

Rome Road Map for Remittances (9th November 2009)

1. Migrants remittances represent a fundamental contribution to economic growth and development. In times of crisis they are relatively more resilient than other private flows. Amidst the current worldwide slump of private flows to developing countries, remittances represent a lifeline for more than 700 million people in developing countries.

The World Bank estimates that in 2008 remittances amounted to approximately 444 billion US dollars, out of which 338 billion US dollars went to developing countries. For reference, the total Official Development Aid from OECD countries in 2008 was approximately 120 billion US dollars.

2. Migrant remittances are private money. The public authorities can play an important role by fostering innovation, as a facilitator and as a catalyser for development. Over the last years the importance of remittances for economic growth and development has gained increasing recognition from governments, private sector and civil society.

3. The G8 Declarations of Sea Island in 2004, Heiligendamm in 2007 and Toyako in 2008 made specific reference to the importance of facilitating remittances. The G8 Conference on Remittances in Berlin in November 2007 reviewed the actions

agreed at the Sea Island Summit in 2004 and recommended several areas for action: (a) improvement in remittance data; (b) research on development impact of remittances; (c) implementation of the General Principles on International Remittance Services; (d) facilitating remittances flows and deepening the development impact of those flows; (e) attracting of remittances to bankable channels; (f) supporting innovative payment instruments; (g) establishing a Global Remittance Working Group.

The 2008 UN Conference on Financing for Development (FfD) in Doha dedicated a side event on innovative financing mechanisms and instruments and their contribution to development.

4. This is part of a joint global effort in which several multilaterals, development banks and donors are playing an important role. For example, the International Organization for Migration is engaged in migration issues and in the international support of remittances. The International Fund for Agricultural Development and Regional Development Banks, like the Inter-American Development Bank and the African Development Bank, are working on how to leverage remittances for development. All of these institutions are partners of some recent efforts in different regions.

5. The “Leading Group on Innovative Financing for Development” - a body gathering 55 countries, various international and non-governmental organizations – is aiming at moving forward discussions about setting up innovative development financing mechanisms and has dedicated specific working sessions to remittances. Important initiatives at national level have been launched in the recent years and are promoting remittances and their contribution to development.

6. Under the current Italian G8 Presidency, following the G8 Toyako Summit Declaration (para. 44) and the Berlin Conference recommendation n. 7, the Global Remittances Working Group has been set up.

In July 2008, at the Hokkaido Toyako Summit, the World Bank was invited by the G-8 countries to facilitate and coordinate a Global Remittances Working Group (GRWG), a multi-year platform aiming at facilitating the flow of remittances by providing guidance and policy options to the global community.

The Working Group identified the goal of reducing the cost of remittances by five percentage points in five years. The Working Group's recommendation got strong support at the G8 Summit in L'Aquila in July 2009.

For the first time at international level, the G8 Summit in L'Aquila identified and adopted a clear and quantified goal.

The G8 Final Declaration on Responsible Leadership for a Sustainable Future, in para. 134, states: "Given the development impact of remittance flows, we will facilitate a more efficient transfer and improved use of remittances and enhance cooperation between national and international organizations, in order to implement the recommendations of the 2007 Berlin G8 Conference and of the Global Remittances Working Group established in 2009 and coordinated by the World Bank. We will aim to make financial services more accessible to migrants and to those who receive remittances in the developing world. We will work to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years through enhanced information, transparency, competition and cooperation with partners, generating a significant net increase in income for migrants and their families in the developing world."

7. The “**5x5**” objective adopted by the G8 is a strong step-up in the field of supporting remittances, to be pursued in partnership with governments, operators and interested stakeholders. The “5x5” is open to the participation of all countries, international organizations and stakeholders that are engaged and motivated.

In particular, to achieve the 5x5 objective governments can tap into several activities that have proven effective in helping reduce the cost of remittances and include:

- a) fostering market transparency and consumer protection;
- b) improving the payment systems infrastructure;
- c) reforming the legal and regulatory framework;
- d) enhancing market structure and competition;
- e) adopting governance and risk management best practices.

These areas are identified in the WB-CPSS General Principles for International Remittances Services, the internationally agreed framework to guide actions to enhance the efficiency of international remittances.

To spell out this commitment and to design an **operational road map**, the Italian Ministry of Foreign Affairs and the World Bank have organized an International Conference on Remittances in Rome on the 9th November 2009.

8. The International Conference on Remittances in Rome has identified a set of possible initiatives according to a “*tool box*” approach, embracing various means to lower the costs of remittances and to improve their developmental impact:

- I*) improvement of data accuracy, for example through the use of migration and remittances modules in household surveys;
- II*) promotion of transparency and consumer protection in the market;
- III*) creation of national databases to inform customers and other interested parties on the costs of sending remittances;

- IV)* activities of moral suasion, advocacy and monitoring by relevant authorities;
- V)* participation to international initiatives and working groups, such as the Global Remittances Working Group;
- VI)* establishment of codes of conduct for remittance operators;
- VII)* creation of sound, predictable, non-discriminatory and proportionate legal frameworks on remittances;
- VIII)* implementation of best practices to increase the access to finance through remittances;
- IX)* elaboration and financing of projects in the field of remittances, including those that encourage innovative instruments of payments to facilitate the transfer of remittances;
- X)* efforts to continue monitoring the impact of financial crisis on migration and remittances;
- XI)* global survey of Central Banks on various areas to be updated, at least every two years;
- XII)* analysis of impact of remittances on development including their role post-natural disasters, labour market participation, poverty reduction, education and health outcomes, and role in providing financing for small business investments.

9. Active participation to the commitment of halving the global average transaction costs brings stakeholders to concretely supporting one or more tools related to the “5x5” objective. The international community should engage in the support, funding and implementation of projects aimed at achieving the “5x5” objective.

10. The World Bank will convene all relevant partners to review such process on the occasion of the Annual and/or Spring Meetings.