CHAPTER 4

International Fund for Agricultural Development

IFAD

Enabling poor rural people
to overcome poverty

International Fund for Agricultural Development

The mission of the International Fund for Agricultural Development (IFAD)[1] is to enable rural poor people to overcome poverty. The Fund's interest in migration issues derives from the fact that migration is intimately related to rural poverty, and that migrants' resources, particularly remittances, can contribute to the well-being of their families and areas of origin. In recent decades, migration has changed the composition of families in poor rural communities. Globalization and migration are also rapidly transforming the economic and social structures of rural life. Members of rural families are making their living abroad, while maintaining essential ties with the people they have left behind. Their remittances have become an important source of external capital for many developing countries with the potential to stimulate rural economies and improve livelihood opportunities in the rural areas.

The recent economic crisis has further revealed the importance migration and remittances have for millions of families that depend on this financial flow for their survival. In spite of rising unemployment in migrant recipient countries, officially recorded remittance flows to developing countries recovered quickly, reaching USD 325 billion in 2010 after the global financial crisis, and are expected to grow at a rate of 7 to 8 per cent annually, to reach over USD 450 billion by 2014. Through its operations, advocacy and outreach, IFAD brings worldwide attention to the importance of remittances, bridging the divide between urban and rural financial services, and driving innovation and competition in the remittance marketplace. Its innovative work in developing new initiatives, and its pioneering of partnerships with the private sector, illustrate the vital role that IFAD plays in maximizing the impact of remittances on rural development.

1. Migration and development activities since the 2006 High-level Dialogue

While working with rural development, IFAD has constantly been attentive to migration issues, supporting capacity-building, advocacy and research in areas related to migration and remittances. An important part of this endeavour has been the establishment of the multi-donor Financial Facility for Remittances (FFR) in 2006, which is currently piloting innovative projects to enhance the development impact of remittances. This initiative was a result of the first High-level Dialogue on International

[1] IFAD, a specialized agency of the United Nations, was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference. At the conference, it was resolved that "an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries." Since 1978, IFAD has invested about USD 14.9 billion in grants and low-interest loans to developing countries through projects that have empowered over 410 million people to break out of poverty. IFAD is a unique partnership among 172 Member States from the Organization of the Petroleum Exporting Countries, other developing countries and the Organisation for Economic Cooperation and Development. For further details about the mandate and work of IFAD, see www.ifad.org.

Migration and Development (HLD) in 2006, and other efforts linked to migration and rural development have ensued since then.

Services

Financing Facility for Remittances[2]

At the request of a consultation group created in 2006, and based on the recommendations of the Sea Island G8 summit, IFAD decided in 2006 to expand and apply its experiences acquired during an earlier programme on remittances aimed at Latin America and the Caribbean and implemented in collaboration with the Inter-American Development Bank (IDB). As a consequence the FFR was created. The facility was hosted at IFAD and originally supported by IFAD and the European Commission. Subsequently they were joined by a consortium of partners and donors, including the Consultative Group to Assist the Poor, the Government of Luxembourg, IDB, the Ministry of Foreign Affairs and Cooperation of Spain, the UN Capital Development Fund (UNCDF), and the World Bank.

The goal of the FFR is to leverage the development impact of remittances and enable migrants and their families to achieve financial independence. The FFR approach merges activities on three fronts – projects, advocacy and partnerships – and is rooted in evidence-based learning.

FFR projects

The FFR spurs innovation in the remittance marketplace by co-funding 50 innovative projects in more than 40 countries worldwide implemented by over 200 partner institutions on the ground. The majority of these projects target: (a) governments, to encourage financial access to remittance senders and recipients, and to empower migrant workers to realize their financial goals; (b) the private sector, to develop profitable services tailored to the needs of migrant workers and their families; and (c) diaspora organizations, to help them empower themselves, invest in their members' families and rural communities, develop philanthropic initiatives, and share knowledge, skills and experiences with their home communities. To date, the total grant portfolio of the FFR has grown to USD 28 million, half of which was raised as co-financing by grant recipients to ensure better ownership and risk-sharing.

Scaling up

In 2010, building on the experience of a number of projects on migrant investment and entrepreneurship implemented through the FFR, IFAD and the United States Department of State (US DoS) launched the Diaspora Investment in Agriculture (DIA)

2 For more information about the FFR, visit www.ifad.org/remittances.

initiative. In this framework, and in collaboration with the Federal Government of Somalia and the US DoS's International Diaspora Engagement Alliance, IFAD approved in 2012 a USD 1.5-million programme named "Enhancing Food Security in the Horn of Africa through Diaspora Investment in Agriculture Programmes," which aims to finance innovative diaspora projects in Somalia and Djibouti.

In 2013 IFAD and the European Commission launched the USD 7-million project, "Postal Financial Services in Africa," in close cooperation with the World Bank, UNCDF, the Universal Postal Union (UPU) and the World Services and Banks Institute/European Services and Banks Group. This innovative project is aimed at scaling up good practices and enhancing competition in the African remittance marketplace by enabling African post offices to offer financial services.

Advocacy

The FFR fosters an enabling environment that enhances competition and innovation in the marketplace. Data, research and project experiences are at the heart of the FFR policy advocacy. The Facility's work in this regard: (a) promotes recognition of the importance of remittances; (b) mobilizes the interest of governments and the private sector in reaching out to remittance recipients; (c) brings together governments, the private sector and civil society to highlight mutual interests and potential joint interventions; and (d) encourages the creation of an enabling regulatory environment that fosters competition and attention to the financial inclusion of remittance recipients in rural areas.

One example of FFR advocacy in these areas is its publication series, *Sending Money Home*,[3] which brings government attention to the importance of remittances and spurs the compilation of national estimates of these flows. In 2009 *Sending Money Home to Africa* specifically highlighted anti-competitive practices, such as exclusivity agreements, helped drive policy discussions regarding the role of various institutions, and promoted best market practices. By directing global attention to the high price of remittances in Africa, the findings of the study brought the issue to the G8 table, where the "Five by Five" initiative of reducing the cost of remittances by 5 per cent in five years was launched. The year 2013 sees the publication of a new issue, *Sending Money Home to Asia*,[4] focused on Asia. This issue was launched at the Global Forum for Remittances (GFR) in Bangkok, Thailand,[5] which ran from 20 to 23 May 2013 and was jointly organized by IFAD and the World Bank.

The FFR applies a number of instruments to disseminate information on a day-to-day basis, such as the remittancesgateway.org web portal, which collects and disseminates

[3] For more about the *Sending Money Home* publication, visit www.ifad.org/remittances.

[4] This report may be downloaded from www.ifad.org/remittances/events/2013/globalforum/resources/sendingmoneyasia.pdf.

[5] To learn more about the Global Forum on Remittances, visit www.ifad.org/remittances/events/2013/globalforum/index.htm.

the latest news and information related to remittances from international institutions, think tanks, academic institutions, project partners, central banks and the press.

Partnership

Encouraging partnerships between public, private and civil society organizations is central to the work done by the FFR. The FFR Global Forum on Remittances provides regulators, private companies and civil society with an opportunity to present their current work, connect with potential partners and develop projects that transcend their individual competencies. Following the 2009 GFR, jointly organized with the African Development Bank (AfDB), IFAD presented a series of recommendations adopted by the G8 Global Working Group on Remittances.

IFAD has also partnered with the French Government to replicate the FFR in the AfDB and jointly financed projects that meet the criteria of both institutions. In 2012 the FFR was joined by the World Bank Group (WBG), the Payment Systems Development Group (PSDG) and the Africa Regional Integration Department. The FFR has been collaborating with the PSDG to realize the "Five by Five" goals, particularly, reducing the costs of sending money to rural areas and scaling up the FFR postal networks and remittance programme. Furthermore, the FFR is collaborating with the WBG on the organization of the 2013 GFR, which will focus on the Asian continent.

In collaboration with the World Bank Africa Region, the FFR has been supporting the European Commission-financed and World Bank-led creation of an African Institute for Remittances, and identified scaling-up opportunities to promote the DIA initiative.

Knowledge and capacity-building

In 2008 IFAD published the report, *International Migration, Remittances and Rural Development*,[6] in collaboration with FAO, which analysed the root causes of rural outmigration, focusing on its economic and social implications. The publication also examined the origins of migratory movements and how they affect the resource base and livelihoods of rural communities. Migration and remittance flows, the role of financial institutions in leveraging remittances and the role of the diaspora in the development of communities of origin were also analysed. Finally, the publication offered a discussion about future challenges, linking migration to climate change, as well as the impact of trans-boundary diseases on agriculture and rural development.

In collaboration with the UN International Research and Training Institute for the Advancement of Women (UN-INSTRAW), IFAD financed a study on "Gender, remittances and local rural development: The case of Filipino migration to Italy," which assessed the impact of remittances sent by Filipino migrants in Italy in promoting gender-sensitive

[6] This report is available for download from www.ifad.org/pub/remittances/migration.pdf.

local rural community development in the Philippines and supporting capacity-building activities with migrant associations to improve the living conditions of Filipino migrants in Italy. The study, published in 2008 by UN-INSTRAW, IFAD and the Filipino Women's Council, demonstrated that migration and remittances have had a number of positive impacts on gender equality in the Philippines. Above all, migration seems to have economically empowered women, as it has increased and diversified employment opportunities available to them.

In 2009 IFAD commissioned a study to explore the remittances market in Africa. The study covered regulatory issues and the competitive environment in 50 African countries which represent 90 per cent of remittance flows to the region. The report of the study highlighted the results of a survey of people within the geographical reach of microfinance institutions in 19 countries, drawing attention to the potential of migration and remittances to spur development. African workers send home more than USD 40 billion to the region each year, but restrictive laws and costly fees, however, hamper the power of remittances to lift people out of poverty. The report *Sending Money Home to Africa*[7] was presented at the Global Forum on Remittances 2009, organized by IFAD and the AfDB in Tunis.

Also in 2009, IFAD co-financed the Africa Migration Project, a multi-donor, co-financed project initiated by the World Bank. The objectives of the project were to: (a) improve understanding of migration and remittances in sub-Saharan Africa, including their magnitude, causes and impacts on poverty reduction, with a view to generating informed policy recommendations; and (b) strengthen the capacity of African policymakers, researchers, financial institutions and donor agencies to enhance the development impact of remittances.

The most visible output of the Africa Migration Project was the report *Leveraging Migration for Africa: Remittances, Skills and Investment,* jointly published by the World Bank and the African Development Bank in 2010. The report was based on results from remittance service provider and migrant household surveys in selected African countries, as well as a survey on remittances of 176 central banks worldwide.

In 2011 IFAD funded a study on *Remittances, Growth and Poverty: New Evidence from Asian Countries.* The study re-examined the effects of remittances on the growth of GDP per capita using annual panel data for 24 Asian and the Pacific countries. The results generally confirmed that remittance flows have been beneficial to economic growth. However, the analysis also demonstrated that the volatility of capital inflows, such as remittances and foreign direct investment (FDI), is harmful to economic growth. This means that, while remittances contribute to better economic performance, they are also a source of output shocks. The study concluded that migration and remittances are a potentially valuable complement to broad-based development efforts.

[7] This report is available for download from www.ifad.org/remittances/pub/money_africa.pdf.

Finally, in 2011 IFAD released *FFR Brief: Five Years of the Financing Facility for Remittances*. The compendium reflected the strategy followed and the results achieved by the FFR to date and lay out the future direction of the programme. Most importantly, the brief extracted lessons learned and illustrated the synergy models between the public and private sectors, as well as civil society, towards implementing successful replication and scaling-up of programmes.

Knowledge sharing and awareness-raising

In 2009 the Global Forum on Remittances, co-organized by IFAD and the AfDB in Tunis, produced six main recommendations for improving the African remittances market:

(a) *Increase competition.* Encourage more actors to enter the marketplace; widen the types of payment networks; and discontinue exclusivity agreements when they hamper competition.

(b) *Empower market actors.* Facilitate market actors' access to payment system infrastructure to the maximum extent possible; build the capacity of market actors to meet regulatory requirements; and foster cooperation and partnership between stakeholders.

(c) *Achieve effective and efficient regulation.* Ensure that regulations are not only robust, but also commensurate with the level of risk and to the benefit of all; consult and evaluate impact before regulating; identify and adhere to minimum standards of client protection; and encourage consistent standards of regulations across jurisdictions.

(d) *Adopt new technologies*. Modernize technology in pay-out networks; improve the payment systems infrastructure and integrate it at the regional and subregional levels; encourage the development of standards and interoperability, while minimizing the risk for end users.

(e) *Expand access to financial services.* Encourage remittance recipients to maintain their assets in financial institutions; promote financial literacy to all stakeholders, particularly migrants and their families; design financial services with the specific needs of women and men in mind; encourage the ability of the undocumented to access formal financial channels; use the worldwide postal network to give customers access to financial services; and ensure that remittances are not subject to specific taxation.

(f) *Make more financial services available in rural areas.* Encourage market actors, especially microfinance institutions (MFIs), postal offices, credit unions, among others, to act as pay-out locations; build the capacity of MFIs and non-bank financial institutions in rural areas to provide remittance services; encourage the ability of MFIs to take deposits of rural savings; and identify specific ways to link rural areas with non-cash (including mobile) instruments.

In 2007, in conjunction with the thirtieth session of the Governing Council Meeting, IFAD organized a round table entitled “Migration and Rural Employment.” The round table participants included representatives of migrants and their organizations, governments, UN agencies, academic institutions and other stakeholders in rural development. In 2007 IFAD also participated in the Second European Forum on Sustainable Rural Development and in its Working Group entitled “Diversification out of Agriculture: the role of Migration and off-farm Employment”.

Since its creation in 2007, the FFR has also served as a main agent of knowledge-sharing and awareness-raising through its constant participation and presentation in over 90 worldwide events with the public and private sectors, as well as international development agencies, and active engagement with civil society, both in host and origin countries. In the same year, a documentary, *Cash Flow Fever*, part of BBC World’s *Life* series, presented the work of IFAD on remittances. As a follow-up to this documentary, IFAD has produced various media products related to migration and remittances, and several that particularly depict FFR projects in the Philippines (financial literacy, migrant investment and mobile remittances), cross-selling of financial products and savings (Sri Lanka) and gender (Nepal).[8]

Other activities

IFAD is part of the advisory group of the international research programme consortium Migrating out of Poverty, a seven-year (2010–2017) research consortium funded by the Department for International Development (DFID) of the United Kingdom and located in six regions across Asia, Africa and Europe. The consortium focuses on the relationship between regional migration, internal migration and poverty. In addition, IFAD has been a part of the World Bank-led preparations for the Global Knowledge Partnership on Migration and Development project since 2012.

[8] For a video catalogue featuring these projects, visit www.ifad.org/media/video.

2. Support provided to the Global Forum on Migration and Development

IFAD has supported the organization of the six GFMD meetings, which have taken place since 2007, through its participation in the GFMD Friends of the Forum meetings, as well as through its support for the preparation of several background papers for round tables organized within the context of the forum. IFAD has also been represented at all the GFMD meetings organized so far, and participated in several round tables.

3. Identified good practices

Through its five-year programme, the Financial Facility for Remittances (FFR) has identified a number of best practices for leveraging the development impacts of remittances. The successful "working models" are structured around five core areas:

Reducing the cost of remittances and related financial services

This practice is considered the single most effective tool for maximizing migrant workers' funds and ensuring that as much of their income as possible remains in the hands of the remittance senders and their families. Reducing transfer costs and boosting competition are vital to ensuring that migrant workers and their families are able to benefit from the results of their labour.

The FFR is actively working to achieve this goal through the whole spectrum of its activities. Virtually every FFR project that deals with the remittance marketplace enhances competition at either the local or national level. The Facility's projects and advocacy work at the national and international levels have an even greater impact, as they promote regulatory frameworks and enhance remittance conduits. Regulatory frameworks that enhance competition are vital to these efforts. For this reason, advocacy takes centre stage in reducing the cost of remittance transfers.

Supporting the adoption of new technologies in innovative business models represents an effective means to lower the cost of remittance services. The FFR has supported the technological upgrade of post offices in 355 rural West African locations to enable them to offer remittance services at half the price. In Ethiopia, the FFR has helped financial institutions adopt the new ARIAS airtime transfer system for cheaper remittance services[9] in the USA–Ethiopian corridor. The case of Cameroon, where the FFR supported a national microfinance institution in upgrading to a new, faster and less expensive electronic cash transfer system for domestic remittances, has demonstrated the sustainability of a model even with low transaction volumes.

[9] ARIAS Financial Solutions is a department of Microfinance International Corporation, whose mission is to provide innovative financial services across the globe. Visit www.ariasfs.com/index.php?/about for information about ARIAS.

The use of debit cards for instant transfers also proved to have a great in-take potential among rural populations, coupled with the great advantage of cutting the cost of office personnel for financial institutions and travel time for the recipient, as in the case of the FFR experience in Uganda and Haiti.

Broadening the geographical reach of financial services

It is estimated that up to 40 per cent of all remittances sent to developing countries go to rural areas, which poses specific challenges that must be overcome to ensure access to finance by rural recipients.

Postal networks have proven to offer a unique combination of a broad global presence of brick-and-mortar locations and a long tradition of procurement of financial services. Through the UPU-led modernization of rural branches in West Africa, cheaper and faster remittance services are now being offered by post offices; and the same experience is being scaled up in Central and South Asia. The increased number of clients served also allows post offices to develop strategies to increase revenues through the cross-selling of financial services (such as postal savings accounts), some of which are tailored to the needs of clients. The additional revenue allows postal operators to enhance their sustainability, while continuing to perform their vital role in providing access to postal and financial services.

The transformational potential of mobile banking can be considered as the cutting edge of expanded access to financial services. However, the conditions for success are very specific. The FFR strategy emphasizes transformational access to financial services of all kinds, such as through the use of mobile phones, to provide a “bank to the unbanked.” To enhance financial access in rural areas, it is vital that remittance recipients are able to make deposits and withdrawals linked to an interest-bearing bank account, build credit histories and make mobile payments. This was the case with the FFR-supported mobile banking platform in Georgia, which not only addresses geographical limitations of traditional financial services, but also provides users with access to a wider range of service providers.[10]

The active support and open regulatory stance of the Government of Georgia have been key factors in the success of the mobile banking platform project in Georgia. In the case of another FFR-supported mobile banking project, the factor driving the success of the project was the implementing agency’s ability to attract private banks and develop a profitable model that allowed the project to pioneer an unexplored market.

Microfinance institutions networks are by far the institutions best-suited to provide a range of financial services to rural clients. By enhancing their capacity to offer remittance services, MFIs stand to gain from both revenues and deposits, which can be

[10] The platform is open to all regulated financial institutions and local businesses, which are encouraged to take advantage of its merchant payment and bulk payment services.

used to provide loans to local community members. Training MFIs to become agents of remittance companies has proven successful in helping agents serve their rural clients more efficiently. FFR projects in Bolivia (Plurinational State of), Ethiopia, Nepal, Malawi, Sierra Leone and Tajikistan have demonstrated that MFIs are interested in being more than simple sub-agents.

Enabling migrant workers to make more efficient use of their resources through financial and entrepreneurial education

Accessing simple financial tools can help migrant workers control their financial lives, make realistic plans for the future and adopt risk mitigation strategies.

Migrant workers and their families are keen to save and invest their financial resources, but often lack access to the means to do so. This was the case of the more than 2,500 Filipinos working in Italy who were trained by Atikha[11] on budgeting, saving and setting long-term financial and migration goals. These migrants were enabled to create savings and were provided with concrete options to invest small amounts on a monthly basis in agricultural projects in their home communities. Key to the success of this project, as well as that of a similar training experience offered by the FFR in Nepal, was the practical nature of the trainings, which addressed concrete problems faced by migrant workers and their families. The training stressed that working abroad can be a tool for improving migrant workers' financial independence, rather than encouraging their family's dependence on remittances.

Another project funded by IFAD in Somalia illustrates the central importance of applying a community-led approach and understanding the local context and customs and the existing needs of project beneficiaries. The Netherlands-based Somali diaspora group Himilo Relief and Development Association (HIRDA)[12] offered basic literacy, mathematics and financial literacy courses that were endorsed and supported by village elders and ensured the ability of local women to participate in the training.

Deepening the variety of financial services available to migrant workers and their families

Financial services enable both sides of the transnational family to leverage their funds. Both financial institutions and clients benefit from the ability of an institution to offer a broad range of financial services to remittance recipients. By cross-selling financial products, financial service providers increase their revenues, while the range of options available to rural households is widened. The experience of the Foundation for International Community Assistance (FINCA) in Uganda demonstrated that not only customer orientation, but also physical distance and early closing hours, were relevant

[11] Atikha is a local NGO in the Philippines with long-term experience of working with overseas Filipino workers, and which provides financial literacy and concrete savings and investment options to migrants and their families.

[12] The official HIRDA website is www.hirda.org.

factors influencing the uptake of newly offered financial services. In Tajikistan, the cross-selling of loans to remittance clients demonstrated the utility of such tools to pre-finance the migration of a family member.[13]

Working with the private sector offers enhanced attention to market data and customer-oriented approaches. In Sri Lanka, the remittance-linked savings product designed by Hatton National Bank (HNB) provided access to financial products aligned with the needs of migrant workers and their families, in particular, insurance and productive loans. Significant drivers of success included the bank's well-established remittance services, strong brand and branch network, and the easy integration of new products into its management information system. The encouraging results obtained by HNB clearly illustrate the value of scaling up successful operations, where private sector companies can have an impact far beyond the envisaged original scope of a pilot.[14]

Other products often demanded by migrants' families, but with little diffusion due to migrants' limited eligibility, are housing loans. The FFR experience with Groupe de Recherche et d'Échanges Technologiques (GRET)[15] in Senegal, however, has demonstrated that housing finance can work without a mortgage guarantee. The key condition is a sound analysis of the migrant client's risk profile and the possibility of opening a remittance-based savings account as a guarantee to obtain a loan.

Insurance products can help protect migrant workers and their families against financial risks, thus avoiding the need to take out high-interest loans to cover expenses or sell assets to make ends meet. Insurance products are especially important when the lack of access to formal financial services forces migrants to make use of informal lenders. The FFR experience in Nepal and Sri Lanka has demonstrated the untapped market potential of these products for migrants' families, even in countries where a close-knit culture does not give much prominence to insurance.

Encouraging migrant workers to be agents of change

Diaspora investment in small and medium enterprises can be a highly effective way to create jobs and generate income back home. In order for remittance senders, recipients and entrepreneurs to invest, the financial infrastructure must be in place to allow access to deposits, credit and insurance services. While there are many investment opportunities for large-scale investors, finding similar options for smaller-scale investors is a challenge of particular interest to IFAD. The FFR is exploring how to

[13] FINCA is a charitable microfinance organization providing poverty solutions through small business loans. The official FINCA website is www.finca.org.

[14] HNB is a leading commercial bank, with legally sanctioned linkages to a wide network of correspondent banks, exchange houses and money transfer agencies, as well as long-term experience in the field of remittances. The official HNB website is www.hnb.net.

[15] GRET is a French development NGO that has been actively fighting poverty and inequality for 35 years in the field and in policy. The official GRET website is www.gret.org.

mobilize diaspora investment in agriculture through a range of financial instruments, including investment funds, bonds and cooperatives and other mechanisms.

FFR projects in Albania developed successful collaboration models with commercial banks in mobilizing migrant capital to create migrant-tailored financial products that promote higher returns, increase migrant earnings and attract migrant savings to the country of origin. In Peru, the Republic of Moldova and Romania, the FFR successfully involved host government authorities to increase awareness on migrant investment options and gain additional support for replication and scaling up. The cooperative-based model has also proven to be an effective tool to mobilize migrants' savings at a larger scale and enable reinvestment in local development initiatives back home. In the Philippines, the FFR pioneered innovative sources of financing for cooperatives, by encouraging the Filipino diaspora in Italy to save and invest in Sorosoro Ibaba Development Cooperative, one of the Philippines' oldest agri-cooperatives, to get a return on agribusiness initiatives.

4. Gaps evident within the migration and development sphere

Market barriers to entry

These include the use of exclusivity agreements that prohibit agents (for example, banks, grocery stores or phone kiosks) from signing contracts with competing money transfer organizations (MTOs); and incentive structures that place the interests of the branch above those of the institution as a whole, can distort the ability of the market to find a competitive equilibrium. It is for this reason that the FFR ensures that grant financing to its projects is used to support and foster competitive practices.

Regulatory frameworks

These are necessary to determine how financial services can operate within a specific context and the extent to which MFIs can handle deposits, provide credit services and link them with remittances services.

Human, technological and financial capacity of MFIs

MFIs must not only be able to reach clients in rural remote areas, but also be large enough and have geographic coverage that is broad enough to allow them to operate at scale. Furthermore, MFIs need to be able to negotiate effectively with MTOs and diversify the risks associated with money transfers. Many MFIs are NGOs, and it is difficult to ensure appropriate liquidity management and security at local branches, in addition to the lack of basic infrastructure, such as reliable communications and electricity services.

Dependence of migrants' families on remittances

Migration may maintain or increase the inequality between households which receive remittances and those which do not. The success of migrants in accumulating capital and skills is not a sufficient condition for investing productively in the development of their places of origin. Other factors, such as the living conditions of migrants in the destination countries, their intention to return to their countries of origin, the characteristics of their households and their access to local assets, as well as the social, economic and ecological contexts in their home communities, are also determinants. Interventions, therefore, need to target different factors of the migration process in order to be holistic and effective.

Loss of innovative and educated members of a community

In some cases remittances can compensate for the negative impact of outmigration by allowing the hiring of labour to replace lost labour force. In regions with high population densities, outmigration of part of the population may also alleviate underemployment in agriculture and protect the livelihoods of the farmers who remain.

5. Recommendations for the 2013 High-level Dialogue

Recommendations for the 2013 HLD include the following:

(a) Policies are needed to promote agriculture and rural development, and support investments by migrants in their places of origin. These include policies pertaining to interventions in various sectors, such as improving communication and infrastructure; decentralization; adequate agricultural pricing and marketing; and access to financial markets, education and training, among others, to create an environment where young rural people can have the option of engaging in productive livelihoods and decent work opportunities.

(b) Better statistics on migration, as well as remittances and their delivery, are needed, especially for money remitted to rural areas. Improving remittance data is crucial for more efficient and secure transfer and delivery of migrant remittances to rural areas.

(c) Efficient policies for increasing financial sector development may lead to reduced costs and increased transparency in the provision of remittance services.

(d) Increasing the role of post offices and microfinance institutions in remittances can improve remittance networks in both urban and rural areas and, thus, their ability to reach poor populations. Post offices in migrant-receiving countries can network with destination country post offices, banks and money transfer companies to extend existing domestic money order facilities.

Migration should be a choice rather than a necessity for men and women in rural areas. Adhering to this belief, IFAD continues working towards a rural transformation, through the development of livelihoods and human capital and promoting access to assets, in order to create more opportunities in rural areas, particularly for young women and men.

Recognizing the potential that remittances have for driving rural development, IFAD, through its FFR, is also continuously working towards building partnerships between governments, international institutions, private sector companies and civil society organizations, to help drive the agenda for rural financial inclusion. IFAD considers contributing to broader international policy debates on migration, its consequences and responses vis-à-vis rural development, an important and essential complement to its work on the ground.

Participating in international policy dialogue has the potential to inform and influence policymakers to integrate rural livelihood and migration issues into development planning. Since the movement of people between and within countries is intimately related to prevailing inequalities, the integration of migration-related issues should be central to the post-2015 development agenda.