



Diaspora/Migrant Remittances and The African Institute for Remittances (AIR)

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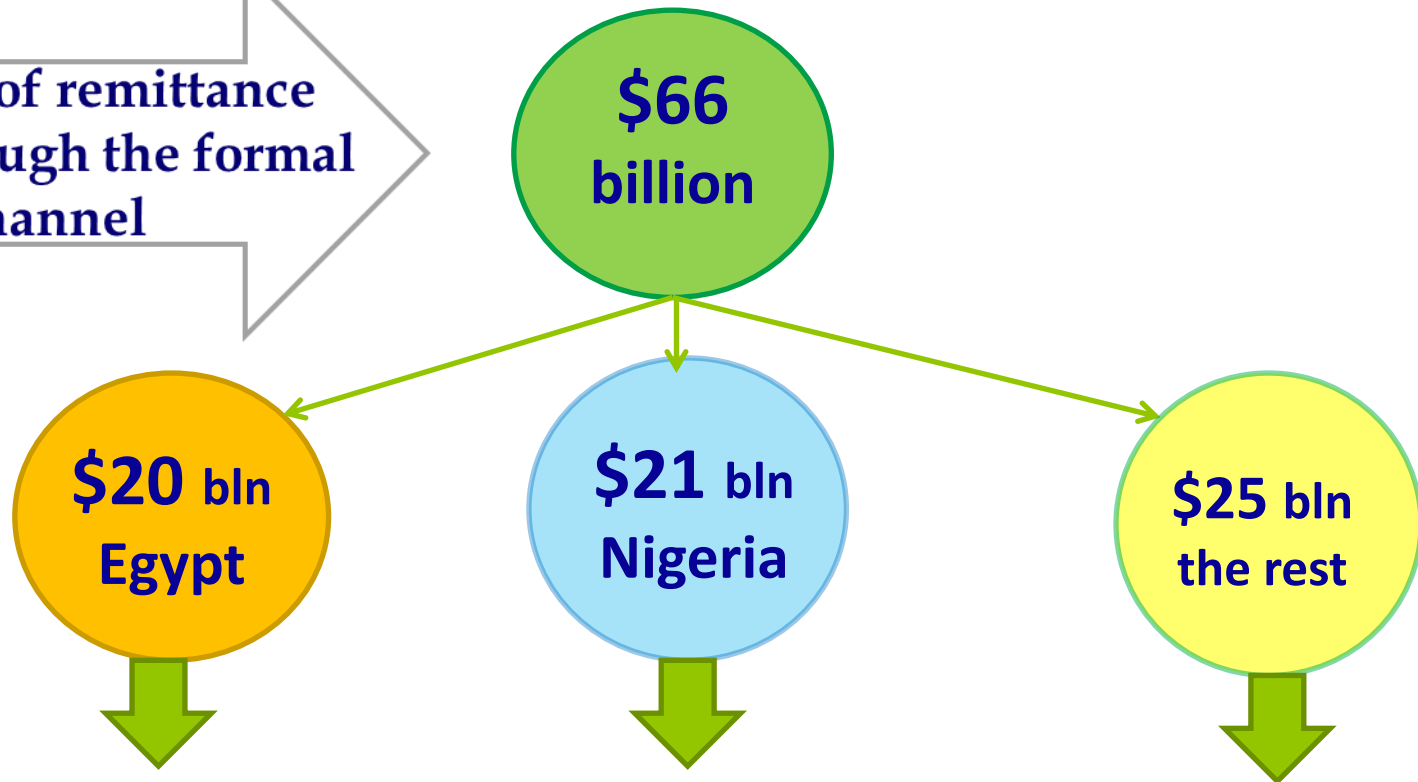
African Union Commission



FACTS & FIGURES

Remittances to and within Africa (2015)

Volume of remittance flows through the formal channel

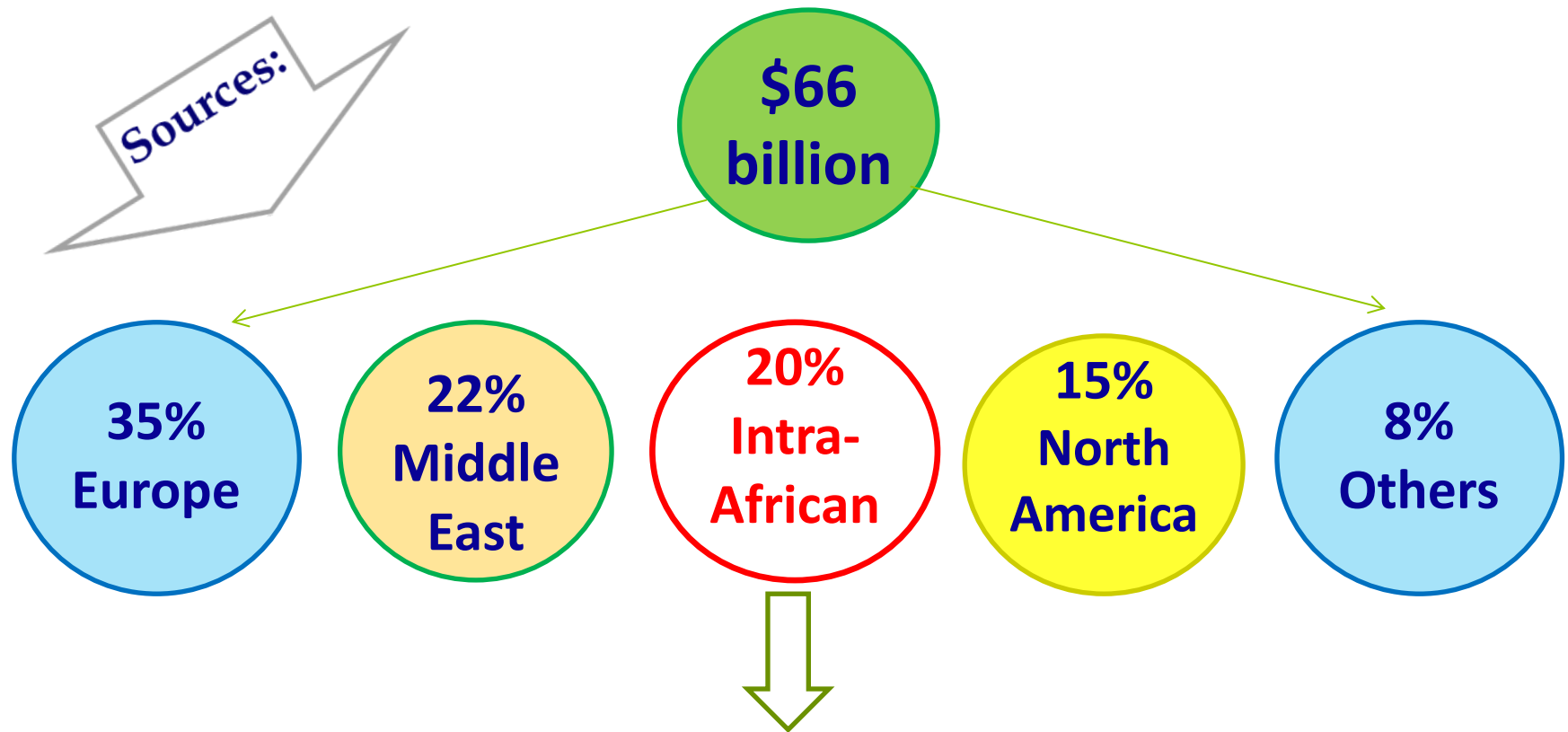


Better data measurement leads to competitive market resulting in reduction of transfer costs;
&
Reasonable cost leads to higher volume

- Unreliable data;
- Stringent regulatory policies;
- High transfer cost;
- Uses of Informal channels;



Sources of African Remittances

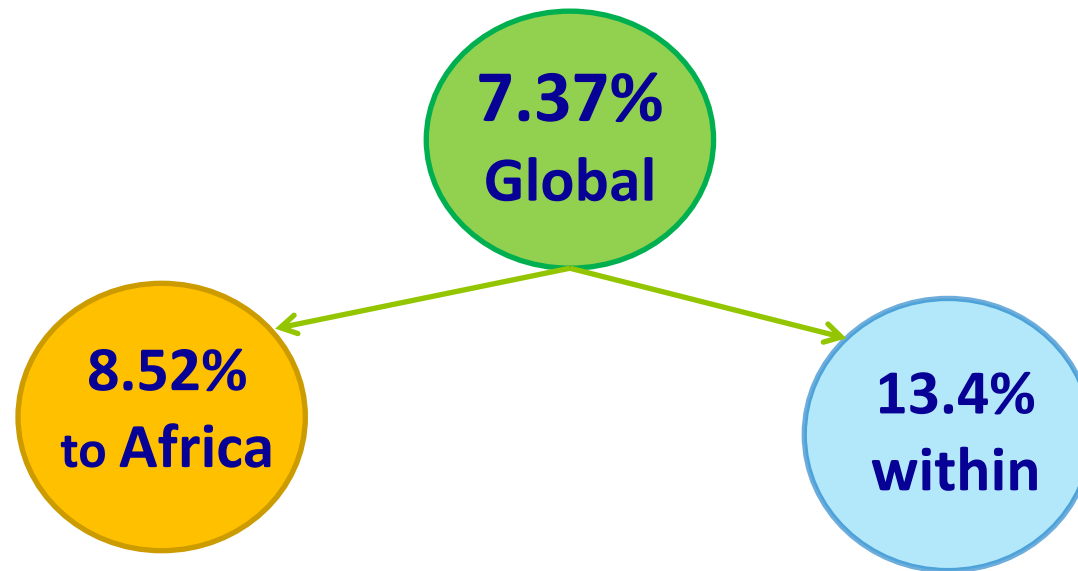


- Only 1/3 of the volume are estimated being accounted;
- If transfer costs reduced, volume of remittance flows within Africa - through formal channels - would be increased;



Cost of Sending \$200 to and within Africa

Cost



If Cost reduced to the **7.37%** global average **\$0.6 bln** + **\$0.8 bln** = **\$1.4 bln**

If Cost reduced to the **5%** point by 2020 **\$1.9 bln** + **\$1.1 bln** = **\$3.0 bln**

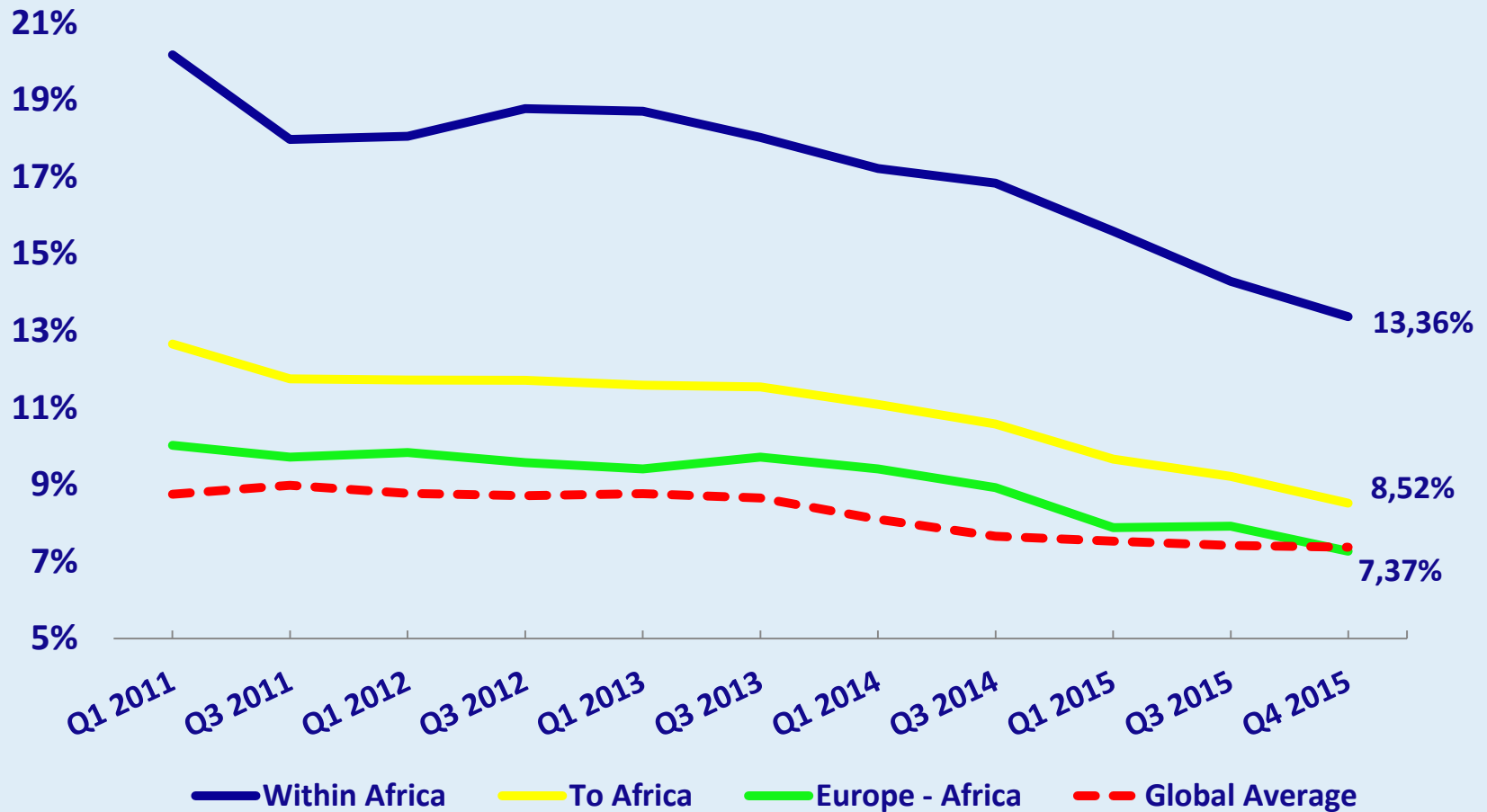
If Cost reduced to the **3%** point by 2030 **\$2.9 bln** + **\$1.4 bln** = **\$4.3 bln**

By reducing transaction costs, an additional \$2-4 bln remains in the pockets of African migrants and their families



Cost of sending \$200 to and within Africa (Q4 2015)

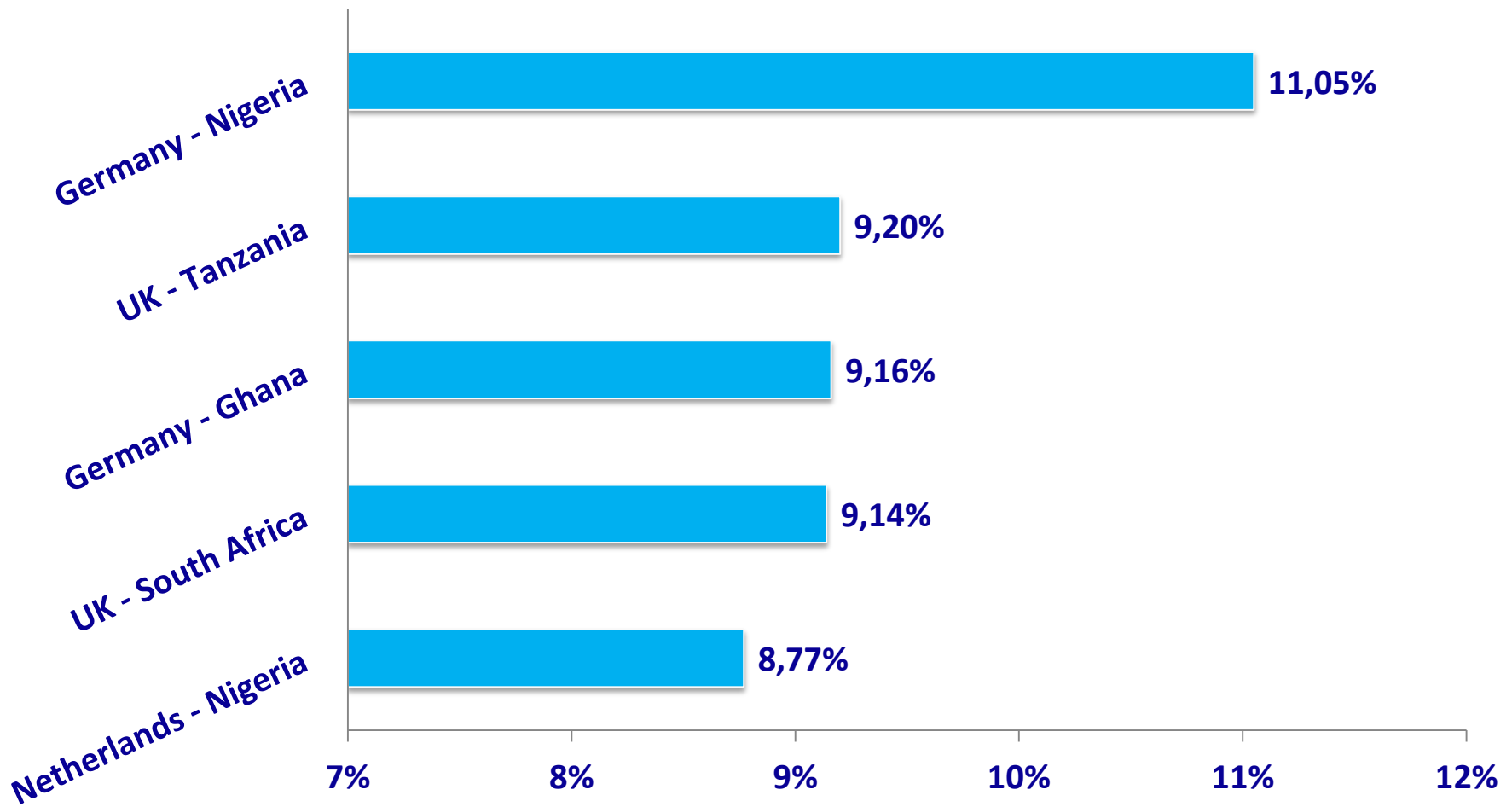
Cost of Sending \$200 by region





Cost of Sending \$200 Europe - Africa (Q4 2015)

5 Most Expensive Europe – Africa Corridors



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Source: Send Money Africa, AIR and RPW, the World Bank



Main Problems of African Remittances

Issues and Problems in African Remittance Flows

High cost of transfer, especially Intra-African corridors;

Poor remittances data measurement;

Lack of enabling legal and regulatory policies for a conducive environment for market competition and efficiency;

Remittances are not leveraged for financial inclusion;



Major Global Policies and Commitments

- **The Addis Ababa Action Agenda (AAAA):** 3rd International Conference on Financing for Development (FfD3), July 2015;
- **Sustainable Development Goals (SDGs):** UN General Assembly Resolution, September 2015;
- **Valletta Action Plan:** Valletta Summit on Migration, November 2015.



The Addis Ababa Action Agenda (AAAA)

- Remittances can not be equated to FDI, ODA and other Public sources of financing for development;
- Reducing the average remittances transfer cost to 3% by 2030; no remittances corridor with costs higher than 5% by 2030;
- Address the most significant obstacles; remove obstacles to NBRSPs accessing payment system infrastructure;
- Exploit new technologies, promote financial literacy and inclusion, and improve data collection;
- Cheaper, Safer and Faster remittances through competitive and transparent market conditions.
- Ensure adequate and affordable financial services to migrants and their families in both home and host countries;



Sustainable Development Goals (SDGs)

- By 2030, reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%.



The Valletta Action Plan



- **Promote cheaper, safer, legally-compliant and faster transfers of remittances and facilitate productive domestic investments;**
 - ✓ Implement country specific programmes, maximizing the impact of remittances;
 - ✓ Support **financial education** and inclusion of migrants and their families;
 - ✓ By 2030, **reduce to less than 3% the transaction costs** of remittances and eliminate remittance corridors with costs higher than 5%;
 - ✓ Identify corridors where the partners commit to substantially reduce the costs by 2020, from Europe to Africa and within Africa;
 - ✓ Explore, **identify and promote innovative financial instruments to channel remittances for development** purposes and to increase the volume of transfers through the formal remittance channels.
- **Operationalize the African Institute for Remittances (AIR) to serve as a focal point for all stakeholders in African remittances.**



- AIR is established as a Specialized Technical Office of the AUC to ensure remittances to and within Africa Cheaper, Safer, Faster and legally-compliant. Main objectives are:
 - Improving accuracy of remittances data measurement and understanding of remittances **(Volume)**;
 - Promoting legal and regulatory reforms for enabling market conditions and uses of innovative technologies for better competition to lower transfer **(Costs)**;
 - Ensure the development **(Impact)** of remittances through inclusive finance for improved livelihood;
- AIR is launched and based in Nairobi, Kenya;



- Organizational Framework of AIR:
 - Governing Board;
 - Consultative Forum;
 - AIR Secretariat.

- AIR Products:
 - Applied Research;
 - Technical Assistances & Capacity Building;
 - Catalyzing private sector involvement to address market inefficiencies;
 - Advocacy;

- Delivery Mechanism:
 - Peer Networks (Central Banks & Ministries);
 - Regional Working Groups;



Send Money Africa (SMA) Database



- AIR launched a database 'Send Money Africa (SMA)' to improve transparency and provide senders information to make an informed decision to send money home;
- The database covers 54 corridors - 16 sending and 28 receiving countries;

www.sendmoneyafrica-auair.org



Summary and Key Messages

“Migrants as agents of development: Role of the Diaspora”

“Migrants are individuals with rights, not ‘agents’ or ‘tools’ for economic growth or poverty reduction”

BANDITA Sijapati



Thank You

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