



Note on Pan-African Seminar: Reducing Remittance Costs and Financial Innovation for Inclusive Development

I Historical Context

1.1 The seminar is part of the African Development Bank (AfDB) Group's "Migration and Development" Initiative which aims at supporting efforts by the African Diaspora to reduce poverty and promote the development of their communities and countries of origin. With France's strategic support, the AfDB has, since 2007, undertaken to identify and address the main challenges facing the African Diaspora in the area of remittances. In the initial study¹, the AfDB focused on identifying the purpose of remittances and rationale that drives various economic actors involved in the remittance process. This exercise highlights the need to introduce reforms in the regulatory frameworks in order to foster cost reduction and diversification of the supply of financial products and services. It also shows the role the Diaspora plays in their countries of origin both through meeting the basic needs of their communities of origin and direct investment.

1.2 To support efforts by the Diaspora and states involved in remittances, the AfDB, with France's strategic support, created a "Migration and Development" Fund in 2009. This Fund aims at: i) improving understanding of mechanisms governing remittances; ii) improving regulatory frameworks governing remittances; iii) diversifying the supply of financial products and services; and iv) supporting members of the African Diaspora in their individual and collective investment projects in their countries of origin. Reducing remittance costs and better managing demand from members of the African Diaspora are at the heart of AfDB concerns.

1.3 In 2009, the AfDB called on the NGO Epargne Sans Frontière (ESF) to conduct an initial study on regulatory frameworks. The findings did contribute to promoting dialogue between regulators, financial systems supervisors and remittance agents. Two workshops for Maghreb and Franc Zone countries were organized. The first was held in Casablanca on 16 November 2009. It was followed by the Bamako workshop on 19 November 2009. Falling remittance costs in recent years in these regions, improving regulatory frameworks and greater transparency in the markets are probably, in part, the outcome of these meetings.

1.4 In 2011, in partnership with the French Development Agency (AFD) and the French Government, the AfDB requested ESF to assist in identifying financial products and services that are likely to help reduce remittance costs and better meet the needs and expectations of the Diaspora and their communities of origin. The study should contain proposals for better tailored financial products and services that are more likely to be considered by financial institutions and meet the expectations of the populations concerned. The study's geographic scope included France, Cameroon, Comoros, Morocco, Senegal and Tunisia. The remittances markets of these last four countries are different. The results of this study have been the subject of a report entitled: "Reducing the costs of migrant remittances and maximizing their impact on development." They were presented in Paris from 21-22 February 2012 to the various stakeholders of the remittance market, banking and non-banking financial institutions, money transfer companies, regulators and supervisors. Participants at

¹ See *Remittances, a development issue*, AfDB, 2008

the Paris meeting considered the work innovative. While meeting the needs of target customers, financial products and services offered took into account the interests and constraints of the agents that are likely to offer them.

1.5 To ensure better access to this study, participants requested the AfDB to ensure the widest possible dissemination of its findings and recommendations, both at the national and international levels. Workshops were held accordingly in study countries. The objective was to facilitate operators and authorities ownership of its main recommendations. These events have shown results. Several countries engaged and/or expedited the revision of regulatory framework. In parallel few banks and financial intermediaries diversified the financial products and services they are offering.

The Paris meeting also recommended that the countries meetings should be followed by a Pan-African seminar in which partners from the continent as well as from other regions of the world with established experience in the area of remittances will be called, to share their experience.

II Objective of the Pan-African Seminar

The Pan-African seminar aims at sharing knowledge and experience relating to the reduction of remittance costs and diversification of the supply of goods and services. It should enable stakeholders, financial operators, policy-makers, regulators, supervisors and representatives of the Diaspora to dialogue; examine the recommendations of the ESF study and explore possible partnerships in the supply of tailored financial products and services.

III Target Population and Participants

3.1 The seminar will be open to all financial institutions operating in Africa and interested in the issue of Diaspora remittances². They include Finance Ministry Officials, African Central Banks Regulators and Supervisors, Executives of Banks and Stock Markets Executives of Regional Development Financial Institutions, as well as members of the African Diaspora are invited to participate.

3.2 The event will also bring together resources persons and structures operating outside Africa, including banks and multilateral and bilateral development agencies; Latin American and Asian institutions with established experience in the area, as well as African and European research organizations working on the issue of remittances.

IV Materials

The meeting will use several materials. Participants will, in particular, have executive summaries of the study report reviewed on the basis of country workshops. A documentary film on remittances recently shot by the AfDB will also aired.

V Expected Outcomes

² Including Post and Microfinance institutions having the possibility of operating in this area and the deposit and consignment Banks.

The meeting should, in particular help:

- i) To define the best approaches to improve regulatory and financial oversight frameworks for better mobilization of remittances;
- ii) To lead to an agreement on the most suitable tools and services to reduce costs;
- iii) To explore the conditions for the channeling of some of the resources remitted to the financing of projects that create value added in countries of origin;
- iv) To arouse the interest of potential partners to finance the activities of the "Migration and Development" Fund; and
- v) To provide partnership opportunities between agencies and institutions represented, including through the "Migration and Development" Fund.