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IOM International Organization for Migration



“Mobile Technology for Migrant Remittances”

Conference Report



IOM Georgia & Mobile Finance Eurasia

**The Conference was conducted in cooperation with the
Mobile Finance Eurasia within the framework of the
IOM Project “Testing New Channels and Products to Maximize
the Development Impact of Remittances for the Rural Poor in
Georgia”**

DONOR: International Fund for Agricultural Development (IFAD)

Conference Report

Summary

Remittances are one of the pillars on which Georgian economy and society stands. A total volume of remittances accounts to 9% of GDP, slightly less than the total Foreign Direct Investments or exports.

The use of mobile communication technology offers a great potential for significant improvements in remittance delivery and impact by facilitating access, reducing costs and triggering collateral benefits. Mobile phone is the most ubiquitous consumer good of its kind, which offers the unique opportunity for financial services to become truly accessible for the un-banked population. Better access to finance, including mobile remittances, peer-to-peer payments, bill-payments, airtime recharge and many other financial products can become a reality in Georgia.

For mobile finance services to succeed there should be several pre-conditions in place. They are a conducive and stable regulatory framework, reliable and secure technology, good understanding of the market needs, intelligent investment and the most importantly - collaboration between the stakeholders.

These issues have been discussed during the one-day conference organized by IOM Georgia and MF Eurasia on the 29th September 2009. This report includes discussions, findings and suggestions elaborated during the Conference.

Conference Objective

To facilitate a policy dialogue among regulators and the mobile finance ecosystem in order to support an effective deployment of mobile technology for the enhanced access to migrant remittances and mobile finance services.

List of Participants

- Archil Bakuradze, Chairman of Crystal Fund
- Eka Kakhidze, Mobile Technology Expert
- Ekaterine Kardava, Parliament of Georgia
- Gary B. Yamamura, Open Revolution
- George Tevdorashvili, Financial Monitoring Service
- George Welton, Executive Director, GeoWel
- Giorgi Merabishvili, Office of the State Minister for Diaspora
- Irakli Gvenetadze, ICT Business Council of Georgia
- Irina Iakubova, Products and Segments Unit Manager, Geocell
- Iuri Lebanidze, Chairman of the Association of Microfinance Organisations
- Keith Young MBE, Chairman of the Cscape Group PLC, United Kingdom
- Mamuka Lobzhanidze, Open Revolution
- Manuchar Chitaishvili, Legal Expert and Head of Internal Audit, JSC MFO Crystal
- Mary Sheehan, Chief of Mission, IOM Georgia
- Merab Ergemlidze, Office of the State Minister for Diaspora
- Nana Aslamazishvili, NBG, Head of Monetary Statistics Division
- Natia Chelidze, Parliament of Georgia
- Natia Kvitsiani, IOM Georgia
- Nato Lomidze, Tariff and Reporting Unit Manager, Geocell
- Nikoloz Loladze, Chairman, Mobile Finance Eurasia
- Nino Davitaia, Specialist, legal and Methodology Department, Financial Supervisory Agency
- Nugzar Murusidze, Specialist on Microfinance Regulation, Financial Supervisory Agency
- Otar Nadaraia, Deputy Head, Financial Supervisory Agency
- Tinatin Zurabishvili, Project Consultant
- Zurab Gvasalia, Chairman of the Association of Georgian Banks
- Zurab Kobalia, Executive Assistant, Mobile Finance Eurasia
- Zurab Korganashvili, IOM Georgia

Conference Agenda

- 11:00 Welcome Remarks & Introductions
Ms. Mary Sheehan, IOM Georgia Chief of Mission
- 11:10 “About the theme of the Conference”
Mr. Archil Bakuradze, Chairman of Crystal Fund – Session Moderator

PART I

Use of mobile technology for remittances

- 11:20 “Mobile finance and migrant remittances - global trends and forecast”
Mr. Nikoloz Loladze, Chairman of the JSC Mobile Finance Eurasia
- 11:40 “Outcomes of the feasibility study in Georgia”
Dr. George Welton, IOM Consultant
Executive Director, GeoWel
- 12:00 “Mobile Financial Services and International Remittances”
Mr. Gary B. Yamamura and **Mr. Mamuka Lobzhanidze**
Open Revolution
- 12:20 Questions and Discussion

13:00 **LUNCH BREAK**

PART II

Diagnostics of the regulatory environment

*Session Moderator: **Mr. Nikoloz Loladze**, Chairman of MF Eurasia*

(Anti-Money Laundering –Combating Terrorism Financing; use of correspondents/agents; payments regulation; currency exchange rules)

14:00

“Mapping the regulatory framework”

Mr. Archil Bakuradze, Chairman of Crystal Fund

14:20

“Prospects of the development of financial sector”

Mr. Otar Nadaraia, Deputy Head of Georgia Financial Supervisory Agency

14:40

“Monitoring of International Transfers”

Mr. Manuchar Chitaishvili, Legal Expert and Head of Internal Audit of JSC MFO Crystal

15:00

Discussion

15:45

COFFEE BREAK

Part III

Concluding Discussion

*Session Moderator: **Mr. Keith Young MBE**, Chairman of Cscape Group PLC*

16:00

Discussion on recommendations for the development of mobile remittance platforms to facilitate migrant remittances

17:30

Closure

Conference Proceedings

Mary Sheehan

Ms. Sheehan welcomed participants and explained that the Conference takes place in the framework of IFAD funded project which was active since July 2008. The project looks at two focus areas: use of alternative channels for sending remittances, which would cost less and result in more money coming to the country and working with specific community, in this case – Tianeti – to see the potential in investing remittances, instead of money being used purely for sustenance, as a way of maximizing developmental impact of remittances.

She quoted the recent article about Philippines which was quite pertinent. The amount of remittances reached \$ 1.5 billion in June 2009 which represents y-o-y 3.3% growth. Sustained foreign demand for highly skills workers has been the driving factor behind growth in remittances.

This example shows that more policies are needed to support overseas workers, taking account of sustainability of remittances compared to FDI. This implies to kind of services which Government can provide to encourage better jobs for people and enhance their legal migration opportunities. This is an area which should bring not only Government, but all other players together to increase the developmental impact of remittances.

Session Moderator – Archil Bakuradze, Chairman of Crystal Fund

The moderator welcomed participants who included not only mobile finance ecosystem participants, but also regulators, such as the National Bank of Georgia, the Financial Supervision Agency and the Financial Monitoring Service of Georgia. There were participants from the State Minister for Diaspora Issues and the Parliament of Georgia. The Conference was also attended by representatives from Mobile Network Operators as well as the financial sector (Association of Banks and Association of Microfinance Organization).

Mr. Bakuradze expressed his gratitude to IOM for the support and congratulated with the outcomes of the very fascinating project. He emphasized the obvious potential of using mobile technology for remittances in the development of a financial sector, enhancement of economic growth and generating a positive social impact. This concerns not only migrants, but generally the low-income population, which is left beyond the reach of formal financial services.

It is remarkable that discussion in Georgia about mobile money started from migrant remittances. Usually, mobile remittances are the later step in the development of mobile finance industry. In Georgia given the size of underlying flow of remittances, it can be seen as a starting point for the development of mobile finance industry. Mobile communication sector is highly developed in Georgia, covering about 3.0 million customers in Georgia, while the small part of this population has sufficient access to formal financial system.

The role of MF Eurasia is to increase the awareness and offer the expertise about mobile finance, create platform for discussion and in cooperation with regulators move forward in designing the enabling environment for the sector.

IOM's project acted as a stimulus for this process and the event. The interest has been shown not only from MNOs, but also from MFIs. JSC MFO Crystal which Moderator was a Chairman of, became interested to work with Tianeti, following IOM's comprehensive study. Crystal will try to learn from Tianeti in terms of leveraging remittances with other financial services, in order to replicate this experience to other areas with many families of absent migrants.

Nick Loladze, Chairman of the Mobile Finance Eurasia

In the introducing presentation the Speaker made a definition of mobile finance, explaining concept, ecosystem, technology, geography and trends. He also explained the implications for the ecosystem participants, regulators and wide public. He highlighted the links between the migration and the role of migrant remittances in maximizing the developmental impact. The Speaker outlines the vision and the role of MF Eurasia.

According to MF Eurasia “mobile finance is storing, sending and receiving money, as well as paying for goods and services, using mobile phone handset as a principal tool”. The complete Power Point Presentation is available in the Attachment 1.

George Welton, IOM Consultant, Executive Director of GeoWel



Mr. Welton presented the report on “the use of mobile phones for facilitating international money transfers to Georgia”, the feasibility study initiated by the IOM. The report was a part of the larger project which IOM undertook and the results of the work would be published shortly. Remittances and the use of technologies to facilitate better flow of remittances was a target of the study. One of the key findings was that in current environment the cost of remittances was not going to be the critical issue. In Georgia there is a rapid reduction of cost for remittances. In fact former Soviet Union is one of the cheapest areas for remittance transfers.

Mr. Welton highlighted the size of the market and its dynamics. He emphasized that remittances were remarkably stable compare to other areas of economy, like FDI (20% of last year level, whereas remittances went down by just 20%). He explained the forms of mobile banking – additive and transformative and that the mobile finance can be a leapfrog technology which would allow bypassing other stages of development.

He highlighted the potential difficulties which can be confronted in the development. He also spoke about the Georgian context and a positive regulatory environment which exists in Georgia.

The report still has to be published upon completion of the IOM project alongside with other research outcomes. Please, see the Power Points Presentation in the Attachment 2.

Mamuka Lobzhanidze, Representative of Open Revolution in Georgia

Open Revolution is focused on the establishment of the platform in Tbilisi, Georgia, which will serve about 10 countries of the region. In the pilot mode, OR will commence the service in January next year and if it works successfully, they will launch the service towards the end of spring or the beginning of summer.

Among the key focus areas for the company, remittances play important role - both domestic and international remittances. Therefore Mr. Lobzhanidze welcomes the conference and expressed his gratitude for the opportunity to present to this important audience.

Gary Imamura, Open Revolution

Mr. Imamura spoke about the opportunity which exists in Georgia and the region. There are number of challenges which should be overcome. Creating remittance network is important for mobile banking – broad merchant acceptance is the cornerstone for the success of the service. Large organizations provide the economies of scale. The organizations like Visa, MasterCard and Western Union make their services available across the world, however the access to these services are still quite limited. Access to financial services is important, therefore location and proximity to bank branch becomes an important consideration while measuring the access to financial services.

In Georgia there is a tremendous opportunity to serve those without bank accounts or have very limited access to bank services. Usually vast majority of remittances result in a single transaction of encashment of remittances. But instead individual will have means to store funds, use them over the time rather than immediately convert funds into the cash.

As was mentioned by previous speakers, the majority of currently available mobile banking services are additive. They are not targeting new customers, but effectively compete for existing pool of customer by “stealing” them from one another. In Georgia, we speak about how to create services for people who do not use them now and who can start using those services.

It is important to comply with not only regulation which exists today, but those rules which will be certainly created in the future, driven by consumer protection considerations. Therefore it is important to have a continuous dialogue with regulators to avoid pitfalls and risk areas.

In conclusion, Mr. Imamura noted:

- Mobile offers ideal platform to provide financial services to Georgia’s unbanked
- MFI participation in a network provides scalability, security and broad acceptance without the requisite capital expense
- A successful mobile financial services network must actively engage MFIs, mobile network operators, and merchants in order to serve the unbanked
- International remittances are essential services for the region and can be comfortably addressed via a mobile financial services network
- Consumer participation in an MFS program will provide an entrée to the mainstream economy and facilitate savings, development of credit and other key benefits

Q&A SESSION:**Question by Mr. Merab Ergemlidze, the State Minister for Diaspora Issues:**

How protected the system is from infringement by hackers. What is the likelihood of this threat?

Gary Imamura: It depends which system you are referring to. Some vendors offer limited security, others regard high level of security, with everything relying on PKI and digital certificates, and it depends on how it is implemented.

Question by Nana Aslamazishvili, National Bank of Georgia:

We are collecting the statistics on remittances being sent to stakeholders, which is obviously an important piece of information. The National Bank would be interested not to lose the quality and level of data collection concerning remittances. How much data would be available from mobile remittance systems?

Nikoloz Loladze, MF Eurasia: Mobile finance operators offer one of the most transparent forms of information sharing which will be very reliable. It should firstly definitely fall under your sphere of regulation and in this case it will be very easy and even pleasant to digest this detailed information.

George Welton, IOM consultant, It is important to remember that there is nothing in technology which makes it harder to gather information similar to one sent by banks; the system can record at incredibly detailed level every transactions which will be reported to authorities. The system can also be very secured, subject to system design and strategy of the operator.

Gary Imamura, Open Revolution: Introduction of electronic payment system means new opportunities to improve the reporting. Network-centred model facilitates generation of information. As these payment systems start gaining momentum and number of customers increase, the regulatory agencies will ask the same level of data which they receive from current providers. Data can be and should be captured and the issues is what regulation exists which we should comply with.

Mary Sheehan, IOM: two third of money coming in is without being recorded; therefore the opportunity is that remittances will be brought and captured by the system which has higher transparency. This is of course a larger issue of government's policy having tax free remittance possibility to encourage more spending of funds in the country. The policy should encourage people to use legal systems for remittances in order to get added value.

Question by Eka Kakhidze, Mobile Technology Expert: It is important to have senders and receivers when it comes to remittances. Which countries Open Revolution is planning to target in the region?

Gary Imamura: The way we view remittances have 3 models: customer to customer (OR to OR) keeping it within network; second is sending out of system, and third is when someone outside system sends money to OR system.

The number of countries we are going to depends on the range of various factors. Our model is based on MFIs, who should drive us in other countries. The model is based on intelligent opportunities to peruse new markets. If markets are served well, we have to look at the profile of the country to have sufficient number of customers we can serve. We are looking at all MFIs in the region and will know later more about how many countries we shall target.

Archil Bakuradze, Crystal Fund: There are 4 models: (1) agent to agent, (2) agent to mobile phone directly; (3) from mobile to agent in the bank or remittance institution and finally (4) mobile to mobile. The most convenient is form mobile to mobile cross border.

Question by Irina Yakubova, Geocell: What are the corridors where there is active development of mobile finance? How this business is progressing?

Question by Giorgi Tevdorashvili, FMS: Have OR tried to start their service with European countries?

Questions Zurab Korganashvili, IOM: I would like to add to the question. Is Western Union going to implement the similar service.



Archil Bakuradze, Crystal Fund: there is an active work in place for last 6 month. M-Pesa started its pilot on remittances from UK to Kenya; it is working in Philippines. There are very interesting developments among traditional players, like Western Union. They think how make system more convenient, inexpensive, so we are witnessing new models emerging. There are only 1.5 billion people who are banked and 4 billion with mobile phones so there is a huge task to connect those 2.5 billion and integrate them into the formal financial system. This is tremendous task which opens opportunity to wide range of players.

Nikoloz Loladze, MF Eurasia: the further development of international electronic remittances is prevented by the lack of a technological standard as well as incompatibility of regulatory framework of different countries. There is a potential to develop so called hybrid systems, i.e. Western Union-type provider from one country sends the remittance directly to the mobile remittance customer. In this case, Moneygram or WU may play the role of hub, which will simplify international remittances.

Zimbabwe and South Africa are getting the regulator's approval to start the mobile to mobile system. This year GSM association states 120 new mobile money services will be launched and all of them are planning to move to the area of mobile remittances.

Some aspects of mobile remittances: the biggest plus of the system is security and reliability. MF Eurasia calculated how much Georgian population could save should it use mobile system. It came around USD 20 million. Usually we calculate the commission fees charged by operators but nobody takes into account the cost of access. Currency charges are also not taken into consideration. Mobile finance makes it more transparent and accessible in real-time, which makes it more convenient. Also it is important from the point of view of control of migrants own finances. Rather than sending money to relative and ask to manage money on migrant's behalf, migrants can manage funds, which makes the distance between the migrant and their home country closer.

George Welton, GeoWel: Almost all of them are involved in money transfer system. South Africa is the only model which allows money put on the mobile and received on the mobile. If you have a relationship with money transfer system you could cover huge amount of remittances in Moscow for example, rather than creating new network.

PART TWO

MAPPING THE REGULATORY FRAMEWORK

Moderator: Nikoloz Loladze, MF Eurasia

The session is dedicated to regulatory aspects of mobile finance. It is obvious that mobile finance contribute towards financial inclusion which is linked to poverty reduction. Therefore, the stability and reliability of the financial system is of interest to the Government. Moreover, mobile finance will contribute towards the efficiency in economy by increasing the access and reducing the cost of financial transactions. In this section participants will discuss AML and CFT guidelines and the way how mobile finance industry addresses this challenge. Finally, mobile finance helps to increase the share of formal economy, which has positive fiscal implications, which makes it even more relevant for the Government and economy.

Archil Bakuradze, Crystal Fund

The presentation was prepared in conjunction with Mobile Finance Eurasia and Boston MA-based partner organization Bankable Frontiers Associates, who has immense experience of the issue in various countries over the world. My presentation is based on the framework suggested by BFA in their recent article published in MIT Magazine.

The presentation highlighted the set of issues which are traditionally emerging from regulators in respect to mobile finance services. The presentation characterized Georgian regulatory framework on the basis on two key parameters: openness and certainty of the regulatory environment.

The speaker identified the issues which are relevant for the early stage of the development of mobile finance – these are anti-money laundering, counter terrorism financing and agent registration in remote locations outside formal bank branches. Next generation issues included e-money and other stored value instruments, consumer protection, competition rules, policy coordination – leadership and policy direction.

Full Power point presentation is available in the attachment 3.

Manuchar Chitaishvili, Legal Expert, Head of Internal Audit, JSC MFO Crystal

Manuchar Chitaishvili laid down the requirements of the Georgian law and regulatory agencies concerning anti-money laundering. Microfinance institutions are allowed to conduct practically any operations except taking deposits, which is a competence of duly regulated commercial banks.



The legislative basis which regulates the integrity of financial transfers are Georgia's Law on prevention of financial crime and bylaws/instruction of the Financial Monitoring Service of Georgia for MFIs concerning information gathering, systematization, processing and reporting.

The presentation highlighted the objects of the legislation, mandatory procedures and practice of reporting. It also defined the amount of funds which fall under monitoring process. It was noted that MFI is obliged to identify and keep record of transaction exceeding 3000 GEL, in case of money transfer any amount exceeding 1500 GEL, if the transaction is doubtful. MFIs can stop a transaction if they cannot identify a party or if one of the parties are included in the list of terrorists or entities supporting terrorism. The minimum requirement for identification includes name, citizenship, date of birth, address and ID number.

Question by Nikoloz Loladze, MF Eurasia: in case of very small transfers is there any identification necessary and mandatory?

Manuchar Chitaishvili, JSC MFO Crystal: there are no obligations, but practically any MFI in Georgia has a record keeping system in place to register transactions. But current regulation does not create any burden or inconvenience for financial institutions.

Comment by Giorgi Tevdorashvili, Financial Monitoring Service of Georgia: the mentioned Law is in force since January 2004. Since this point there is the Financial Monitoring Service in place. In majority of countries there are similar laws and institutions available. Their aim is similar – to fight against money laundering and terrorism financing. Main guidelines for Georgia are FATF special recommendations 40+9, which are partly followed. In fact, there are only 2 states in the world which are in full compliance with all recommendations. Georgian legislation defines the entities which are fulfilling financial monitoring – these are commercial banks, share registrars, brokerage companies, insurance companies as well as non financial institutions, such as notary offices, real estate registrars, those who sell precious metals and organizers of various lotteries. It is noteworthy that MFIs and entities conducting money transfer services fell under this regulation much later – in 2008. For every type of institution, there have been elaborated bylaws and methodology which define the scope and procedure of financial monitoring. There are English translations of the Law and respective bylaws available at the web-site of the Financial Monitoring Service of Georgia. The threshold for reporting on money transfers is indeed 1500 GEL, but for banks this is 3000 GEL. Above this level, the institution is obliged to keep record of transaction. As far as the reporting is concerned, it is mandatory in two cases: (1) if the transaction exceeds 30,000 GEL; (2) if transaction is doubtful. The Law does not provide with clear definition of a doubtful transaction, therefore the regulator is continuing implementation of FATF recommendations as well as create compatibility with the European Directives to combat terrorism financing.

Question by Archil Bakuradze, Crystal Fund: taking into account the threshold of 3000 GEL, what should happen if financial institution identified 5 transactions of 2000 GEL value each. How monitoring is implemented in practice?

Giorgi Tevdorashvili, Financial Monitoring Service of Georgia: the mentioned transaction is the object of monitoring. The practice in Georgia is that all commercial banks, microfinance institutions and even entities which conduct money transfer operations are keeping record and identifying all transactions, despite of this not being mandatory.

As for the company willing to operate money transfer business it requires to do through a simple procedure: it should get a registration in the FSA, within 10 days the entity should get registered at Financial Monitoring Service filling in two-page very simple application form available to everybody. After this the entity is free to undertake money transfer services and follow reporting standards.

This Q/A session was followed by discussion among stakeholders and regulators, highlighting the following issues:

- The right of MFIs to conduct money transfer service
- Definition of deposit and money transfer not being associated with taking deposits
- Recent amendments to law, secondary legislation and instructions concerning money transfer services
- The role of micro finance institutions in poverty reduction and importance of levelling playing field for all financial institutions
- Criteria for registration of applicants for money transfer services (availability of space to keep record for 6 years)
- Importance of client protection
- The right for MFIs to operate transitional (active) accounts
- Importance of continued policy dialogue with the regulators, government and the Parliament (Finance-Budget Committee)
- Evaluation of regulation based on gradual application of FATF recommendations
- Possibility of small value transactions (except cash withdrawal) without in person registration (similar to phone or Internet banking as well as registration of non-residents)
- Need for raising standards by micro finance institutions and the role of newly created association
- Coordination between different regulators is essential to support adequate development of the mobile finance industry.

The discussion led to identification of a problem related to uncertainty and fear of migrants to send money through formal channels. It is important issue because out of USD 1 billion which comes to Georgia from abroad one third is coming as cash.

Nikoloz Loladze, MF Eurasia: company had a conversation with German consultant regarding EU Mobility Partnership – which anticipated financing the voluntary repatriation of economic migrants. Usually migrants bring this money and something they have generated by hand. In those countries with migrant population, this is not a problem – migrants are even encouraged that they bring funds they have generated back to home. The problem is not even in the lack of practice or legislation the question is how to help this people to build trust into the financial system. This is perhaps possible thorough awareness raising and increasing the financial literacy among migrants and their families.

Giorgi Tevdorashvili, Financial Monitoring Service: the lack of trust is due to low consumer culture – Georgia’s financial system is very reliable and the problem is indeed in awareness raising.

Zurab Korganashvili, IOM: awareness raising was a component of our project – we had meeting with migrants in Athens. The number of people who trust the electronic means of remitting money have obviously increased over the time. It is much more reliable using systems than informal channels. In contrast from banks, migrants are asked to show the Georgian ID which is sufficient for identification. Financial companies are not asking to prove the legality of their residence.

Nana Aslamazishvili, National Bank of Georgia: What should be done to attract more deposits? I think this should be decided on the state level. Migrant remittances are important and they have exceeded FDI, important for the balance of payments, we should look at his issue in the poverty reduction and demographic context. In Latin America, the states are supporting repatriation of their citizens, make it simple to move money home, there is deposit insurance system, GDP is more than 10% savings, in Japan for example savings are more than 100% compare to GDP. In other countries they encourage to build their homes, create income generating basis ... this is a matter of policy
It is important to increase further the trust towards banks. Issues should be resolved by everybody’s joint effort.

CONCLUSIONS

Session Moderator Mr Keith Young MBE, Chairman of Advisory Board of MF Eurasia:

Thank you all for participating in quite stimulating discussion offered by the development of technology. We have succeeded in discussing the range of issues, including the legislation, method of performance, how to relate it with poverty, concerns of migrants, how should we use technology to alleviate poverty. Success in place like Kenya with 7 million users of MOPesa is important, but we should not forget about the poverty and problems of Kenya with 1.6 million squatters living in Nairobi. The same applies to South Africa, where lots of migrants from Zimbabwe seek for economic opportunities.

Mary Sheehan, IOM: “Just to say that we had great presentations and we should get good notes, future directions begin to close some of the good loops – I think what I have to say is logical approach to remittances – what are the avenues we should go to increase people’s trust, how to encourage to send money through legal channels. I agree we must meet again. The engagement was very positive, lot of information was provided and thank you for your attention. Thanks to translators”.

Following several remarks regarding the progress of the Conference and the need for continued discussion, the Conference was closed.

Summary of Significant Issues and Conclusions

Findings:

- The studies conducted by IOM within the IFAD-funded project demonstrated a potential for the development of alternative channels for sending remittances. It became clear that the cost – compared to other regions of the world, is not the key concern, it is rather the access, convenience and control of funds which can be significantly improved by introducing transparent, inexpensive, real-time and secure mobile finance transactions.
- The existing electronic money transfer practices result in single encashment of funds, which very much limits the degree of financial inclusion, whereas mobile technology will allow customers with electronic payment infrastructure to store and better manage their funds as well as leverage remittances with the high-value financial services.
- Mobile finance offers tremendous opportunities to facilitate migrant remittances as well as generally increase financial inclusion of those who are left beyond the reach of financial services; the sector will have positive impact on economic growth, efficiency and generation of social impact;
- Mobile remittances, subject to business model and methodology, can be very secure and transparent systems in terms of record keeping and reporting the transaction data.
- Regulatory environment for mobile finance services seems pretty open for businesses and there are all pre-conditions for business models focusing on low income population and low-value transactions.

Recommendations:

- Taking into account the remarkably stable performance of remittances compared to other sectors of economy (just 20% decline from last year, versus 80% decline in FDI), to promote policies which will encourage sending money home as well as saving and investing to create pre-conditions for voluntary repatriation of economic migrants;
- Provided there is a clarity established on taxation aspects of remittances, it is important to raise the awareness among migrants in order to build trust towards the financial system and fiscal authorities, so the migrants are encouraged to use formal channels for sending remittances;
- Importance of leveling the playing field for microfinance institutions, acknowledging their social function, reducing extra tax burden and in the future – subject to different level of regulation - allowing collection of saving which allows to extend these services to the unbanked population;
- Coordination among regulators and on-going dialogue with policy makers to create an enabling environment for business models which will promote financial inclusion, one of those being mobile finance services;
- Dialogue between mobile finance operators and regulators are of paramount importance as there will certainly be new issues emerging in regulation, driven by considerations of consumer protection and stability of the financial system.



IOM International Organization for Migration



CONFERENCE "MOBILE TECHNOLOGY FOR MIGRANT REMITTANCES"

29 September 2009, Hotel Tbilisi-Marriot

CONFERENCE OBJECTIVE

To facilitate a policy dialogue among regulators and the mobile finance ecosystem in order to support an effective deployment of mobile technology for the enhanced access to migrant remittances and mobile finance services.

INVITEES

- Mobile network operators
- Financial Supervisory Authority
- Financial Monitoring Service
- National Bank of Georgia
- Georgia National Communications Commission
- Experts of mobile finance
- Commercial Banks
- Microfinance institutions
- IFIs and private investors.

CONFERENCE SUMMARY

Remittances are one of the pillars on which Georgian economy and society stands. A total volume of remittances accounts to 9% of GDP, slightly less than the total Foreign Direct Investments or exports.

The use of mobile communication technology offers a great potential for significant improvements in remittance delivery and impact by facilitating access, reducing costs and triggering collateral benefits. Mobile phone is the most ubiquitous consumer good of its kind, which offers the unique opportunity for financial services to become truly accessible for the unbanked population. Better access to finance, including mobile remittances, peer-to-peer payments, bill-payments, airtime recharge and many other financial products can become a reality in Georgia.

For mobile finance services to succeed there should be several pre-conditions in place. They are a conducive and stable regulatory framework, reliable and secure technology, good understanding of the market needs, intelligent investment and the most importantly - collaboration between the stakeholders. These will be key issues for discussion during the one-day conference organised by IOM and MF Eurasia.

The speakers and moderators include: Otar Nadaraia, Deputy Head of FSA, Gela Butbaia, Head of Strategy of the GNCC, Mary Sheehan, IOM Georgia Chief of Mission, George Welton, Executive Director of GeoWel, Gary B. Yamamura and Mamuka Lobzhanidze, Representatives of Open Revolution, Nikoloz Loladze, Chairman of Mobile Finance Eurasia and others.

The following issues will be highlighted during the one-day conference:

- Mobile finance - global trends and forecast
- Outcomes of the feasibility study in Georgia
- Use of mobile technology for remittances
- Diagnostics of the regulatory environment
- Mobile infrastructure and ecosystem in Georgia
- Presentations followed by discussions and recommendations.

