Swiss NON PAPER

Remittances as Private Capital for Sustainable Development

Context

Remittances to people living in developing countries have seen a rapid increase over the past decade and have remained

; they have boosted entrepreneurial activities or have contributed to the reduction in headcount poverty rate. Households receiving remittances are less involved in deforestation and are more resilient against natural disasters. In 2013, private money transfers made by international migrants amounted to an estimated $550 billion, whereof $404 billion were sent to people living in developing countries (World Bank WB[1]). This amount exceeds the total sum spent on Official Development Assistance (ODA) times three. It is estimated that the total sum of remittances is at least 50% larger, if remittances transferred through informal channels were included.[2] The declaration of the UN High Level Dialogue on International Migration and Development, adopted in consensus, recognized the importance of remittances. Recent reports, notably the synthesis report by the UN Secretary General, the document of the Open Working Group on Sustainable Development and the report of the Intergovernmental Committee of Experts on Sustainable Development Financing reaffirmed the same message.

How to capture this in the Addis Abeba outcome document

At a side-event organized by Bangladesh and Switzerland during the informal substantive sessions of the Financing for Development process, discussants generated a number of ideas to foster the contribution of remittances to sustainable development. The outcome document of the Addis Abeba conference should include the following comprehensive and forward-looking policy recommendations related to remittances:

1. Acknowledge the private nature of remittances and thereby the fact that they are not a substitute for Official Development Assistance

These transfers are private economic transactions by individuals and conceptually quite different from other private or blended sources discussed in the context of the Financing for Development process. Nonetheless, they do have an evidence-based impact on all three components of sustainable development, and yet they should not be considered as substitute for Official Development Assistance.

2. Reduce the transfer costs of migrant remittances to less than 3% and eliminate corridors with transfer costs higher than 5%

Reducing the transfer costs of migrant remittances remains one of the principle objectives. With every percentage point we reduce the transfer costs, between 4-5 billion dollars remain in the hands of migrants and their families. Notably disruptive market innovation, access to mobile technologies of transfer as well as market competition and transparency are key factors reducing the costs. Governments should also review existing legal and policy frameworks to eliminate unnecessary and costly barriers. Finally, it can be assumed that low transfer costs would L Q F U H D V H P L J U D Q W V ¶ X V H R I I channels, which in turn relates to the role of remittances in enhancing financial inclusion.

3. Facilitate the role of remittances as a driver of financial inclusion by generating demand for tailor-made financial services

Financial inclusion contributes to poverty reduction, economic and social development and financial stability. By expanding the physical, economic, regulatory and cultural accessibility of financial services, we can reduce the number of un- or underbanked people, notably women, youth and the rural population and increase the sustainable development impact of financial inclusion. New technology and innovative business models can be linked to the transfer of remittances, thereby generating synergies. Migrants should get tailor-made offers to transfer their remittances into deposit or saving accounts, to pay for mortgages, insurance products or other services.

4. Ensure access to targeted gender-sensitive

Wording proposal

Consider