

# Report of the Regional Thematic Meeting

Remittances are an important source of foreign funds that can raise the standard of living for vulnerable and low-income households across the world. Formal remittances to Sub-Saharan Africa (SSA) grew from \$30 billion in 2010 to \$46 billion in 2018. Remittances are now almost three times the size of official development assistance (ODA) and it is estimated that if monitored, remittances sent through informal channels could increase total flows by as much as 50%.

The cost of sending money home can be expensive relative to the, often, low incomes of migrant workers and the rather small amounts sent. In 2015, the UN adopted the Sustainable Development Goals (SDG). SDG 10.c states that by 2030 the global average price for remittances should not exceed 3% of face value with even the most expensive corridors not being more than 5%. Whilst the current global average is 6.9% (Q1 19) the cost to send to SSA is well above this target and is the most expensive place in the world to send money to, at 9.3%.

The ACP-EU Migration Action, alongside its partners The Making Finance Work for Africa Partnership (MFW4A) and The African Institute for Remittances (AIR) have been

working towards supporting discussions to improve the remittances environment in the African countries through a regional thematic meeting focused on the issue of 'remittances'

## Objectives of the RTM

- To provide a platform for communication, exchange and learning at a regional level;
- Review the actions that have taken place under the ACP-EU action in SSA;
- Generate thematic recommendations that are pertinent to the SSA region;
- Establish linkages between the outcomes of the ACP-EU Migration Action and processes relevant to the ACP-EU Dialogue on Migration and Development, at regional as well as global level.

The Regional Thematic Meeting: Remittances SSA was held in Accra, Ghana between 19-21 February 2019 and was attended by approximately 60 participants. The participants represented a range of stakeholders including policy makers, government representatives, private sector operators, non-state actors, development professionals and remittances experts from both Ghana and abroad.

## Key Thematic Areas

Following Day 1's introductory presentations on global and regional initiatives from development organizations, including the ACP-EU Migration Action, AfDB, AIR, IFAD, UNCDF, and the World Bank, Day 2 consisted of a number of plenary workshop sessions to allow for in-depth and more technical discussions on remittance themes, facilitated by remittance experts. Day 3 concluded with the presentations from the different plenary sessions and summary and main action points of the key findings discussed during the workshop.

The themes for the plenary sessions were;

1. High Remittance Costs;
2. Creating an enabling regulatory framework for cross-border payments;
3. Prevalence of informality;
4. Limitations in maximizing the productive potential of remittances;
5. Lack of accurate and meaningful data;
6. Harnessing remittances, capacity building to work with senders and their families.

Listed here is an overview of the main discussion points from these sessions.

**Session 1: High Remittance Costs.** There are multiple causes of high remittance costs, which can only be resolved by applying multiple solutions. These include; changing the remittances business model by removing or reducing the reliance on traditional cash-to-cash services; taking steps to remove agents from the value chain (as their cost accounts for at least 50% of a remittance

transaction); using new cross border money transfer technology to alter the model such as leveraging mobile money; enhancing transaction transparency by ensuring that the cost of services is fully disclosed to consumers when a remittance transaction is initiated; and, regulators creating a level playing field through the introduction of specific regulatory frameworks for remittances that covers all types of operators and uses a harmonized approach across countries and regions..

### **Session 2: Creating an enabling regulatory framework for cross-border payments.**

Regulation impacts every critical area of remittances and if not appropriate to the environment it can contribute to high costs, informality etc. Solutions include: regulation should be by the function that is being performed and not based on the institution offering it; new types of operators should be approved/regulated using a risk based approach; proportionality is required commensurate with the risk in areas such as KYC/AML; and regulations must enable and encourage innovation.

**Session 3: Prevalence of informality.** There are plenty of causes of informality (which can be up to 50 percent of remittance transactions) such as, accessibility, cost, exchange rates and so on. The groups also identified that informality can be both a good and a bad phenomenon. Solutions include: increase data on remittances, through things like household surveys and so on; education of users; removal of black markets; and

develop agreements on an improved approach to identification requirements in respect of irregular migrants.

**Session 4: Limitations in maximizing the productive potential of remittances.** Among the causes of the current limitations are the lack of data, lack of legal institutional frameworks and lack of trust. Actions to combat limitations include: sensitization/awareness raising among migrants; financial literacy initiatives; build trust with consumers; provide incentives; pre-departure training; design of specific projects; national level working groups on remittances and diaspora investment; and national level analysis and design of formalized programmes.

**Session 5: Lack of accurate and meaningful data.** Countries need greater awareness of the value of data. This can be achieved by: capacity building within governments; the development of a consistent approach across governments; the production of guides for data departments; conducting household surveys to establish size of informal use of funds, investments, and so on; and, the automation of data as much as possible.

**Session 6: Harnessing remittances - capacity building to work with senders and their families.** In order to harness remittances, it is essential to Know Your Diaspora (KYD) using the following actions/tools; technology; financial education; working with faith based organizations; mentorship; utilise

diplomatic missions; research; co-ordination at both ends of the corridor; and legal frameworks.

## Summary

There were **5 key conclusions** that came from the meeting.

### 1. Remittances involve multiple actors and jurisdictions

- Environment improvements will take multiple actions in multiple countries by multiple people;
- The complexity of the situation should not be underestimated, even given that the transaction itself is relatively simple.

### 2. Need to distinguish between the transaction and the investment/development opportunities

- There is often confusion between the sending of the money and what it is used for. These are two different areas;
- There needs to be the creation of a range of financial instruments that are capable of transforming non-consumption remittances into investments;
- Frameworks are required in order to facilitate diaspora investment

### 3. Scalable solutions are essential

- It is vital that large scale, scalable and replicable solutions are developed

- Cheaper digital solutions need to be developed and used;
- Facilitation, involvement and collaboration of multiple global players needs to be fostered and their efforts coordinated and synergies achieved;
- Scalable solutions will take time and so long term solutions are required

#### **4. Improving coordination and sharing amongst remittance stakeholders is a thread that runs throughout the key thematic areas**

##### **Actions that need to happen include;**

- Link both ends of the corridors and implement coherent actions;
- Enhance collaboration and build connections, partnerships, knowledge sharing;
- Policy coherence needs to be developed and good use made of available resources;
- Share best practices and experiences.

#### **5. Communication, networking and sharing is key**

- Multiple organisations are involved in the administration and improvement of the remittance environment;
- Coordination of efforts and activities amongst them is crucial.

