

Inside this issue:

Global Forum on Remittances 2009	1	Sending Money Home to Africa: Remittance markets, enabling environment and prospects	2	The FFR at the G8 Working Group on Remittances	3
Tunis recommendations	1	2009 Call for proposals	3	IFAD testifies on the Impact of the Financial Crisis	3
				RemittancesGateway.org knowledge portal	4

The **FFR Update**, is a quarterly newsletter aimed at providing the latest information on the activities of the Financing Facility for Remittances to its donors, partners and other interested remittance stakeholders. The **FFR Update** is also meant to complement the

soon-to-be-launched **RemittancesGateway.org** newsletter scheduled for early 2010. For further details, and in order to receive the newsletter directly by email, please send your request to remittances@ifad.org.

Results of the Global Forum on Remittances 2009: Remittances as a Development Tool in Africa

The **Global Forum on Remittances 2009** was held in Tunis on 22-23 October. The conference brought new attention to the importance of remittances to Africa, the continent that has the potential to benefit most from increased competition, enhanced regulation and the adoption of new technologies. These topics, among others, were discussed and summarized in 6 recommendations that were formulated by the 240 Forum participants representing the private and public sectors, as well as civil society groups and international institutions.

With global attention in the field of remittances shifting towards Africa, the Forum focused on the African remittance market and the role of regulatory frameworks and the private sector in maximizing the micro, local and national impact of remittances.

At the Forum, each panel was asked to compile a series of recommendations on how companies, governments, and development actors can contribute to improve the African remittance market. Named after the location of this year's Forum, the "Tunis Recommendations"

are meant to energize the discussion on how to achieve the Group of Eight's (G8) goal of reducing the cost of remittances by 50 per cent over the next five years.

The **Tunis recommendations** fall into the following six categories:

- Increase competition
- Empower market actors
- Achieve effective and efficient regulation
- Adopt new technologies
- Expand access to financial services
- Make more financial services available in rural areas

The **Remittances, Business Models and Technology Fair** took place in parallel with the Forum and provided the opportunity for private sector entities and other stakeholders to exhibit their products and services. The Fair also served as a venue for interaction with other key remittance market players from the public and private sectors and civil society.

The event was organized by the International Fund for Agricultural Development (IFAD) and the African Development Bank (AfDB), in collaboration with the Inter-American

Dialogue (IAD). The Forum was a follow-up to the forums held in 2005 and 2007 and part of a series of events devoted to the creation of worldwide synergies among government, civil society and the private sector stakeholders that are key to maximizing the development impact of migration.

For information on the Forum visit www.ifad.remittances/events/forum09.htm

"Remittances hold immense untapped potential for the poor."

Kanayo Nwanze
IFAD President



Sending Money Home to Africa: Remittance markets, enabling environment and prospects

The new publication *Sending Money Home to Africa: Remittance markets, enabling environment and prospects* was officially released by IFAD during the Global Forum on Remittances 2009. The report summarizes the African remittance marketplace, and more particularly the regulatory framework relating to foreign currency transfers, competition in the marketplace and areas in which remittances intersect with financial intermediation.

Sending Money Home to Africa covers regulatory issues and the competitive environment in 50 African countries representing 90 per cent of remittance flows to the region. In addition, the report highlights the results of a survey carried out within the geographical

reach of microfinance institutions (MFIs) in 19 countries.

More than 30 million Africans live outside their countries of origin, sending more than US\$40 billion to their families and communities back home every year. Restrictive laws and costly fees hamper the power of remittances to lift people out of poverty, according to the report.

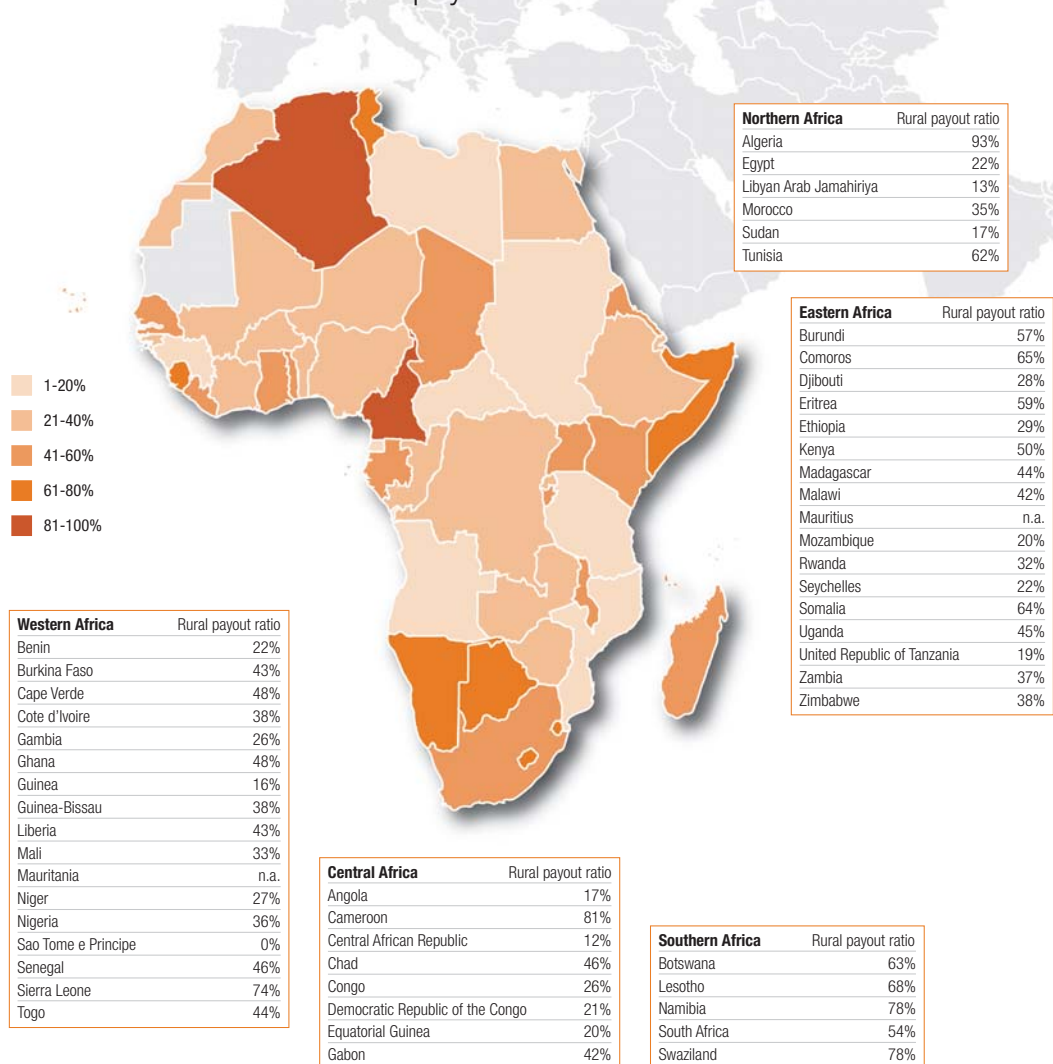
Globally, remittances top US\$300 billion per year, outstripping foreign direct investment and development assistance combined. But while transfer costs have declined significantly in Latin America and the Caribbean and in Asia, sending money home to Africa is still expensive, reaching peaks of 25 per cent per transfer. High costs are also maintained due to the low number of

pay-out locations in Africa. The country of Mexico alone has the same number of pay-out locations as the entire continent of Africa, despite having only one tenth its population.

Between 30 and 40 per cent of all remittances to Africa are destined for rural areas. The report emphasises that access to remittance services is highly problematic because payout locations are scarce and recipients are obliged to travel great distances to collect their cash. By simply enabling MFIs and post offices to conduct remittance services the number of payout locations would more than double.

To download the publication please visit <http://www.ifad.org/remittances/publications.htm>

Concentration of remittance payout locations in rural areas



Sending Money Home to Africa was presented at the Global Forum on Remittances 2009, in Tunis, Tunisia, on 22-23 October.



IFAD report explores how remittances can be catalysed through MFIs and postal offices.

2009 Call for proposals

Since 2006, IFAD's multi-donor Financing Facility for Remittances (FFR) has been working at maximizing the development impact of remittances and extending financial services to rural areas. The FFR provides grants for innovative proposals that help migrant workers and their families advance on the road to financial independence. As a result of the call for proposals launched last April, the FFR received over 320 concept proposals from around the world.

About 40 projects currently in the FFR pipeline are characterized by their unique contribution to expanding rural financial access through a broad range of mechanisms linked to remittances. Projects financed by the Facility cover areas such as mobile banking, domestic remittances, migrant investment, increased financial access by means of MFIs and postal offices, as well as projects specifically designed to address gender issues linked to remittances.

This year's call for proposals was opened to **private sector** actors as eligible direct beneficiaries of the FFR. The inclusion of the private sector aims to promote direct modernization and innovation, and to help drive down the cost of remittances while expanding the geographical outreach of remittance services. Projects from private sector actors in Madagascar, Nigeria and Sri Lanka were selected from the 2009 call for proposals.

The FFR at the G8 Working Group on Remittances

The G8 Working Group on Remittances comprises of leading organizations and experts in the field of migrant remittances. Hosted this year by the Italian Government, the conference drew up a "road map" for cutting emigrant remittance costs to a minimum. Franco Frattini, Italy's Minister of Foreign Affairs, specifically highlighted the importance

of this years' Global Forum on Remittances in Tunis during his opening remarks regarding the reduction in the cost of sending remittances.

On behalf of IFAD, Assistant President Kevin Cleaver discussed the significance of the Tunis Recommendations on the African remittance marketplace, spoke

about IFAD's new publication *Sending Money Home to Africa*, and reiterated the fundamental importance for an enhanced enabling environment for remittances.

To read more visit

http://www.esteri.it/MAE/EN/Sala_Stampa/ArchivioNotizie/Interventi/2009/11/20091109_Frattini_Rimessa.htm for Minister Frattini's remarks

IFAD testifies on the impact of the financial crisis

This November, FFR experts testified before the European Parliament on the impact of the crisis on remittances and presented the results of their analysis to the Global Money Transfers Summit in London and to the European Microfinance Week in Luxembourg.

The impact of the financial crisis on worldwide remittance flows has been a topic of great concern this year. With migrant unemployment remaining at extremely high levels, countries that traditionally host significant migrant populations are under severe pressure. Increasing competition for jobs and the pressure on wages is forcing some migrant workers to use their savings in order to continue sending money home. Diminished opportunities for employment abroad and heightened uncertainty, as well as more restrictive migration policies in traditional migration hubs, have slowed the flow of new immigrants.

According to IFAD estimates, global remittances have likely declined by as much as 10 per cent during the first six months of 2009. There are large differences in the effect of the crisis on individual countries and regions, however. Countries in Eastern Europe and Latin America and the Caribbean, have been particularly hard hit by the decline, which is threatening the livelihoods of millions who depend on funds sent by relatives and friends working abroad.

Despite these difficulties, however, remittances are proving far more robust than other capital flows. Foreign direct investment to developing countries, for instance, is estimated to have fallen by as much as 50 per cent in the first half of 2009. Furthermore, just under 15 per cent of the countries for which IFAD has data have actually seen remittances increase during 2009 – half of these countries being in Asia.

"Supporting this people-to-people money flow to rural areas of Africa is especially vital now because of the recession. The power of remittances can be catalysed by easing restrictions and making it less costly for African families to collect this money."

Kevin Cleaver
IFAD Assistant President



www.RemittancesGateway.org

knowledge portal

As was announced in Tunis, the Facility will be launching its new portal on remittances with the onset of the new year. RemittancesGateway.org is designed to act as a neutral one-stop-shop that provides the latest news, information, documents and data from a broad range of institutions and stakeholders. As well as serving as a conduit for information exchange and discussion, the Gateway will provide both country-specific and topic-related information from around the globe. The test version of the portal is currently available and we welcome input on how to improve the website's

goals of capturing and disseminating all relevant information from remittance-related practitioners, such as international organizations, industry leaders, the public sector, and other stakeholders.

In future modules associated with this portal, registered members will be able to showcase their knowledge and products across sectors.

Besides sharing information, the portal will also serve as a forum for discussion by means of dedicated blogs and thematic forums led by remittance experts from all sectors.



The IFAD Financing Facility for Remittances

The International Fund for Agricultural Development (IFAD) is a specialized agency of the United Nations, dedicated to eradicating poverty and hunger in developing countries. Its work in remote rural areas of the world helps countries achieve the Millennium Development Goals.

IFAD's US\$15 million multi-donor Financing Facility for Remittances is

funded by the Consultative Group to Assist the Poor, the European Commission, the Government of Luxembourg, the Inter-American Development Bank, the Spanish Ministry of Foreign Affairs and Cooperation, and the United Nations Capital Development Fund. It works to

(i) increase economic opportunities for poor rural people through the support and development of innovative, cost-effective and easily accessible remittance services, (ii) support productive rural investment channels, and (iii) foster an enabling environment for rural remittances.

To read more visit www.ifad.org/remittances



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