

Government Partnership with the Private sector on Remittances-Past, Present and Future



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Presentation Outline

- What are Remittances?
- Increasing Policy attention/focus, why?
- PPPs, what are they?
- PPPs, Benefits and Challenges
- PPPs on remittances in Ghana
 - Past
 - Present
 - Potential for future Collaboration
- Recommendations and Conclusion



What are Remittances?

Remittances could be defined as

- Cash: portions of migrant earnings sent from the migration destination to their families or communities in their places of origin
- Kind: items convertible into cash

The focus here however is on cash transfers



What are Remittances?

Both directions

- Inbound,
- Outbound,
- Internal

Although on most occasions money is remitted inbound, there are also outbound and internal flows.



Increasing Policy attention/focus, Why?

- The fact that it has exceeded ODA & FDI to developing countries,
- Its ratio of exports, imports and domestic savings has increased steadily over the last 15 years
- Greater use of informal channels- implications for AML/Fraud/Terrorism financing
- Effect on other macro/socio-economic indicators e.g. exchange rate stability, forex reserves, consumption, housing, poverty reduction, income distribution etc



Increasing Policy attention/focus, Why?

- Remittances as a ratio of GDP as at 2003 stood at 13.3% as compared to 5.22 % for ODA/GDP and 1.4% FDI/GDP.
- Remittances as a ratio of domestic savings- 1% in 1990 - 1.69% in 2003; Exports 22.51% in 1990-39.70% in 2003; Imports 16.76% in 1990-31.05% in 2003, GDP 3.24% in 1990-13.34% in 2003.
- \$3.17 billion mid 2007, up by 15.75 on last year's figure of \$2.74 billion
- An additional/unknown amount of remittances come in through unofficial routes

Public Private Partnerships (PPP)- What are they?



- Contractual agreements between a public agency and the private sector that allow for greater private sector participation in the delivery of national objectives and programmes
- It allows public sector to tap into private sector management and technical expertise
- Creates a more coordinated effort, direction & focus for available resources (both public & private) towards the achievement of national goals and objectives
- Bridges the information gap between private and public sectors, allowing private sector to better take advantage of existing opportunities.



Public Private Partnerships (PPP)- Benefits-Outcomes and Processes

In terms of processes, benefits could be in the areas of

- ***Policy*** - private sector input into policy formulation and implementation makes policy more relevant to real sector and creates ownership within the private sector, very vital for implementation
- ***Regulation*** - private sector input ensures maximum robustness and flexibility in laws passed
- ***Sectoral Development*** - informs and improves Govt's role in creating the requisite enabling environment for private sector growth



Public Private Partnerships (PPP)- Benefits-Outcomes and Processes

In terms of outcomes

- “A database of relevant economic and social indicators, updated regularly, or
- A composite indicator of economic activity that all agents may utilise as a common summary of the various indicators available “

(Jorge Braga de Macedo, May 2003)

- This serves as a yard stick by which performance could be measured, improved, and changes made, going forward.



PPP on Remittances in Ghana-

Public sector role-processes

- Regulation-ensure that unnecessary legal barriers are removed
- Education-particularly receivers
- Infrastructure assistance-telecoms, internet access etc
- Institute programmes for private sector to drive
- Share data and surveys with industry/private sector



PPP on Remittances in Ghana-Past

- Remittances weren't given much attention until the last decade....2000 till date
- Before then, not much was done with respect to remittances



PPP on Remittances in Ghana- Present :EMCB-FSR

Consists of four main policy pillar objectives

- Strengthening Financial Market Structure and efficiency-***money market deepening and capital market development, macroeconomic stability***
- Reviewing legislative issues-***improving the operating environment of the financial sector***
- Strengthening the supervisory and regulatory framework
- Developing capacity to improve outreach and depth of financial services in Ghana-***access to finance issues aimed at stimulating growth and market demand for financial services***



PPP on Remittances; Public Sector Role-Regulation

Under policy pillar 2 of the ongoing EMCB-FSR,

- 22 financial sector laws are being reviewed under the EMCB-FSR.
- Between 2004-2006, 10 such laws have been passed so far
- Relevant to remittance/forex inflows are -
Foreign Exchange Bill, Payment Systems Act,



PPP on Remittances, Public Sector Role: Infrastructure Development

Under Policy pillar 3 of the EMCB-FSR, in
Addition to capacity building to enhance supervisory
capacity,

- BoG; full computerisation of central bank operations
- GSE; automating trading on the exchange
- SEC; automating market surveillance...

....aimed at enhancing supervisory capacity, creating
the infrastructural platform to match the desired pace
of market development...new products developed by
private sector to channel remittances through formal
channels



PPP on Remittances in Ghana- Present :EMCB-FSR-Data Sharing

- A survey on the demand for and use of financial services in Ghana using the Finscope Methodology,
- 2 National Demand Assessment Reports on Remittances, funded by USAID in 2005, DFID in 2006 which will inform the design framework of the Remittances Program
- The design of the programme would involve the private sector participation



PPP on Remittances, Public Sector Role: Programmes

Policy pillar 4 which looks at access to finance issues has two main components

- A Remittance Programme aimed at a Remittance Country Partnership with the UK- in partnership with the private sector
- A survey on the demand for and use of financial services in Ghana using the Finscope Methodology-*local research firm,*



PPP on Remittances-draft programme design

- Collaboration with Regulatory and supervisory institutions of the financial sector to address legal/supervisory barriers
- Sender end issues
- Competitive Grant facility
- TA to CGF



PPP on Remittances in Ghana- Private Sector role

It is expected that the private sector would

- Take advantage of enabling environment to drive common goals and objectives
- Develop new products and services from available survey findings
- Introduce industry wide quality standards
- Work with regulators to develop fair and workable practices that would not compromise safety, soundness and stability of the financial sector



EMCB-FSR Remittances Programme-Outcomes

- Result Monitoring Framework of the ECB-FSR has several outcomes to measure effort and results.



PPP on Remittances in Ghana-Future

- Formalising/institutionalising migration, e.g. labour export aimed at poverty reduction, knowledge transfer, capacity building
- Incentives for using formal channels,
- Central Bank collaboration with Non-FI payment outlets e.g. supermarkets, filling stations, mobile networks, post offices (internal remittances), this has challenges for supervisory capacity
- CGF to facilitate the supply of remittances products to instigate demand



Formalising labour migration

- Which category/sector do you start with, low skilled workers, the Italy e.g. or high skilled workers
- The focus must be on which category remits most and would better achieve target objectives
- How could this be achieved-Institutionalised Bilateral Agreement with target country, e.g. Ghana-Italy, Qatar collaboration in agriculture/construction
- There are both advantages and disadvantages that need to be critically looked to ensure a win-win situation for both countries



Incentives for using formal channels

- Tax/Fee rebates for small amounts at recipient end/other market oriented mechanisms to attract senders/recipients to use formal channels
- RCP with major sources of inflows that would address barriers to the use of formal channels from sender-end
- Broad and diversified network of payment outlets to facilitate easy receipt of remittances through approved channels.

Central Bank cooperation-conservative or market development driven



- Shorten processing period for approval of new products-18months
- Enhance capacity/establish structures to supervise Non-FI payment outlets e.g. supermarkets, filling stations, mobile networks, post office (already used for internal remittances)
- Relaxation of tax/fee deductions at recipient end especially for small amounts-a threshold must be defined
- Any other required to ensure supervision is at pace with market development whiles ensuring safety, soundness and stability



Facilitate the supply of remittance products

- Mechanisms/CGFs would be established to assist FIs that seek to design remittance products
- Technical Assistance would be made available to financial institutions who would need it
- Efforts would be made in collaboration with Central Bank to facilitate the establishment of an extensive and diversified network of Payment Outlets both FI and Non-FI to enhance easy access especially through formal channels



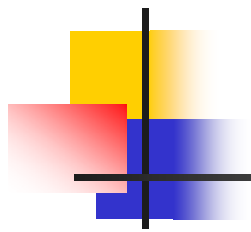
PPP on Remittances in Ghana- Challenges

- Minimizing the adverse effect of labour export, e.g. medical personnel, what form should it take, an exchange programme or volunteer program, which sector/level of skill would maximise inflows and better achieve set goals and objectives e.g. poverty reduction?
- Is the CGF the best way of instigating supply of remittance products? Does private sector have the resources to match grants? Are they ready to run with this?
- Should the need for safety, soundness and stability hamper market development, is there an optimal mix between stability and innovation?
- How best could remittances be channelled into development finance?



Recommendations and Conclusion

- Central Bank should establish the required supervisory structures that would ensure that market development is not inhibited without compromising stability.
- Government would on its part ensure that the design framework of the remittances program achieves set goals and objectives
- Private sector should take advantage of the enabling environment and facilities created to design products that would enhance increased use of formal/approved channels for remittance inflows



Thank You

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