

**ELEVENTH COORDINATION MEETING ON
INTERNATIONAL MIGRATION**

Population Division

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LEVERAGING MIGRATION FOR SUSTAINABLE RURAL DEVELOPMENT ¹

International Fund for Agricultural Development (IFAD)

¹ The views expressed in the paper do not imply the expression of any opinion on the part of the United Nations Secretariat.

A. BACKGROUND

The mandate of IFAD is to enable rural poor people to overcome poverty; the organisation's interest in migration derives from the fact that it is intimately related to rural poverty. In recent decades, migration has changed the composition of families in poor rural communities where IFAD operates. Globalization, climate change and migration are rapidly transforming the economic, social and environmental structures of rural life.

Migration can potentially create opportunities for rural people in terms of increased financial assets, human capital and skills development, which can be fed into creating innovative, practical and effective initiatives for rural development. On the other hand, when rural women and men migrate due to a lack of decent livelihood opportunities in their rural milieu, they often find that they lack the education and networks to compete for decent jobs in already saturated urban job markets. In the context of the IFAD mandate, there is clearly a need to understand this process and how it may be leveraged to contribute to sustainable reductions in rural poverty.

B. ACTIVITIES OF IFAD ON MIGRATION AND SUSTAINABLE DEVELOPMENT

1. *Services*

The multi-donor Financing Facility for Remittances (FFR) of IFAD was created with the purpose of maximizing the development impact of remittances and empowering families to advance on the road to financial independence. This multi donor fund, has a US\$28 million grant portfolio, half of which was raised as co-financing by grant recipients.

Remittances are the most tangible contribution migrants make to their families, as well as to the development of their areas of origin. Remittances can create opportunities for starting new businesses and expanding existing ones, diversifying household economic activities, empowering rural women and increasing resilience against natural disasters and adverse economic events. Their role in reducing rural poverty and contributing towards the development of rural areas is supported by empirical evidence.

Through its operations, advocacy and outreach, the FFR brings worldwide attention to the importance of remittances, bridges the divide between urban and rural financial services, and drives innovation and competition in the remittance marketplace. The FFR approach merges activities on three fronts – (i) projects, (ii) advocacy and (iii) partnerships – and is rooted in evidence-based learning.

a. *Projects*

The FFR spurs innovation in the remittance marketplace by co-funding nearly 50 innovative projects in more than 40 countries worldwide, implemented by almost 200 partner institutions on the ground¹. The majority of these projects target: i) Governments, to encourage financial access to remittance senders and recipients, and to empower migrant workers to realize their financial goals; ii) the private sector, to develop profitable services tailored to the needs of migrant workers and their families; and iii) diaspora organizations, to help them empower themselves, invest in their members' families and rural communities, develop philanthropic initiatives, and share knowledge, skills and experience with their home communities.

b. *Advocacy*

The FFR is heavily involved in advocacy work and plays a key role in fostering an enabling environment that enhances competition and innovation in the marketplace. Data, research and project experiences are at the heart of the FFR policy advocacy. The Facility's work in this

regard (i) promotes recognition of the importance of remittances; (ii) mobilizes the interest of Government and the private sector in reaching out to remittance recipients; (iii) brings together Government, the private sector and civil society to highlight mutual interests and potential joint interventions; and (iv) encourages the creation of an enabling regulatory environment that fosters competition and attention to the financial inclusion of remittance recipients in rural areas. The FFR applies a number of instruments to disseminate information on a day-to-day basis, such as the Remittances Gateway web portalⁱⁱ, which collects and disseminates the latest news and information related to remittances from international institutions, think tanks, academic institutions, project partners, central banks and the press.

c. *Partnerships*

Encouraging partnerships between public, private and civil society organizations is central to the Facility's work. The FFR organizes biannually with key partners the Global Forum on Remittances (GFR), which brings together experts and stakeholders from government regulators, leading business groups and civil society in order to stimulate the debate on today's market realities and tomorrow's opportunities.

2. *Knowledge generation*

IFAD has contributed to research and the building of knowledge surrounding the role of migration on sustainable development and, in particular, on how best to leverage the development impact of remittances and enable migrants and their families to achieve financial independence. Below is a snapshot of the work of IFAD in this area.

- IFAD funded a study on remittances, growth and poverty in Asia (IFAD, 2012). The study re-examined the effects of remittances on growth of GDP per capita using panel data for 24 Asian and the Pacific countries. The results demonstrated that remittances broadly contribute to better economic performance, however volatility in their flows were sometimes a source of output shocks.
- IFAD-commissioned a study to explore the remittances market in Africa, covering regulatory issues and the competitive environment in 50 African countries, representing 90 per cent of remittance flows to the region. The study resulted in the report "Sending Money Home" to Africa which directed global attention to the high price of remittances in Africa, ultimately helping to bring the issue to the G8 table. As a result the "Five by Five" initiative of reducing the cost of remittances by five per cent in five years, was developed.
- IFAD co-financed the Africa Migration Project, a multi-donor co-financed project initiated by the World Bank to improve understanding of the role of migration and remittances in sub-Saharan Africa, in particular on poverty reduction, with a view to generating informed policy recommendations (World Bank, 2011).
- A study on the gender dimensions of remittances and related impacts on rural development was financed by an IFAD grant and conducted in partnership with the United Nations International Research and Training Institute for the Advancement of Women (UN-INSTRAW). It assessed the impact of remittances sent by Filipino migrants in Italy, demonstrating that migration and remittances have had a number of positive impacts on gender equality, including providing women with new and diverse employment opportunitiesⁱⁱⁱ (UNINSTRAW, 2008).
- IFAD, in collaboration with FAO conducted a study to analyse the root causes of rural out-migration and how they affect the resource base and livelihoods of rural communities, including links between migration and climate change (IFAD, 2008).
- IFAD contributes knowledge and experience to both the Advisory Group of the International Research Programme Consortium Migrating out of Poverty^{iv}, as well as

the Global Knowledge Partnership on Migration and Development (KNOWMAD)^v, focusing, inter alia, on rural youth, labour and the gender dimensions of migration.

- The “FFR brief: Five years of the Financing Facility for Remittances” reports on the results of the FFR since its setting-up in 2006, providing an overview of the importance of remittances to development as well as lessons learned from projects financed through the Facility.

3. *Knowledge sharing*

IFAD has organised numerous learning events around the topic of migration and development. A selection of some of the most prominent of these is outlined below.

- The Global Forum on Remittances 2013, to be held in Bangkok, Thailand from May 20 – May 23, 2013, will be jointly organised by the FFR of IFAD and the World Bank. The event will highlight the impact of the US\$400 billion expected to be sent home to developing countries this year, exchanging worldwide lessons learned, promoting private sector involvement and supporting national governments to foster enabling environments that maximize the impact of remittances.
- IFAD has supported the organization of the five Global Forum for Migration and Development (GFMD) events that have taken place since 2007, through its participation in the Friends of the Forum meetings, as well as its support to the preparation of several background papers for roundtables organized within the context of the Forum. IFAD has been represented at all the GFMD organized so far.
- In 2007, in conjunction with its 30th session of Governing Council meeting, IFAD organized a Round Table on Migration and Rural Employment. The Round Table participants included representatives of migrants and their organizations, governments, United Nations agencies, academic institutions and other stakeholders in rural development.
- Also in 2007, IFAD participated in the Second European Forum on Sustainable Rural Development and in its Working Group on Diversification out of Agriculture: the role of Migration and off-farm Employment.
- In the same year a documentary, *Cash Flow Fever*, was presented as part of BBC World's “Life” series, presenting the work of IFAD with remittances, as a follow-up of this documentary IFAD has produced various media products related to migration and remittances.
- Since 2007, the FFR has participated in over 30 civil society event around the world aimed at promoting diaspora investment in home countries, promoting joint investments with FFR co-financing. These activities and lessons learned were key for the launching of the programme *Diasporas Investment in Agriculture* in a collaboration between the US State Department and IFAD in 2011.

C. IFAD LESSONS LEARNED ON MIGRATION AND SUSTAINABLE DEVELOPMENT

The engagement of IFAD in migration issues, particularly through its FFR but also through knowledge generated from research and engagement in international fora, has enabled it to develop an series of best practices for leveraging migration for sustainable development. These good practices are based around the following core areas:

1. *Reducing the cost of remittances and related financial services*

This is considered as the single most effective tool for maximizing migrant workers’ funds and ensuring that as much of their incomes as possible remains in the hands of the remittance senders and their families. Supporting the adoption of new technologies in innovative

business models represents an effective means to lower the cost of remittance services. For example:

- Facilitate technological upgrades of post offices^{vi}
- Help financial institutions (FIs) adopt the more efficient transfer systems, such as the use of debit cards, mobile phones, supporting MFIs to upgrade to faster and less expensive cash transfer systems and the use of Arias airtime transfer systems^{vii}

2. *Broadening the geographical reach of financial services*

Up to 40 per cent of remittances are sent to rural areas, requiring the development of tailored mechanisms to overcome the challenges of poor communication, finance and transport networks in remote communities. The work of IFAD in this area includes:

- Modernizing postal networks, which offer a unique combination of a broad global presence of physical locations and a long tradition of procurement of financial services, to offer cheaper and faster remittance services.
- Developing mobile banking options in rural areas, emphasizing the use of mobile phones to provide “banking to the unbanked”.
- Building the capacity of Micro-Finance Institution (MFI) networks to offer rural remittance services, enabling MFIs to gain from both revenues and deposits, which can then be used to provide loans to local community members.
- Collaborating with commercial banks in mobilizing migrant capital to migrant-tailored financial products that promote higher returns and attract migrant savings to origin communities.
- Using the cooperative model as a tool to mobilize migrants’ savings at a larger scale and to enable re-investment in local development initiatives back home.

3. *Enabling migrant workers and their families to make more efficient use of their resources through financial/entrepreneurial education*

Relevant financial and entrepreneurship training and access to simple financial tools can help migrant workers to control their financial resources, make realistic plans for the future and adopt risk-mitigation strategies. Diaspora investment in small or medium-sized enterprises (SMEs) can be an effective way of creating jobs and generating income in origin communities. Recommendations include:

- Training on budgeting, saving, and setting long-term financial and migration goals, in conjunction with providing avenues to invest in agricultural projects in their home communities to enable migrants to contribute to the sustainable development of their home communities. This has been seen in the IFAD sponsored Atikha Overseas Workers and Communities Initiative^{viii} which provides financial education to both Filipino migrant workers in Italy and to their family members back home.
- Apply a community-driven understanding the local context/customs and existing needs of project beneficiaries. This is illustrated by an IFAD-sponsored project in Somalia where an FFR partner, the Somali diaspora group Himilo Relief and Development Association, offered basic literacy, mathematics and financial literacy with the support of local village elders, which ensured the ability of local women to participate in the training.

4. *Deepening the variety of financial services available to migrant workers and their families*

Both financial institutions and clients benefit from the ability of an institution to offer a broad range of financial services to remittance recipients. Through cross-selling of financial products, financial service providers increase their revenues, while the range of options available to rural households is deepened. Good practices include:

- Working with the private sector to offer enhanced attention to market data and customer-oriented approaches.
- Developing products such as housing loans, which are demanded by migrants' families, but have little availability in rural contexts.
- Using tailored insurance products to help protect migrant workers and their families against financial risks, thus avoiding the need to take out high-interest loans to cover expenses or sell assets to make ends meet.

5. *Addressing the role of young people and youth employment issues in migration*

Migration has been a central theme of the work of IFAD on youth employment and a number of recommendations have been developed. These will be implemented and elaborated on through the participation of IFAD in the UN System-Wide Action Plan on Youth as well as through ongoing and future IFAD projects and programmes.

- Foster partnerships between financial institutions, governments and NGOs for promoting financial literacy among young migrants and their families for accessing financial institutions and ensure that financial institutions and programmes target and provide windows with specific services for young rural women and men
- Generate gender and age disaggregated data and information about rural youth migration and employment
- Facilitate the creation of support networks for migrants so they can access information and services and, especially in the case of young women, protect themselves from hazards faced by migrants

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Endnotes

ⁱ FFR Brief: Five years of the Financing Facility for Remittances 2012

<http://www.ifad.org/remittances/pub/fiveyears.pdf>

ⁱⁱ <http://www.remittancesgateway.org/>

ⁱⁱⁱ Other aspects of this initiative included promoting gender-sensitive local rural community development in the Philippines and supporting capacity-building activities with migrant associations to improve the living conditions of Filipino migrants in Italy.

^{iv} <http://migratingoutofpoverty.dfid.gov.uk/>

^v KNOWMAD is a multi-donor trust fund set up by the World Bank, aiming at filling knowledge gaps on the impacts of migration on development and generating relevant policy options.

^{vi} FFR has done this in 355 rural West African locations to enable them to offer remittance services at half the price.

^{vii} <http://ariasfs.com/index.php?/about/>

^{viii} <http://www.ifad.org/remittances/projects/asia/ph-atikha.htm>