



Remittance Grant Facility

Affordable and accessible remittance-based financial services and products are enhancing the impact on economic growth and poverty reduction

Remittances often constitute a significant portion of financial inflows with a potentially large contribution to economic development and growth. The money sent back home by migrants pays for food, education, health care or is channelled into productive business ventures and therefore contributing to economic development and poverty reduction.

The Remittance Grant Facility (RGF) is a challenge fund established jointly by the Government of Ghana and the Government of Switzerland with the overall aim of encouraging new innovative remittance backed financial products and services. It provides matching grants awarded according to a rigorous and a competitive stepwise procedure. Eligibility is restricted to banks, non-bank financial institutions-fintechs and mobile network operators. The award of grants is done on a 1:1 basis, where the beneficiary institution contributes at least 50% of the total project costs. KPMG International Development Advisory Services manages the RGF.

Rationale

For many emerging economies such as Ghana, remittances constitute a sizeable and stable source of capital inflows, often exceeding official aid or financial inflows from foreign direct or portfolio investments. They are often less volatile than other capital flows, which helps to cushion against the impact of economic shocks. According to the World Bank, Ghana is the second largest destination for remittances in Sub-Saharan Africa after Nigeria with a total of USD 3.8 billion as of 2018. However, the majority of remittances to Ghana passes through informal channels because the cost of using formal channels is higher than in other markets.

Country/region

Ghana

Executing agency

KPMG

Duration

2016 - 2021

Total budget

USD 2.6 million

SECO contribution

USD 2.6 million



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Objectives and activities

The RGF addresses the high operational costs related to the use of formal channels in sending remittances to Ghana. It encourages the private sector to develop innovative remittance backed financial product and services that are affordable and accessible to rural Ghanaians.

The RGF consists of the following three components:

- **Increase affordability and accessibility of remittances through services development:** the RGF will fund pilot projects that propose and test new models with the aim to make remittances more accessible and affordable to poor and underserved areas.
- **Introduce innovative remittance-backed financial products:** Grantees are encouraged to develop financial initiatives such as deposit and savings accounts, insurance and forms of investment that are affordable and accessible to rural Ghanaians as a measure to reduce the use of remittances for consumption purposes only.
- **Market research studies on remittances:** the RGF finances a market research study that covers detailed customer needs assessments in sending markets. Recommendations arising from the study will inform customer education and awareness campaigns in receiving markets.

The project Steering Committee meets half yearly to discuss progress, reports, work plans and budgets. The Embassy of Switzerland in Ghana participates in the Steering Committee meetings together with representatives from the Ministry of Finance, Bank of Ghana and the Financial Intelligence Centre.

Achievements

- The RGF completed two calls for proposal. Grants totaling nearly USD 1.2 million were awarded to five fintechs and one mobile transfer operator. These grants catalyzed over USD 1.5 million investments by the six grantees.
- The RGF promoted sound investment behavior of senders and recipients of remittances. This resulted in an increase of the volume of remittances for the use of investment purposes such as accumulation of savings or acquisition of property.
- Recommendations from the market study are supporting the facilitation of policy and regulatory reforms such as increased transparency and disclosure of charges imposed by mobile transfer operators during transactions.

Further information and contact details

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<https://www.rgfghana.org/>