets and empowering migrant workers and their families.

International Fund for Agricultural Development (IFAD)

UNCTAD

Trends in Global Remittances and Opportunities for Development

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Trends in Global Remittances and Opportunities for Development

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Our goal is to:

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

* Maximize the developmental impact of remittances once received, and

* Provide migrants with opportunities to invest their capital back in their home communities
Remittance Flows and Markets
“Remittances are the traditional means of financial support to family members back home”

“They are the embodiment of a phenomenon in which People move North or across the South by the millions.... and where money moves back by the billions...”

“They are the result of an integrated international labor market and are now considered to be the human face of globalization.”
Remittance Flows and Markets
The Migration and Remittances’ cycle

- **Remittances trend occurs**
- **Increased Local Economic Activity/jobs/income, Breaking the cycle**
- **If leveraged**
- **If not leveraged**
- **Cycle continues and dependency is created**
- **Migration Phenomenon occurs**
- **Lack of income generating activities**
- **Consumption, housing and other non productive expenditures**

If not leveraged, the cycle continues and dependency is created.

If leveraged, Increased Local Economic Activity/jobs/income, Breaking the cycle.
1.5 billion financial transactions a year, US$ 200 at a time...

Total Flows to Developing countries US$ 440 billion
Remittance Flows and Markets
Migration, Remittances and migrant’s capital

- **MIGRANT FLOWS:** 230 million international migrants worldwide,

- **RURAL REMITTANCES FLOWS:** in 2013, over US$160 billion have reached rural families in developing countries,

- **MARKET COSTS OF TRANSFER:** US$37 billion the cost of sending money back home in 2013 (equivalent to the GDP of Kenya),

- **REMITTANCE RECIPIENTS INVESTMENTS & SAVINGS:** 20% of the amount sent,

- **MIGRANT DIRECT INVESTMENT IN AGRICULTURE** US$20 billion in 2014 alone, equal to more than 4 times global ODA to agriculture,

- **CUMULATED REMITTANCES FLOWS:** US$ 2.5 Trillion of which US$ 1 trillion will go to rural poor areas in the next five years.
Remittances Flows and Markets
Impact of Remittances

**National economy (macro-level)**
- Significant or highest foreign capital inflow in many developing countries
- Stable flow (or “buffer”) during financial crisis

**Local economy (meso-level)**
- Increased demand for local goods and services
- *Can drive local development if* saved in local formal institutions

**Recipient families (micro-level)**
- Lifts millions of people out of poverty by improving standards of living
- *Can* help families achieve their financial goals *through* financial education, savings & investment
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

- Empower market actors and increase competition
- Promote effective and efficient regulation
- Adopt new technologies
- Expand access to financial services
- Make more financial services available in rural areas through savings and investments
Remittances and Development Opportunities
A stepped strategic approach:

- 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.
Remittances and mobile technologies

Over the last five years, several markets in developing countries have started to integrate these new technologies in the remittance marketplace.

These technology-based payment instruments are playing a key role in lowering remittance transaction costs and increasing financial access.

These include, Card-based solutions, Web portals, Cryptocurrencies, Mobile transfers, and Mobile wallets, among others.
Mobile remittances: where do we stand?

In order to unleash the full potential of new technologies several aspects remain to be tackled:

• Remittance’s agent cash liquidity and inactive mobile customers remain a major issue

• Airtime and person-to-person transfer remain dominant

• Mobile money remains largely cash-based

• Small value credit and savings in mobile accounts remain small

• Linkages with financial services have increased but remain sporadic (insurance, microfinance, etc..)
Mobile remittances: Policy recommendations

Overall, mobile penetration in the remittance marketplace will be dependent on efforts that promote:

**Customer adoption**: further market policies and marketing strategies that incentivize customer usage are needed. Customer need to embrace the comparative advantage of using mobile beyond the simple remittance transaction.

**Adequate regulatory framework and compliance**: An adequate regulatory framework that targets the unbanked client for international transactions is yet to be fully developed.
Remittances and Development Opportunities

IFAD and Remittances: Our experience

- Almost US$40 million in projects and US$ 28 million multi-donor programme,
- Active in more than 40 countries
- 50 innovative projects
- Over 200 partners worldwide
EVENTS

Global Forum on Remittances and Development 2015 - Europe

Milan, 17-19 June, 2015
Conclusions and considerations

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

- **Development institutions** should focus their efforts to provide migrants and their families with financial options and tools to allow them to best manage and maximize the impact of their funds,

- This will **empower** recipients families and advance them on the road to financial independence.
Thank you

www.ifad.org

www.RemittancesGateway.org