



Remittances and Raising Capital Through the Diaspora

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Introduction

- Government has put in place several strategies aimed at supporting institutions and the business community as a whole under the ongoing Financial Sector Reforms to deepen the scope of financial services, products and the payment systems in the Ghanaian economy.
- Government is also supporting Institutions and in particular Financial Institutions to be more innovative and develop products which are simple, easily accessible and affordable to bring on board the large portion of Ghanaian population who are still ignorant of the inherent benefits of the financial industry.

Ghana –UK Remittance Partnership (RCP)

- Introduction of a Remittance Grant Facility (RGF) which is a component of the Ghana – UK Remittance Partnership (Ghana RCP) project.
- Conceived to reduce the transaction costs and barriers to access for Ghanaian remittance senders and recipients by:
 - enhancing competition,
 - improving transparency,
 - addressing legal and policy constraints to flows
 - promote the use of technology and building capacity of remittance-receiving institutions.

[RCP (2)]

- RCP will allow the use of formal channel remittances which plays an important role in alleviating foreign exchange constraints and supporting the balance of payments in many developing countries.
- RCP will improve remittance flows which allow financial institutions to improve their liquidity, expand their lending operations if clients deposit their remittances, access hard foreign currency at advantageous rates, and earn fee-income and cross-sell additional financial services.
- At the micro level, the RCP will play a significant role in reducing poverty. Beneficiaries often depend on remittances to cover day-to-day living expenses, improving their quality of life, as well as improving conditions in rural communities where financial capital is scarce for small business investment - impacting on national growth and capital accumulation.

[RCP (3)]

- **Two specific projects** are being implemented to contribute to meeting the goal of the Ghana-UK Remittance Country Partnership Ghana which aims to improve the remittance corridor between the UK and Ghana.
- **1. A Remittance Grant Facility** with an initial amount of £1m from the UK government to contribute to:
 - the development of innovative remittance services that extend formal remittance channels to poor and rural Ghanaians throughout Ghana in ways that make the services more affordable and accessible; and
 - the development of innovative remittance-backed financial products (such as deposit and savings accounts, insurance and forms of investment) that are affordable and accessible to poor and rural Ghanaians

[RCP (4)]

- **2. A study to understand the Constraints faced in the UK to Ghana Remittances Market** through survey analysis and policy recommendations to address them

Remittance Grant Facility

- The Remittance Grant Facility (RGF) as a component of the RCP, will encourage organizations to devise market-based solutions and ensure that funded projects are self-sustaining after the funding period.

Objectives

- the development of innovative remittance services that extend formal remittance channels to poor and rural Ghanaians throughout Ghana in ways that make the services more affordable and accessible; and
- the development of innovative remittance-backed financial products such as deposit and savings accounts, insurance and forms of investment that are affordable and accessible to poor and rural Ghanaians.

Remittance Grant Facility (2)

Objectives contd..

- The Remittance Grant Facility will provide grants to support the design and pilot testing of products and services that are affordable and accessible to target customers, and which are likely to result in considerable lesson learning and lesson sharing for the Ghanaian financial sector.

Target Sector / Industry of Focus

- The RGF is targeted at banks, non-bank financial institutions, money transfer operators (MTOs), mobile network operators (MNOs), other commercial entities, and consortia of such entities. Grants will be awarded to organizations (or consortia of such organizations) that:

Remittance Grant Facility (3)

Target Sector / Industry of Focus contd..

- due to their branch or distribution networks have the capacity to contribute the distribution of remittances and remittance-linked financial products throughout Ghana (particularly in rural areas); and/or
- have the capacity and capability to develop innovative remittance-linked financial products.

Expected Products: Technology-backed products that allows direct money transfers e.g. mobile phone technology.

Type of Funding Available

- Cost and risk sharing grants for innovative and eligible projects will be awarded. Funding decisions will be made by an Independent Assessment Panel.

Fund Manager The Remittance Grant Facility Fund Manager is currently being sought through a competitive tendering process.

Study on Constraints Faced – UK Ghana Remittance Market

- A study to understand the Constraints faced in the UK to Ghana has been carried out. The study breaks new ground as the first to examine the UK to Ghana remittances market from the ‘send-end’.
- The primary objective of this study was to identify sender end constraints to the flow of remittances through formal channels (this includes transaction costs and other barriers) and to recommend measures to address them, as part of the Remittance Country Partnership between Ghana and the UK
- Study has identified the main drivers of consumer and operator behaviour that will help to improve the market by ensuring even greater use of formal channels.

Study on Constraints Faced – UK Ghana Remittance Market

- Some areas the study explored are:
 - Methods and services that remitters use to transfer money to Ghana
 - Difficulties faced
 - Alternative and cheaper transfer methods in senders view
 - Openness to online and mobile phone products
 - Preferences to the use of funds remitted
 - Preferences for direct payment for services or products
 - Awareness creation on ways of remitting to Ghana

Study on Constraints Faced – UK Ghana Remittance Market

- The study concludes that the UK to Ghana remittances corridor is one of the more competitive corridors for sending money from the UK to Africa.
- There is a strong case for government and Money Transfer Operators (MTOs) to use the well developed communication channels with the UK based Ghanaian Diaspora.
- Based on the challenges , recommends measures to leverage on synergies between the sender end and demand side of the remittance value chain.

Recommendations to address Constraints

- **UK Regulation**
- a. Continue to promote formal transfer methods and discourage informal
- b. Make it easier for MTOs in the UK to open bank accounts
- c. Guidance on the GBP limit for ID requirements
- **Ghana Regulation**
- d. Open remittance services to other outlets
- e. Make it easier for Ghanaians to get a bank account in Ghana
- f. Allow MTOs to transmit money out of Ghana
- g. More ATM / Visa / MasterCard / E-Zwich facilities
- **Industry**
- h. Develop remittance-backed products

Recommendations to address Constraints (2)

- i. Encourage the use of online services (for 9 and 10, Ghana is setting up the RGF to encourage such products and services)
- j. Encourage banks to offer more competitive money transfer services
- k. Encourage Ghanaian banks to open operations in the UK

- **Education and Awareness**
- l. Use the Ghanaian Diaspora to educate those in Ghana
- m. Create a Ghana specific price comparison and community website (this was piloted for Ghana in 2008 and it was a success. However, it must be in conjunction with handouts and events to make it more successful)
- n. Integrated campaign to ensure key messages are received by the Diaspora in the UK

Closing Remarks

- Government acknowledges the dominance of the MTO's in the economy hence the effort to transform the sector.
- The challenge however has been additional resource revenues to influence the desired structural transformation of the sector in order to achieve sustainable higher incomes in the rural economy therefore the **Remittance Grant Facility comes at the right time.**
- MTO's and the private sector should take advantage of the Government's support to the sector and extend its reach.
- Government is also supporting and investing more in the microfinance and SME sectors of the Ghanaian economy to provide access to finance and increasing financial participation.

Closing Remarks

- The SME sector also represents an exciting commercial opportunity. This sector will be a key contributor to sustainable economic growth in Ghana over the next 10 to 15 years .
- I will therefore urge investors to Ghana to also focus attention at supporting these sectors.
- I recognize the importance of the Ghana-UK relationship, and UK investment in Ghana has soared. However, there is a need to actively build deeper engagement with this relationship through significant investment.
- Ghana is an exciting Investment Destination and will continue to create the enabling environment for all investors and companies alike to operate and thrive.



■ **THANK YOU**