

# Leveraging Migration, Remittances and Diaspora for Financing Sustainable Development

Sonia Plaza

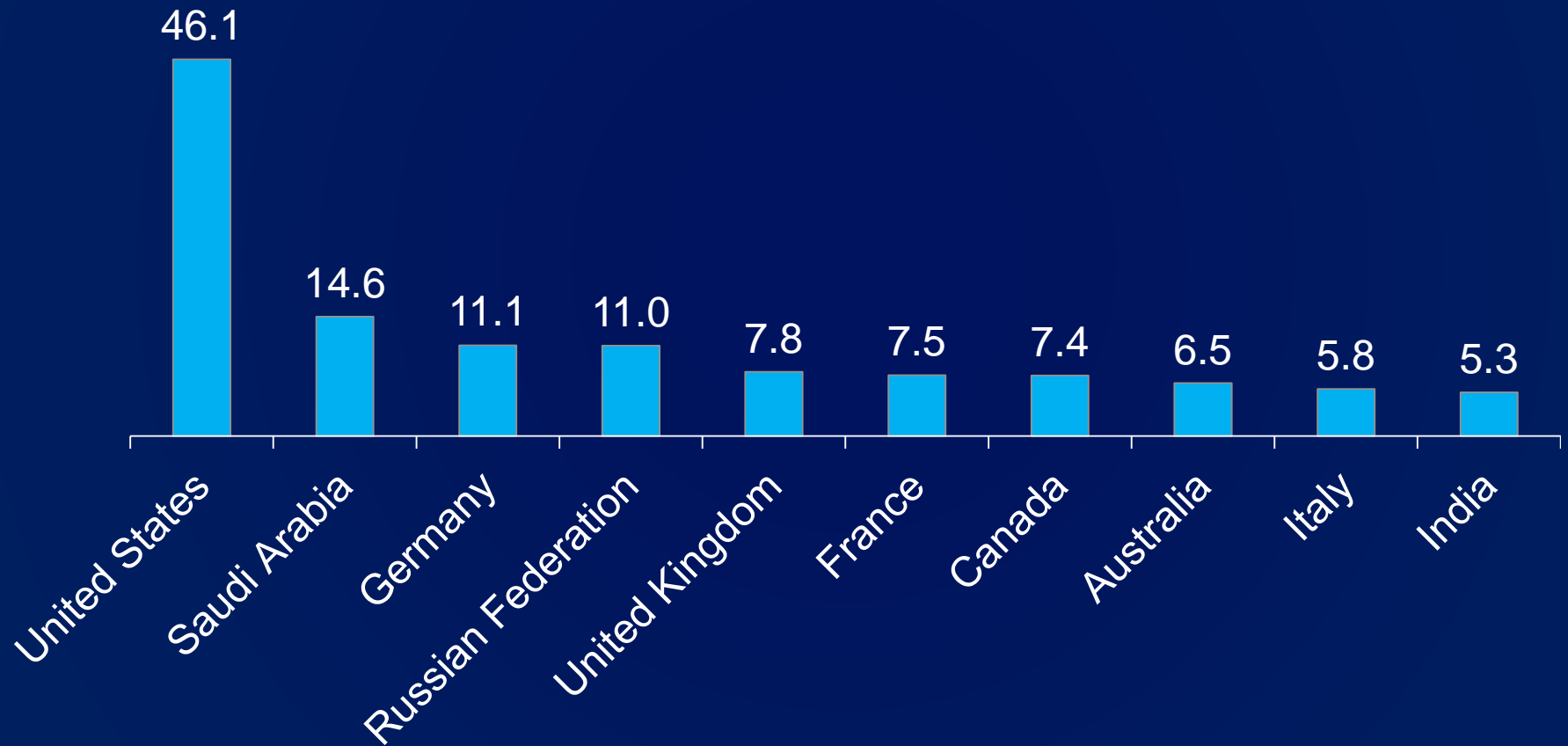
G20-GFMD-GMG Joint Event  
Izmir, Turkey  
June 3, 2015

# Stylized facts on migration

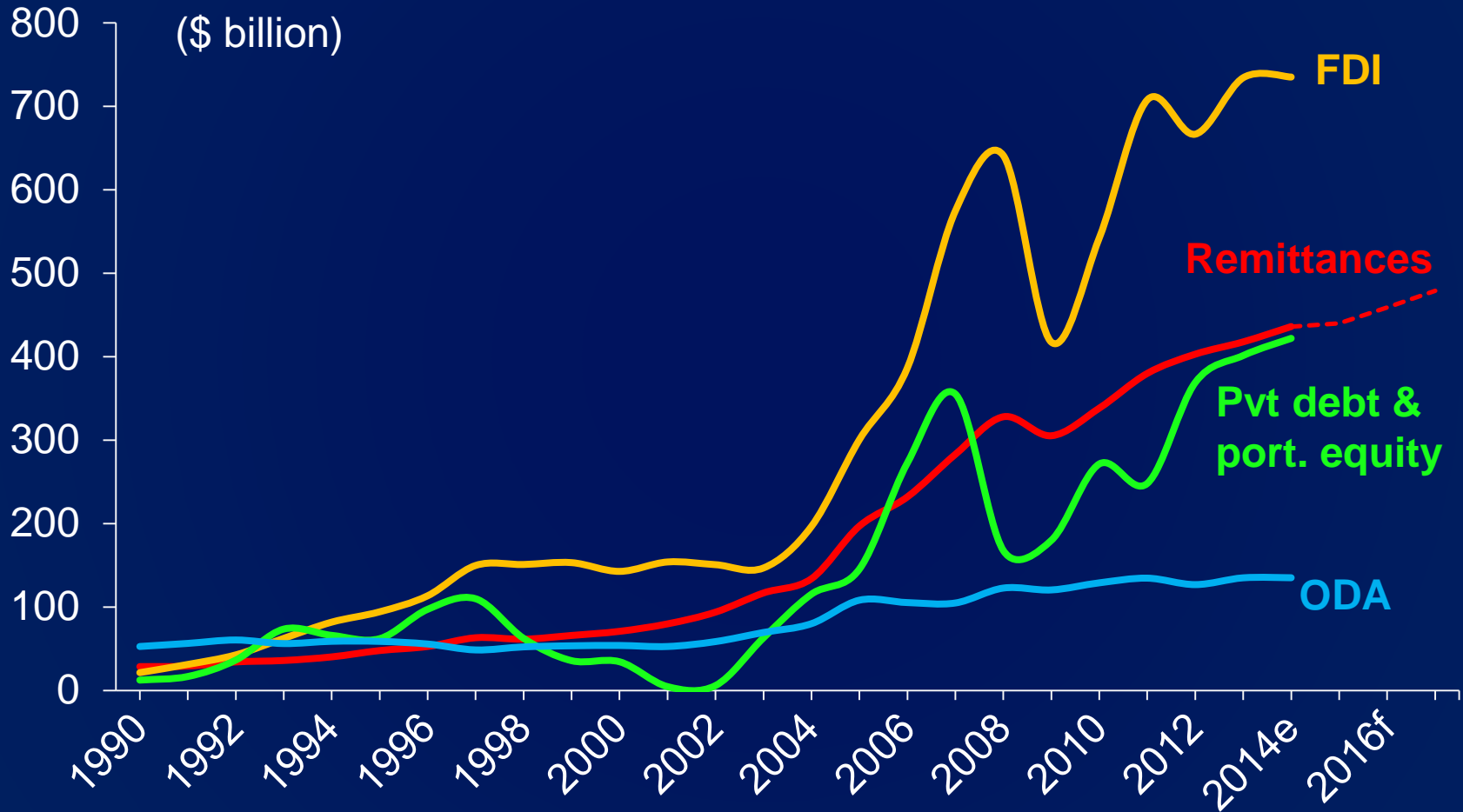
- International migrant stock over 250 million in 2015
- South-South migration (37%), larger than South-North migration (35%)
- Domestic migrant stock estimated to be 750 million

# Migrant Stocks in G20

**\$ billion, 2014e**

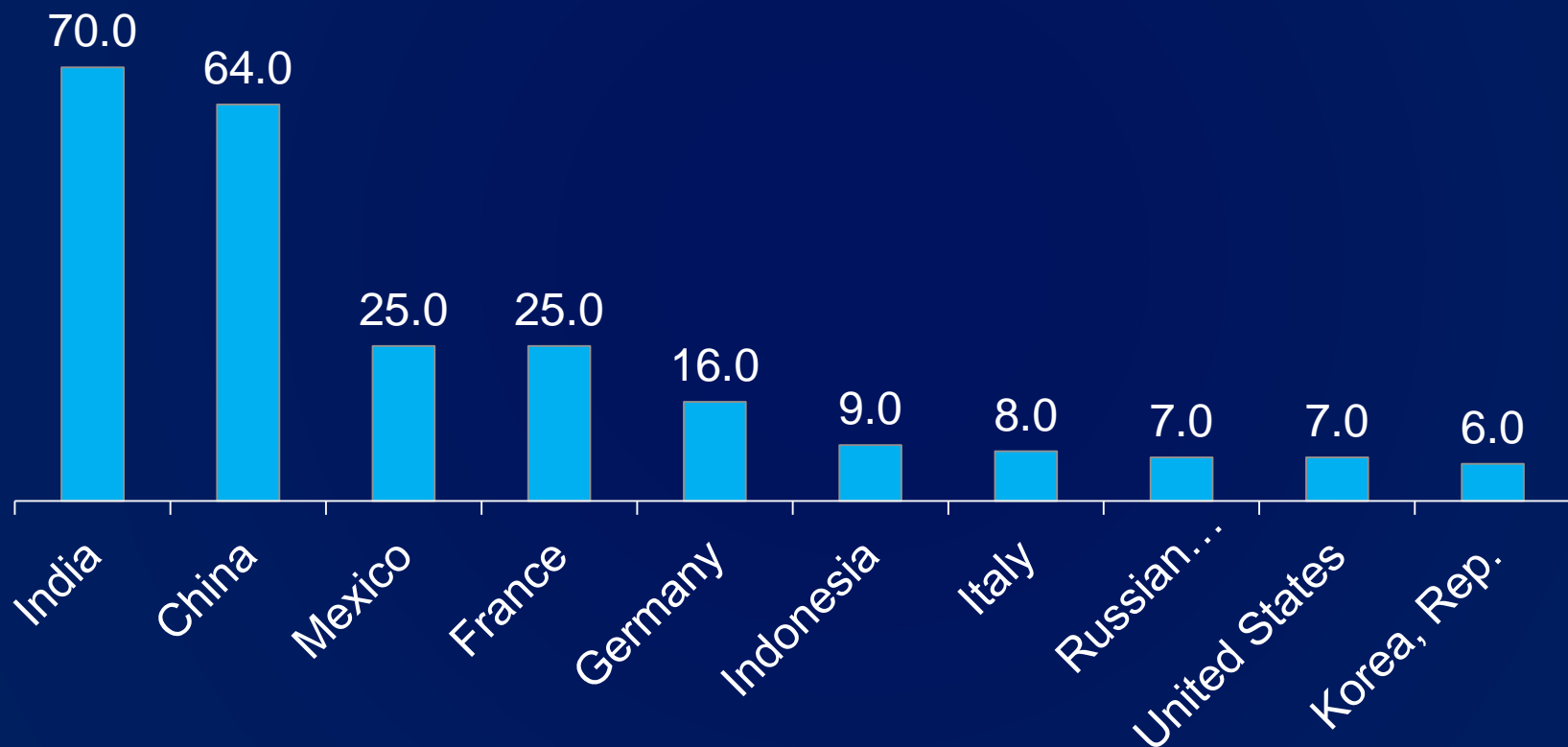


# Remittances to developing countries reached \$436 billion in 2014



# Top G20 recipients of remittances

*\$ billion, 2014e*



# Remittances

\$440 Billion

Remittances



\$135 Billion

Aid



# High remittances costs



8%

Global average



12%

Africa



20%

Within Africa



90%

Venezuela

# WBG Remittance Cost Reduction Agenda

- **By 2020, continue to work towards the reduction of the global average cost of remittance services to 5 percent and advocate that governments globally should commit to reduce the cost of remittance services in their respective markets by 5 percentage points in 5 years of active reforms;**
- **By 2030, reduce to less than 3 percent the transaction cost\* of migrant remittances, with at least one reliable and accessible service available in each corridor at a cost significantly lower than the average for that corridor, through enhanced information, transparency, leveraging on new technologies, competition and cooperation with partners.**



# Mobile Money Transfer Services

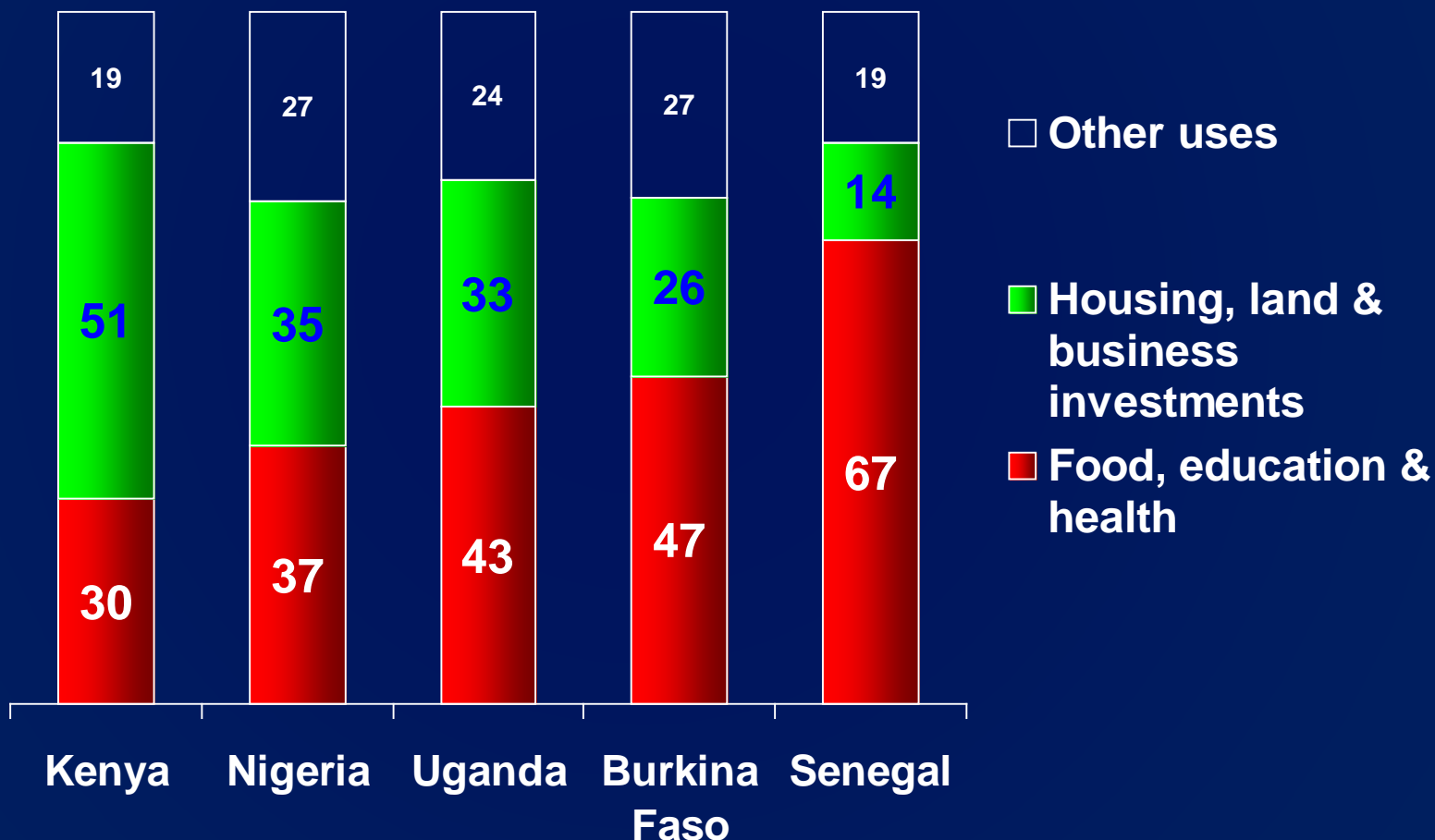
1. Mobile money transfer services have transformed the landscape for domestic remittances (mainly Sub Saharan Africa)
2. Use of mobile money technologies in cross-border transactions remains limited but increasing in 2014
3. Value of international remittances through mobile phones: 2% of global remittances flows
4. Remittance costs have decreased in internal and international markets
5. Regulatory framework, AML/CTF and interoperability of mobile systems still create barriers

# Leveraging on new technologies

- HomeSend (MasterCard)
- BitPesa (bitcoin)
- Cash to Goods (Afrimarket)
- Host to Host integration with Banks (Flash Remit)
- GlobeOne (Global Social Banking)
- XendPay (Pay What you Want)
- Stellar (unified system connects 180 currencies in 2-5 seconds)

# Investment in human and physical capital is boosted by migration and remittances

*Percent of remittances from outside Africa*



\* Uganda excludes unspecified use of remittances (2/5<sup>th</sup> of total remittances)

Source: Africa migration project household surveys; GLSS 2005-06

# \$100 billion could be mobilized

- Reducing remittance costs (\$30 bn)
- Diaspora savings via diaspora bonds (\$50 bn)
- Reducing recruitment fees paid by low-skilled migrant workers (\$20 bn)
- Diaspora philanthropy (\$10 bn)
- Using future-flows as collateral (\$4-\$25 bn for Africa alone)

# Innovative Financing Potential for Sub-Saharan Africa (\$15 bn per year)

- Reducing remittance costs (\$4 bn)
- Diaspora bonds (\$5 bn)
- Diaspora philanthropy (\$1 bn)
- Using future-flows as collateral (\$4-\$25 bn)

Diaspora savings via diaspora  
bonds (\$50 billion)

# The wealth of the diaspora can be mobilized through diaspora bonds

	Diaspora size (millions)	Estimated savings (\$ billions)
<u>Developing countries</u>	<u>182</u>	<u>497</u>
East Asia & Pacific	31	116
Europe & Cen. Asia	32	80
Lat. Am. & Carib.	34	129
Mid. East & N. Africa	24	55
Sub-Saharan Africa	23	36
South Asia	38	80

Source: World Bank 2015.

# Reducing recruitment fees paid by low-skilled migrant workers (\$20 billion)





# Monitor and regulate the recruitment process



Using remittance channels to  
mobilize diaspora philanthropy  
(\$10 billion)

# Using future-flows as collateral (\$4-25 bn for Africa alone)

<i>(\$ billion)</i>	<u>Receivable</u>	<u>Potential</u>
Fuel exports	182	36
Agri. raw materials exports	20	3
Ores and metals exports	63	11
Travel services	26	2
<b>Remittances</b>	<b>31</b>	<b>4</b>
<u>Total</u>	<u>322</u>	<u>56</u>

Source: Authors' calculations, WDI  
Note: Based on average for 2011-13

# Remittance can further help:

- Enhance sovereign credit rating
- Facilitate micro-saving and insurance

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Thank you

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# Smart Remitter Target (SmaRT)

- **SmarRT will be calculated as the average cost of the three lowest cost services in each corridor . Criteria:**
- Transaction is available to recipient within 5 days after money is sent;
- Transaction can be delivered to recipient nationwide or at least in all relevant areas of the receiving country;
- Transaction can be originated in all relevant areas of the sending country; and,
- Where the service requires access to an account or to internet or other technologies, access to these be nearly universal for senders and receiver in that corridor