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In support of the

International Day
of Family Remittances
16 JUNE

Migrants contribution to the SDGs: Family remittances and investment

Side event at GC/M thematic session #4

25 JULY 2017

13:15-14:30

CONFERENCE ROOM 8, UNHQ

REPORT

The side event¹, co-hosted by the Permanent Missions of Madagascar and the Philippines to the United Nations, and organized jointly by the [International Fund for Agricultural Development \(IFAD\)](#), the [Population Division](#) of the [UN Department of Economic and Social Affairs \(UN-DESA\)](#) and the [UN Capital Development Fund \(UNCDF\)](#), was held in the framework of the [Fourth Thematic Session of the Global Compact on Safe, Orderly and Regular Migration \(GC/M\)](#), focused on the contributions of migrants and diasporas to all dimensions of sustainable development, including remittances and portability of earned benefit.

Objectives of the event mainly were to: (i) highlight the contribution of migrant remittances and diaspora investments to the implementation of the 2030 Agenda for Sustainable Development; (ii) brief participants on the outcome of the [Global Forum on Remittances, Investment and Development \(GFRID\) 2017](#), held at the United Nations Headquarters on 15 and 16 June;² and (iii) identify concrete and actionable recommendations for the GC/M.

¹ The agenda of the Side Event can be found [here](#).

² A webcast of the Side Event can be found [here](#).



Side event on “Migrants Contribution to the SDGs: Family Remittances and Investment”, Conference Room 8

Participants to the side event included delegates from Costa Rica, Croatia, Estonia, Germany, Indonesia, Ireland, Italy, Madagascar, Mexico, Republic of Moldova, the Philippines, Romania, Russian Federation, St. Kitts and Nevis, Trinidad and Tobago, the Holy See and the European Commission. Staff from various United Nations entities (UNCDF, UNDESA, UNIDO, UN Women and IOM) and representatives from non-governmental organizations and the private sector, as well as academics and researchers, also participated.

The event – moderated by IFAD – included five presentations, followed by an moderated discussion with participants.

H.E. Zina Andrianarivelo-Razafy, Permanent Representative of Madagascar to the United Nations in New York, and H.E. Evan P. Garcia, Permanent Representative of the Philippines in Geneva, highlighted the impact that migrants have on development and recognized the role migrants and their families played in building sustainable livelihood opportunities in their countries of origin. Concrete examples and good practices at national level in both countries were presented:

- Leveraging the contributions of the diaspora constituted one of the main pillars of **Madagascar’s** migration and development policy. The Department of Diaspora, created at the Ministry of Foreign Affairs in 2015, promoted the participation of diaspora groups in the socio-economic development of the country through remittances, transfer of knowledge and know-how, investment and tourism. The Government will organize the first diaspora forum from 27 to 29 October 2017.
- In the **Philippines**, migrants and their families are fully integrated into the Philippine Development Plan 2017-2022 in three main ways :
 - i. empowerment through rights;
 - ii. capacity building, with a focus on enhancement of skills, development of entrepreneurship, access to credit, financial literacy and financial inclusion; and
 - iii. international cooperation.

The Plan includes a human rights-based approach that addresses the entire migration cycle as well as a focus on return and reintegration.

Mr. Pedro de Vasconcelos (IFAD) presented the **key recommendations from the GFRID 2017**. Forum participants had highlighted the importance of (i) acknowledging the full spectrum of migrant contributions to the SDGs, (ii) improving remittance data to foster effective policies and private-sector investment, (iii) promoting greater market efficiency and reducing the cost of remittance flows, (iv) strengthening financial inclusion and diaspora investment to leverage the impact of remittances, and (v) bringing together government officials with representatives of the private sector and civil society at national, regional and international levels to agree on realistic policies and actions.

Bela Hovy (UN-DESA) drew some **potential lessons from the GFRID 2017 for developing the GC/M**. He also highlighted some relevant issues for the GC/M that had been raised within the context of fourth informal thematic session, which focused on the contributions of migrants and diasporas to all dimensions of sustainable development, including remittances and portability of earned benefits.

Henri Dommel (UNCDF) presented recent work his entity had undertaken to **develop a social and economic profile of remittance recipients in South-east Asia**. In this context, he presented the main outcomes of the report "[Remittances as a Drive for Women's Financial Inclusion in the Mekong Region](#)".

Mr. Leon Isaacs, Chief Executive Officer, Developing Markets Associates Ltd. (DMA), highlighted the role of the private sector in the today's **remittance markets**.

The fifth speaker, Ms. Estrella Mai Dizon-Anonuevo, Executive Director, Atikha Overseas Workers and Communities Initiative Inc., addressed **the importance of remittances and diaspora investment for rural development**.

The presentations were followed by interventions and statements from the audience, including those from representatives from several Member States, as well from GSMA, Western Union and other private sector representatives.

Main outcomes

- Several Member States, in particular **Madagascar and the Philippines**, invited other Member States of the United Nations General Assembly to support the formal endorsement of the [International Day of Family Remittances \(IDFR\)](#),³ celebrated each 16 June, since 2015. While International Migrants Day focuses on the rights of migrants, the IDFR recognizes and celebrates the crucial role of migrants in contributing to the development. In 2017, the IDFR was endorsed by a high number of private sector entities (over 90 Money Transfer Operators – MTOs – representing 85 per cent of the market, 800 mobile companies, 6,000 savings banks and around 100 emerging payments companies), advocating for further support by Member States. The IDFR could thus be an excellent opportunity to bridge the gap between private sector actions and commitments from Member States, promoting remittances for development.

"Madagascar encourages all Member States to endorse 16 June as the International Day of Family Remittances, as a concrete opportunity for advocating for joint private-public actions aimed at facilitating the transfer of cheaper, faster, formal remittances and closer to villages and communities of the migrant families back home".

H.E. Zina ANDRIANARIVELO-RAZAFY, Permanent Representative of Madagascar to the United Nations

- There was a unanimous **request from participants to continue dialogue** in this kind of fora, in the framework of the GC/M process, highlighting the usefulness of the side event to bring together relevant actors to exchange on a specific topic in a specific timeframe, with the technical support of the organizers. Similar events were suggested to be organized around thematic issues such as international payment regulations and financial inclusion, among others.

Key messages and next steps

- **GFRID 2017. Member States** attending the side event **highlighted the relevance of the GFRID**, recognizing its key role in providing recommendations and lessons for the consultations and negotiations of the GC/M.

"The Global Forum on Remittances, Investment and Development is an excellent platform for bringing together governments, the private sector and other stakeholders. We must ensure that its outcomes feed into the GC/M".

H.E. Evan P. GARCIA, Permanent Representative of the Philippines to the UN in Geneva

- **Contribution of migrant workers/remittances to development.** Remittances have a direct and positive impact on the fight against poverty, health, education, food security, housing and basic human rights. There is further need for an informed debate about the real contribution of migrants to development. If migration is to become a choice rather than a necessity, the impact that migrants have on development

³ Since its first celebration in 2015, the **International Day of Family Remittances (IDFR)** has gathered **further recognition by the public and private sectors**. Read the [2017 endorsements](#) and [IDFR brochure](#).

must be clearly recognized, and conditions for them and their families to build sustainable livelihood opportunities in their countries of origin should be created.

Migrant remittances and diaspora investment can contribute to the implementation of the 2030 Agenda for Sustainable Development and to achieve the SDGs. Between 2015 and 2030, migrant workers will have sent around US\$6.5 trillion to their families back home in lower and middle-income countries, of which US\$2.5 trillion will be directed to rural areas. In many countries remittances constitute more than double the figures of Official Development Assistance (ODA). Thus, harnessing the potential of remittances for development, leaving no one behind, is not just critical but logical in development planning.

The [Addis Ababa Action Agenda](#) (AAAA), going well beyond traditional development issues, addresses topics such as xenophobia, migrant integration, etc. On remittances (para. 40), the Agenda lists 10 points (“10 Point Plan”),⁴ for the United Nations General Assembly (UNGA) to consider when negotiating the GC/M. At the 2017 Financing for Development Forum, the remittance issue was hardly discussed, a reflection of the UN system working in different pillars: i) financing for development and ii) migration. In short, there is need for better coordination the follow-up and implementation of the AAAA and the preparations of the GC/M.

- **Remittances and rural population:** Remittances play a key role in improving the lives of rural populations. Access to remittances in rural areas remains an issue of concern in many countries, particularly in Africa. Families living in rural areas should be prompted to access formal channels of remittance transfers. Post offices can be key players in this regard, while access to banks is a challenge for rural people (for example in Madagascar).

“Access to formal remittances in rural areas remain an issue of concern in many countries, particularly, in Africa”.

H.E. Zina ANDRIANARIVELO-RAZAFY, Permanent Representative of Madagascar to the United Nations

- **Data and profiling:**
 - It is important to further develop the **social and economic profile of remittance recipients** (e.g. among others: Who are the remittance receivers? What is their gender and age profile? Do they have an identification document? Are they financially included? Do they formally save, have access to credit, or are insured? What is their occupation?). Tools like the “MAP” (Making Access Possible), developed by the UNCDF and implemented in 18 Least Developed Countries (LDCs)⁵ across Africa and Asia, could be used in this regard. Better data on the profiles of the remittance recipients will bridge the gap between remittance and financial service providers to develop remittance-linked financial products and provide an incentive to build strategic partnerships based on complementary capacities and competitive pricing to have an impact on financial inclusion, and thus reaching the SDGs.
 - There is further need to prioritize and improve data collection both at local and global level. Specific funding should be allocated as part of the GC/M process, to finance specific activities/actions in this regard. Although costly, countries should also invest in data collection, as agreed at the G7 Summit in L’Aquila in 2009.
 - Remittance data currently reported by national banks and financial authorities to the International Monetary Fund (IMF) have important flaws. It is critical that relevant national authorities implement

⁴ “We will work to ensure that adequate and affordable financial services are available to migrants and their families in both home and host countries. We will work towards reducing the average transaction cost of migrant remittances by 2030 to less than 3 per cent of the amount transferred. We are particularly concerned with the cost of remittances in certain low volume and high cost corridors. We will work to ensure that no remittance corridor requires charges higher than 5 per cent by 2030, mindful of the need to maintain adequate service coverage, especially for those most in need. We will support national authorities to address the most significant obstacles to the continued flow of remittances, such as the trend of banks withdrawing services, to work towards access to remittance transfer services across borders. We will increase coordination among national regulatory authorities to remove obstacles to non-bank remittance service providers accessing payment system infrastructure [“de-risking”], and promote conditions for cheaper, faster and safer transfer of remittances in both source and recipient countries, including by promoting competitive and transparent market conditions. We will exploit new technologies, promote financial literacy and inclusion, and improve data collection”.

⁵ ASIA: Nepal, Myanmar, Cambodia, Lao PDR; AFRICA: Botswana, DRC, Lesotho, Madagascar, Malawi, Mozambique, Swaziland, Zambia, Zimbabwe, Burkina Faso, among others.

the [Balance of Payments and International Investment Position Manual](#), published in 2009, which provides international standards for classifying and reporting remittance transactions.

- **Regulation:**

- **Competitive and transparent market conditions** for remittance transfers should be prompted by regulations that address exclusivity clauses and new entrance' conditions to the market. Regulators should also remove obstacles to non-bank remittance service providers.
- Anti-money laundering (AML) and combating the financing of terrorism (CTF) regulations should be regarded with an adequate **proportionality**, and further discussed with the regulatory community. This is a typical example of an unintended consequence or “collateral damage” from particular rules.
- While some countries continue to talk about **taxing remittances**, causing concerns by the private sector, the impact of this should not be underestimated as it might have negative repercussions whereby money goes underground, through informal channels.
- A solution should be found to the current **de-risking** challenge, which still does not exist. All stakeholders should come together and discuss this in depth, and ways forward.

- **Strategic partnerships and advocacy:**

- There is a need to create new partnerships (microfinance institutions, banks, mobile network operators, MTOs, insurance companies, etc.) to facilitate innovation in transferring remittances. In this regard, there is room for a neutral broker like UNCDF which, through its technical capacities and investment mandate can facilitate these kinds of partnerships.
- Multi-stakeholder partnerships (between international, national and local actors, public and private) are strategic to collaborate on both sides of the remittance corridor as they can leverage further resources to promote the transformative impact that remittances can have for economies and societies.
- While governments play a role in policy making and regulation, there is need to work and coordinate with the private sector.
- Civil society plays a key role in bridging the divide between policy makers and migrants, particularly on financial education.

“NGOs can bridge migrant groups with government authorities and financial institutions, while doing policy advocacy and capacity building, fostering multi-stakeholder partnerships. Overall, the role of CSOs is to bridge the gap between all the migration stakeholders. There is need for financial education programmes that foster change in behavior of migrants and their families, so to ensure that they will have funds to ensure their own long term sustainable development goals”.

Estrella Mai Dizon-Añonuevo, Executive Director, Atikha Overseas Workers and Communities Initiative Inc.

- **Remittance service providers (RSPs):**

- The remittance industry is young: 30 years ago, the first cross-border non-US international money transfer service came to life. Now, there are around 16.000 corridors. And only 10-15 years ago, there were only a few companies operating in the market, whereas at present, the number has extended exponentially.
- The remittance market is not an integrated one, with a mixture of global and regional providers and many small MTOs serving only one corridor. That leaves out the large number of mobile operators: big companies in the phone market but not yet in the remittance one, where they are fairly new and still providing limited services for senders and receivers.
- Developing Markets Associates Ltd. (DMA)⁶ estimates there are around 3.000 RSPs globally, handling around 2 billion transactions with fees of 13 billion US\$ being charged, using both new and traditional types of technologies.
- Since many MTOs provide services that banks are not able to provide, their role should be promoted, and the **International Day of Family Remittances** could be a good means to do so.

⁶ [Developing Markets Associates Ltd. \(DMA\)](#) is a globally recognized multi-service development consultancy based in London with headquarters in 150 Tooley Street and an office in Sidney at Surry Hills. Incorporated in 2007, the company was established to mobilize funds to the global South through investment summits for sovereign governments, providing consultancy services with the aim of reducing the costs of international remittance payments to emerging market economies.

- New technologies will contribute to leverage technology and digital finance, to further lower the costs of remittances and formalize them.

“The future of remittances is digital. It is true that the innovation around digital deployment is really going to transform the landscape, both in terms of formalization and also lowering the costs”.

Henri Dommel, UNCDF

- **Transaction costs:**

- At present, the prices of remittance transfers are no longer declining.
- There is need to reduce average transaction costs, in line with SDG 10.c (“bringing down the average transaction cost to less than 3% and eliminating remittance corridors with costs higher than 5%”), as high costs hinder the development potential of remittances.

“The full development potential of remittances continues to be hampered by high transaction costs. If you go by the existing average transaction cost of 7.45%, Filipino migrant workers paid US\$2.23 billion for fees alone in 2016”.

H.E. Evan P. GARCIA, Permanent Representative of the Philippines to the United Nations in Geneva

- **Financial literacy, education and inclusion:**

- Financial literacy is a pre-requisite to financial inclusion of remittance families, which should see not only their involvement, and that of migrants, but also that of banks and other money transfer operators.
- Financial inclusion is a right, with both **developmental** and **humanitarian** impact. The humanitarian dimension is not only relevant when it comes to refugees or forced migrants remitting money, but also humanitarian actors who are having problems with the transfer of funds to their operations in first asylum countries, due to AML and CFT regulations.
- Capacity building of remittance and financial service providers is fundamental.

- **Gender, migration, development:** Women are the linchpin of development, and there is a need to promote their economic empowerment with gender-sensitive activities concerning, in particular, financial inclusion, trainings and capacity-building. If women receive money that can only be cashed out, with no financial inclusion, with no access to an account that is stable, secure and allows them to start building savings, then much of the development potential of remittances may be lost.

- **Migration discourse:** There is need to change the narrative. At present, migration is getting the “wrong headlines”, in line with criminalization. It is crucial to stress that, while migrants' remittances have very little impact on host countries, they make the difference back home. It is people helping other people. This is why the international community needs to acknowledge their crucial role and support them.

“The issue of criminalization of migration (...), linked to the issue of de-risking, correspondent banking and all the challenges for small island developing states and the fact that the majority of them are heavily in debt, result in some of the consequences of the whole issue of the governments taxing remittances. For some of us is a lot more complex than others”.

Her Excellency Penelope Beckles, Permanent Representative of the Republic of Trinidad and Tobago to the United Nations

- **Way forward - further thematic events.** To deepen understanding of relevant issues – like de-risking, the private sector role and the development impact of remittances and diaspora investment – the participants requested to further expand discussion in other thematic events, to be organized in the framework of the GC/M.

“My wish is that there will be more meetings like this one, which has been very useful, as we keep on learning and the mixture of participants is very valuable”.

H.E. Zina ANDRIANARIVELO-RAZAFY, Permanent Representative of Madagascar to the United Nations