

## REPORT ON MIGRATION, REMITTANCES AND RURAL DEVELOPMENT

### *International Fund for Agricultural Development (IFAD)*

#### A. INTRODUCTION

The mission of the International Fund for Agricultural Development (IFAD) is to enable rural poor people to overcome poverty. Thus, the organization's interest in migration issues derives from the fact that migration is closely related to rural poverty. In recent decades, migration has changed the composition of families in many poor rural communities where IFAD operates. Globalization and migration are rapidly transforming the economic and social structure of rural life. More and more members of rural families are living abroad, far away from their dependants. However, poverty that forced rural inhabitants to migrate still exists in the places of origin and continues influencing lives and prospects in the countries of destination, as well as those of the people they left behind.

Remittances are the financial counterpart to migration and are the most tangible contribution of migrants to the development of their areas of origin. Migration and remittances are significantly reshaping the traditional social and economic structures of rural communities, in both positive and negative ways. Communities are extended beyond strict geographic boundaries, and their members abroad are playing an active role—sending remittances, bringing innovative ideas—in the well-being of the rural communities they left behind. At the same time, families are affected by the impact of separation and the absence of the most productive members of the communities.

Many migrants have established continuous social and economic interaction with their communities of origin and play unique roles as agents of change in both their countries of destination and of origin. Governments, financial institutions and international development agencies can no longer afford to ignore the ever-growing impact that financial flows from migrants have on the economic and social development of remittance-receiving countries. They also need to focus on how migration can positively influence the achievement of the development targets set by the Millennium Development Goals (MDGs). In addressing rural poverty, one challenge is to take these new social and economic realities into consideration and integrate them into innovative strategies for promoting rural development. The current economic crisis has revealed the importance migration and remittances have for millions of families that depend on this financial flow for their survival.

#### B. IMPACT OF THE ECONOMIC AND FINANCIAL CRISIS ON INTERNATIONAL MIGRATION

##### *1. The impact on remittances*

After years of steady increases in worldwide remittances, migrant workers and their families are facing new challenges in light of the financial crisis. According to IFAD estimates, global remittances may have declined by as much as 10 per cent in the first six months of 2009, with large differences in the effect of the crisis on individual countries. For the countries hardest hit in regions and major areas, such as Eastern Europe and Latin America, the decline in remittances is threatening the livelihoods of millions of people who

Furthermore, of the 31 countries for which IFAD has data, only four countries have shown increases in remittances in 2009. Three of these are in Asia.

The economic crisis is affecting both countries of origin and destination where employment opportunities for migrant workers are disappearing and many have seen their incomes significantly reduced. In the United States

money had amounted to about 10 per cent of the amount of money being sent but had recently increased to 25 per cent of the amount of money being remitted. African families were amongst those who could benefit the most from the achievement of the goal of the Group of Eight (G-8) to reduce the cost of remittances by 50 per cent over the next five years. The report revealed that the number of payout locations across Africa was the same as in Mexico, which had only a tenth of Africa's population. Between 30 and 40 per cent of all remittances to Africa were destined to rural areas where many recipients had to travel great distances to collect their money. By increasing the number of institutions able to conduct remittances services, including microfinance institutions and post offices, the number of payment points would more than double.

### *1. Outcome of the Forum on Remittances 2009*

At the Global Forum on Remittances, held in Tunis, Tunisia, from 22 to 23 October 2009, six recommendations to improve the African remittances market were developed:

- (a) Increase competition: encourage more actors to enter the marketplace; widen types of payment networks, and discontinue exclusivity agreements when they hamper competition;
- (b) Empower market actors: facilitate market actors' access to payment system infrastructure, to the maximum possible extent; build capacity of market actors to meet regulatory requirements, and foster cooperation and partnership between stakeholders;

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## 2. *Awareness-raising*

opportunities for rural populations; (d) promote innovative remittance and financial services, and (e) promote productive rural investment of migrants' capital in their countries of origin. To achieve these objectives, the FFR launched competitive annual calls for proposals.

The multi-donor Financing Facility was established in 2006 to maximize the development impact of remittances and to extend financial services into rural areas. The US\$ 15 million facility provides grants of up to US\$ 250,000 for innovative proposals that help migrant workers and their families advance on the road to financial independence.

In 2009, the FFR completed its third call for proposals for which 320 concept proposals were submitted. The inclusion of approved proposals in 2009 is expected to bring the total number of projects financed by the FFR to 40. Each of these projects was selected because of their unique contribution to expanding rural financial access through a broad range of mechanisms. The FFR projects cover such areas as mobile banking, domestic remittances, migrant investment and expansion of financial access through microfinance institutions and postal offices, as well as projects specifically focusing on addressing gender issues.

In 2009, for the first time, the call for proposals was opened to private sector actors who channel funds. Helping these companies to modernize, innovate and reach out into rural areas helped drive down the cost of remittances while expanding their geographical reach. Projects from private sector actors in Madagascar, Nigeria and Sri Lanka were selected from the 2009 call for proposals.

*Sending Money Home to Africa*, the FFR report presented at the 2009 Global Forum on Remittances, highlighted the significant role which can be played by postal offices. As a result of cooperation between the Algerian and French postal services, post offices had become the main pay-out locations in Algeria. The dense network of post offices, result in the highest rural coverage of financial services in any African country. A project under development in Morocco seeks to further test this model's applicability in other African countries.

While international remittances are highly significant, regional and domestic remittances are equally vital. For example, the amount of money that flows between China's cities and its countryside dwarfs most international remittance corridors. Picking up these remittances can require a long journey to the nearest pay-out location, especially in more remote mountainous regions. The resulting travel time and costs required to receive remittances reduce their potential impact. For this reason, the FFR selected a project which

recently, IFAD supported the preparation of the paper *Engaging diasporas and migrants in development policies and programmes*, prepared for roundtable session 1.2 of the Global Forum meeting held in Athens, Greece, in November 2009;

- (b) Migration, Remittances, and Development in Africa Project. IFAD has been co-financing this multi-donor project initiated by the World Bank. The objectives of the Project have been to: (i) improve understanding of migration and remittances in sub-Saharan Africa, including their magnitude, causes and impacts on poverty reduction, with a view to generating informed policy recommendations, and (ii) strengthen the capacity of policymakers, researchers, financial institutions and donor agencies in Africa to enhance the development impact of remittances. The most visible output of the Africa Migration Project will be a flagship report jointly published by the World Bank and the African Development Bank. This report will be organized in five chapters focusing on: (i) mapping migration and remittances phenomena in sub-Saharan Africa; (ii) remittances; (iii) outmigration or emigration of highly-skilled persons; (iv) resources of transnational communities other than remittances, and (v) policy recommendations. The report will be based on the results of remittance services providers surveys and migrant household surveys in selected African countries, as well as a survey of 176 central banks worldwide on remittances. The report will be launched in 2010;
  
- (c) The migration and development initiative. Recently, IFAD co-financed a multi-donor trust fund with the African Development Bank and the Government of France. The purpose of the initiative is to provide financing in order to: (i) improve knowledge on migrant remittances in Africa; (ii) provide support to reforms of the regulatory frameworks required to improve transfer conditions; (