

Initiative Against Hunger and Poverty (IHP): 'Remittances: Proposals to Improve Their Impact as a Source of Financing for Development - A Spanish Contribution'



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The Spanish initiative on Remittances

The Spanish initiative seeks to enhance Remittances as an effective source of finance for development, by no means trying to substitute current flows of development aid. The Spanish initiative considers the involvement of the Public Administration, the financial sector, university circles and civil society. By choosing to focus on Remittances Spain tries to make most of its experience as a Remittances receiving country during the 60s and 70s to help developing countries.

agenda

- 1. Introduction: the IHP**
- 2. Characteristics of Remittances**
 - 1. Remittances in the World**
 - 2. Remittances in Spain**
 - 3. Remittances as a Source of Development**
- 3. The Spanish Experience**
 - 1. Introduction**
 - 2. The Action Plan**
 - 3. Basic Elements of the Initiative**
 - 4. The Role played by the Administration**
 - 5. Pilot Projects**
 - 6. Next Steps**
 - Memoranda of Understanding**
 - Workshop**
 - 7. Working method**
- 4. Conclusions**
- 5. Contact details**

Introduction: The Initiative Against Hunger and Poverty (IHP)

- ▶ The Initiative Against Hunger and Poverty (IHP) arose within the context of the search for innovative financing mechanisms for development
- ▶ The IHP seeks to :
 - Increase current flows of development aid, not substitute for them;
 - Achieve greater stability and previsibility...
 - ...so aid may be more efficient
- ▶ Starting point: Geneva Declaration (January 2004)
 - *'...The fight against hunger and poverty and the promotion of development will not be accomplished unless the gap between political undertaking and development financing is urgently bridged...'*
 - Supported by the UN Secretary-General
 - Signed by Brazil, Chile, France, Spain, Germany, Algeria and South Africa
- ▶ A Technical Group (TG) was created to study innovative financing mechanisms, focused on attracting funds for eradicating hunger and poverty (the first MDG).
 - TG's report was presented in September 2004 (at the UN New York), as part of the World Leaders Summit on 'Action Against Hunger and Poverty'.
- ▶ Within this scope, Spain has focused on studying the impact of remittances on development processes.
 - Not a fortuitous choice -> experience in recognising the importance remittances in our own economic growth.
 - Involvement of the Spanish Public Administration, financial sector, university circles and civil society.

Characteristics of Remittances – World – Spain

▶ REMITTANCES IN THE WORLD

- Total volume 2006: 199 bn US\$ -> only 2nd to FDI
- Greatest Remittances' generators 2004: EU (43.3 bn US\$), USA (37.7 bn US\$), Saudi Arabia (13.5 bn US\$), Switzerland (13.4 bn US \$), Germany (10.4 US\$).
- World Bank:
 - “... a 10 % increase in the share of international migrants in a country's population ->1.9 % decline in the share of people living in poverty...”
 - “...a 10 % increase in the share of international remittances in a country's GDP ->1.6 % decline in the share of people living in poverty...”

▶ REMITTANCES IN SPAIN

- Since 2004, ranked 5th worldwide
- Total volume 2005: 4.6 bn € (vs 2.5 bn € ODA)
- Total volume 2006 (estimates): 5 bn € (vs 3.25 bn € ODA)
- It represents aprox. 10% trade deficit, 0.4% GDP
- Destination: Latin America: 69.5% (Spain is 2nd largest source of Remittances, after the USA), of which Colombia (21%), Ecuador (20.2%) and Bolivia (9.3%)
- In some cases, Remittances sent from Spain make up a major part of the countries' GDP: Bolivia (5.7%), Ecuador (3.6%), Senegal (1.6%), Dominican Rep. (1.4%), Colombia (1.1%)

Characteristics of Remittances – Remittances as a source of development

- ▶ Remittances are private flows -> NOT ODA.
- ▶ However, possible impact on development if their catalysing potential is properly exploited -> need to identify obstacles:



- Excessive transfer costs
- Lack of geographic coverage by financial institutions in recipient countries
- Lack of necessary banking culture
- Lack of mechanisms to boost the impact of remittances on development

The Spanish Experience - Introduction

- ▶ **Key role of Remittances in Spain's economic growth in the past: positive role by financial organisation -> emigrants able to increase Spaniards' credit capacity -> financing productive projects**

- ▶ **Spain could make use of excellent experience -> Within IHP framework, set out to identify measures able to contribute to increase impact of Remittances as a source for development**

The Spanish Experience – Action Plan

- ▶ **In 2005, Spain's Ministry of Foreign Affairs and Co-operation took on the coordination of this initiative, and designed a four-phase action plan:**
 - **Identification of actors and possibilities, and reflections on remittances as a development tool;**
 - **Elaboration of a working document reflecting an approach which could be considered with the other actors;**
 - **Design and execution of a pilot project with Ecuador, Morocco, and Senegal, priority countries for Spanish co-operation and principal recipients of remittances sent from Spain;**
 - **Elaboration of a working method based on our accumulated experience.**

- ▶ **Phase III of the plan is currently under way.**

The Spanish Experience – Basic Elements of the Initiative

- ▶ **Encouraging the linkage between Spanish financial systems with those of recipient countries -> financial institutions in recipient's countries offer credit margins to the person receiving the remittance -> investment in projects able to improve their personal future expectations**
 - **Spain's International Co-operation Agency (AECI) will promote and coordinate this process**
 - **Supported by other relevant departments of the Spanish Administration**

- ▶ **Creating public-private alliances with immigrant associations, co-operation agencies and other interested organisations -> to carry out community-based projects**

The Spanish Experience – The Role played by the Administration

- 1. To Co-ordinate all actors involved**
 - ▶ **In particular, establish a close relationship with immigrant associations in Spain**
- 2. To carry out public awareness campaigns in order to:**
 - ▶ **enhance trust in the financial system**
 - ▶ **close the banking culture gap - both in Spain and in the recipient countries**
 - ▶ **create a two-way communication - benefiting both sides of the remittance equation**
- 3. To provide consulting services for remittance recipients so that they could benefit from the increase in their credit capacity**

The Spanish Experience – Pilot Projects

- ▶ **3 pilot projects under way:**
 - **Senegal**
 - **Northern Morocco**
 - **Ecuador**

- ▶ **All of them aim to meet the goals of promoting development through remittances:**
 - **setting up mixed working networks (involving associations, communities, NGOs and local and financial organisations)**
 - **building a working methodology in order to replicate the experiences' positive aspects**
 - **testing efficient communication and co-ordination mechanisms.**

- ▶ **Co-ordination meetings between the representatives of these pilot projects and the Administration have focused on:**
 - **determining the current state of these projects**
 - **ensuring that they follow the guidelines set out by the IHP Technical Group.**

- ▶ **End 2006 is expected a document summing up the results obtained to date and the lessons learned**

The Spanish Experience – Pilot Projects

Morocco	“Agricultores Solidarios”, Ibn Batuta, Al Mostakbal	Northern part (Assilah-Tánger) and Catalonia
Ecuador	ACSUR-Las Segovias, Inti-Ñan, Jatari	Parts of Azuay and Zamora, as well as Valencia
Senegal	Fondo Catalán de Cooperación al Desarrollo, Senegalese associations	Parts of Louga and Oussouye, as well as Catalonia

The Spanish Experience – Next Steps

▶ In Spain:

- Findings from pilot projects
- Memoranda of Understanding (MOU) to be signed between:

The Spanish Administration (Secretariat of State for International Cooperation (MFA), Secretariat of State for Emigration and Immigration (MWSA))

The CECA (Spanish Confederation of Savings Banks)

The AEB (Spanish Banking Association). This would involve a greater commitment from the Spanish financial sector, and therefore, a certain guarantee of success for the initiative.

▶ Internationally:

- **January 2007: Next Technical Group Meeting in Santiago de Chile**

Memoranda of Understanding

- ▶ They **aim** to promote greater participation and implication of the actors involved in remittances, in order to put mechanisms in place so as to increase the impact of remittances on development
- ▶ **Commitments by the Spanish Administration:** market research operators, improvement of statistics, to consider the improvement of the financing framework of the partner countries as part of the foreign affairs agenda, assessment to the benefit of the recipient, welcome programmes, stimulation of participation of other private partners
- ▶ **Commitments by the financial sector:** to promote among its members a series of actions with the aim to facilitate the act of remitting: terms of transfer, efficiency, costs, information transparency, to encourage the signature of agreements with financial institutions in countries of origin

Workshop on “Remittances and their impact on financing for development. Analysis of the operating frameworks”

- ▶ **Organizers:** OECD, the Spanish Ministry of Foreign Affairs and Cooperation, supported by the Institute of Studies on the Stock Exchange (IEB), the Spanish Ministry of Finance and the Madrid Stock Exchange
- ▶ **Participants:** Organizers + banks, saving banks, WB, FOMIN, European Investment Bank, Bank of Spain
- ▶ The **aim** is to identify the operating frameworks around remittance and the specific operating obstacles encountered by banks and saving banks

Working method

Phase	Description
1	Identification of actors involved, their perspectives and thoughts on remittances as a source of financing for development, including the analysis of the main obstacles. Meetings.
2	Drawing up of working document. Submit it to other actors involved.
3	Pilot projects in order to direct more precise diagnosis on the working field, needs and possibilities
4	Drawing up of working method, in the light of the accumulated experience

Working method – Phase 1 – Identification of actors, perspectives and thoughts. Meetings.

Action taken	Present status	Future action
<p>Identification of actors. Meetings:</p> <ul style="list-style-type: none"> ▶ Administration ▶ University ▶ Immigrants' associations ▶ Financial institutions with large experience on remittances ▶ I.O. 	<p>Finished. However:</p> <ul style="list-style-type: none"> ▶ In permanent contact with other actors for feedback ▶ Constant presence in international fora on remittances 	<p>Continue feedback both with internal and external actors</p>

Working method – Phase 2 – Working document

Content	Present status	Future actions
<p>2 parts:</p> <p>Part 1: To try to link up the Spanish financial system with that of receiving countries-> credit margins -> improvement of future life expectations</p> <p>Part 2: To create PPP with immigration associations, the Spanish Cooperation and other interested actors -> community projects</p>	<p>Part 1:</p> <ul style="list-style-type: none"> ▶ MOUs ▶ Workshop <p>Part 2</p> <ul style="list-style-type: none"> ▶ Law firm to constitute legally the PPP ▶ Conversations with parties implied in order to learn about their interests 	<p>Part 1: according to workshop conclusions</p> <p>Part 2:</p> <ul style="list-style-type: none"> ▶ To decide upon fund ▶ Presentati to possible partners ▶ Set up fun

Working method – Phase 3 Pilot projects

Action taken	Present status	Future actions
<ul style="list-style-type: none"> ▶ Identification of associations ▶ Expert on the immigration world ▶ Criteria followed: <ul style="list-style-type: none"> – Associations' experience with migration – Migration volumes in Spain – Coherence with Strategic Plan ▶ Open to other associations 	<ul style="list-style-type: none"> ▶ 3 pilot projects being developed ▶ Coordinating meetings ▶ First findings 	<p>According to final conclusions</p>

Conclusions

- ▶ **“...Remittances are here to stay...”** Donald Terry, FOMIN, 2nd International Conference on Remittances, London, November 2006
- ▶ **Important potential of Remittances still to be explored**
 - **Research studies**
 - **On the ground**
- ▶ **No one-fits-all solution**
- ▶ **Important role played by the Public Sector**
- ▶ **Need to further involve the financial sector – link credit margins to remittances**
- ▶ **Need to pay special attention to immigrant’s needs**
- ▶ **Need to communicate**
- ▶ **Use globalisation’s potential, especially ITCs**

Contact details

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