



Call to Action

Remittances in Crisis: How to Keep them Flowing

From Crisis Response to Advancing the Development Case

CONCEPT NOTE

BACKGROUND

Early in 2020, as it was becoming clear that the novel coronavirus was a pandemic with catastrophic consequences, many countries moved quickly to shut down their borders and restrict internal movements as part of immediate actions to manage the pandemic. Consequently, economic activities drastically reduced, many businesses were forced to shut their doors and also money transfer outlets were closed or hard to reach. Consequently, remittances plummeted, leading to an alarming projection by the World Bank of a 20% decline in global remittances in 2020. In response, the Governments of Switzerland and the United Kingdom joined forces to rally other Governments UN agencies, other multilateral organisations, industry partners and civil society around a [Call to Action “Remittances in Crisis: How to Keep them Flowing”](#), which was launched in May 2020.

CALL TO ACTION IN RETROSPECT

Objective

The purpose of the Call to Action was to raise awareness on the potentially devastating impact of the pandemic on remittances, given the importance of this lifeline for the achievement of the Sustainable Development Goals both at the individual household level for migrants and their families as well as at the national level for the economic stability of low- and middle-income countries (LMIC). Hundreds of millions of people globally rely on these flows to cover basic necessities such as food, education and healthcare. Remittances are also an integral and stabilizing factor for dozens of economies of LMICs, as global remittances are triple the amount of ODA and also exceed foreign direct investment.

It identified and promoted nine key measures, encouraged policymakers, regulators and remittance service providers to mitigate the consequences of the COVID-19 pandemic for remittances and ensure access to physical or digital remittance services during the crisis.



Recommendations

Polymakers:

- ✓ Declare the provision of remittances as an essential financial service
- ✓ Establish economic support measures that will benefit migrants and remittance service providers
- ✓ Support the development and scaling up of digital remittance channels for migrants and families

Regulators:

- ✓ Advise banks to apply risk-based due diligence measures with a view to continuing to provide banking services to remittance service providers during the crisis
- ✓ Consider clarification of compliance and license renewal requirements for remittance service providers during the crisis
- ✓ Provide regulatory guidance for proportionate Know-Your-Customer (KYC) requirements that are critical to scale digital financial services, especially for unbanked and undocumented individuals

Remittance Service Providers:

- ✓ Explore measures to provide relief to migrants, such as reducing remittance transaction costs, free cash pick-up and delivery, and other value-added services
- ✓ Invest in financial education and awareness, including on digital remittance channels and available agent locations
- ✓ Promote inter-operable open systems that can enable a foundation upon which migrant-centric financial products can be offered

Supporting coalition

So far 31 Governments and 16 multilateral organisations, industry associations and civil society organisations have joined the [coalition](#) in support of the Call to Action.

Activities

After the high-level launch event on 16 June 2020, a series of technical workshops and thematic events in cooperation with institutional partners were held:

- ✓ 14 and 16 July 2020: Technical online workshops on “Stocktaking & Priority Actions”
- ✓ 18 November 2020: “It’s going to be a long ride: Understanding and addressing the gradual and prolonged decline in remittances” in partnership with the World Bank (KNOMAD)
- ✓ 25 November 2020: “COVID-19, Remittances and Childhood Poverty” in partnership with UNICEF



- ✓ 9 December 2020: “Unpaid Wages and Remittances: Deconstructing the Impact of COVID-19 and Ways Forward” in partnership with Migrant Forum Asia (MFA)

The Call to Action was featured in numerous technical publications and was recognized in various United Nations processes and documents, including the initiative of the UN-Secretary General, Canada and Jamaica on “Financing for Development in times of COVID-19 and Beyond” culminating in various high-level meetings and a menu of policy options, the Remittance Community Task Force Report “Remittances in crisis: Response, Recovery, Resilience – Blueprint for Action”, and the “2021 Financing for Sustainable Development Report” of the Inter-agency Task Force on Financing for Development.

Developments and achievements

In contrast to the initial projections of a steep decline, the World Bank’s 2020 remittances report indicates that remittances once again demonstrated their resilience and countercyclical effect in the face of global economic downturn, falling only by 1.6% in 2020 and are expected to grow by 2.6% in 2021.

The main drivers for this resilience were a combination of fiscal stimulus resulting in better-than-expected economic conditions in host countries, the swift introduction of remote forms of work, a shift in flows from cash to digital and informal to formal channels, and cyclical movements in oil prices and currency exchange rates. This prevented millions of people from falling into poverty and may also have been vital for the resilience and recovery of local economies in many low- and middle-income countries heavily affected by the health and economic crisis caused by the spread of COVID-19. Through a [COVID-19 Response Tracker: Migrants and Remittances](#), the Call to Action compiled measures taken by governments and other stakeholders with the potential of benefitting migrants and/or remittances in line with the recommendations of the Call to Action.¹ A stocktaking report to be launched on the occasion of the anniversary of the Call to Action will make an in-depth assessment of good practices and actions taken by countries and other stakeholders to facilitate remittances during the crisis and how the Call to Action contributed to such achievements. The Call to Action and other initiatives certainly helped create an awareness about the critical importance of remittances for the achievement of the Sustainable Development Goals.

REMITTANCES FOR DEVELOPMENT: SHIFTING THE CALL TO ACTION FROM CRISIS RESPONSE TO ADVANCING THE DEVELOPMENT CASE

Challenges ahead

Even though remittances proved more resilient than initially expected, the COVID-19 pandemic exposed deficiencies and exacerbated pre-existing challenges of remittances, while at the same time accentuating the potential of digital solutions to disrupt the largely analogue market. While the pandemic has

¹ It must be noted that these responses may have been considered independent of their association with the Call to Action.



accelerated the digitisation of remittances, the availability and accessibility of digital means remains uneven and bears great risk in widening the digital divide. Moreover, digital solutions alone are not enough to bring about the desired change without supporting measures that ensure effective uptake of such solutions. Financial literacy and awareness as well as access to identification are key to ensuring access and usage of digital solutions. The regulatory and policy environments need to carefully strike a balance between conducive conditions for remittance transfers and the risk of misuse of money transfer, including remittances for illicit purposes.

A holistic approach is needed to fully unlock the potential of remittances for the achievement of the SDGs overall and effectively drive the transaction costs down in line with SDG target 10.c. Only a comprehensive market system approach can ensure financial inclusion, cost reduction and development benefits by:

- ✓ removing regulatory barriers and establishing an enabling policy framework;
- ✓ diversifying the market with inclusive and innovative digital remittance options and finance products;
- ✓ ensuring an open digital payment ecosystem and access to means of identification to leave no one behind;
- ✓ empowering migrants and their families through financial literacy interventions;
- ✓ promoting competition in the remittance market, access to payment systems platforms and clearing houses;
- ✓ enabling access of money transfer operators to correspondent banks;
- ✓ reviewing de-risking policies to facilitate transactions of small amounts of remittances;
- ✓ ensuring consistent price disclosure so that consumers can understand what they are paying.

Way forward

Given these challenges, the United Kingdom and Switzerland propose to build on the momentum created. A change of course is needed to build a stronger case for the role of remittances as a gateway for financial inclusion and the achievement of the SDGs.

The Call to Action is a unique platform with significant membership and participation of remittance-sending and -receiving countries, the United Nations and other multilateral organisations, industry partners and civil society. The Call to Action will thus continue to offer a space for countries and stakeholders to share experience, learn from best practices, develop solutions, and take joint actions.



NEXT STEPS

Stocktaking report

A stocktaking report will be launched to mark the one-year anniversary of the Call to Action. The report will provide an in-depth assessment of good practices on remittances during the crisis and how the Call to Action contributed to such achievements.

Anniversary event

A high-level event organized by Switzerland and the United Kingdom on the anniversary of the Call to Action will provide an opportunity to:

- ✓ launch the afore-mentioned stocktaking report;
- ✓ discuss the remittance trends during the pandemic and identify effective measures taken and progress made to mitigate the negative impact of COVID-19 on remittances;
- ✓ propose the continuation of the Call to Action beyond its initial purpose of responding to the immediate crisis.

The event will focus on the unique experience of countries from the Call to Action coalition with a view to fostering a shared understanding of the different dynamics that have unfolded as well as the key factors that have contributed to cushioning the projected fall.

Semi-annual meetings of the Call to Action coalition

Starting in the second half of 2021, Switzerland and the United Kingdom will convene semi-annual meetings, focusing either on a specific area of intervention identified by the Call to Action or emerging from the lessons of the pandemic. These meetings will be primarily open for participation by the countries and stakeholders that have joined the Call to Action. Other countries and stakeholders with relevant expertise may be selectively invited. The Call to Action continues to welcome new members any time.

Additionally, the Call to Action may be used by any of its supporters to convene additional meetings or events, to engage bilaterally or in smaller group settings, to call for joint advocacy, or to reach out to expert organisations for technical assistance and capacity building.

Relevant information on the semi-annual meetings and other activities under the Call to Action will be available on the [website](#).