CONCEPT NOTE

G-20 - GFMD-GMG Joint Event
(3 June 2015, Izmir, Turkey)

The Chairs of the Global Forum on Migration and Development (GFMD) and the Global Migration Group (GMG) will co-organize a **joint event** with the **G-20 Development Working Group** in **İzmir, Turkey, on 3 June 2015.**

Turkey, GFMD-Chair-in Office and concurrently assuming the G-20 Presidency for 2015, would like to seize the opportunity of engaging the G-20 member states to discuss the implications of policies relating in particular to financial inclusion, remittances and diaspora investments.

In the context of the global deliberations on financing the implementation of Post-2015 development goals, migration and remittances can be leveraged to raise development financing via reducing remittance costs, lowering recruitment costs for low-skilled migrant workers, and mobilizing diaspora savings and diaspora philanthropic contributions. Remittances can also be used as collateral, through future-flow securitization, to facilitate international borrowings with possibly lower costs and longer maturities. They can also facilitate access to international capital markets by improving sovereign ratings and debt sustainability of recipient countries.

The joint event will thus explore the role of migration, remittances and diaspora for financing for sustainable development. Concretely, it will look at how contributions of remittances, diaspora and migration can facilitate progress in some of the priority areas of the G-20 Development Working Group agenda, namely: a) domestic resource mobilization, b) financial inclusion and remittances, c) food security and nutrition, d) human resource development and e) infrastructure.

An overview of the policy issues and questions to be addressed is provided below:

- **Reducing remittance costs:** Remittance flows to developing countries were estimated to be $436 billion in 2014, over three times the size of ODA. Remittance flows provide a lifeline to many low income countries, often providing the largest and the most stable form of external financing. Remittances finance consumption, but they also help finance education, health and business investments. Yet, the cost of sending money remains exorbitant, often in excess of 12 percent, especially in Sub-Saharan Africa and Small Island States. Reducing remittance costs to 5 percent by 2014 has been a G-20 goal for over five years now. The Open Working Group on Sustainable Development has also suggested a goal of reducing remittance costs to 3% by 2030. *Question for policy-makers: How can governments reduce remittance costs through harmonization and rebalancing of relevant regulations?*

- **Lowering recruitment costs for low-skilled migrant workers**: Recruitment costs paid by migrant workers to recruitment agents, on top of the fees paid by the employers, are a major drain on poor migrants' incomes and remittances. If the recruitment costs averaged $5,000 and they were reduced to $1,000 per migrant worker, the cost savings would be $4 billion for every 1 million workers. If half of the estimated 10 million benefitted from these cost reductions, the saving would total $20 billion per year. It is entirely plausible, therefore, that the savings generated by reducing recruitment costs for low-skilled migrant workers could match the amount saved by reducing remittance costs.

  Question for policy-makers: *What policies and programs can be designed by governments in partnership with relevant stakeholders in order to lower the costs of recruitment?*

- **Diaspora savings, investments and diaspora philanthropy:** In addition to sending remittances, diaspora members also save in destination countries. Such diaspora savings were estimated to be around $511 billion in 2012. There is a huge potential for mobilizing a fraction of these savings, via diaspora bonds, to finance development programs in countries of origin.

  Question for policy-makers: *How can governments better engage the diaspora as actors of development? Cite examples of successful experiences and partnerships.*

- **Remittances, country creditworthiness and using remittances as collateral:** Because remittances are large and more stable than many other types of capital flows, they can greatly enhance the recipient country's sovereign credit rating, thus lowering borrowing costs and lengthening debt maturity. Recently the rating agencies have started accounting for remittances in country credit ratings, but given data difficulties, there is still room for further improvement.

  Question for policy-makers: *Is it possible for governments to incorporate remittances in credit ratings and debt sustainability analysis?*

The highlights of the G-20-GFMD-GMG joint event will be shared by the leadership of the GFMD and the GMG with relevant processes, such as the Financing for Development and the inter-governmental negotiations on the Post-2015 Development outcome document. It will also inform the 8th GFMD Summit Meeting to be hosted by the Government of Turkey in Istanbul on 14-16 October 2015.