HARMONIZATION OF REMITTANCE POLICIES IN THE INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT (IGAD) REGION

Inception Report
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ABOUT

The UN Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF pursues innovative financing solutions through: (1) financial inclusion, which expands the opportunities for individuals, households, and small and medium-sized enterprises to participate in the local economy, while also providing differentiated products for women and men so they can climb out of poverty and manage their financial lives; (2) local development finance, which shows how fiscal decentralization, innovative municipal finance, and structured project finance can drive public and private funding that underpins local economic expansion, women's economic empowerment, climate adaptation, and sustainable development; and (3) a least developed countries investment platform that deploys a tailored set of financial instruments to a growing pipeline of impactful projects in the "missing middle".

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Layout: Green Ink, United Kingdom (www.greenink.co.uk)

FOREWORD: UNITED NATIONS CAPITAL DEVELOPMENT FUND

One of the most hopeful signs of the past six years has been the way the world has rallied behind the Sustainable Development Goals (SDGs) since they were endorsed in September 2015. Although they are sometimes referred to as the United Nations' SDGs, they truly belong to everyone. Private-sector companies around the globe have posters featuring the colourful 17-tile SDG design on their walls, and have incorporated the SDG targets into their own environmental, social and governance frameworks. Individuals and families, too, have been inspired by the bold vision set forth in the SDGs for healthier, better-educated citizens living in more just societies on a healthier planet. Ambitiously, even audaciously, the SDGs articulate for the first time, a comprehensive and concrete set of goals for global development, and the world has embraced them.

Remittances – the funds that breadwinners living abroad send home to loved ones – directly or indirectly contribute to most of the SDGs. This comes as no surprise. After all, the goals described in the SDGs – among them, zero poverty and hunger, education, clean water, sound housing, thriving small businesses, clean and affordable energy – are the same goals people want for themselves and their families. In the least-developed countries where UNCDF focuses its efforts, many families rely on remittances to meet basic needs. Others save up that money towards longer-term goals. Some families, of course, do both. But whether for short- or longer-term uses, remittances are one of the most powerful tools available for sustainable development. And UNCDF is convinced that power has barely been tapped.

We acknowledge the great importance of remittances in sub Saharan Africa. In 2020, an estimated total of US$42 billion in remittances was received, of which US$8.1 billion was received by households in the Intergovernmental Authority on Development (IGAD) region. These remittance inflows account for an average of 3 percent of the GDP of the sub-Saharan region as a whole, and also account for 3 percent of GDP of the IGAD region.

Despite the relatively large inflows of remittances to sub Saharan Africa, the cost of sending money to and within the IGAD region, at 8.5 percent and 10.7 percent respectively, is significantly higher than the SDG target of less than 3 percent. The main reason they remain such a missed opportunity is because remittances still move largely as cash. Unregulated channels and unpredictable exchange rates are major impediments, presenting risks to both consumers and the financial system, also linked to money laundering, the financing of terrorism, human trafficking and other abuses. Even when no criminal activity is involved, informal channels also deprive governments of a clear understanding of inbound and outbound currency flows, distorting the true picture of their balance of payments.

As UNCDF sees it, digitization is the key both to lowering costs and unlocking the full, transformative potential of remittances. Like everyone else, women and men migrants and their families need a full suite of affordable, safe and effective financial services – savings, credit, investments, pensions, insurance, etc. In the small or micro-amounts that low-income migrant families need, such products are simply impossible to deliver in a cash-based system, but as digital products, however, they suddenly become live options. This is especially true if such products are linked to digital remittances, since remittances are the universal fact of migrants' financial lives. Even a migrant who lacks every other form of financial service, will find a way to send money back to their family, making remittances the ideal gateway product to unlock other value-additive services.

Like most important undertakings, however, digitizing and optimizing remittances is easier said than done. The challenges – not least the force of long-held habits – are many, but one of the biggest involves the disjointed laws and regulations from one country to another. By their nature, remittances are not an issue where any one country's efforts can change the game. National policies and practices are important, but because remittances are cross-border, countries must work together. This is why I offer the heartiest thanks and congratulations to IGAD for its leadership in this area. This inception report details the steps that will be pursued to implement a project that aims at promoting regional harmonization among member states of the IGAD regional economic community. It is UNCDF's sincere hope that the work IGAD member states undertake together will not only empower migrant families in the region, but will also provide a compelling demonstrator effect for the rest of the world.

Remittances everywhere are subject to inconsistent or even contradictory policies and regulations between countries. There are different degrees of infrastructure development around payments and settlements, different licensing requirements for who can be in the money-transfer business, different requirements for acceptable forms of identification for senders and receivers, and many other disconnects. What should seamlessly work for hard-working migrants and their families is instead a sort of patchwork – and one with too many holes. And as part of this, regional cooperation is of paramount importance in creating a coherent framework for remittances to flourish, just as remittances are for advancing towards the SDGs.

As I write these words, the world is beginning to see the glimmers of real hope for an end to the COVID 19 pandemic that has exacted such an enormous toll in human lives lost and economic devastation. Remittances, a financial lifeline for so many families, were not spared. But even as the overall flow of remittances decreased, the share of digital transactions increased. No one would wish for a change to old habits to be forced by such circumstances, but the fact remains that remittance service providers, migrants on the sending side and families on the receiving side, have all shown that where there is a will, there is a way. For all of us who seek to reimagine remittances as so much more than a way to move money from point A to point B, the task now is to keep that will alive. Our task is to do everything in our power to make digital remittances the preferred choice, in any circumstance.

It is my firm belief that years from now, we will look back on the pandemic's aftermath as a watershed moment when remittances changed forever – and with them, the financial resilience and dreams of more than four percent of the world's population who live and work outside of their country of origin. On behalf of all of us at UNCDF, I thank IGAD and the Swedish International Development Cooperation Agency whose support has made this initiative possible, for partnering with UNCDF and embracing their roles in this history.

Preeti Sinha
Executive Secretary
United Nations Capital Development Fund

FOREWORD: INTERGOVERNMENTAL AUTHORITY ON DEVELOPMENT

Remittances are an indispensable and durable source of development finance. They rose to more than US$701 billion worldwide at the end of 2020, and to US$8.1 billion or 3 percent of total regional GDP for IGAD member nations. This is all the more remarkable considering the many unwarranted obstacles that migrants face when sending money home, including costly fees and commissions, inconvenient formal banking hours, and inefficient domestic banking services that delay final payment to beneficiaries. With this new project with UNCDF, IGAD acknowledges the vital importance of remittance flows and demonstrates its commitment to addressing these constraints.

This report marks another important step in the cooperation between the UNCDF and IGAD in advancing 'last mile' finance models that unlock public and private resources towards the broader dream of a world free of poverty. It is my personal conviction that this regional harmonization project is the beginning of even more efforts in the foreseeable future to increase remittances flowing into the IGAD region.

For many countries, remittances are larger and more stable than foreign direct investment, and in some cases, larger even than official development aid. The IGAD region is not an exception to this. Given the low rate of domestic saving and high government expenditure in many developing countries, external sources of finance, and particularly remittances, play a critical role in local economic development and poverty reduction strategies. Not only do remittances increase the consumption levels of recipient families – so that education and health care are not out of reach –they also, if conscientiously saved and aggregated, contribute to infrastructure development and long-term investment for increased income.

As I welcome the adoption of this report, I remind us all that remittances complement efforts by developing country governments as part of sustained efforts towards economic development. Technical support is key to progress on remittances i, and we need a better understanding of the foundational issues shaping remittances – migrants and their situations, the needs of recipient families, the new financial products migrants want, the changes needed in policies, regulatory and monitoring mechanisms, infrastructure required, capacity-building needed, and the financial sector climate within each IGAD member state. No individual country can come up with intervention measures that cover all of the above. I am therefore pleased that UNCDF is cooperating with IGAD member states on this critical agenda.

The greater challenge, however, rests with IGAD member states themselves. It would be difficult to imagine progress on the remittances agenda without progress on financial sector reforms and related issues. Governments of IGAD member states must therefore take full ownership of this project, as they do for their own national development. To address the key challenges the IGAD region faces in harnessing the benefits of remittance flows, this inception report identifies and discusses the current remittance landscape, and how UNCDF is positioned to undertake the project in collaboration with the IGAD secretariat, technical teams, regulatory institutions, central banks, relevant ministries, banker associations and other stakeholders in the area of cross-border remittances and payment and settlement systems.

I appreciate all the efforts and time UNCDF and member states have so far devoted to this cooperation, as we look forward to working for the benefit of the people in the IGAD region.

Dr Workneh Gebeyehu
Executive Secretary
Intergovernmental Authority on Development

EXECUTIVE SUMMARY

This inception report on the harmonization of remittance policies project in the IGAD region highlights the background, including preliminary reviews of migration and remittance landscapes and specifies the project methodology, scope, work plan and activities envisaged to accomplish the project. This report has been prepared by UNCDF in collaboration with the IGAD Secretariat, and is one of the key project deliverables shared with partners and relevant stakeholders, paving the way for the assessment stage.

Globally, an estimated 272 million people, or approximately four percent of the world's population, live outside their countries of origin. Around 48 percent of international migrants are women. Migrants send around US$701 billion in remittances each year, mostly to developing countries. Defying predictions, remittance flows have proved to be resilient during the COVID-19 crisis. In 2020, officially recorded remittance flows to lower- and middle-income countries reached $540 billion, only 1.6 percent below the $548 billion reported in 2019. In 2019, sub-Saharan Africa received an estimated US$48 billion in remittances, of which more than 13 percent was received by households in the IGAD region. In 2020, remittance flows to the sub-Sahara region were estimated to have declined by 12.5 percent to US$42 billion due to the effects of COVID-19 on economies.

As remittances exceeded foreign direct investment flows by a wider margin in 2020, their relative importance as a source of external financing has remained steady and is expected to increase. The gap between remittance flows and foreign direct investment in 2020 was 11 percent, and this is expected to widen further in 2021 as foreign direct investment are expected to decline more sharply than remittances due to the effects of COVID-19. For lower- and middle-income countries, remittances not only complement official development assistance, but also serve as a resilient source to meet the needs of household consumption, emergencies and investments, and sometimes are the prime source of income.

In spite of their importance, remittances tend to flow in distinctly suboptimal ways. Women and men migrants earn in the currency of their host country, and when it is time to send money home, they will pay cash to an over-the-counter remittance provider. This provider may charge high transaction costs to send the money to the recipient, who in turn will often pay a high fee to convert that remittance into the currency of the home country. Remittances may also move through unregulated informal channels as physical cash or *hawala,* exposing both sender and recipient to the inherent risks of carrying cash, and preventing governments from having a clear picture of their country's foreign currency flows. In short, cross-border remittances have been facing challenges of high cost, low speed, limited access and transparency, all caused by frictions in processes and channels for making these payments. Without access to safe, affordable and convenient remittances services, it is not surprising that many migrants, particularly women, choose to bypass formal channels and instead use any number of unregulated networks that are ubiquitous in many countries. Often, this reliance on informal channels jeopardizes the well-being of migrants and their families and limits their resilience when faced with shocks including natural disasters, income disruptions, death or illness, violence and harassment.

Due to existing regulatory arbitrage between countries, different levels of infrastructure development and differences in remittance-related procedures, seamless cross-border remittance operations are a challenge across a number of countries and regional economic communities – and IGAD is no exception. The licensing and authorization requirements for remittance service providers (RSPs) tend to differ, for example, hindering much-needed cross-border remittances. Regional cooperation is therefore of paramount importance in addressing cross-border remittance barriers and in advancing the digitalization of remittances. A number of IGAD member states are implementing policies to facilitate the flow of remittances through formal channels, but often these measures are taken independently with limited collaborative effort amongst IGAD member states. Considering the growth of intra-regional migration, more could be done through a harmonized approach towards affordable and accessible remittances through digital channels.

The strategic objective for IGAD, central banks and other public authorities in member states, is to harmonize policies and laws that will facilitate the transition of remittances from cash-based to digital channels, and from informal to formal ones for men and women migrants and their beneficiaries. At the request of IGAD, UNCDF is working with the IGAD Secretariat and other public and private stakeholders from member states to conduct this regional diagnostic assessment of existing remittance arrangements, including the identification of gender-specific barriers and enablers. This aims to improve regional cross-border remittance arrangements within IGAD, and put forth a roadmap of practical steps needed to harmonize remittance policies and practices, including steps that promote the financial inclusion of women. This gender-responsive and migrant-centric assessment of policies, laws and regulations, cross-border remittances infrastructure, and capacity building needs – will support effective mechanisms to facilitate remittances between residents of participating countries.

Harmonization of gender-responsive and migrant-centric laws and regulations involves the development of convergence criteria for priority elements of the regulatory frameworks. These criteria include those related to licensing and authorization regimes; prudential supervision including of risk management; financial integrity including anti-money laundering and combating the financing of terrorism (AML/CFT,); cyber security and other operational risks; consumer protection, safeguarding customer funds and transparency (including the traceability of transactions, and disclosure of costs and fees); foreign exchange regulations; data collection, protection and transfer; transaction limits; entities authorized to operate in cross-border payments and their licensing requirements; capital controls and sanctions regimes.

The assessment of cross-border remittances infrastructure involves supporting cost-effective solutions while leveraging the existing payment infrastructure. Evaluation of regulations, standards and procedures on payment infrastructure also needs to be conducted, to ensure the compatibility of existing payment systems and the viability of introducing new ones. This begins with a review of policies, laws, regulations and standards relating to remittance infrastructure that supports cross-border instant payments, including mobile money and remittance-related digital financial services. The assessment will also explore and identify where discriminatory practices against women migrants are embedded and reproduced in relevant policies and regulations, and how they can be redressed.

Key stakeholders would also benefit from capacity strengthening, including the IGAD Secretariat, technical teams, external regulatory institutions, central banks, relevant ministries, banker associations, capital market authorities in areas of cross-border remittances, and payment and settlement systems. This will involve knowledge sharing, peer exchange, skill development and leadership development for individuals and teams across the relevant stakeholder groups. Specific attention will be placed on promoting gender diverse leadership and improving the representation of women in remittances policymaking.

The findings from the assessment will be used primarily by the IGAD Secretariat, and central banks and other authorities of member states to shape their responses to overcoming barriers to regulated and affordable remittances. Cooperation among member states is thus vital to fostering industry-wide acceptance and sustainability.

1. MIGRATION AND REMITTANCES

1.1 Introduction

Migrant remittances, usually understood as the money or goods that migrants send back to families and friends in origin countries, are often the most direct and well-known link between migration and development.[1] For many lower- and middle-income countries, remittances represent a significant share of GDP, not to mention their importance for quality of life at household level. Remittances are thus an essential source of capital for many low-income households used for a variety of purposes but often to meet their most basic needs.

Remittances contribute to achieving the SDGs in a variety of ways and at different levels.

- **Individual and household levels,** by recognizing the socio-economic and gendered impacts of remittances on families, intra-household dynamics and communities.

- **Community level,** from benefits at subnational or municipal level, including reduced rural poverty, lower income inequality, increased activity for micro-, small- and medium-sized enterprises, and strengthened resilience to climate change and disaster risks.

- **Government level,** from benefits for public sector institutions, including greater transparency, better communication with citizens, and increased private-sector development and entrepreneurship because of improved access to capital and domestic credit.

- **Macro level,** as remittances can provide much-needed foreign currency exchange, stabilize the balance of payments, reduce dependency on government aid, and reallocate capital resources into more productive investments and other financial services – moving money from international to domestic, consumption to investment and urban to rural.

The Migration Policy Framework for Africa (MPFA)[2] and the African Common Position on Migration and Development[3] set the tone regarding Africa's relationships with migration and its role in development. In the context of migration trends, the MPFA responds to current migration realities and appropriately guide African Union member states and regional economic communities (RECs) in the management of migration. The African Union recognizes that given the impact of migration on the socio-economic landscape in both remittance sending and receiving countries, it is incumbent upon states and regional economic communities to minimize the adverse impact of migration while maximizing its benefits, through the mainstreaming of migration issues in development frameworks.[4]

Cross-border remittances face other challenges in addition to high cost, such as low speed, limited access and transparency caused by frictions in existing processes for making payments (Figure 1).[5] The COVID 19 pandemic has added to the challenges by causing a decrease of remittances because of the lockdowns in many countries. Pandemic-related restrictions have reduced the incomes of remittance senders or their ability to send money back home through cash channels, at a time when remittance recipients are likely to be in even more in need of the financial support.

Regarding high transfer cost, the global average cost of sending US$200 to lower- and middle-income countries remained high in the fourth quarter of 2020, at 6.5 percent, well above the SDG target of 3 percent. The average cost of sending US$200 to sub-Saharan African countries was even higher, at 8.2 percent, so making it is more important than ever to address frictions, to keep remittances flowing.

Figure 1. Challenges and frictions in cross-border payments

Source: Committee on Payments and Market Infrastructures, "Enhancing cross-border payments: building blocks of a global roadmap: stage 2 report to the G20 – technical background report" (Bank for International Settlements, July 2020), available at https://www.bis.org/cpmi/publ/d194.pdf

Other challenges are that efforts and discussions around remittances still proceed in a siloed and gender-blind manner, ignoring the fact that the behaviours, needs and preferences of men and women migrants and their recipients are influenced by existing gender roles and inequalities in society. These strongly affect the channels, amounts and frequencies of re-mittances that women and men migrants send home, and how the money is used and by whom. Studies indicate that remittances have empowering effects on women, but that these are not automatic and in some cases are only temporary.

In addition, women may experience additional risks and constraints when they remit or receive. They may have limited mobility and freedom to control how, when and to whom they send money or how to receive it. They also face specific barriers to accessing formal remittance channels, as they are often confined to secluded accommodation and workplaces, far away from access points and agents, and they might not be in possession of valid documents, including proof of residency or identification. Banks and other remittance service providers (RSPs) may not recognize low-skilled migrant women as an important customer segment, as they tend to send small amounts. Financial service providers (FSPs) may use know your customer (KYC) and due diligence processes that by design exclude and are simply out of range for many women migrants. Sources of transaction data on remittances generated by central banks are not disaggregated by sex, so data, knowledge and experiences to redress gendered constraints—and better reach, market and onboard these 'last-mile' segments—are absent or very limited. Even when data are available, they are rarely applied to product development.

UNCDF sees the paramount importance of redressing gendered constraints as a precondition for the successful transition of migrants from informal to formal digital channels. It requires a new gender-smart and inclusive approach.

1.2 The African landscape

Remittances to Africa are becoming increasingly important, raising issues of macro-economic stability, poverty alleviation and financial inclusion. Remittances represent the most stable source of income and have been the largest source of international financial flows to Africa since 2010, accounting for about a third of total external financial inflows.[6]

The potential of remittances to support sustainable development is not being fully met, and remittance markets in Africa still suffer from many inefficiencies and obstacles, including but not limited to the following.

- Persistence of informal remittance flows.
- High remittance transaction costs.
- Unfavourable policy and regulatory environments.
- Limited capacity of regulators to monitor remittance flows.
- Lack of availability of digital remittance channels and a limited offering of remittance-linked financial products available to migrants and their families.
- Lack of access to formal financial services for marginalized/discriminated groups such as women.

To address remittance challenges in Africa, the African Union's migration policy recommends the following strategies.[7]

i) Reduce the cost of transferring remittances by fostering competition in remittance markets.

ii) Encourage the transfer of remittances by adopting sound macro-economic policies conducive to investment and growth, and appropriate financial sector policies that encourage financial institutions and their outreach, such as post-office networks, supporting credit unions and rural financial service providers.

iii) Strengthen collaboration with the African Institute of Remittances and relevant stakeholders in civil society, the donor community and the financial sector, to create incentive strategies and investment opportunities for remitters in commercial, entrepreneurial and other productive activities.

iv) Improve the quality of data reporting on remittance and migration statistics and generate qualitative evidence, including on the gender dimensions of remittance flows, to create a solid base for future gender-responsive policy action on remittances. Data should be disaggregated by sex, age and other relevant factors.

v) Promote the effective mobilization and utilization of diaspora funds for investment and development of the public and private sectors, which in the long-term will improve the macro-economic environment and reduce outflows or emigration of African professionals.

vi) Make it easier for migrants and their families to access financial services, including by extending financial literacy training to remittance senders and receivers.

vii) Boost the use of technology such as mobile money, for cross-border remittances.

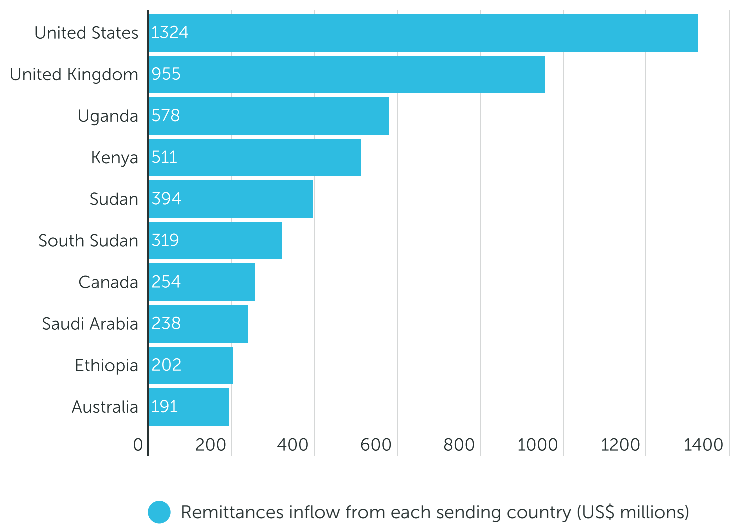
The approach to this project will include gender mainstreaming in the recommendations for addressing remittances challenges.

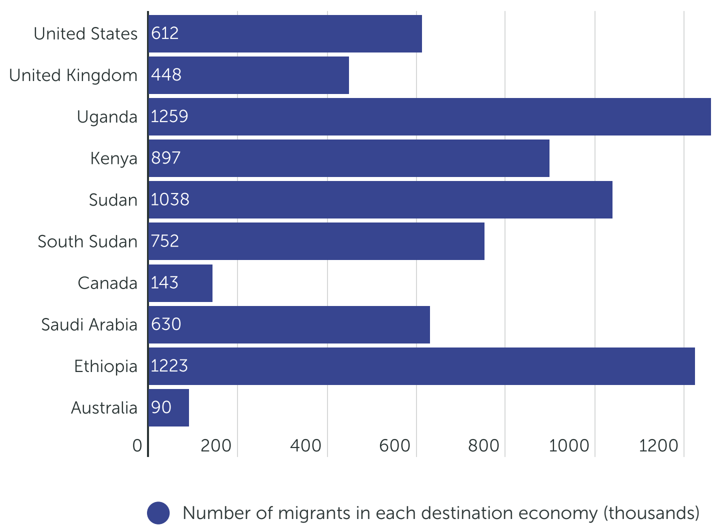
1.3 The IGAD regional landscape

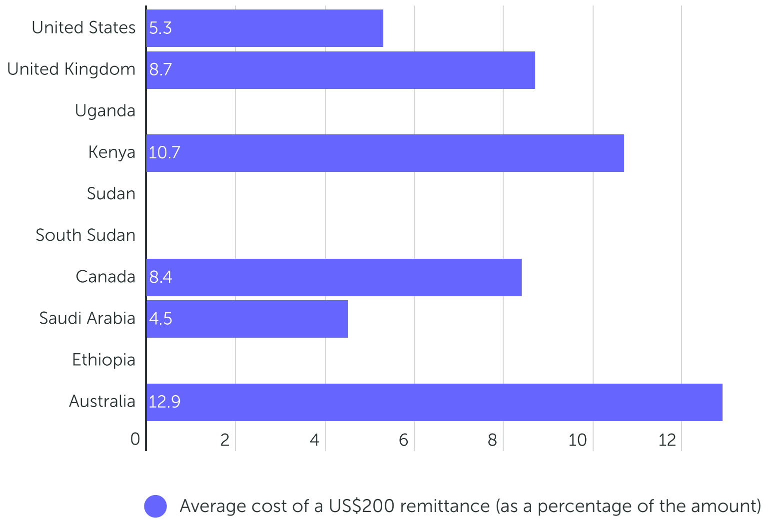
IGAD comprises seven member countries in the East and the Horn of Africa: Djibouti, Ethiopia, Kenya, Somalia, Sudan, South Sudan and Uganda. Eritrea originally joined IGAD in 1993 but since 2011 it is no longer a member. The total population of the IGAD region is 230 million people and is expected to rise to 400 million by 2050, of whom 80 percent currently still work in agriculture.[8] This sector remains the economic engine of the region and is vulnerable to droughts and floods. While the proportion living in poverty has declined, half live below the poverty line of US$1 per day.[9] The region faces major development challenges including gender inequality, forced migration and displacement, climate change, food insecurity, conflict, terrorism, political repression, weak governance, low levels of industrialization and trade, high unemployment, poor infrastructure, and unplanned, fast-growing urbanization.[10]

Despite the decrease of remittance flows to sub-Saharan Africa in 2020 compared with 2019, remittances to the IGAD region increased by 27.2 percent to US$8.1 billion,[11] demonstrating resilience at a time of crisis. These remittance inflows account for 3 percent of regional GDP. In 2020, the number of migrants from IGAD region was 9.8 million,[12] or 4 percent of the total population. Females numbered 4.7 million or 48 percent of the total migrants.[13] Countries from which most remittances were received (Figure 2) were the USA (21 percent) and the UK (15 percent),[14] whereas most migrants are found in Uganda (13 percent) and Ethiopia (13 percent), followed by Sudan (11 percent).[15] The average transaction cost for a remittance of US$200 into the IGAD region was 8.5 percent, while intra-IGAD remittance costs averaged 10.7 percent,[16] far above the SDG target of less than 3 percent.

Figure 2. Top 10 remittance-sending countries to the IGAD region



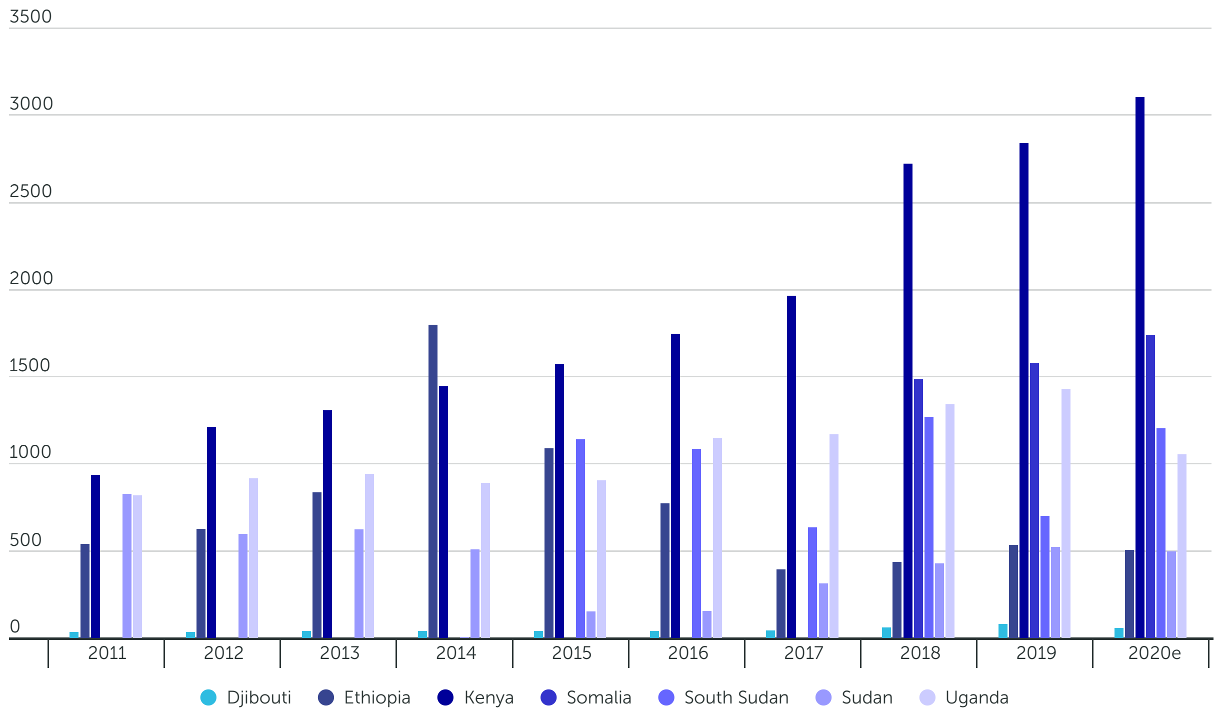




Sources: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks

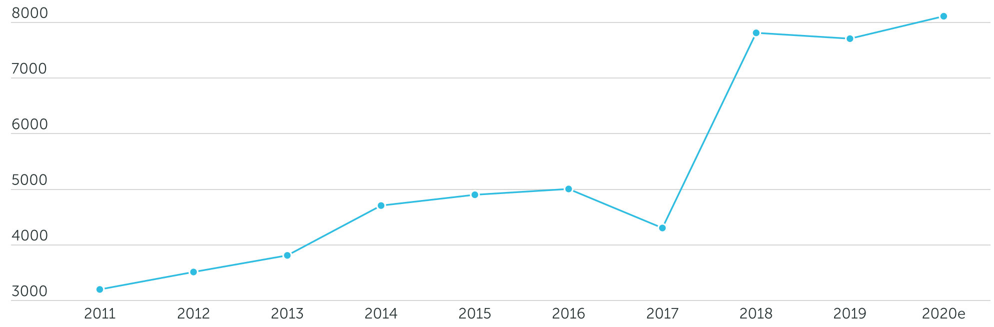
In 2020, the top remittance-receiving economy within the IGAD region was Kenya, followed by Somalia and Uganda (Figure 3).[17] Figure 4 gives a general trend of the remittance flows into IGAD countries from 2011 to 2020.

Figure 3. Migrant remittance inflows to IGAD countries



Notes: 2020e = estimated.
Sources: The World Bank, "Remittance prices worldwide", database, available at https://remittanceprices.worldbank.org, and "Migration and remittances data", available at https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 31 May 2021)

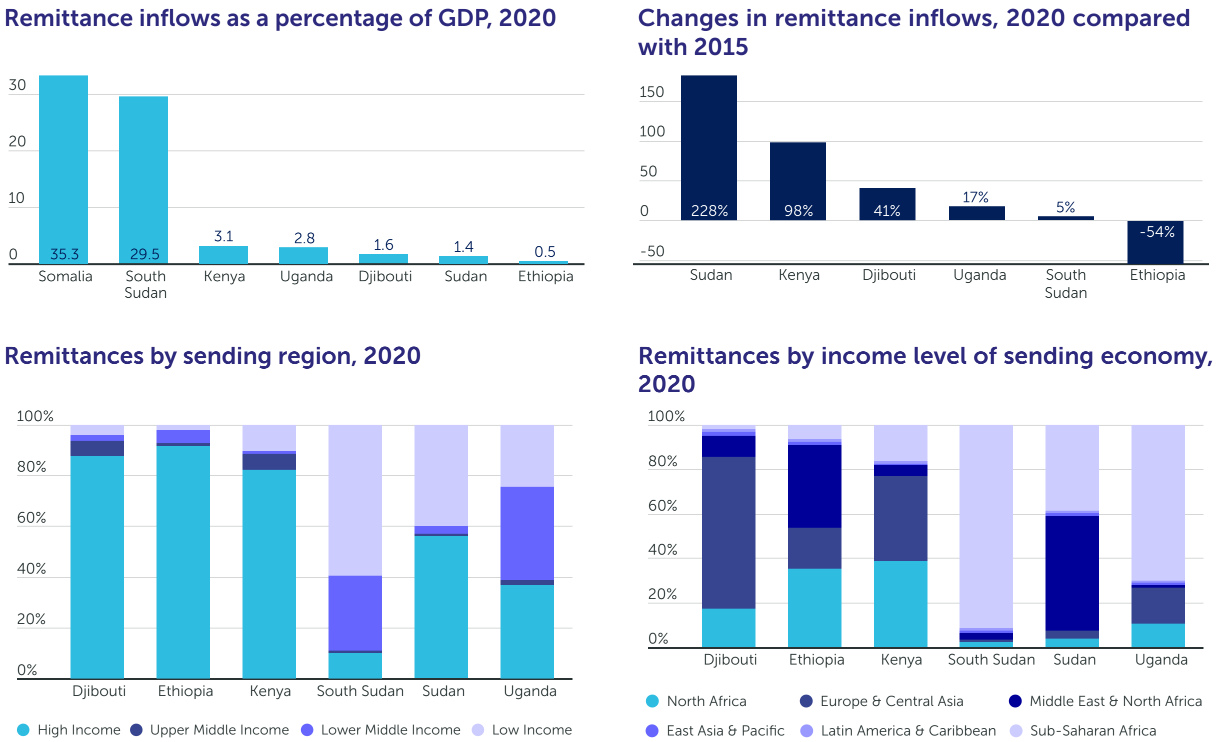
Figure 4. Ten-year trend of remittance inflows to IGAD countries



Notes: 2020e = estimated.
Sources: The World Bank, "Remittance prices worldwide", database, available at https://remittanceprices.worldbank.org, and "Migration and remittances data", available at https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 31 May 2021)

Remittances form a significant portion of the GDP of IGAD countries (Figure 5). In this regard, IGAD recognizes that remittances are important for the development of all member states and enhancement of the resilience of communities to natural and human-made shocks such as drought, famine and conflict. However, remittances are often still sent through informal means to and from the IGAD member states, with irregular migration from the Horn of Africa as one of the reasons.[18] Migrants with an irregular status in their countries of destination do not have the means to access formal remittance channels, as formal identification is required in many countries to meet 'know your customer' requirements. In addition, the lack of access to formal financial services remains a challenge in rural areas. The use of mobile money which is more accessible, has become increasingly popular in the IGAD member states.

Figure 5. Remittance inflows to IGAD countries as percentage of GDP



Note: According to National Bank of Ethiopia data, however, Ethiopia is the largest recipient of remittances in the region, with over US$5 billion which is 5 percent of the country's GDP.
Source: The World Bank "Remittance prices worldwide" database, available at https://remittanceprices.worldbank.org, and "Migration and remittances data", available at https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed 31 May 2021)

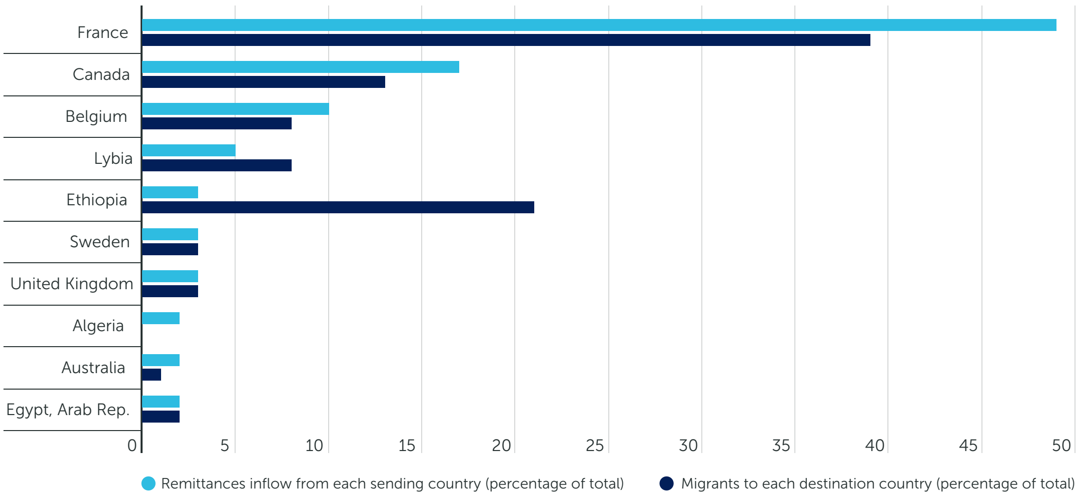
1.4 IGAD countries

i) Djibouti

Of IGAD countries, Djibouti has the lowest number of migrants abroad.[19] Djibouti is mainly a transit country for migrants in mixed migration flows from the Horn of Africa to Yemen and the Gulf states.[20] The country attracts economic migrants from the region, Europe and Asia. Its relative stability in the fragile Horn of Africa and strategic location at the entry to the Red Sea has led to the establishment of several foreign military bases in Djibouti, and investment in related infrastructure. Few people in Djibouti migrate regionally, due to relatively low salaries in neighbouring countries and language barriers. Djibouti is the only francophone country in the IGAD region. Some migrate for education and work to France and Canada. Labour migration to the Middle East and Gulf countries also occurs, facilitated by private employment agencies.

In 2020, global inbound formal remittances to Djibouti amounted to US$56 million or 2 percent of GDP, from 18,400 migrants who account for 2 percent of the population.[21,22] Out of the total migrants, females numbered 9,072 or 49 percent.[23] France is both the country from where most remittances are received (49 percent), and to where most people migrate (39 percent) due to the close historic links between the two countries (Figure 6). Ethiopia is the second most popular destination for migrants from Djibouti (21 percent) but the associated remittances account for only 3 percent of Djibouti's inbound flows. The strong political relations between Djibouti and Ethiopia have led to employment opportunities for people from Djibouti.[24] The small amount in remittances they send, however, can be explained by the difficulty transferring money from Ethiopia due to exchange control restrictions. There are no data available for the number of migrants from Djibouti in Algeria, although indications from the amount of remittances suggest that there is a larger number of economic migrants than the number reported.

Figure 6. Djibouti's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks (2019).

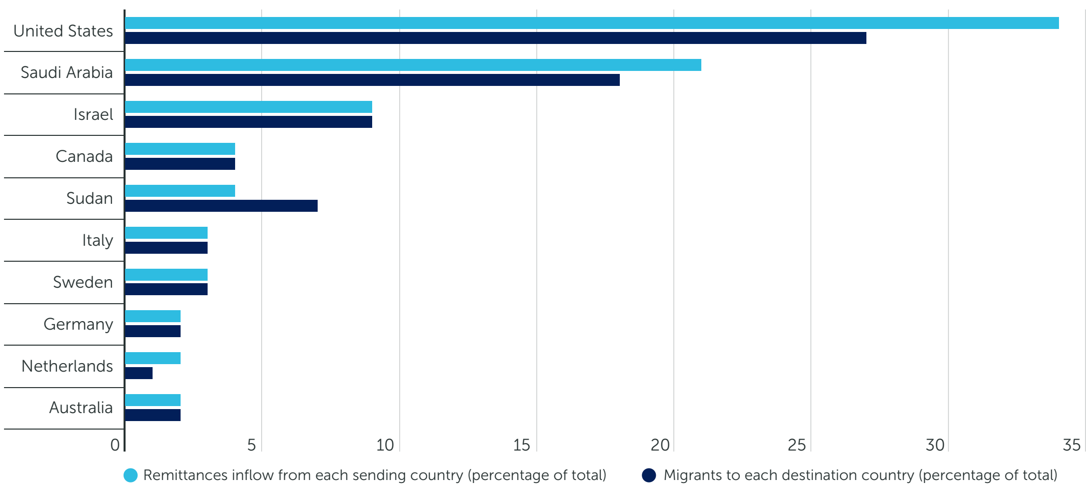
Money transfer and foreign exchange in Djibouti is regulated under Law No.119/AN/11/ 6th L of January 2011 of the constitution, and under the supervision of credit institutions and financial auxiliaries. However, remittances to Djibouti are still mostly sent informally through the *hawala* system, whereby money is paid to an agent in the country of origin who then instructs a local associate in the country of destination, to pay out the money to the recipient. A better understanding of Djibouti's remittance landscape would help to put in place improved policies and mechanisms to reduce their cost and encourage the use of formal and regulated remittances channels, therefore enhancing the contribution of remittances to the country's development.

ii) Ethiopia

Of IGAD countries, Ethiopia has the largest population but only the fourth-highest number of migrants.[25] Ethiopia is also a transit and destination country for mixed migration flows in the Horn of Africa. Migration from Ethiopia is largely irregular, mainly due to limited options for regular labour migration, with the majority of Ethiopians travelling to the Middle East, while others move south towards South Africa, or north-west through Sudan and Libya to Europe and the USA.[26] Regular labour migration to Ethiopia is largely limited to the highly skilled, such as senior management staff brought in by foreign companies, often from Asia, or professionals who work in the aid sector. According to the Ministry of Labour and Social Affairs, most migrant workers in Ethiopia are employed in construction, with 55 percent of work permits issued for this sector, followed by 17 percent for manufacturing and 10 percent for the community, social and personal service sector.[27]

In 2020, global inbound formal remittances to Ethiopia amounted to US$504 million, which is 0.5 percent of GDP.[28] According to National Bank of Ethiopia data, however, Ethiopia is the largest recipient of remittances in the region, with over US$5 billion or 5 percent of GDP, evenly between the formal and informal sectors. Migrants abroad number 946,100 which is equivalent to one percent of the Ethiopia population.[29] Out of total migrants, females numbered 436,000 or 46 percent.[30] The USA remits the largest amount to Ethiopia, accounting for 34 percent of the total inflow, and hosts 27 percent of Ethiopia's migrants (Figure 7). Saudi Arabia follows, accounting for 21 percent of remittances and 18 percent of migrants.

Figure 7: Ethiopia's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks (2019).

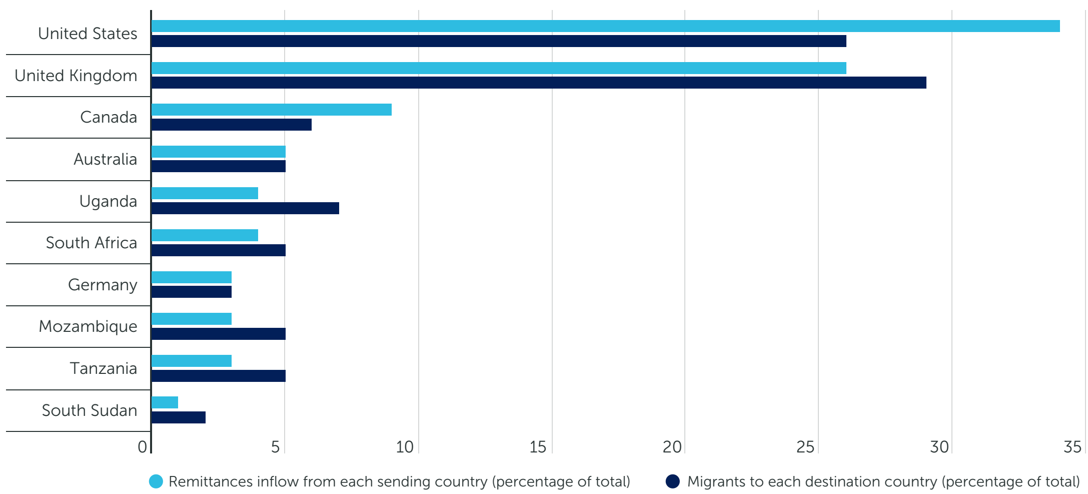
Ethiopia issued Directive No. FXD 58/2018 to amend Directive No. FXD/30/2006, that provides for some provisions for remittance services. Amendments provide guideline for enhancing incoming remittance transfers and regulating processes to improve the operations of the formal remittance transfer system. In addition, the National Bank of Ethiopia issued Directive FXD/31/2006, which allows the opening of foreign currency bank accounts for non-resident Ethiopians, with a view to incentivizing investment by the diaspora and increase Ethiopia's foreign exchange reserves.[31] Also, the National Bank of Ethiopia's Directive EX1V68/2020 allows banks to open interest-bearing, no-fee foreign currency savings accounts for resident Ethiopians and those abroad.

iii) Kenya

Of IGAD countries, Kenya has the second-lowest number of migrants abroad.[32] Kenya is mainly a destination and transit country for people in mixed migration flows from East Africa, including refugees, irregular and economic migrants, and trafficked people.[33] Migrants transit Kenya to reach South Africa, the Middle East, North Africa, West Africa and Europe. Most immigrants in Kenya are from East Africa,[34] whereas labour migrants are mostly from East Africa and Asia (Bangladesh, India and Pakistan).[35]

In 2020, global inbound formal remittances to Kenya amounted to US$3.1 billion or 3 percent of GDP. Migrants abroad numbered 535,100, or 1 percent of the population.[36] Out of the total migrants, females numbered 282,600 or 53 percent.[37] Officially, Kenya has the highest amount of remittance inflows in the IGAD region, despite not having the highest number of migrants abroad. This can either be explained by Kenyan migrants earning more money in their host countries and thus being able to send more to their friends and family in their country of origin, or that Kenyan migrants prefer formal channels for sending remittances. The most popular destination for migrants from Kenya is the UK (29 percent) and who account for 26 percent of all remittances (Figure 8), while the USA sends the largest proportion of remittance inflows to Kenya (33 percent) from 26 percent of all migrants.

Figure 8: Kenya's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks, 2019).

Kenya has a supervisory framework for remittance service providers, the Money Remittance Regulations, 2013. This provides for the setting up of outlets and appointment of agents for money remittance business across the country. Remittances are recognized in Kenya as an important contributor to the country's growth and development, and the Central Bank of Kenya conducts surveys on remittance inflows through formal channels that include commercial banks and other authorized international remittance service providers in Kenya.[38] Due to the huge sums involved, remittances are now being recognized in Kenya as an important contributor to the country's growth and development.

iv) Somalia

Of IGAD member countries, Somalia has the third-highest number of migrants abroad, estimated at 2.1 million or 14 percent of its population.[39] Out of the total migrants, females numbered 969,400 or 46 percent.[40] Somalia stands out as a country of origin for mixed migration in the Horn of Africa. Conflict, insecurity, poverty and drought have led to massive emigration, especially over the last 20 years.[41] Return migration has increased in recent years, as Somalia has become relatively more stable. Somalis have set up small shops and businesses in Ethiopia, Kenya, South Africa, Tanzania and Uganda, and in Yemen, Gulf countries and the Middle East, and they also work as farmers, herders and traders.[42] Labour immigration to Somalia is limited due to insecurity. According to Somalia's Ministry of Labour and Social Affairs, there are around 25,000 migrant workers in Mogadishu, many of whom originate from the IGAD region and the Middle East, some of whom are regular migrants with work permits, mostly from Bangladesh, India, Kenya, Pakistan, Uganda and the UK.[43]

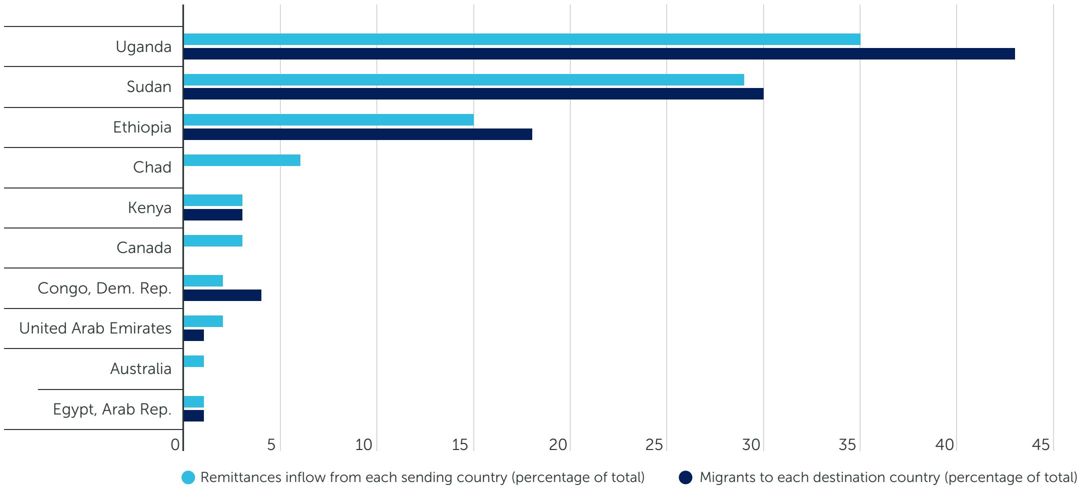
There is limited data on remittances to Somalia, though one report noted that in 2020, remittances constituted 35 percent of Somalia's GDP.[44] The Financial Institutions (Money Transfer Business Registration) Regulations of 2014 governs remittance services in Somalia, but remittances still flow largely through informal channels.

v) South Sudan

In the IGAD region, South Sudan has the highest number of migrants abroad.[45] Many people in South Sudan have emigrated due to insecurity.[46] Unlike migrants from other countries in the region, those from South Sudan generally do not form part of onward mixed migration movements to Europe, and mostly end up in neighbouring countries.[47] On the other hand, the demand for goods, services and skilled labour in South Sudan attract entrepreneurial and professional migrants from India, the Democratic Republic of the Congo, Eritrea, Ethiopia, Kenya, Somalia, the Darfur region of Sudan and Uganda.[48]

In 2020, global inbound remittances to South Sudan amounted to US$1.2 billion annually, or 17 percent of GDP, from 2.6 million migrants in mostly Uganda, Sudan and Ethiopia.[49,50] The number of migrants represented 24 percent of the total population.[51] Out of the total migrants, females numbered 1.3 million or 50 percent.[52] Although official data show that there are remittances from Australia, Canada and Chad, there are no corresponding official data on the number of migrants.

Figure 9: South Sudan's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks (2019).

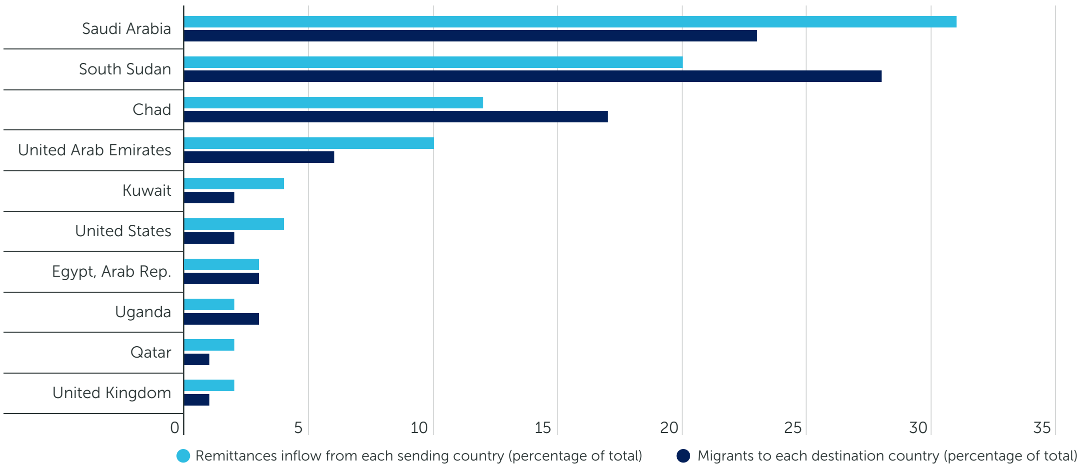
Remittance services in South Sudan are provided by foreign exchange bureaux which are regulated by Regulation No. 19, 2012 on the Licensing and Supervisions of Foreign Exchange Bureaux. In 2015, the Bank of South Sudan unpegged the South Sudanese pound from the US dollar and allowed it to float. This decision eased the gap between the official and parallel exchange rates and thus provided a boost to remittance flows through formal channels.

vi) Sudan

Of IGAD countries, Sudan has the second-highest number of migrants abroad.[53] Sudan is an origin, destination and transit country for mixed migration flows. The country is situated along important historical and contemporary migration routes from West and East Africa, towards North Africa, Europe and the Gulf countries. In recent years, immigrants from countries, mainly Bangladesh, China, the Philippines, Sri Lanka and Turkey, have sought economic opportunities in Sudan.[54]

Reported remittances substantially understate the actual transfers, as they exclude amounts sent through informal channels.[55] In 2020 global inbound remittances to Sudan amounted to US$500 million, which is 2 percent of GDP. Migrants abroad numbered 2.1 million, or around 5 percent of Sudan's population.[56] Out of the total migrants, females numbered 949,200 or 45 percent.[57] Most remittances are from Saudi Arabia, South Sudan and Chad. South Sudan and Saudi Arabia are host to 28 percent and 23 percent, respectively, of Sudan's migrants abroad (Figure 10).

Figure 10: Sudan's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks (2019).

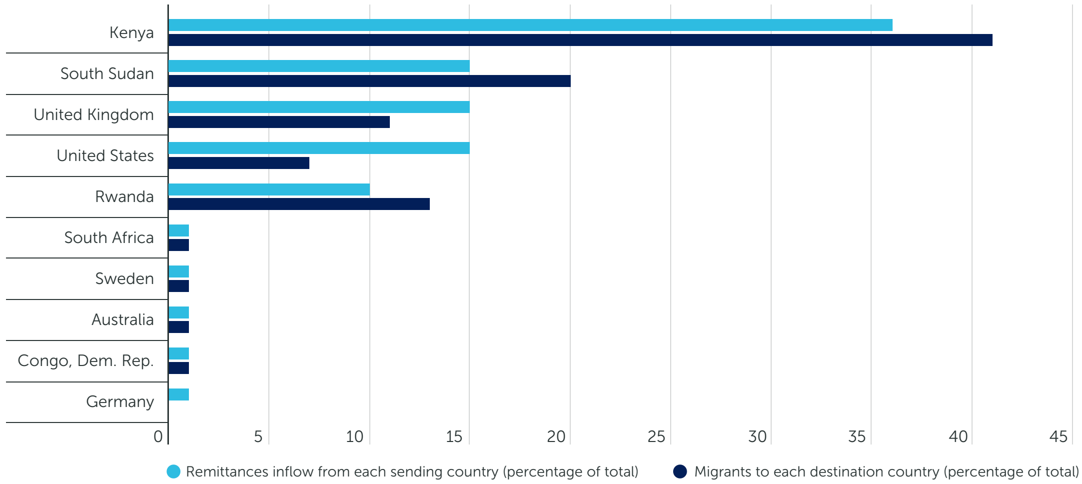
Sudan has a regulation governing the Business of Foreign Exchange Bureaus (2002). Exchange bureaux can make incoming and outgoing transfers after getting prior approval from the central bank. In addition, Sudan has a foreign exchange policy of 2012 that encourages the mobilization of foreign exchange savings of Sudanese working abroad through banking, exchange companies and bureaux of transfer channels. The policy also strives to attract foreign exchange resources through deposits, loans and other means.

vii) Uganda

Of IGAD countries, Uganda has the fifth-highest number of migrants abroad.[58] Uganda is a country of origin for people in mixed migration flows, although to a lesser extent than some of its neighbours. Most Ugandans migrate to neighbouring countries, especially Kenya, South Sudan and Rwanda, with many also in Europe and North America.[59]

In 2019, global inbound formal remittances to Uganda amounted to US$1.1 billion, or 4 percent of GDP.[60] Migrants abroad numbered 781,000, or 2 percent of the population.[61] Out of the total migrants, females numbered 408,700 or 52 percent.[62] As shown in Figure 11, most remittances come from Kenya (36 percent), South Sudan (15 percent), the UK (15 percent), the United States (15 percent) and Rwanda (10 percent). The largest numbers of migrants are in the neighbouring countries of Kenya (41 percent) and South Sudan (20 percent).

Figure 11: Uganda's top 10 remittance-sending countries



Source: International Monetary Fund balance of payments database, and data releases from central banks, national statistical agencies and World Bank country desks (2019).

Uganda has a supervisory framework for remittance service providers which include the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 and Guidelines for the Licensing and Operation of Forex Bureaus and Money Remittance Companies, 2018.

2. REGIONAL HARMONIZATION OF REMITTANCE POLICIES

2.1 Background

Remittances to the IGAD region are very important, with a significant role in macro-economic stability, poverty alleviation and financial inclusion, and IGAD member states recognize the value of remittances for economic development and income security for many. However, this fact is often met by the reality that the potential of remittances to support sustainable development is not being fully met. Despite the relatively large inflows of remittances, the cost of sending money to and within the region is higher than the 2030 Agenda for Sustainable Development Goal (SDG)'s target of less than 3 percent. One of the main reasons that cross-border remittances remain costly and such a missed opportunity is because remittances to IGAD countries still move largely in cash. This dependence on cash with limited transparency limits central banks, ministries of finance and regulators in their understanding of the effects of remittances on financial stability and integrity, wider financial inclusion and inclusive growth.

Another challenge is regulatory arbitrage between IGAD countries, different levels of infrastructure development, and differences in other remittance-related procedures For example, licensing and authorization requirements for remittance service providers, prudential supervision, anti-money laundering and combating the financing of terrorism (AML/CFT) laws and regulations, foreign exchange regimes, consumer protection, complaints resolution mechanisms, transparency and disclosures, all tend to differ, and are major barriers for remittance service providers to provide much-needed cross-border remittance services. It is also noted that most IGAD member countries lack robust ID systems, making it hard and costly for customer onboarding.

In the IGAD region, mobile money has established itself as an affordable and convenient tool for enabling international remittances, reducing remittance costs and maximizing impacts of remittances on individual lives and national economic growth. Due to its reach and growing use among underserved people, mobile money is outstandingly positioned to transform formal remittance markets and advance inclusive finance. Mobile money providers are at the forefront of domestic payment services in many emerging market economies. However, despite a dynamic digital financial subsector in IGAD countries, roadblocks persist, including regulatory limits on daily transactions. Available regulations lack standardized and transparent licensing criteria for international inward and outward mobile money transfers, and to secure approval to connect new corridors. Differences between international and domestic transaction and balance limits within a country is also an issue.

These barriers have been the main reasons for people to continue using informal remittance channels. In this regard, it is critical to dig deeper into the challenges across IGAD countries and exploit immediate opportunities to improve access, increase usage and strengthen the financial resilience of men and women migrants and their families.

IGAD member states have made significant financial sector reforms, but there is a continuing need to seize common opportunities towards economic growth and social development. Some IGAD member states are implementing policies to facilitate the flow of remittances through formal channels, but these measures are often taken independently, with limited collaborative effort amongst member states. Considering the growth of intra-regional migration, more could be done through a harmonized approach towards affordable and accessible gender-responsive remittances through digital channels. Regional cooperation is therefore of paramount importance in addressing cross-border remittance barriers and in advancing the digitalization of remittances. This project builds on the IGAD development agenda and contributes to the implementation of IGAD regional development strategies.

2.2 Project objectives

The main objective of this project is to elaborate a conducive gender-responsive policy and regulatory framework and supporting infrastructure to facilitate affordable and accessible cross-border remittances, that will drive remittance costs down and increase flows through formal channels. Harmonized policies form anchors upon which legal and regulatory frameworks can be developed to guide and oversee markets for the ultimate benefit of vulnerable people while also promoting trade and enterprise. Such policies have to promote common interests and address common challenges to ease adoption and implementation at regional and national levels. The project is assessing policy and regulatory regimes to identify areas for possible convergence in areas such as licensing and authorization regimes, prudential supervision, anti-money laundering and combating the financing of terrorism (AML/CFT) laws and regulations, consumer protection, complaints resolution mechanisms and transparency, and disclosures and foreign exchange regimes.

This effort is in line with the objectives of several key multinational frameworks and agreements.

(1) The Global Compact for Safe, Orderly and Regular Migration which seeks in part to *"promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants."*[63]

(2) Sustainable Development Goal (SDG) target 10.c that *"by 2030, reduce to less than 3 percent the transaction costs of migrant remittances."*[64]

(3) The agreement establishing IGAD that aims to *"promote joint development strategies and gradually harmonize macro-economic policies and programmes."*

(4) The IGAD Regional Migration Policy Framework 2015–2020 and Migration Action Plan 2015–2020 *"to enhance regional cooperation in the priority areas of economic cooperation, regional integration and social development."*

(5) The African Union's migration policy recommendations[65] on strategies to reduce the cost of remittances, strengthen collaboration, improve data quality and boost the use of technology such as mobile money for cross-border remittances.

Among the implementation activities stipulated and to be accomplished through a consultative process, the following are being considered as the major components and activities of the project.

Figure 12: Main implementation activities of the project

Harmonization of laws and regulations

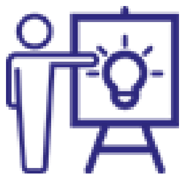
Developing convergence criteria for priority elements of the regulatory framework. Convergence criteria may include those related to:

- licensing and authorization regimes
- prudential supervision
- financial integrity (AML/CFT)
- consumer protection
- foreign exchange regulations

Cross border remittance infrastructure

Leveraging on existing infrastructure to support cost-effective solutions is considered as one of the options during the harmonization process, through:

- regional payment hubs
- cross-border interoperability
- harmonization of operating standards
- mobile money and remittance-related digital financial services



Capacity building

Strengthening the capacity of key stakeholders including REC Secretariats, regulatory institutions, central banks and relevant ministries, in the areas of cross-border remittances and payments, via:

- knowledge sharing
- peer exchange
- skills building
- leadership development

2.2.1 Harmonizing laws and regulations

Having an enabling regulatory environment for remittances is essential to achieving policy goals. Currently, there are multiple approaches to remittance regulation across IGAD countries, so a good starting point is to create a common understanding of gender-responsive regulatory framework that is specifically focused on remittances. For regional harmonization to support an enabling framework for cross border payments, the project involves developing enablers and five convergence criteria for priority elements.

- Proportionate and non-discriminatory licensing procedures for remittances service providers, looking especially at licensing and authorization regimes to identify areas for possible convergence.

- Proportionate prudential supervision.

- Financial integrity and risk management.

- Adequate level of consumer protection and complaints resolution mechanisms, including vulnerable customer segments.

- Proportionate foreign exchange regulations.

2.2.2 Assessing payment infrastructure

Payment infrastructure is the foundation for remittances. Activities under the project involve supporting cost-effective solutions while building on existing infrastructure, and assessing regulations and standards relating to payment infrastructure to ensure the compatibility, and the viability of introducing new systems. The intended output is to achieve cross-border harmonization of operating standards in payment infrastructure to lower the cost of remittances.

This assessment will start with a review of policies, laws, regulations and standards relating to remittance infrastructure that supports cross-border payments, including mobile money and remittance-related digital financial services. Similar experiences will be drawn from the harmonization of the East African Payment System, the cross-border payment settlement infrastructure within the Southern African Development Community, the Regional Payment and Settlement System of the Common Market for Eastern and Southern Africa, and the West African Monetary Zone Payments System Development Project of the Economic Community of West African States (ECOWAS).

In undertaking project activities, the following areas will also be covered.

- Assessing available elements of retail-level systems, merchant payment points, cash-in and cash-out networks; assessing whether the national retail payment systems are able to connect with regional/international payment hubs and gateways; assessing market-driven innovations that facilitate the development of resilient infrastructure for cross-border remittances that withstand service disruptions.

- Assessing the robustness of the ID system that supports effective identification and onboarding of customers/user segments including women and other vulnerable populations. The ID system should also facilitate authentication and verification of cross-border transactions, facilitate effective anti-money laundering and combating the financing of terrorism (AML/CFT) supervision of cross-border remittance transactions, and support the digital footprint of the underbanked to enable access to a broader range of financial services.

- Assessing the use of technology to facilitate effective supervision and oversight, and to enable efficient remittance transactions.

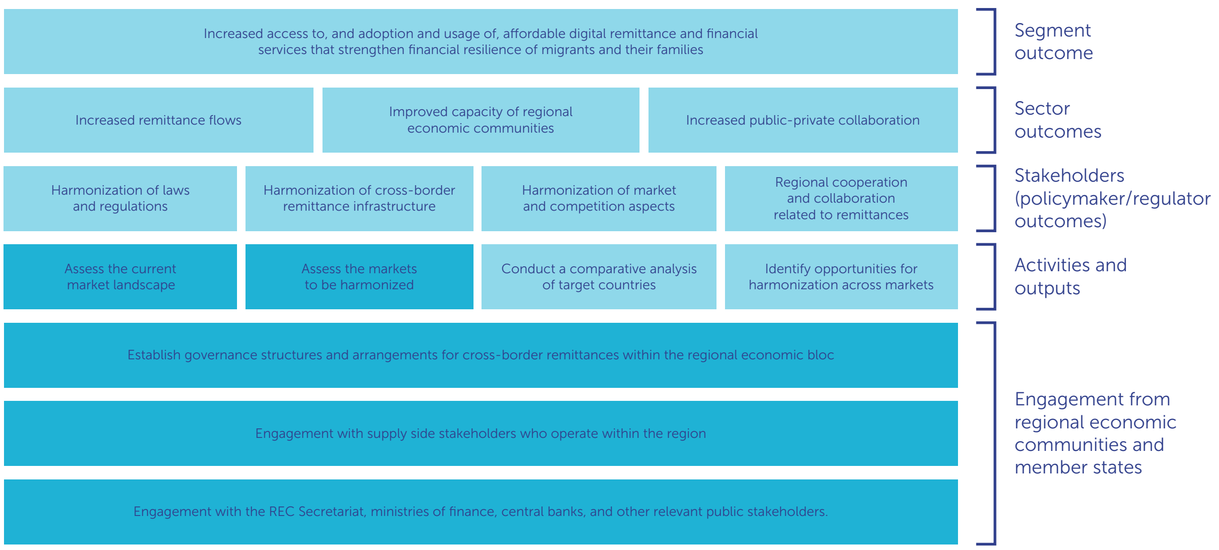
2.2.3 Strengthening capacity

It is important to strengthen capacity of key stakeholder groups comprising both men and women, including the IGAD Secretariat technical team, external regulatory institutions, central banks, relevant ministries, bankers' associations, capital market authorities, financial institutions and remittance service providers, etc. Key topics include cross-border remittances, payments and settlements systems through knowledge sharing, peer exchange, skills and leadership development. It is important that policymakers and regulators have the necessary skills and systems to successfully bridge the gap between knowledge and implementation, propose gender-responsive policy and regulatory solutions to address identified challenges to improving remittance flows and use of digital remittances, and decide which tools central banks and line ministries can leverage for efficient data sharing.

2.3 Methodology

The project encourages discussion and dialogue between ministries and stakeholders to ensure the development and implementation of a regional roadmap with key actions going forward. Project activities include assessments of the current market landscapes, conducting a comparative analysis of the target countries and identifying opportunities for harmonization across markets. These activities are geared towards obtaining outcomes desired by policymakers and regulators: harmonization of laws and regulations, of payment infrastructure, of markets and competition aspects and regional economic cooperation.

Figure 13: Regional remittance policy harmonization methodology and milestones



The following are the main processes.

2.3.1 Understanding the environment

To understand the remittance environment, all key public and private sectors stakeholders have been mapped for each country and the region as a whole. Preliminary desk reviews have also been undertaken of remittance-related policies, laws and regulations at country level, with a review of existing payment infrastructure, and operating standards at country and regional level.

2.3.2 Engaging stakeholders and identifying knowledge gaps

Through meetings with the IGAD Secretariat and central banks, a gender-balanced group of stakeholders will be able to share observations on the reviewed policies, regulatory frameworks, operating standards and identified issues during preliminary reviews. Feedback and learning from each meeting will be incorporated to validate observations about the environment, respond to knowledge gaps, identify additional ones, and develop further questions for stakeholders. See Annex 1 for details on stakeholder mapping.

2.3.3 Mainstreaming gender into the policymaking process[66]

Gender mainstreaming makes a gender dimension explicit in all policy sectors. Gender equality is no longer viewed as a 'separate question', but is a concern for all policies and programmes. Furthermore, a gender mainstreaming approach does not look at women in isolation, but looks at women and men—both as actors in the development process and as its beneficiaries.

Experience has shown that gender issues differ by country, region and specific situation. At the same time, experience has also shown that rigorous, gender-sensitive analysis invariably reveals gender-differentiated needs and priorities, and gender inequalities in terms of opportunities and outcomes. Gender mainstreaming seeks to redress these problems.

The level of intervention (from basic 'gender sensitivity' to comprehensive, targeted gender programmes) will depend on the specific needs and priorities revealed by a gender-sensitive situation assessment.

Finally, as a comprehensive strategy, gender mainstreaming should also address the environment (corporate, office) in which policies and programmes are developed and implemented. Thus, a strategy to integrate gender concerns into programming must be accompanied by a strategy to ensure that the working environment is gender-sensitive, guaranteeing equal opportunities and treatment for both men and women. Sufficient technical capacity and human resources to successfully implement gender mainstreaming must also be ensured.

2.3.4 Preparing a roadmap

Based on the assessments and stakeholder engagements, an IGAD remittance landscape will be prepared, identifying policies, regulations, infrastructure, operating standards, and enablers and barriers of harmonization, with recommendations on convergence criteria. These will support the formation of a response to improve the negotiation of cross-border remittance arrangements and the creation of a roadmap with practical steps and timelines for achieving harmonization. In collaboration with key stakeholders, an implementation plan will be prepared, prioritizing actions to attain the intended goals. See Annex 2 for more details on the action plan, key milestones and timelines.

2.4 Project management structure

The project structure draws on learning from similar regional initiatives such as those of the East African Community, and therefore it is a structure that ensures a consultative process and effective cooperation, without stretching the existing capacities of the IGAD Secretariat and member states. Steering committee members and project teams are proposed, drawn from the IGAD Secretariat, IGAD member states and UNCDF. As much as possible, a reasonable level of gender balance will be observed on the proposed teams.

2.4.1 Steering committee

This committee is responsible for overall guidance, supervision, monitoring, and defining and deciding key milestones, managing external and project-specific risks, reviewing performance at regular intervals, validating deliverables and approving changes, if any, in the project log. It comprises members from UNCDF, IGAD Secretariat and member states. The secretary shall be the UNCDF project manager, and steering committee members shall be IGAD member central bank governors or deputy governors, or executive directors responsible for the financial sector. Committee meetings shall be quarterly, to deliberate on project progress.

2.4.2 Project team

This team is responsible for project performance, timelines, alignments, reporting and deliverables at regional level, of research, policy and regulatory reviews and stakeholder engagements. Specifically, tasks include daily management of project activities, keeping track of project milestones and timelines, financial management, preparation of progress reports, and identifying challenges and issues. The team shall comprise members from UNCDF, the IGAD Secretariat and member states. Member states nominations shall be among senior officials from the ministries of finance, and central bank foreign exchange policy, banking supervision and national payment systems departments. Meetings shall bimonthly, to deliberate on progress report or at the end of each key-milestone and when necessary.

ANNEX 1. STAKEHOLDER MAPPING

COUNTRY ASSESSMENTS			REGIONAL COMPARATIVE ANALYSIS
KEY ASPECTS IN THE REVIEW PROCESS	PUBLIC STAKEHOLDERS	SUPPLY-SIDE STAKEHOLDERS	AFTER COUNTRY ASSESSMENTS, COMPARATIVE ASSESSMENTS WILL BE UNDERTAKEN ACROSS MARKETS IN THE IGAD REGION IN THE FOLLOWING AREAS
a. Policies, laws and regulations that govern or relate to remittances b. Public actors who craft policies, or maintain or enforce regulations c. Private sector actors subject to policies and regulations while providing remittance services	• Central Bank Executive Officers • National payment systems department • Banking supervision department • Foreign exchange/ external sector department • Legal services department • Financial intelligence unit • Ministry responsible for Finance • Ministry responsible for Foreign Affairs • National Payments Switch • Telecommunication authority • National identification system authority • Microfinance supervision department	• Banks and financial institutions • Remittance service providers (RSPs) • Mobile money operators (MMOs) • Microfinance institutions (MFIs) • Mobile network operators (MNOs)	• Remittance-related policies and regulatory frameworks • Market and competition aspects • Regional cooperation and collaboration aspects related to remittances • Capability of key stakeholders • Payment infrastructure

ANNEX 2. ACTION PLAN, KEY MILESTONES AND TIMELINES

STRATEGIC GOAL	TO CONTRIBUTE TO THE REGIONAL HARMONIZATION OF REMITTANCE POLICIES, AND TO THE EXPANSION OF AFFORDABLE, ACCESSIBLE, RELIABLE AND TAILORED DIGITAL REMITTANCE AND RELATED FINANCIAL PRODUCTS, WITH THE BROADER OBJECTIVE OF ADVANCING MIGRANTS' ECONOMIC INCLUSION, FINANCIAL RESILIENCE AND EQUALITY		
1: PLAN	**2: ASSESS**	**3: REPORTING**	**4: ROADMAP**
Mobilize the team from UNCDF, IGAD Secretariat and member states, establish grounds for delivery, and set rules of engagement to ensure common understanding of project objectives.	Undertake country level reviews with participating ministries of finance, central banks, telecommunication . national identification and other relevant public authorities, and supply-side stakeholders.	Produce a report with implementation scenarios (draft roadmap), risk analysis, with identified areas for possible intervention and policy recommendations.	Mobilize the team from UNCDF, IGAD Secretariat and member states, establish grounds for delivery, and set rules of engagement to ensure common understanding of project objectives.
Activities • Mobilize project team • Hold a meeting between UNCDF and IGAD Secretariat and to discuss and agree the steering committee, project team and single points of contact (SPOC) from member states, implementation approach, timelines and monitoring mechanism • Review and optimize the proposed plan for the subsequent phases	**Activities** • Conduct interviews, consult with member countries' public and supply-side stakeholders, and summarize findings • Benchmarking against African and other countries	**Activities** • Conceptualize implementation scenarios and present to stakeholders with pros/cons and a risk assessment • Incorporate dependencies with existing and planned initiatives – public and private • Draft report with detailed roadmap requirements of the preferred scenario.	**Activities** • Mobilize project team • Hold a meeting between UNCDF and IGAD Secretariat and to discuss and agree the steering committee, project team and single points of contact (SPOC) from member states, implementation approach, timelines and monitoring mechanism • Review and optimize the proposed plan for the subsequent phases
Set up • Virtual meetings or physical meetings at the IGAD Secretariat	**Set up** • Interviews • Desk base research	**Set up** • Visioning workshop with key stakeholders • Online meetings and validation sessions	**Set up** • Virtual meetings or physical meetings at the IGAD Secretariat
Outputs Project inception report with agreed implementation plan including stakeholder engagement plan.	**Outputs** Current state assessment and benchmarking report, with a summary of findings, gap analysis and benchmarking assessment.	**Outputs** Draft report, with findings from current assessments and learning from previous projects and inputs and visioning workshop, with recommendations.	**Outputs** Project inception report with agreed implementation plan including stakeholder engagement plan.

ANNEX 3. MAP OF THE IGAD REGION

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Unlocking Public and Private Finance for the Poor

LEAVING NO ONE BEHIND IN THE DIGITAL ERA

The UNCDF Strategy 'Leaving no one behind in the digital era' is based on over a decade of experience in digital finance in Africa, Asia, and the Pacific. UNCDF recognizes that reaching the full potential of digital financial inclusion in support of the Sustainable Development Goals (SDGs) aligns with the vision of promoting digital economies that leave no one behind. The vision of UNCDF is to empower millions of people by 2024 to use services daily that leverage innovation and technology and contribute to the SDGs. UNCDF will apply a market development approach and continuously seek to address underlying market dysfunctions.

THE UNITED NATIONS CAPITAL DEVELOPMENT FUND

The United Nations Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries (LDCs).

UNCDF offers "last mile" finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF's financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

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