



Call to Action

“Remittances in Crisis: How to Keep them Flowing”

Workshop: Stocktaking & Priority Actions

July 14 from 15:00 h to 16:30 h UTC and July 16 from 20:00 h to 21:30 h UTC

SUMMARY REPORT

The workshop brought together a range of experts and focal points from governments, international organizations, civil society, and private sector partners who have joined the Call to Action to share how COVID-19 has affected remittances in their country, region or areas of operation, to discuss measures already taken to mitigate the effects of the crisis and to identify persistent gaps and further actions required. A summary of the discussion on measures taken and priority actions is set out below.

STOCKTAKING

Prior to the workshops, a survey was shared with the coalition of supporting member states and stakeholders to gain an overview of actions taken in response to the recommendations proposed in the Call to Action. The survey can be accessed on the [website](#) for governments and stakeholders that have not yet submitted responses or wish to re-submit it with additional measures taken. At the time of workshops, seven member states and several coalition partners had submitted their response and shared the actions to the proposed recommendations that had already been considered by their respective governments or organizations.

In addition to the survey, the Call to Action monitors policy measures that governments are taking to address the plight of migrants and families left behind with respect to access to remittances and financial services, healthcare and social safety nets, food security and livelihoods. An airtable with this overview is available on the Call to Action [website](#), with the aim of promoting cross-country learning and inspiring priority actions. After a presentation of the initial survey and airtable results by the workshop organizers, participants shared the perspectives from their respective contexts or areas of operation.



While the projected decline in remittances induced by the COVID-19 pandemic and the physical distancing measures adopted to “flatten the curve” was generally confirmed by participants around the world, a number of countries have seen an increase in incoming remittances during the crisis, including, for instance, in Honduras, Mexico, and Yemen for the months of either May or June. However, for Honduras, there has been a 5 percent drop for the six months year-to-year 2020-2019. A rapid assessment by the International Organization for Migration (IOM) confirms that remittances are not necessarily declining in all countries for the months of May and June. A potential reason for this could be that migrants are now relying more on formal remittance channels (where previously they used informal channels). Since the lockdown took longer than expected and migrants have obligations back home, they did not have a choice than to send money using the only available formal channels. Seasonality has also had an impact in these numbers since Mother’s Day and Ramadan took place in May. Also, it was noted that the diaspora appears to be sending more savings back home to their families during this time of crisis as it has been in previous crises (case of Mexico).

There were several mentions of use of formal versus informal channels for sending remittances. One speaker mentioned that trust can be an issue from the sending side, leading to an increase in ‘in-kind’ remittances in part due to exchange rate controls back home. The costs of sending and receiving remittances formally can also put people off using these channels. For the Pacific Islands and for Zimbabwe one of the key challenges is how undocumented migrants could continue sending remittances since they have limited access to formal channels.

The Call to Action highlights a key role for digital payments and services in keeping remittances flowing during the crisis and bringing costs down. Private sector participants and remittance service providers (RSPs) reported a significant increase in digital remittances during the COVID-19 crisis. Digital literacy is vital for effective use of such services, ensuring users understand the importance of the services and how to use them. In addition, risk-based regulations and e-KYC (electronic Know-Your-Customer) implementation will remain critical to support the adoption of mobile money transactions. Jamaica stated that the country issued new regulations on mobile remittances.

It was noted that sending remittances online could be more expensive than sending in cash, especially, if remittances are being sent through a bank account. It was also noted that availability of funds at the receiving end may take longer in those cases. Speed of transaction and transparency of fee were highlighted to be key factors for migrants that are yet to be addressed through digital/banking channels.

Participants underscored the need to reduce remittance costs. Yemen stated that money transfers are becoming more expensive. Fiji and Samoa also report high costs for remittance transfers. However, some initiatives at the corridor level such as the work of UNCDF and UNDP with Vodafone to build a Pacific hub



for fee-free remittances in response to the crisis, have resulted in in-coming remittances more than tripling and helped to digitalize transfers that were previously cash-to-cash.

The lack of transparency regarding fees from remittance service providers is contributing to higher costs, with a knock-on effect of lack of competition between these providers. Requiring providers to provide more information on fees and on the exchange rate could help. Countries with exchange rate controls are also facing cash unavailability in foreign currency.

Other issues mentioned that can increase the cost of remittances significantly is the growing need for due diligence by remittance service providers and problems associated with de-risking. The global banking system, driven by AML/CTF regulation, has significantly de-risked, and it seems likely banks will be even less tolerant to risk post-pandemic. Some RSPs have lost correspondent banks, affecting the number of services offered in different corridors. With less competition, certain corridors have experienced an increase in costs.

The importance of linking remittance flows with broader issues, particularly social issues, was highlighted by several speakers, as this is not simply a case of lost funds from a projected decline in remittance flows. For example, returning migrant workers can put a large burden on governments and employers in countries of origin in terms of reintegrating them into the local labour market. On the other hand, migrants can also contribute with their skills back home. In Africa, AFFORD is exploring the possibility of establishing a 'remittances social fund' to address gaps in support of its diaspora.

Currently, a 'reverse flow' of remittances is also observed in many countries, as families in the country of origin send money to migrant family members to compensate for loss of work and accommodation as a result of the pandemic. Often, host countries do not include migrants in their crisis responses and the migrants must rely on such reverse flows to survive. Migrant Forum Asia and several consulates are supporting migrants in countries of destination by way of temporary rent, health checks, food supplies and repatriation flights.

Restrictions on movement and strengthened immigration policies make it more difficult for people to move around, which can have an impact on the 'supply-side' of sending remittances, leading to decline in flows. Both the 'supply-side' and 'demand-side' of remittances must be considered when aiming to keep the flow steady.



PRIORITY ACTIONS

The speakers discussed a variety of actions that could help meet the above challenges:

1. Continue to focus on lowering remittance transaction costs, particularly for low-value payments.
2. Promote classification of money transfer services as 'essential', to ensure that these services remain active and available during a crisis. For example, in Jordan money exchange companies/banks have remained active, and people have been encouraged to use electronic channels to send and receive money, while physical distancing.
3. Take appropriate action requires accurate information on the current situation, such as identifying and considering both the 'supply-side' and 'demand-side' of remittances, designing a conducive policy environment for both, and monitoring high frequency (monthly) data on remittance flows, to assess the impact on the current account at the macroeconomic level and households at the microeconomic level.
4. Obtain clarification from Central Banks on the sending side on what constitutes appropriate risk-based policies in relation to correspondence banking and related services (e.g. remittances, trade services), based on the extensive guidance provided by global standard-setting bodies including the Financial Action Task Force (FATF), in order to reduce legal uncertainty and compliance costs with a view to reversing de-risking and the decline in correspondent banking links.
5. Facilitate access for migrants to financial services in countries of origin and destination. For example, there are 51 Mexican consulates in the US and six in Canada offering a key channel to serve the diaspora on financial literacy. Financial inclusion and financial literacy for both migrants and their families is also priority to enable them to use online channels.
6. Identify tailored remittance-linked financial products (e.g. remittance-linked medical insurance, payment of school fees, etc.) and investment products such as saving for retirement that would allow to use remittances for longer term purposes for migrants and their families. Participants also noted that renewed focus should be placed on leveraging remittances for improving country risk ratings and access to international capital markets through securitization and issuance of diaspora bonds.
7. Promote digital literacy through provision of tailor-made digital and financial education programmes for remittance senders and receivers. For example, the Tonga Development Bank has been providing financial literacy training for their staff, sending them to New Zealand.
8. Foster interoperability in the payment ecosystem – agent, customer, and platform – towards improving access, increasing competition and reducing costs. Efforts should also continue towards elimination of exclusivity contracts between RSPs, banks and/or postal offices. The removal of entry barriers for new players will contribute to increasing competition and reducing costs.



9. Include migrants and families left behind as part of the beneficiaries of social safety nets/recovery packages (e.g. a 'social fund') to address the socio-economic effects of declining remittances on health, access to food, livelihoods, etc.
10. Share positive experiences so that others can learn from them, identifying practices for: (i) improving technology, (ii) bringing down costs, (iii) de-regulation, (iv) incentives for competition, and (v) addressing exclusivity in contracts. There was a suggestion that the Call to Action could establish a forum for countries to share lessons and consider publishing a yearly handbook to exchange experiences.
11. Make links to other initiatives related to broader migration policies and financial inclusion, including the Financing for Development in the Era of COVID-19 and Beyond process, the UN SG Task Force for Digital Financing of the SDGs and the IFAD Remittance Community Task Force.

CONCLUSION

The primary focus of the Call to Action “Remittances in Crisis: How to Keep them Flowing” is the impact of COVID-19 on the flow of remittances. However, remittances cannot be considered in isolation. Several speakers emphasized the need to consider the flow of remittances against broader issues heightened by the COVID-19 pandemic. Also, the effects of the pandemic on remittances are not linear: it is not simply the case that ‘remittances are declining’.

Of particular concern are transaction costs of sending and receiving remittances. Increased transparency on fees would be helpful for customers, while competition between RSPs could be used to drive costs down. Digital literacy of migrants and families is also a key factor.

Financial inclusion for all with easy access to and understanding of digital remittances and financial services would facilitate the flow of remittances and improve the inclusion of migrants and their families to the formal financial ecosystem.

The diaspora continues to contribute financial and social remittances despite the adverse impacts of COVID-19. It is primordial to facilitate these vital contributions through appropriate policies and support measures.

Keeping remittances flowing during the economic crisis caused by the pandemic requires ongoing discussion and coordination amongst development partners, remittance service providers and governments. The Call to Action “Remittances in Crisis: How to Keep them Flowing” offers a platform for such multi-stakeholder engagement.



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AGENDA AND PARTICIPANTS

July 14 from 15:00 h to 16:30 h UTC	July 16 from 20:00 h to 21:30 h UTC
<p>Opening: Yemi Oluwakuyide (UK)</p> <p>Moderation: Hanspeter Wyss (Switzerland)</p>	<p>Opening and Moderation: Bettina Etter (Switzerland)</p>
<p>Participants: Honduras, Jordan, Mexico, Nigeria, International Catholic Migration Commission, International Organization of Employers (IOE), Migrant Forum Asia, AFFORD, ADEPT, Transferwise, World Bank/KNOMAD, IOM, IAMTN, UNDP, UNCDF</p>	<p>Participants: Australia, Jamaica, New Zealand, Yemen, Zimbabwe, AFFORD, ICMC, Migrant Forum in Asia (MFA), Pacific Island Forum Secretariat, IAMTN, ICC, IOM, UNICEF, UNDP, UNCDF, World Bank/KNOMAD</p>

Agenda:

1. Welcome and introduction
2. Taking stock of challenges and measures to keep remittances flowing during the crisis
 - a. What are the **key challenges** in sending and receiving remittances that you perceive in your context or area of operation due to COVID-19?
 - b. What **measures** have already been taken and what **gaps** still need to be addressed to keep remittances flowing during the crisis? What are **priority actions** going forward?
 - c. What are the **expectations** of your Government, organization or company towards the Call to Action and what partnerships or synergies should be sought with other initiatives or platforms?
3. Wrap up and closing