A set of preliminary findings and actionable outcomes resulted from the GFRID Summit 2023. These are directly linked to the 2030 Agenda for Sustainable Development and its Sustainable Development Goals (SDGs), and the Global Compact for Safe, Orderly and Regular Migration (GCM) Objectives 19 and 20.

The upcoming months will be used to fine-tune them with all moderators and speakers at the GFRID 2023 Summit, in order to have a final set of actionable outcomes to be presented to all Member States in the framework of the upcoming SDGs Summit in September 2023.

As the GFRID 2023 Summit was organized around two tracks:

I. Remittance track, and
II. Diaspora investment track,

the main findings and recommended actionable outcomes are presented accordingly.

INTRODUCTION

The economic contribution of migrants - through the remittances they send and the investments they make - to their families and communities back home, is now more important than ever, and it is recognized as a development priority.

Remittances and diaspora investment are very different in scope and needs, and require unique and adapted approaches to fully maximize their developmental potential.

- International remittances are a private cross-border, person-to-person payments of relatively low value, sent regularly by migrant workers to their relatives in their home countries with the purpose to support their livelihood and contribute to their wellbeing.
- Diaspora investments respond to a personal goal set by the migrant to finance an opportunity in the own country of origin. They can be either individual or collective and vary in terms of size, scope, duration, regularity.
Both remittances and diaspora investments are potential “flows of change” in their countries of origin by promoting economic opportunities and sustainable development.

**REMITTANCE TRACK**

Remittance flows are a lifeline for their families and are vital for the livelihood of their communities. Remittances are a critical component of national economies in most low- and middle-income countries (LMICs), where US$647 billion were received in 2022. If the trend is confirmed, it is estimated that by 2030 – in the next 7 years – migrants will have sent over US$5 trillion in remittances to their families in LMICs. Currently, one billion people, or one out of eight people, are directly involved in either sending or receiving remittances and more than half of these flows reaches rural areas, where they count the most.

In 2022, remittances to and within Africa were estimated at over US$100 billion. This estimate is considered to be a substantial undercount of actual flows. Even so, this money benefitted at least 200 million family members of African migrants in a continent where 55 per cent of the population still lives in rural areas.

1. **Expand and strengthen the collection, analysis and application of remittances data to foster effective public policies and private-sector investment, and informed decision making at the customer end**

One of the basic components of this industry is data, market intelligence and information leading to transparency and consumer protection. Data is a crosscutting enabler to advance competition and financial and digital inclusion of the most vulnerable through remittances, which can lead to achieving development goals related to these flows ahead of 2030.

Reporting data from supervision platforms is critical in monitoring both inflows and outflows. Indeed, publishing data enhances business decision-making by remittance service providers (RSPs). However, in Africa only 6 countries are publishing data on a regular basis.

Therefore, there is a strong need for a data repository that combines data across markets on a single platform to enable easy access and make connection between the development dimensions of remittances. This calls for uniformity in reporting standards and collaboration across countries.

**Actionable outcomes:**

- All stakeholders can continue to collect and make available publicly all data relevant on remittances.
- All stakeholders can work together to provide data at a more granular level to understand customer needs, including details on flows and costs per corridor and channel, customer preferences, by gender, by rural vs urban areas, in-kind and informal remittances and use of remittances. This entails demand side surveys beyond data collected by central banks.
- In this regard, both sending and receiving countries can collect and publish granular remittances data. The examples of Italy, Uganda and Kenya in this regard are commendable and could be replicated by other Member States.
• Harmonization of reporting standards and collaboration across countries. This may mean also a centralized data repository providing data and market intelligence to RSPs and policymakers at a country or regional level.

• The RemitSCOPE platform developed by IFAD, is conceived as a collaborative platform.

2. **Continuously review legal and regulatory frameworks on remittances to promote harmonization across jurisdictions.**

In 2021 there was a 22 percent decrease in correspondent banking relationships, yet we are seeing an increase in remittance volumes. The first questions that arises are: do we need to rethink our terms, and talk about de-banking instead of de-risking? Are family remittances really threatening financial integrity?

**Actionable outcomes:**

- Enhance capacity building for regulators on how to effectively apply risk-based supervision and foster innovation while mitigating new risks.
- Promote evidence-based risk assessments leading to proportionate policy responses to risk.
- Compliance in the financial sector should be done sustainably paying attention to financial inclusion outcomes as outlined in the FATF guidelines.

3. **Promote broader market interoperable instant payment systems to remove the need for closed loop systems and bilateral relationships that undermine competition leading to enhancing greater reach.**

Most regulations have abolished exclusive relationships among operators opening the market to more players. Yet, the remittance value chain is highly fragmented driving up costs.

In particular, intra Africa remittance transfers (8.46 per cent) are more expensive than average world cost of 6.3 per cent, and much higher that SDG 10c target of 3 per cent by 2030.

The licensing environment is still challenging for most operators, characterized by lengthy processing times, lack of harmonized regulations, lack of guidance for operators. In most cases operators must license on both sides of the corridors they serve which makes market entry challenging.

Also, transaction settling time has improved but this is still an issue in some markets.

**Actionable outcomes:**

- Harmonize regulation across jurisdictions to enhance efficiency in payment systems.
- Streamline licensing requirements for market operators.

4. **Essential to increased financial inclusion through remittances is enhanced digital access and bundled adapted financial products**
COVID changed the remittances landscape forever – digitization is an enabler to achieving SDG 10c. And the hybrid in cash and digital methods became a new normal.

In turn, financial inclusion enhances remittances recipient resilience and facilitate asset-building.

**Actionable outcomes:**

- Bundling of financial services linked to remittances is key for savings, credit and insurance products to be available among vulnerable people at the last mile.
- Bringing remittance families as formal financial sector customers, removes them from the risky and low-value customer segment.

5. **Financial education is a major enabler along with digital literacy to financial inclusion linked to remittances and for the uptake of digital methods**

Lack of financial education continues to be a bottleneck for the uptake of financial products and requires the combination of financial literacy. Many people are limited in making informed decisions about remittance products or even bundled ones.

The role of the private sector in terms of financial education. Can financial education be bundled with digital literacy?

**Actionable outcomes:**

- Financial and digital education attempts must be scaled up.
- Combining basic commercial financial product awareness with financial education, may lead to more people knowing how to manage their own budgets and choose their products.
- Financial literacy is a case for private-public-people partnerships. Consumer protection and transparency is also involved to disclose FX margins, which represent a high percentage of cost for remittances.
- Risks and advantages about innovation related to virtual assets including CBDC is an ongoing discussion. Capacity building is still needed among regulators to understand these technologies to enable financial inclusion.
- A test and learn approach is still needed regarding potential role of digital currencies in advancing financial inclusion through remittance flows.

6. **Remittance contribution to climate finance has been largely ignored because of lack of reliable data that shows this link and the broader misconception that remittances are mostly for consumption purposes**

The GFRID engaged on the possibility of new options and incentives that will enable remittance families to more effectively build resilience against climate-related risks and economic and social fragility. It was agreed that agriculture, from small holders to the largest commercial operations, confronts a changing climate that challenges livelihoods, food and water security, agricultural productivity, the viability of communities and settlements, property, and supply chains among other vulnerabilities.
Poor communities remain exposed to climate shocks with many of them being only one shock away from falling into poverty.

**Actionable outcomes:**

- As remittances are already financing climate adaptation needs, and the demand for climate adaptation and mitigation finance is on the rise, remittances can be recognized as builder of resilience in communities. More funds can be committed for this.

- Small holders and other farmers can be provided the know-how and access to solutions that can empower them to better anticipate, measure and ultimately adapt to a range of climate risks. These involve the offer of services and products that rural producers will need to navigate the local risks of global climate change.

7. **Strengthening partnerships is a priority action**

Remittances move around on a competitive field in which different stakeholders meet. In Italy, as an example, they have created two different inter-stakeholder tables on remittances and on financial inclusion. This enables identification of a common understanding and a systemic approach, which is part of offering effective solutions for a more competitive playing field.

**Actionable outcomes:**

- Convening the public and private sectors, and the civil society beginning from the local level up to national and international levels, can help coordinate and implement strategies, policies and actions, and evaluate implementation efforts on a regular basis.
**Diaspora Investment Track**

Diaspora resources are estimated at half a trillion dollars in savings and remains largely untapped. Besides the remittances they send home, migrants invest, both singularly and collectively, into micro, small and medium enterprises (MSMEs) both in their countries of origin and in their host countries. They set up enterprises, build assets and create international trade relationships. While living abroad, migrant workers participate in many transnational economic activities with the country of origin that set the basis for deep ties and impact in their home societies. Those ties and impact create a space for intervention in economic development, particularly when government policies or the donor community support and integrate their engagement.

Furthermore, not only can diaspora investments contribute to economic and social development in the countries of origin, but they also provide a response to mitigate the impact of climate change. In response to the different investor profiles and risk appetites, some models have emerged, including structured bonds and related financial products, crowdfunding platforms and impact investment.

These models pool individuals’ resources into secure vehicles, provide transparent and updated information about investment opportunities and risks associated to expected impact and returns. However, they seem to remain scattered and isolated, without clear long-term strategies on how to take full advantage of the resilience that diaspora investment bring to the development agenda.

1. **Realistic data on diaspora investment is still very limited, but is crucial for the design of enabling policies and the creation of financial vehicles adapted to the need of the migrant investors**

While data on remittances flows and costs have significantly improved over the last two decades – although further efforts are still needed – on diaspora investments we are still far from having reliable aggregated data. The actual estimate of half a trillion USD in migrants’ savings is probably underestimated, and no global surveys are currently in place to calculate the aggregated investments made by migrants on annual basis.

**Actionable outcomes:**

- More realistic data on the amount invested by migrants on regular basis - and disaggregated by country and thematic areas - is crucial for a better understanding of this growing global phenomenon, and subsequently create the optimal conditions to fully maximize its potential for development.

2. **Enabling environments and harmonized regulatory frameworks are essential for reliable investment models that respond to the needs of the diaspora investors**

Diaspora investments are growing exponentially. At the same time, new innovative investment models and vehicles are increasingly being tested to respond the different needs of the diaspora investors.
However, these products often sit between two regulatory frameworks – one in the country of origin, and another in the country of destination. This creates complexity, expense and other limiting factors that hugely affect the efficiency of these products.

**Actionable outcomes:**

- It is critical that a multi-stakeholder dialogue is put in place to address issues such as KYC, AML, access to bank accounts, cross-border investments and other forms of pooling investments from individuals. This dialogue must include regulatory authorities alongside development agencies and diaspora organizations.
- This dialogue and the interventions that would follow, will allow diaspora investment to continue to grow, in terms of volumes, size, and impact.

3. **“Know your Diaspora investor” is essential to move from simple transactional acts to real transformational impact**

Diasporas are not a homogenous group of people. As every normal investor, each one has different origin, story, level of financial education, investment means and purposes. At the same time, diaspora investors share the common willingness to have an impact in the economic and social development of the communities and countries where their investment is to be made.

**Actionable outcomes:**

- Reliable surveys and thorough analysis of the targeted diaspora are a compulsory initial step for the creation of any secure, reliable, sound and efficient investment vehicle, which intends to adequately respond to the different needs of the various diaspora segments.

4. **Diaspora investments corresponding to different diaspora investor profiles and motives are emerging, but more needs to be done to improve reliability and impact**

In response to the different investor profiles and risk appetites, some models have emerged, including structured bonds and related financial products, investment-based crowdfunding platforms, peer-to-peer mechanisms and other impact investment funds.

Some migrants also intend to invest in their own business and become entrepreneurs.

**Actionable outcomes:**

- There is a need for more dedicated approaches and customized instruments to pool individuals’ resources into secure vehicles, and more transparent and updated information about investment opportunities and risks associated. These can help build trust among the diaspora and to take full advantage of their developmental potential.
- In turn, the road to becoming entrepreneur may be longer and requires adequate financial education and dedicated business development support.

5. **The potential of diaspora investment for climate adaptation is enormous but still under-exploited. Much more needs to be done to make it truly impactful**
Diaspora investments offer a promising avenue for rural communities to build climate resilience and break the cycle of climate-induced forced migration. Migrants’ investment can be – and in some cases are already - used by rural entrepreneurs to promote climate adaptation solutions, thereby improving food and economic security, fostering the adoption of smart agriculture, irrigation and land restoration practices.

Despite all of this, very little analysis and research on this correlation has been undertaken so far. The attention is focused on migration as a response to environment and climate change, while it only marginally analyses the relevance of diaspora investments and remittances for the creation of climate adaptation solutions.

At the same time, diaspora investors are not always adequately informed about the opportunities to invest in climate adaptation and resilience activities.

**Actionable outcomes:**

- Increased awareness about the importance to invest in climate adaptation strategies, matched with the creation of climate-oriented investment mechanisms, adequate climate finance education for diaspora investors and rural entrepreneurs, can exponentially expand the amount of diaspora investments in impactful climate-resilience activities, and subsequently enable rural entrepreneurs to adapt to climate change.

6. **It is time to move from pilot to scaled up interventions**

Over the recent years the demand by the diaspora for adequate investment mechanisms has grown exponentially in line with new generations’ impact and sustainability expectations. In response to the different investor profiles and risk appetites, some models have emerged, under the form of pilot projects and initiatives with different degree of success, which have created a quantity of lessons learned.

**Actionable outcomes:**

- Move from pilot to scale, and involve all actors and stakeholders, the public and sector, the civil society and the diaspora organizations in taking full advantage of the lessons learned gathered so far. Successful solutions need to be replicated, expanded and adapted to different contexts.

- Barriers preventing diaspora investments in promising SMEs or national bonds need to be removed; actions to facilitate the set-up of compliant vehicles to pool diaspora resources in host countries need to be taken. Incentives to orient diaspora towards reliable investment options while enhancing their financial literacy should be provided, and mechanisms to reduce their investment risks should be put in place.