



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Embassy of Switzerland in Georgia

Note 97/2020

The Embassy of Switzerland presents its compliments to the Ministry of Foreign Affairs of Georgia and has the honor to transmit, enclosed, an invitation by the Governments of Switzerland and the United Kingdom to join a Call to Action "Remittances in Crisis: How to Keep them Flowing".

The Embassy of Switzerland avails itself of this opportunity to renew to the Ministry of Foreign Affairs of Georgia the assurances of its highest consideration.

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Tbilisi, 28 May 2020



Ministry of Foreign Affairs of Georgia
Tbilisi



May 2020

To all interested Governments and stakeholders

Invitation to join a Call to Action: “Remittances in Crisis: How to Keep them Flowing”

The current global crisis related to COVID-19 affects all regions of the world, all generations and all segments of society. Besides health vulnerabilities, migrant workers and their families are also hit hard by the economic effects of the crisis. Many migrants have lost their jobs and are compelled to return home, others are stranded without pay in their countries of destination, leaving them without income to support themselves or their families back home. The widespread impacts of COVID-19 on migrants and their families have been duly recognised, for example in the Global Humanitarian Response Plan of the United Nations and in the COVID-19 Strategic Preparedness and Response Program of the World Bank.

One crucial aspect of how the COVID-19 crisis is affecting migrants, members of diaspora communities, as well as the families, communities and economies that rely on receiving remittances, is the severe disruption to those remittance flows. The secondary impacts of COVID-19 have resulted in migrants having less or no income, in the closure or reduced operating hours of remittance service providers, their limited access to cash as well as in difficulties for migrants in accessing remittance transfer services due to limited mobility.

The World Bank has projected a sharp decline of around 20% in remittances to low- and middle-income countries (LMICs) in 2020, a drop of US\$110 billion. This significant reduction will not only cause hardship for families and communities directly dependent on remittances and may drive further migration, it also carries the risk of adverse macroeconomic impact in many developing and emerging countries. In various LMICs, total remittances correspond to more than 10% of their Gross Domestic Product, and remittances to LMICs as a whole exceed both foreign direct investment and ODA. Given that in past crises remittances have typically acted as a countercyclical and stabilising factor, the impact of a drastic slump in remittances is expected to be devastating for the achievement of the Sustainable Development Goals.

The Governments of Switzerland and the United Kingdom, with the support of UNCDF, the World Bank, IOM and UNDP, are therefore leading a Call to Action to mitigate the impact of the COVID-19 crisis on remittance flows, migrants, members of diaspora communities, and the families, communities and economies that rely on receiving remittances. The aim of this initiative is to raise awareness and call on different stakeholders in the remittances sector to take mitigation measures.

The Governments of Switzerland and the United Kingdom therefore invite all interested Governments and stakeholders from all relevant constituencies to join the Call to Action “Remittances in Crisis: How to Keep them Flowing”. By joining, Governments and stakeholders endorse the Call to Action and contribute to working towards the promotion and implementation of the recommendations therein.

Given the urgency of the matter, the Governments of Switzerland and the United Kingdom would therefore highly appreciate a prompt response from Governments and stakeholders regarding their interest to join the Call to Action. The logos of Governments and stakeholders who join the Call to Action will be represented on the dedicated website. Access to existing

global networks working on remittances will be facilitated to all who join the Call to Action to support the promotion and implementation of the recommendations therein.

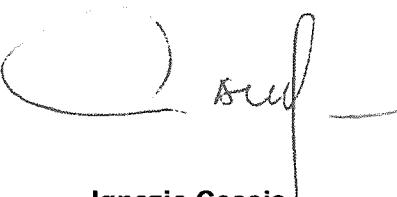
For ease of liaison, kindly indicate the focal points of your Government or institution for this endeavour.

Please do not hesitate to contact the coordinators of the Call to Action from the Governments of Switzerland and the United Kingdom in case of questions:

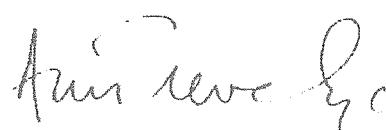
- Bettina Etter, bettina.etter@eda.admin.ch
- Hanspeter Wyss, hanspeter.wyss@eda.admin.ch
- Rob Probyn, r-probyn@dfid.gov.uk

Please accept the assurances of our highest consideration.

Yours sincerely,



Ignazio Cassis
Federal Councillor,
Head of the Federal Department of
Foreign Affairs, Switzerland



Rt Hon Anne-Marie Trevelyan MP
Secretary of State for International
Development, United Kingdom

Enclosures/Attachments:
Call to Action "Remittances in Crisis: How to Keep them Flowing"



CALL TO ACTION

REMITTANCES IN CRISIS: HOW TO KEEP THEM FLOWING

75%

of the world's migrants work in countries where three-quarters of the globe's COVID-19 cases have been reported.

90%

of global remittances are sent by migrants from these countries.

20%

projected slump in 2020 remittances – or US\$110 billion.

Sources: KNOMAD/World Bank

As the world suffers the socioeconomic repercussions of the COVID-19 pandemic, the flow of global remittances to low- and middle-income countries (LMICs) is projected to decline sharply by about 20 percent in 2020. Remittances to LMICs are estimated to fall by US\$110 billion, representing a loss of a crucial lifeline for many vulnerable households. With cross-border remittances to LMICs being higher than either foreign direct investment or official development assistance, the rapidly intensifying socioeconomic effects of the crisis are expected to be devastating to the local economies of migrants' countries and communities of origin, individual households and the overall achievement of the Sustainable Development Goals (SDGs).



IMPACT ON MIGRANTS AND THEIR FAMILIES

Migration creates new livelihood and income opportunities, including through remittances. Interruptions to cross-border financial flows related to the current pandemic particularly hit migrants and their families. Migrants in most cases have limited safety nets, due to often being in informal employment, engaged in jobs that cannot be done remotely and excluded from government measures to mitigate the impact of job losses, resulting in limited to no income. In this crisis, many migrant workers face unemployment or reduced income, are stranded in their host countries with little or no support and are unable to support their families at home.

Migrants' families in their home countries depend on incoming remittances for basic necessities such as purchasing food, and paying

for housing, education and healthcare. Without remittances, families face the risks and acute consequences of not being able to afford these basic needs.

On both ends of the remittance channel, remittance service providers have had to close or reduce their service hours while mobility restrictions and limited public transportation make it difficult for people to reach branches and cash-in/out agents. These access restrictions are critical challenges to many migrants' and their families' abilities to send and receive remittances as there is limited awareness and adoption of digital channels. A reduction in remittances has the potential to reverse the development progress made on the 2030 Agenda for Sustainable Development and the SDGs.



IMPACT ON LOCAL ECONOMIES AND COMMUNITIES

Remittances account for more than 5 percent of GDP for at least 60 LMICs. For Least Developed Countries and Small Island Developing States, this share is often even larger. As foreign direct investment is expected to decline by more than 35 percent in 2020, remittance flows are expected to become even more important as a source of external financing for LMICs.

A reduction in remittances can have major ripple effects across entire local economies and communities, resulting in a decrease in productive investment, consumption spending and access to education and health services.

As such, it is critical that action is taken to ensure that remittances – from migrants and from wider diaspora communities – keep flowing, including through supporting greater access to and use of digital technologies.



IMPACT ON REMITTANCE SERVICE PROVIDERS

When migrants' income is reduced, remittances fall and so the revenues of remittance service providers in sending and receiving countries also decline. Unexpected flows and volatile exchange rates make it difficult for remittance service providers to manage their liquidity. Forced closures and remote working pose challenges to providers' ability to continue operating.

Remittance service providers are worried about their customers' health and safety, but face challenges in transitioning clients to digital channels due to lack of digital readiness in the market and face-to-face customer verification obligations. In addition, the lack of identification documents, adequate financial awareness, access to digital technology and digital literacy amongst migrants and families can mean that when access to formal channels declines, there is an increased reliance on informal remittance channels. Higher rates of digital financial inclusion can mitigate this, and help keep flows in formal channels.



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Swiss Confederation



UK Government

With a view to leaving no one behind in the current crisis, the following call to policymakers, regulators and remittance service providers should be considered for the benefit of migrants, their families and local communities in line with the 2030 Agenda for Sustainable Development.



POLICYMAKERS

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



REGULATORS

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



REMITTANCE SERVICE PROVIDERS

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

For more information on the Call to Action, please visit:
<https://www.knomad.org/covid-19-remittances-call-to-action/>