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

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Remittances to and within Africa (2015)

Volume of remittance flows through the formal channel

$66$ billion

- $20$ bln Egypt
- $21$ bln Nigeria
- $25$ bln the rest

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;

Source: Migration and Remittances Fact book 2016, World Bank
Sources of African Remittances

- $66 billion
- Sources:
  - 35% Europe
  - 22% Middle East
  - 20% Intra-African
  - 15% North America
  - 8% Others

- 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;

Source: Staff calculation based on the figures from the Bilateral Remittances Matrix 2014, the World Bank
Cost of Sending $200 to and within Africa

Cost

8.52% to Africa

7.37% Global

13.4% within

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

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

Cost of Sending $200 by region

- Within Africa
- To Africa
- Europe - Africa
- Global Average

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

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

5 Most Expensive Europe – Africa Corridors

- Germany - Nigeria: 11.05%
- UK - Tanzania: 9.20%
- Germany - Ghana: 9.16%
- UK - South Africa: 9.14%
- Netherlands - Nigeria: 8.77%

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

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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;

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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;

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.

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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;

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

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

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