IFAD's inputs to the UN Secretary-General's report on the Global Compact for Safe, Orderly and Regular Migration, in particular on migrants contribution to development through remittances and investment

*The main sources for the points below are:
- Sending Money Home: Contributing to the SDGs, one family at a time. IFAD (2017), based on World Bank Data.
- The Use of Remittances and Financial Inclusion. IFAD and World Bank (2015). Study prepared for the Global Partnership on Financial Inclusion (GPFI), G20 Summit in Antalya (Turkey) 2015

- ***Structure and elements of a global compact for safe, orderly and regular migration, including its purpose, goals, challenges and opportunities:***

– Between 2015 and 2030, an estimated US$6,5 trillion in remittances will be sent to low and middle-income countries.

– An estimated 800 million people worldwide are directly supported by remittances sent by over 200 million migrants. Taken together – senders and their families – represent 1 billion people that are directly involved with remittances: one out of seven people in the world. Countries on the receiving end have over 80 per cent of the world's population.

– The $429 billion in remittances transferred by migrants to their families in developing countries in 2016 are the most tangible contribution of migrants to achieving the sustainable development goals in their country of origin.

– Remittances have a real capacity to elevate people out of poverty and address their development needs. This is particularly relevant for rural areas which account for over 40 per cent of global remittance flows and where the impact on families' households is the highest[1] with remittances typically representing about 60 per cent of household incomes. Environmental migration from rural areas is also expected to increase significantly over the coming years making remittances flows to rural areas even more crucial.

– Over the last decade, remittances have demonstrated to be extremely relevant for developing countries both in terms of scale and scope. For nine countries, remittances equal more than 20 per cent of GDP, while for 71 countries, they equal more than 3 per cent of GDP (2015), while remittances sent from developed countries account, on average, for substantially less than 1 per cent of their individual GDP.

– There are 100 countries that receive at least US$100 million annually. These countries have over 80 per cent of the world's population and for the most part have the majority of their population living in rural areas. While not calculated as part of GDP in the countries where they are received, remittances ultimately become an important source of GDP growth through their effect on consumption, government spending and investment.

– Leveraging the linkages between remittances and financial inclusion present an important opportunity to create convergence between the financial goals of remittance families and the commercial strategies of financial service providers.

– There is no single globally-integrated remittance market. Instead, there is a "loose network" of hundreds of individual corridors linking sending and receiving countries.

– The average cost of sending remittances is now at 7.45 per cent, a measurable decrease from 9.8 per cent since 2008. However, transaction costs have remained essentially flat

[1] IFAD. 2016. Migration and transformative pathways. A rural perspective, Rome

over the past few years and are unacceptably high in many low-volume corridors, especially both to and within the African continent, with a 10 per cent average cost and some of the more expensive corridors.

- Cash-to-cash remains the most common form of transfer (90 per cent), although more remittances are starting to come from accounts. Informal transfers through non-licensed channels have declined significantly, as costs decreased and payout locations became more convenient. However, informal transfers still remain a common method in South-South transactions as well as in other low-volume corridors.
- "De-risking" remains an issue of concern. This is the term used to describe the process of banks terminating relationships with many small MTOs. In doing so, banks are actually exacerbating anti-money laundering (AML) and combating financing of terrorism (CFT) concerns by driving remittance flows into informal channels that are much more difficult to track.
- Although the use of exclusivity agreements has declined significantly, it remains a concern in some markets, especially in developed countries, as it continues to constrain competition.
- Technological advances have made remittance transactions faster, cheaper and more convenient, making it possible to reach even into the "last mile" of many remote areas. The full promise of technology is yet to be realized, substantially due to the need to harmonize legal and regulatory frameworks between sending and receiving countries, as well as a lack of infrastructure in a number of receiving areas. Mobile phone networks, Internet-based tools and digital money in various forms present a potentially transformative force for sending and receiving remittances, reducing costs and saving time. They can also become a gateway to financial inclusion.
- Saving and investing is a primary way for remittance-receiving families to reduce vulnerability in their lives and to secure a more stable future. Small investments, when multiplied, can change the economic landscape of local communities.
- Even though the majority of remittance families live outside the formal financial system, it is estimated that up to two thirds of senders still are able to save, and about 15 per cent of the remittances they send are used back home for income-generating activities. On the receiving end, migrant families also save. It is estimated that at least 10 per cent (US$45 billion) is saved each year, much of it informally (under the mattress).
- Remittance recipients are not typical microfinance clients. Despite higher resilience to financial shocks, they require differentiated services from financial service providers (FSPs) that are still not fully available, particularly in rural areas. The ultimate goal is to provide more families with better opportunities to use their remittances productively, benefiting themselves, their families and the communities where they live. [2]
- Every year June 16 is the International Day of Family Remittances (IDFR). The Day was unanimously proclaimed by the 176 Member States of the Governing Council of IFAD (GC Resolution 189/XXXVIII), with the purpose to raise global awareness about the contribution of migrant workers to the well-being of their families and communities of origin, and to the key role they play in contributing to achieve the SDGs. Since its first celebration the support from the private sector has exponentially increased. To date, MTOs representing over 80 per cent of the sector, global mobile networks and individual mobile

[2] IFAD, 2017, Sending Money Home: Contributing to the SDGs One Family at a Time

companies worldwide, savings and retail banks representing the majority of the market, and over 100 payments industry influencers have endorsed the values of this observance and took concrete actions towards the reduction of remittances costs. At the same time the Global Migration group (GMG), a large number of UN agencies, international organizations and NGOs have supported the IDFR campaign, which was noted in the 2016 UN Secretary General's Resolution on International Migration and Development and in the 2016 UN Secretary General's Report on International Migration and Development. Through a growing support, every year the IDFR makes an additional step to ensure that the human face of remittances – millions of families in developing countries – is given its true and deserved dimension. [3]

- IFAD, the World Bank and UN-DESA jointly organized this year the 5th edition of the Global Forum on Remittances, Investment and Development (GFRID2017). The event brought together over 350 policy makers, private-sector stakeholders, civil society leaders and delegates worldwide, to pave the way for leveraging the development impact of remittances. During the two days participants showcased trends and opportunities in the global remittance marketplace in 2017 and beyond, highlighted the contribution of migrant remittances and diaspora investment to the achievement of the Sustainable Development Goals (SDGs), and exchanged best practices on innovative business models to expand the market. [4]

- ***Actionable commitments that may be included in the global compact on migration, means of implementation and a framework for the follow up and review of implementation***

- Recognize that migrants' remittances contribute to reaching the Sustainable Development Goals (SDGs) in a variety of ways. In particular: at household level, by recognizing the positive socioeconomic impact of remittances on families and communities (SDGs 1-6); at community level, by supporting policies and specific actions to promote synergies between remittances and financial inclusion, encourage market competition and regulatory reform, and mitigate any negative impact resulting from climate change (SDGs 7, 8, 10, 12 and 13); and at national level, by ensuring that the revitalized Global Partnership for Sustainable Development – as outlined in SDG 17 – and the Global Compact on Migration promote collaboration across all sectors involved in remittances.
- The potential development impact of migrant remittances and investments can only be fully realized in partnership with coherent and realistic public policies and priorities coupled with private-sector initiatives. It is vital to engage further the governments of both sending and receiving countries, the private sector and the civil society towards a global partnership aiming at fostering the connection between remittances and development. [5]
- Support the endorsement of the International Day of Family Remittances by the UN General Assembly would constitute a long-term engagement and a critical step forward along the remittances and development roadmap, and would stimulate concrete actions towards the achievement of the SDG target 10.c.[6]

[3] IFAD Governing Council Resolution 189/XXXVIII, http://www.un.org/en/events/family-remittances-day/ and www.ifad.org/idfr
[4] More information at www.ifad.org/gfrid2017
[5] Recommendations from the Global Forum on Remittances, Investment and Development 2017. IFAD, UNDESA and World Bank, www.ifad.org/gfrid2017
[6] The International Day of Family Remittances (IDFR) has been proclaimed unanimously in 2015 by the 176

- Stimulate the exchanges and the dissemination of best practices and raise awareness on challenges and opportunities to harness remittances and diaspora investment through international and regional multi-stakeholder platforms addressing the various relating market and development issues such as the Global Forum on Remittances and Investment (GFRID), organized by IFAD, in partnership with the World Bank and UN DESA.[7]
- Develop national "whole-of-government" remittance plans in developing countries to fully assess and maximize the opportunity represented by remittances and migrants investments in their local economies. This can be done by adapting the G20 National Remittance Plans to the needs of remittance receiving countries. [8]
- Support the creation of a platform bringing together international financial institutions (IFIs) that share the vision of leveraging the development impact of the US$426 billion estimated remittances market in the developing countries. The platform would facilitate cross learning and coordination among IFIs on key initiatives and operations responding to the SDGs and the Financing for Development goal, in which remittances play a key role. IFIs are uniquely positioned with instruments, resources, experience, and knowledge to fully engage in this issue and leverage the potential development impact of remittances. moreover, several IFI initiatives are ready for broader scaling up role in prioritizing remittances on the global agenda, and could benefit from a collaborative approach.

States members of the Governing Council of IFAD (GC Resolution 189/XXXVIII), and it is currently at the United Nations General Assembly for formal endorsement.

[7] Recommendations from the Global Forum on Remittances, Investment and Development 2017. IFAD, UNDESA and World Bank, www.ifad.org/gfrid2017

[8] IFAD, 2017, Sending Money Home: Contributing to the SDGs One Family at a Time