Financing Facility for Remittances

Remittances as a Development Tool

Committee on Development
Brussels, 10 November 2009
Pedro de Vasconcelos
“Remittances are the traditional means of financial support to family members remaining in less-developed countries”
Worldwide Remittance Flows to Developing Countries in 2006 (US$ million)

- **US$ 114 Billion**
  - Asia: $113,946
  - East Asia: $23,079
  - Southeast Asia: $32,506
  - Pacific: $1,393
  - Central Asia: $10,155
  - South Asia: $46,813

- **US$ 50 Billion**
  - Europe: $50,805
  - Russian Federation: $25,634
  - Southeast Europe: $11,065
  - Central Europe: $14,106

- **US$ 39 Billion**
  - Latin America and the Caribbean: $68,088
  - South America: $19,821
  - Central America: $11,031
  - Caribbean: $12,882
  - Mexico: $24,354

- **US$ 30 Billion**

- **US$ 68 Billion**
  - North Africa: $17,129
  - West Africa: $10,803
  - East Africa: $5,153
  - Central Africa: $1,317
  - Southern Africa: $4,493

Enabling the rural poor to overcome poverty
Remittance Flows

- Remittances total 3 times ODA
- In most developing countries, remittances exceed FDI inflows
- 40% to 60% of remittances go to rural areas
- Equal to 25% of the GDP of countries like Somalia, Cape Verde, Eritrea and Liberia
- Despite the effects of the crisis, USD200 billion in remittances will flow to Africa in the next 5 years
Cost of sending $200 to Africa
(from selected countries, as a percentage of amount sent)
Remittances and the financial crisis

Impact

• Remittance flows have dropped 10 % on average (12.7% for Africa and 13.5 for LAC)

• The economic and food crisis have increased the share of remittances that is used for daily consumption

• families are spending less on the longer-term investments

• these $200-300 transfers are now a vital buffer at the macroeconomic level, providing an influx of hard currency while international investors are pulling their money out

Outlook 20010-2011…
Remittances and the financial crisis

Outlook 20010-2011…

- Migrant stocks in Europe and the US are likely to remain constant.
- While the stocks are not being replenished, the group of migrants is getting older.
- The longer migrants remain in a host country, the less they tend to remit.
- With expectations of limited economic growth (3%) and high unemployment amongst migrants, the chance of a return to remittance growth is limited.
Leveraging Remittances
Banking and Financial Intermediation
Remittances are not a substitute for:

- development efforts or aid
- a development model for a country

Remittances are private funds of individuals in search of financial products and options.
Leveraging Rural Remittances

If leveraged:
- Increased Local Economic Activity

If not leveraged:
- Lack of income generating activities

Migration
Remittances
Rural Finance and Financial Options

Financial Inclusion and Options

- Savings
- Microcredit
- Education
- Agricultural Loans
- Insurance
- Housing

Financial Democracy

IFAD
Enabling the rural poor to overcome poverty
G8 Recommendations

Increase the financial resources of those who receive remittances

Improve the developmental impact of remittances
Tunis declaration on African Remittance market

- Increase competition
- Empower market actors
- Achieve effective and efficient regulation
- Adopt new technologies
- Expand access to financial services
- Make more financial services available in rural areas
Financing Facility for Remittances

Promoting Innovative Remittance Systems and Investment Channels for Migrants

European Commission
Inter-American Development Bank
Government of Luxembourg
Consultative Group to Assist the Poor
United Nations Capital Development Fund
Ministry of Foreign Affairs and Collaboration of Spain

International Fund for Agricultural Development
IFAD’s Objectives and activities

IFAD is working with the
Public Sector - Private Sector - Civil Society
on

1. Documenting and improving access to low cost remittance transmission in rural areas

2. Linking remittances to additional rural financial services and products

3. Developing innovative and productive rural investment channels for migrants and migrant-based organizations

Over 40 projects jointly financed to date
Specific objectives:

• Develop and test innovative mechanisms to increase the efficiency of the transmission of international/domestic remittances between financial institutions and/or money transfer operators in both remittance-sending and remittance-receiving countries.

• Increase access to remittances in rural areas by enabling local financial institutions to provide remittance services, either directly or as the agent of commercial banks and money transfer operators.
## Window 1: Call for proposals 2008 Projects

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>Expansion of Telecash in rural Cameroon (Telecash Rural)</td>
<td>CamCCUL</td>
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<tr>
<td>Sierra Leone</td>
<td>RemittancesPlus - Multiplying money sent home:</td>
<td>AFFORD - African Foundation for Development</td>
</tr>
<tr>
<td>Somalia</td>
<td>Banking Groceries’ remittance transmission to rural areas</td>
<td>HIRDA</td>
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<tr>
<td>Uganda</td>
<td>Enabling Affordable Remittance Services Using Card-Based Technology</td>
<td>FINCA International Uganda</td>
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<tr>
<td>Bolivia</td>
<td>Platform for remittances micro-transactions</td>
<td>Servicio Holandés de Cooperación al Desarrollo - SNV</td>
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<tr>
<td>Bolivia</td>
<td>Electronic Remittance system from Spain to Rural areas of Santa Cruz, Bolivia</td>
<td>Federación Boliviana de Cooperativas de Ahorro y Crédito - FEBOCAC</td>
</tr>
<tr>
<td>Jamaica</td>
<td>Bridging the Gap to Financial Services for the Rural Poor in Jamaica</td>
<td>Jamaica National Building Society Foundation - JNBSF</td>
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<tr>
<td>Haiti</td>
<td>Fonkoze/One Central Source Visa Prepaid/Payroll Card</td>
<td>FONKOZE</td>
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For further information on projects, please visit [www.ifad.org/remittances](http://www.ifad.org/remittances)
Specific objectives:

• Support financial institutions in the creation of innovative financial services linked to remittances in order to (i) promote financial inclusion of “unbanked” remittance senders and/or beneficiaries in the financial sector and (ii) expand access to financial services such as savings, credit, loans and insurance.

• Promote innovative partnerships between hometown associations and formal financial institutions (e.g. commercial banks, cooperatives), microfinance operators and specialized NGOs, in order to link remittances to other financial services.
## Window 2: Call for proposals 2008 Projects

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<tr>
<td>Ethiopia</td>
<td>Enhancing Microfinance and Remittances Services to Ethiopia</td>
<td>Oxfam Novib (ON)</td>
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<tr>
<td>India</td>
<td>Technology Assisted Financial Inclusion</td>
<td>Indian Grameen Services IGS - BASIX</td>
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<td>Nepal</td>
<td>Promotion of Migrant's Saving and Alternative Investment through selected MFIs in Nepal</td>
<td>CMF - Centre for Micro Finance</td>
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<tr>
<td>Tajikistan</td>
<td>Remittances and Remittance-linked Financial Services for Tajikistan's Rural Poor</td>
<td>FINCA International Tajikistan</td>
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<tr>
<td>Ecuador</td>
<td>Dinamización de las remesas en Ecuador</td>
<td>FUNDACIÓN UN SOL MON</td>
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</tbody>
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Objective:

- Establish partnerships and mechanisms that offer incentives to invest in productive activities in migrants' countries of origin, including by supporting links between migrant association and their communities of origin and supporting entrepreneurial education and development for remittance recipients.
## Window 3: Call for proposals 2008 Projects

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<tbody>
<tr>
<td>Albania &amp; Kosovo</td>
<td>DEVINPRO 2008/2009 - Strengthening the link between migration and development</td>
<td>IASCI</td>
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<tr>
<td>Moldova</td>
<td>Facilities of orientation-atraction of remittances into rural economic development</td>
<td>MMA - Moldova Microfinance Alliance</td>
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<td>Nepal</td>
<td>Economic Security of Women Migrant Workers</td>
<td>UNIFEM</td>
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<td>Tajikistan</td>
<td>Financial Services for Rural Areas</td>
<td>Habitat for Humanity Tajikistan</td>
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<td>Ecuador</td>
<td>Financing sustainable energy through remittances flows</td>
<td>BASE</td>
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<tr>
<td>Guatemala</td>
<td>Building Local Capacities for Remittance Management</td>
<td>Share</td>
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for more information please visit:

www.ifad.org/remittances

www.remittancesgateway.org