Leveraging Migration, Remittances and Diaspora for Financing Sustainable Development

Sonia Plaza

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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

United States: 46.1
Saudi Arabia: 14.6
Germany: 11.1
Russian Federation: 11.0
United Kingdom: 7.8
France: 7.5
Canada: 7.4
Australia: 6.5
Italy: 5.8
India: 5.3

Remittances to developing countries reached $436 billion in 2014

Source: Development Prospects Group, World Bank
Top G20 recipients of remittances

$ billion, 2014e

- India: $70.0
- China: $64.0
- Mexico: $25.0
- France: $25.0
- Germany: $16.0
- Indonesia: $9.0
- Italy: $8.0
- Russian...: $7.0
- United States: $7.0
- Korea, Rep.: $6.0

Remittances

$440 Billion

$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

<table>
<thead>
<tr>
<th>Country</th>
<th>Housing, land &amp; business investments</th>
<th>Food, education &amp; health</th>
<th>Other uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>30</td>
<td>51</td>
<td>19</td>
</tr>
<tr>
<td>Nigeria</td>
<td>37</td>
<td>35</td>
<td>27</td>
</tr>
<tr>
<td>Uganda</td>
<td>43</td>
<td>33</td>
<td>24</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>47</td>
<td>26</td>
<td>27</td>
</tr>
<tr>
<td>Senegal</td>
<td>67</td>
<td>14</td>
<td>19</td>
</tr>
</tbody>
</table>

* Uganda excludes unspecified use of remittances (2/5th 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

<table>
<thead>
<tr>
<th>Region</th>
<th>Diaspora size (millions)</th>
<th>Estimated savings ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Developing countries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>31</td>
<td>116</td>
</tr>
<tr>
<td>Europe &amp; Cen. Asia</td>
<td>32</td>
<td>80</td>
</tr>
<tr>
<td>Lat. Am. &amp; Carib.</td>
<td>34</td>
<td>129</td>
</tr>
<tr>
<td>Mid. East &amp; N. Africa</td>
<td>24</td>
<td>55</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>23</td>
<td>36</td>
</tr>
<tr>
<td>South Asia</td>
<td>38</td>
<td>80</td>
</tr>
</tbody>
</table>

**Total**: 182, 497

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

- Recruitment fees: $5,000
- Income per year: $2,000
Monitor and regulate the recruitment process

1st mile: Sending country

Migration process

Last mile: Destination country
Using remittance channels to mobilize diaspora philanthropy ($10 billion)
## Using future-flows as collateral
($4-25 bn for Africa alone)

<table>
<thead>
<tr>
<th>($ billion)</th>
<th>Receivable</th>
<th>Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel exports</td>
<td>182</td>
<td>36</td>
</tr>
<tr>
<td>Agrl. raw materials exports</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Ores and metals exports</td>
<td>63</td>
<td>11</td>
</tr>
<tr>
<td>Travel services</td>
<td>26</td>
<td>2</td>
</tr>
<tr>
<td>Remittances</td>
<td>31</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>322</strong></td>
<td><strong>56</strong></td>
</tr>
</tbody>
</table>

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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- Enhance sovereign credit rating
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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.