

## Webinar

# The developmental potential of Remittances and Diaspora Finance in Africa

1<sup>st</sup> December 2022

09-10:30 am (New York time)

## CONCEPT NOTE

### I. Background and Context

African countries have made efforts to mobilize the resources needed to support the developmental aspirations of African people, as encapsulated in the African Union Agenda 2063 and the United Nations 2030 Agenda and its Sustainable Development Goals (SDGs). Africa's development agenda, which is already financed to a large extent by its domestic resources, requires the mobilization of additional resources at scale for investment in social and productive sectors including from external sources such as Official Development Assistance (ODA), Foreign Direct Investment (FDI), portfolio equity, and remittances.

Remittances have become an important source of financing for Africa's development -almost double the volume of FDI. However, they continue relatively untapped sources and are therefore unable to fulfill their potential in Africa's development. Remittances to Africa rose from \$67 billion in 2016 to \$87 billion in 2019. In 2020, they decreased by 4% due to the COVID-19 pandemic and have recovered in 2021, to grow again by 9%, reaching \$91 billion.

Remittances have a strategic position in African countries, due to their nature and increased volumes during the last decades. They have proved to be countercyclical and more resilient compared to other sources of finance, especially during economic downturns and crises as was demonstrated during the COVID-19 pandemic.

The international community has recognized the importance of such sources and their potential to contribute to achieving the SDGs. In fact, SDG 10, on reducing inequality within and among countries, refers under goal 10.c to the need to reduce the transaction costs of migrant remittances to less than 3 per cent and eliminate remittance corridors with costs higher than 5 per cent, by 2030. Furthermore, Objective 20 of the Global Compact for Safe, Orderly, and Regular Migration, commits to promote faster, safer and cheaper transfer of remittances and fostering financial inclusion of migrants.

However, the cost of sending money to Africa continues to be high—reaching 7.7 per cent in 2021, the highest rate among the rest of the regions, while at the same time the development impact of remittances is not fully exploited.

Several factors continue to impact the cost of remitting money and affect the development impact of these flows, including the degree of competition in the remittance corridor, availability of information to the sender on the different cost service options, migrant stock, exchange rate volatility in the recipient country, financial development in both the recipient and sending countries, the lack of adequate financial services, the low financial inclusion and choice of transfer instrument (cash, bank or mobile) and channel (formal vs informal). A recent policy paper<sup>1</sup> by the UN Office of the Special Adviser on Africa examines the opportunities offered to further attract remittances and diaspora finance for Africa’s development, by highlighting the critical role of international cooperation in supporting African countries’ efforts in this endeavor and facilitating putting in place the necessary conditions to further attract remittances and diaspora finance and harness their transformative financing capabilities. The same policy paper demonstrates that the cost of remitting has a negative relationship with the volume of remittances received and a positive correlation with the Gini income inequality index. Countries receiving substantive volumes of remittances and those relying on these sources (as per the share of GDP) have registered lower levels of inequality compared with other countries. The analysis confirms the income-equalizing effects of remittances and the specific role played by the cost of money transfer in this effect. However, no significant correlation was found between the cost of remitting and poverty reduction in Africa, using the Multidimensional Poverty Index (MPI). The paper concludes by affirming that reducing the cost of sending is fundamental to increasing remittance flows and maximizing their developmental impact and diaspora finance if properly mobilized, could create job opportunities, and have a growth-generating impact.

Against this background, the United Nations office of the Special Adviser on Africa (OSAA) in collaboration with the International Fund for Agricultural Development (IFAD), is organizing a webinar on “*Exploring the developmental potential of remittances and diaspora finance in Africa*” on 1<sup>st</sup> December 2022 from 09-10:30 am (EST).

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<sup>1</sup> The policy paper is entitled “Strengthening the developmental impact of remittances and diaspora finance in Africa: what is the role of international cooperation?” available at <https://www.un.org/osaa/content/reports-and-publications>

## II. Objective

The webinar aims to raise awareness of the importance of remittances and diaspora finance and their potential in contributing to Africa's development agenda. The specific objectives of the webinar are to:

- Discuss the challenges, opportunities, and policy implications of leveraging remittances and diaspora finance in contributing to Africa's sustainable development;
- Highlight the best practices and policy innovations of regulators and operators across Africa aiming to facilitate remittances; and
- Explore avenues to leverage remittances to deepen financial inclusion and resilience in African countries.

## III. Expected Outcomes

- A substantive contribution to the discussion on recovery and resilience through digital and financial inclusion that will take place during the upcoming Global Forum on Remittances, Investment and Development (GFRID) Summit in Nairobi in June 2023.
- Strengthened dialogue and advocacy on the potential of remittances and diaspora finance in Africa.
- Strengthened partnerships among African policymakers and development stakeholders to facilitate increasing remittances and channel them toward Africa's development.

## IV. Format and participation

The webinar<sup>2</sup> will last for an hour and a half and will be hosted virtually via the ZOOM platform. It will be open to all participants, including high-level government officials from all UN Member States, as well as representatives from African regional institutions, the UN system, bilateral and multilateral partners, civil society, the private sector, and academia. There will be simultaneous English/French interpretation.

Registration will be required.

Registration link: <https://forms.office.com/r/SNBsD1iULx>

Scan code to register



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<sup>2</sup> This webinar contributes to the [eGFRID series](#) of virtual events aimed at facilitating the coordination and engagement needed for the implementation of the remittance-related policy options.