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# Meeting of the Permanent Secretaries of the Ministries of Foreign Affairs and International Cooperation of IGAD Member States held on 4 and 5 October 2022 in Addis Ababa, Ethiopia

The Roadmap on Harmonization of Remittance Policies in the Intergovernmental Authority on Development (IGAD)

The Intergovernmental Authority on Development (IGAD) Secretariat, in collaboration with the United Nations Capital Development Fund (UNCDF), convened a meeting of the Permanent Secretaries of IGAD Ministries in charge of Foreign Affairs and International Cooperation that was held in Addis Ababa, Ethiopia, on 4 – 5 October 2022. The meeting was chaired by **Ambassador Abdelghani Elnaim Awadelkarim Abdallah**, head of the delegation from Sudan and the Chairperson of IGAD.

Permanent Secretaries of IGAD Ministries of Foreign Affairs and International Cooperation and directors from IGAD Ministries in charge of Financial Policies were in attendance at the meeting as listed below:

1. Ambassador Mohamed Ali Hassan - Permanent Secretary, Ministry of Foreign Affairs, Djibouti
2. Ms Fatouma Houmed Gaba - Chief of Service M&E, Ministry of Finance, Djibouti
3. Dr Mohammed Endris - Director General, Ministry of Foreign Affairs - Diaspora Service, Ethiopia
4. Mr Getu Girma - Third Secretary, Ministry of Foreign Affairs, Ethiopia
5. Mr Wondwossen Girma – Director, Ministry of Foreign Affairs, Ethiopia
6. Mr Adan Mohamed Alasow – Director, Ministry of Foreign Affairs, Somalia
7. Mr Omar Yasin Mohamed – Director, Ministry of Finance, Somalia
8. Ambassador Nickson Deng Peter - Director of Regional Organizations, Ministry of Foreign Affairs and International Cooperation - South Sudan
9. Mr Gai Nyinyar Riek - Deputy Director Accounts, Ministry of Finance and Planning, South Sudan
10. Ambassador Abdelghani Elnaim Awadelkarim Abdallah - Head of Delegation, Ministry of Foreign Affairs,
11. Mr Abdelatti Gabir Elhag Osman - Director General Planning and Macro Policies, General Directorate, Sudan
12. Ambassador Julius Joshua Kivuna – Head, Regional Peace and Security Department, Uganda
13. Mr Bob Bonabo Munene - Principal Economist, Ministry of Finance, Uganda

Mr Ibrahim Kasso, Regional Migration Fund Project Operations Coordinator of IGAD, moderated the meeting.

In her opening remarks, **Ms Fathia Alwan**, on behalf of **Dr Workneh Gebeyehu**, IGAD Executive Secretary, and in her capacity as Director for Health and Social Division at IGAD Secretariat, welcomed the delegates and underscored the importance of the agenda and its objective to develop a conducive environment for migrant remittance flows. Ms Alwan highlighted that remittances to the IGAD region reached \$8.8 billion in 2021 from the 9.8 million IGAD migrant population, which is 4 percent of the region's total population and a figure which is expected to increase. In sending money back home, migrants face challenges of high costs, limited speed, inadequate transparency, and limited access. In the last quarter of 2021, the average cost of remittances to IGAD countries was 8.5 percent, nearly three times the Sustainable Development Goals target rate of below 3 percent of the global average. The challenges are caused by relying on an intricate network of correspondent banks coordinating across different time zones and currencies, which results in limited operating hours and settlement delays, the limited liquidity of local currencies due to little transaction activity between IGAD countries, vulnerability to exchange rate fluctuations, and compliance costs and fees along the remittance value chain. Furthermore, Ms Alwan underlined that the foreign exchange conversion rates and fees are further affected by differing foreign exchange frameworks among IGAD countries. Ms Alwan also cited the lack of a common policy on standards for key payment technologies, procedures, and security features, increasing processing costs and delays.

Given the challenges affecting migrant remittances in the region, Ms Alwan stated that IGAD and

the United Nations Capital Development Fund (UNCDF) entered into a partnership agreement and began implementing the Harmonization of Remittance Policies Project in 2021. This project aims to create an enabling regulatory environment at the regional level to develop a conducive policy and regulatory framework and support infrastructure to facilitate affordable and accessible cross-border remittances. Ms Alwan extended IGAD's sincere appreciation to UNCDF for partnering with IGAD on this important initiative, to the Swedish International Development Agency (Sida) for funding this initiative, and to the IGAD Member States for their participation in the development of the roadmap on harmonization of remittance policies in IGAD region. She called for the cooperation of both relevant public and private stakeholders from the IGAD Member States in implementing the roadmap considering the many unwarranted constraints faced by migrants when sending money to their country of origin and those who live in the IGAD region.

In his remarks, the UNCDF Lead Remittance Policy Specialist, **Mr Elia Mandari**, thanked Ms Alwan for her very insightful remarks and all delegates for being present. He noted that the IGAD region is home to many families with breadwinners living and working abroad. He further noted that the roadmap seeks commitment from IGAD Member States to a shared vision to address complex regulatory and operational issues that would benefit individual countries and the region in the long run, as well as other national and regional economic sectors. The assessment and stakeholders' consultations produced recommendations to improve the current enabling policy, regulatory, and payment infrastructures to increase remittance flows. These have been categorized under the five key areas, namely legal and regulatory frameworks, financial and payment system infrastructures, market practices, consumer protection, and cooperation and collaboration. Once implemented by each country, a harmonized position regarding the remittance environment will automatically take effect. Mr Mandari pointed out that all recommendations are aligned with national and regional strategies, which cut across sectors and demographic segments to bring the entire region into the digital era and strengthen investment and development. UNCDF will continue to accompany IGAD on its implementation path, as it has done for the previous two years.

In his address to the meeting, IGAD Chairperson, **Ambassador Abdelghani Elnaim Awadelkarim Abdallah**, thanked the IGAD Secretariat and United Nations Capital Development Fund (UNCDF) for this technical assistance project on the harmonization of policy and regulatory frameworks to enhance remittances. He noted that IGAD recognizes that the project's objectives can best be achieved by cooperating on policy and regulatory reforms now and in the years ahead. The Ambassador also stated that IGAD recognizes the opportunities that this project can provide IGAD countries in terms of deepening demand and the financial markets to make monetary policies more successful, reducing supervision and implementation costs, and opening remittance service access to a broader population, thereby fostering economic growth. He pointed out that this initiative is in line with the objectives of several key multinational frameworks and agreements, among them: (1) the Global Compact for Safe, Orderly, and Regular Migration which seeks in part to "promote faster, safer and cheaper transfer of remittances and to foster financial inclusion of migrants"; (2) Sustainable Development Goal (SDG) target 10.c that aims to, "by 2030, reduce to less than 3 percent the transaction costs of migrant remittances"; (3) the Addis Ababa Action Agenda that supports agreements and policy recommendations on "remittance, financial market stability and promote financial inclusion"; (4) African Union's Migration Policy recommendations on the strategies "to reduce the cost of remittances, strengthen collaboration, improve the quality of data and boost the use of technology, such as mobile money, for cross-border remittances"; (5) the agreement establishing IGAD that aims to "promote joint development strategies and gradually harmonize macro-economic policies and programmes"; and (6) IGAD Regional Migration Policy Framework and Migration Action Plan "to enhance regional cooperation in the priority areas of economic cooperation, regional integration, and social development". He called for systematic implementation of proposed improvements considering the options under the roadmap.

**Ambassador Abdelghani Elnaim Awadelkarim Abdallah** called for sustained technical assistance, capacity-building programmes, the introduction of diaspora finance mechanisms, funding for

remittance service providers to develop innovative solutions, and more demand-side and supply-side research to uncover migrants' needs, challenges, and aspirations to ensure the digitization of remittances. As the Chairperson of IGAD, **Ambassador Abdelghani Elnaim Awadelkarim Abdallah** officially opened the meeting.

The Guest of Honour, **Dr Mohammed Endris**, the Director General for the Diaspora Service at the Ethiopian Ministry of Foreign Affairs, welcomed all the delegates in Ethiopia. He emphasized the importance of enhancing remittances to IGAD countries. Ethiopia is very supportive of the initiative and has been doing much on economic reforms over the past four years, including in the remittance space.

The **project team** presented the **roadmap in detail**. The presentation highlighted that the roadmap seeks commitment from IGAD Member States to a shared vision to address complex regulatory and operational issues that would benefit individual countries and the region in the long run, as well as other national and regional economic sectors. The roadmap is the result of stakeholders' consultations and an assessment, and it contains remittance-related enablers, inhibitors, and reform recommendations. Once implemented by each country, a harmonized position regarding the remittance environment will automatically take effect. All of these have been categorized under the **five key areas**.

The first area is on **legal and regulatory frameworks, particularly on proportionate and non-discriminatory licensing procedures for remittance service providers**, prudential supervision, financial integrity and risk management, and proportionate forex regulations.

Second is **financial and payment system infrastructures**, which include options on reforming policies, standards, and rules related to national payment systems, improving the network of access points, fostering access to interoperable systems and platforms, and establishing national ID systems that support e-ID and ID requirements adjusted on a risk basis.

Third is **market practices**, where options for reforms on the roadmap aim to help all countries develop mechanisms to capture remittance-related data at the transaction level and analyze and share the data, improve cooperation between the ministries of foreign affairs, consulates, embassies, and the migrants; financial education and literacy programmes for migrants; improved information tools; migrant databases; and better policies on diaspora products.

Fourth is **consumer protection**, in which options for reforms concern data protection, privacy, and confidentiality for remittance-related data and relevant components of consumer protection laws that guide consumer protection and complaints resolution mechanisms for financial services, including cross-border remittances. Consumer protection, transparency and a complaints resolution mechanism are essential for enhancing remittance services. A harmonized position resulting from the roadmap is for all countries to have established a one-stop window for complaints resolution and consumer protection and harmonized guidelines on consumer protection.

Fifth is **cooperation and collaboration**, which details commendations concerning mechanisms and processes to foster coordination between different stakeholders, including through memoranda of understanding and bilateral (or multilateral) agreements; public-private collaboration mechanisms on matters related to the development and implementation of cross-border remittance policies, harmonization of laws and regulations; and establishing regional bodies to coordinate regional initiatives, mechanisms for coordinating and implementing policy issues at the regional level, and information exchange procedures that would enhance regulatory cooperation on cross-border payment arrangements.

The project team also delivered a presentation on **data and statistics**, which are also priority areas. Key recommendations in this area include enhancing diaspora and remittance data (data collection, management, analysis, and dissemination); supporting the use of harmonized definitions, concepts, and methodologies, and strengthening the coordination at national, regional, and continental levels amongst all involved in migration data/statistics including remittances; enhancing data sharing mechanisms at all levels; strengthening the statistics systems at IGAD level and supporting the Member States in producing reliable and timely data, and capacity-building. Consultations will be undertaken in the IGAD Member States.

The delegates from the Member States also offered their comments and positions:

- 1. Djibouti delegation** reported that currently, Djibouti is making efforts to organize the diaspora to get it involved in economic development. Djibouti underscored the need for all public stakeholders involved in the remittance sector, such as the central bank and ministry of foreign affairs, to collaborate and work towards improving the sector instead of having disjointed efforts. Djibouti also pointed out that the existing structures of IGAD and relevant national working groups or committees could manage the roadmap to avoid duplications. Djibouti is committed to implementing the roadmap and other deliberations of the meeting.
- 2. Ethiopia delegation** reported that recent diaspora issues had been given priority in Ethiopia, and there is a Diaspora Policy and Agency in place. With the ongoing financial sector reforms, more of the diaspora will be financially included through various financial products and digital platforms that can enable money transfers at a more affordable rate. Reducing the cost of money transfers is at the forefront of the agenda. Ethiopia is committed to implementing the roadmap and other deliberations of the meeting.
- 3. Somalia delegation** reported that Somalia has both formal and informal remittance flows, and many Somali families rely on remittances to meet their needs, and they are a great contributor to the country's GDP. So, remittances are topical for Somali. Some challenges Somalia faces include inadequate payment and financial infrastructure that has affected the seamless flow of remittances in Somalia. Other challenges brought about due to de-risking by international financial institutions make it difficult to do business in the remittance space because of the lack of correspondent banks. The government is doing its best to work on the anti-money laundering legal framework and is also formulating remittance policies to ensure the industry is well-regulated to foster the use of formal remittance channels. Somalia is committed to implementing the roadmap and other deliberations of the meeting.
- 4. South Sudan delegation** reported that South Sudan is both a sender and receiver of remittances and is developing the national diaspora framework. Ultimately the government would like to see South Sudanese living abroad participating in the economy. Currently, there are challenges due to the high cost of remittances and the lack of reliable data on migrants and remittances. South Sudan is one of the world's most expensive countries to transfer money to. There is no baseline data, and most data is based on estimates. The government plans to establish a comprehensive diaspora strategy. Ultimately, this will create a diaspora-friendly environment and improve dialogue with the diaspora. There are also plans to establish a diaspora commission to enhance engagement with the diaspora. South Sudan is committed to implementing the roadmap and other deliberations of the meeting. The roadmap will help South Sudan to inform its ongoing initiatives.
- 5. Sudan delegation** reported that since 1990, a bureau has been working to support Sudanese working abroad on issues that they might have. However, Sudan has faced several challenges, including the sanctions that have affected correspondent banking, a substantial flow of remittances through informal channels, and a lack of coordination amongst the different stakeholders in the remittance space, which makes resolving challenges much slower. All

these challenges have affected efforts to foster financial inclusion for both migrants and residents of Sudan. The government is making efforts to ensure that formal channels are used. In 2021, exchange rates were unified to prevent the prevailing parallel and official exchange rates. Capacity-building, especially in digital platform development, is needed. Sudan is in favour of the roadmap as it is an essential tool to inform new and ongoing initiatives and improve financial inclusion.

- 6. Uganda delegation** reported that the country is a net receiver of remittances. The government recognizes the importance of remittances to the country and has implemented measures to ensure a seamless flow. The passing of the National Payments Act is a recent development that will boost remittance flows. Also, the foreign exchange regulations are currently under review. The central bank collects data on remittances and publishes it in the annual personal transfer survey report that gives insight into the volumes and values of remittances flowing into the country. Mobile money is the most common way to receive remittances. Some challenges still need to be addressed, for example, the declining financial inclusion and inadequate infrastructure, like the lack of electricity in the rural areas that make reaching remittance services difficult. Uganda endorses the roadmap as it is an essential tool that will inform new and ongoing initiatives toward enhancing remittance flows and improving financial inclusion.

## DELIBERATIONS OF THE MEETING

### The Meeting:

- endorsed the IGAD roadmap on the harmonization of remittances policies (legal and regulatory frameworks, financial and payment system infrastructures, market practices including data, consumer protection, and cooperation and collaboration) in IGAD Region with comments from the Member States and authorized its implementation in the Member States under the coordination of IGAD Secretariat;
- deliberated and agreed on establishing a National Working Group on Remittance (NWG-R) in each Member State under the existing National Coordination Mechanism on Migration;
- deliberated and agreed on establishing a Regional Steering Committee on Remittance (RSC-R). IGAD will share draft Terms of Reference of RSC-R;
- deliberated and agreed on enhancing migration and remittance data collection, analysis, and sharing across the Member States, including harmonizing concepts, definitions, and methodologies; and
- approved the Way Forward as presented in the meeting.