



International Fund for Agricultural Development

Trends in Global Remittances and Opportunities for Development



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**Adolfo Brizzi
Director,
Policy and Technical Advisory Division
IFAD**

Trends in Global Remittances and Opportunities for Development



Remittances Flows and Markets



Remittances and Development



Conclusions and Considerations

Remittances and Development Opportunities

IFAD and Remittances : Mission statement

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 Flows and Markets

The Concept of Remittances

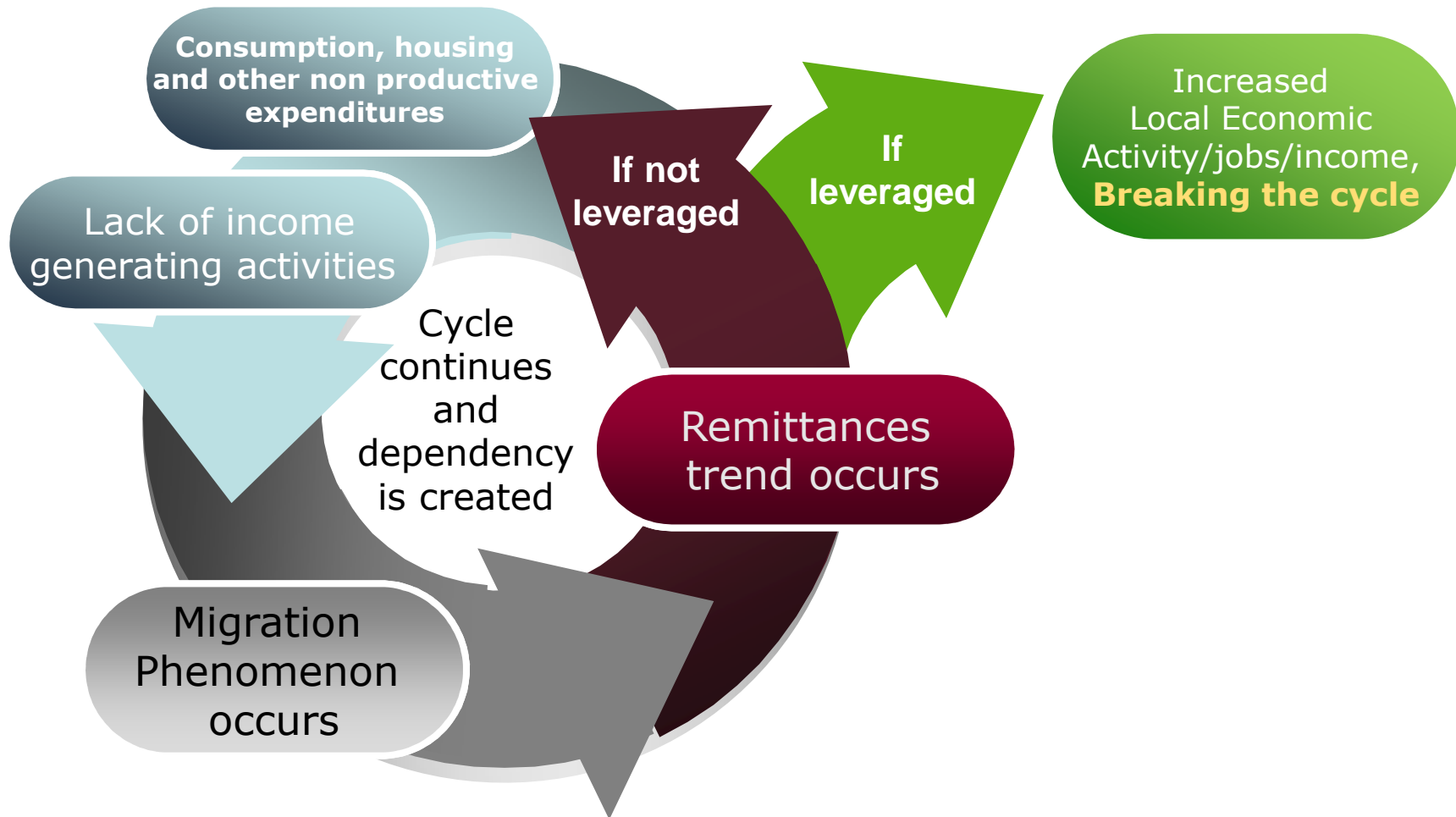
“Remittances are the traditional means of financial support to family members back home”

“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.”

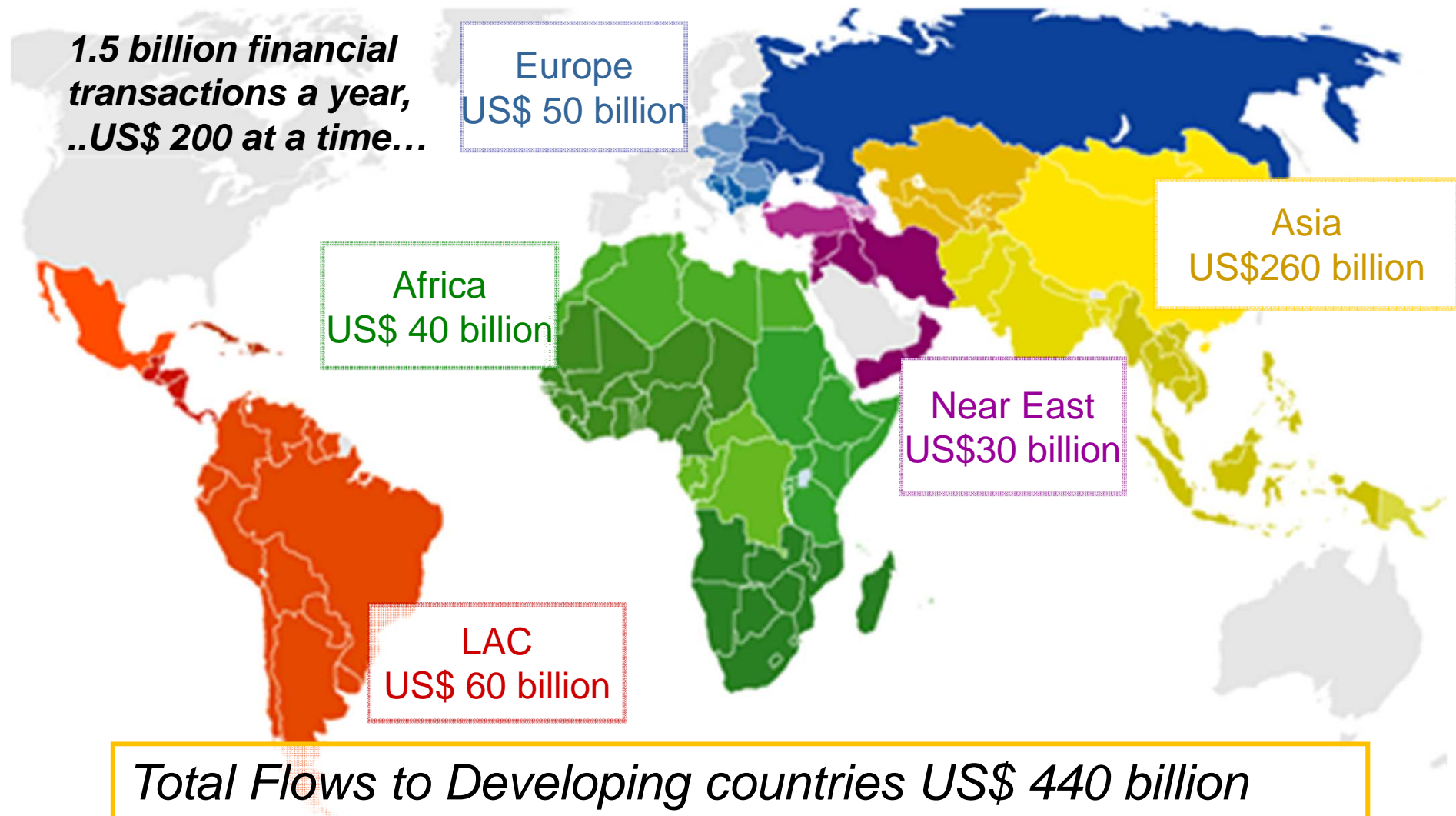
Remittance Flows and Markets

The Migration and Remittances' cycle



Remittance Flows and Markets

Worldwide Flows to Developing Countries in 2013



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),
- **RREMITTANCE 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

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

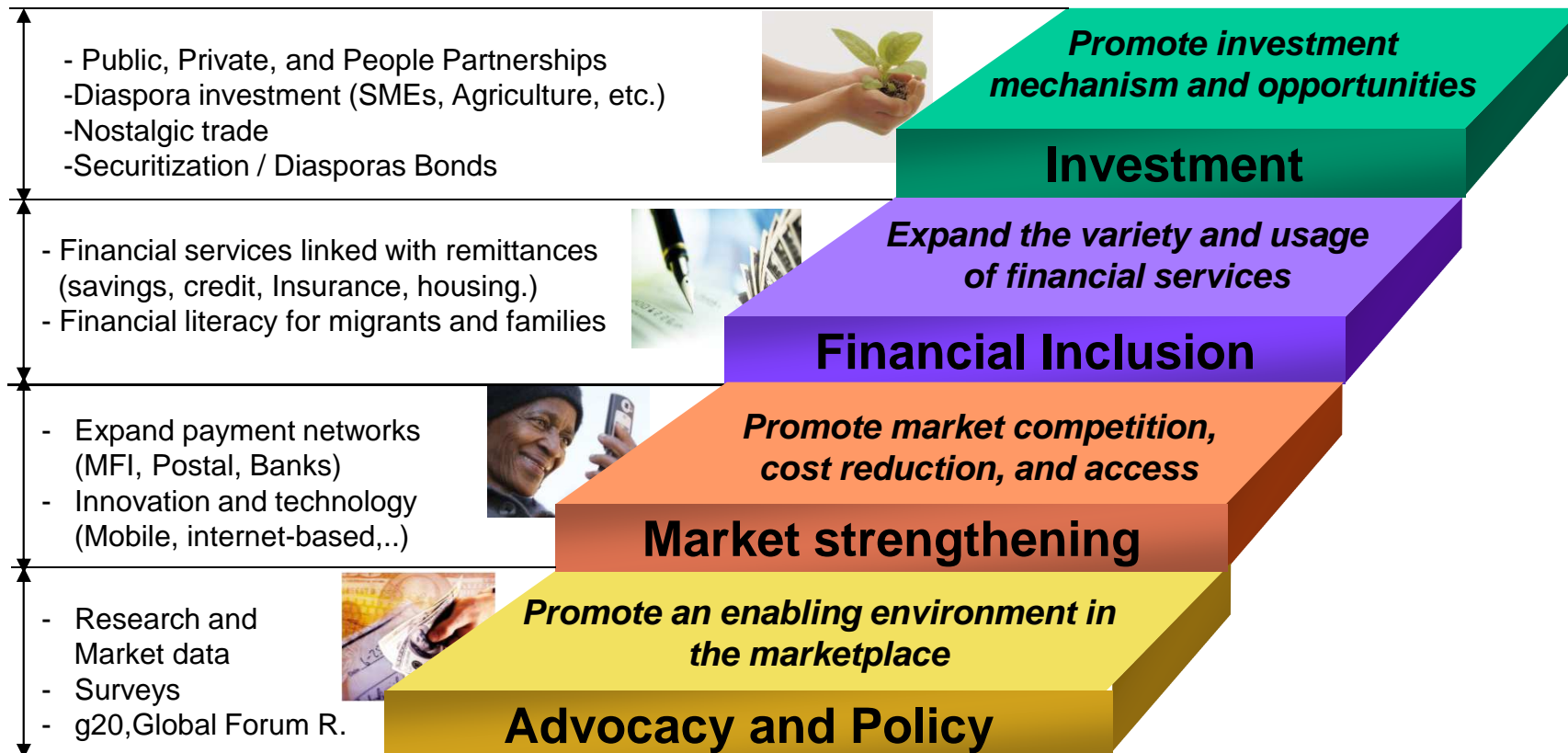
Remittances and Development Opportunities

A general consensus from development practitioners

- **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:



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



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances



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



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Thank you

www.ifad.org

www.RemittancesGateway.org