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*by Bethany Brown**

Just as Africa has moved from nonexistent phone service to mobile phones without ever developing telephone line networks,[1] it is poised to bypass expensive brick-and-mortar bank branches and the distances isolating rural remittance recipients.[2] Mobile money transfers ("MMTs") from person to person via mobile phones stand ready to revolutionize traditional remittance models, allowing a greater percentage of urban laborers' earnings to be remitted to rural recipients. This is a vital change, as the demographic change of urbanization evolves at the speed of technological advancement.[3] People use mobile phones in some of the most remote parts of developing nations, where they increasingly operate as communication devices and ATMs.[4] MMTs are generally low-cost,[5] reliable for their electronic traceability, and they allow for an increase in competition for the provision of transfer services.[6] Traditional remittances in Africa charge senders over ten percent of the amount being transferred.[7] By contrast, MMTs are simple transactions that can cost as little as one percent of the average remittance.[8] Regulatory platforms that consider these potential advantages are urgently necessary.

Remittances are a force for change as working-age people leave behind rural recipients—usually family members[9]—for work in urban areas, remitting part of their earnings.[10] Some surveys have found that rural households (recipients of approximately one third of all remittances) spend nearly all remittances received on essentials such as food, medicine, and clothing.[11] African remittances usually double the savings of recipients,[12] further improving economic prospects. In 2005, the World Bank reported that poverty in Uganda fell by eleven percent as a direct result of remittances.[13] Ordinary transfers require rural recipients to travel to collect them, often at great cost and risk, further driving up time, cost, and the margin of error.[14] Carrying cash for long distances is risky as well as inefficient.[15] Moreover, if a person in a rural community must take time out of school, work, or household maintenance to collect money, productivity is lost.

MMTs provide advantages to workers, but advantages are not just economic and social; environmental researchers point to decreases in deforestation, over-hunting, and soil depletion where urbanization has taken place, creating opportunities for overused rural land and resources to be revitalized.[16] With mobile phones, rural farmers can access databases, increasing their knowledge and potential for productivity.[17] These services allow rural communities to compound benefits from decreased erosion and a strengthened environment already gained through depopulation.[18] Such depletion can drive urbanization in the first place, with increasingly limited productivity motivating people to search for better prospects in cities, where efficiency has been maximized.[19]

MMTs increase participation in economic development: thirty to forty percent of Africa's remittances are received in rural, unbanked areas.[20] The urban to rural remittance market has not reached saturation; Mexico has almost as many payout locations for remittances as the continent of Africa.[21] Nearly every client of a microfinance institution in Africa owns a mobile phone.[22] Thus, there is huge growth potential for MMT remittances throughout rural Africa.

Africa's remittance flows need more research.[23] National remittance statistics often exclude smaller transfers, which are a large percentage of remittances.[24] There is vast market potential, with urbanization increasing exponentially,[25] and an estimated thirty million individuals in the African diaspora living outside their home countries.[26]

Formal government regulation of MMTs is immediately necessary. Changes in banking and technology happen quickly, and the law must be responsive. Analogously, prior to 2007, microfinance institutions were practically unregulated in Africa.[27] Regulatory structures currently vary widely in their levels of protection and development of MMTs.[28] Every country may have slightly different needs; therefore, schemes will not be uniform.

A few main issues affecting the quality of a scheme are the authorization of payment institutions, surveillance of money transfers, and ownership of foreign currency accounts.[29] In a 2009 survey of fifty African systems, only four permitted payments at retail centers,[30] a key service for the poorest poor, who cannot afford private mobile phones.[31] The prevention of money laundering has also become a heightened concern.[32] The international Financial Action Task Force issued recommendations[33] to increase monetary flows surveillance for money laundering that have been widely adopted throughout Africa.[34] However, these legal requirements can be barriers to entry for new entrepreneurs seeking to start formal MMT businesses. Countries must balance these interests when creating regulations.

In conclusion, remittances flow by the billions,[35] and official data may vastly underestimate their true size.[36] Governments slow to regulate this industry are losing out on an important source of revenue[37] and opportunities to lay groundwork for sustainable development in areas experiencing rural to urban migration. Innovations in financial flows like these are transforming urbanization in developing countries through their reach to the rural poor, and are sure to continue as governments increasingly harness their power for change through regulation.[38]

Endnotes: Mobile Phones *on page 72*

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[1] *Power to the People*, ECONOMIST, Sept. 4, 2010, http://www.economist.com/specialreports/displaystory.cfm?story_id=14483848.

[2] Nicolas Mirabaud, *Migrants' Remittances and Mobile Transfer in Emerging Markets*, 4 INT'L J. OF EMERGING MARKETS 108, 112-13 (2009).

[3] *See* George Lin, *Urban China Transformation: Hybrid Economy, Juxtaposed Space, and New Testing Ground for Geographical Enquiries*, 8 CHINESE GEOGRAPHICAL SCI. 271, 281 (2010) (proposing that the wealth of nations is driven by cities that are more technologically advanced relative to others).

[4] *See Beyond Voice*, ECONOMIST, Sept. 26, 2009, http://www.economist.com/specialreports/displaystory.cfm?story_id=14483848.

[5] Dilip Ratha, *Dollars Without Borders: Can the Global Flow of Remittances Survive the Crisis?*, FOREIGN AFFAIRS, Oct. 16, 2009, http://www.foreignaffairs.com/articles/65448/dilip-ratha/dollars-without-borders.

[6] *Id.; see also* INT'L FUND FOR AGRIC. DEV., SENDING MONEY HOME TO AFRICA: REMITTANCE MARKETS, ENABLING ENVIRONMENT AND PROSPECTS 3 (2009), http://www.ifad.org/remittances/pub/money_africa.pdf.

[7] *Id.*

[8] Ratha, *supra* note 5.

[9] Indep. Expert on the Question of Human Rights and Extreme Poverty, *Report of the Independent Expert on the Question of Human Rights and Extreme Poverty*, Human Rights Council ¶ 22, U.N. Doc. A/HRC/14/31 (Mar. 31, 2010) (by Magdalena Sepulveda Carmona), http://www2.ohchr.org/english/bodies/hrcouncil/docs/14session/A.HRC.14.31_en.pdf [hereinafter Rep. of the Indep. Expert] (noting that the large migration of young people to urban centers raises concern about the support of older family members).

[10] Christian Barry & Gerhard Overland, *Why Remittances to Poor Countries Should Not Be Taxed*, 42 N.Y.U. J. INT'L L. & POL. 1181, 1181 (2010) (positing that remittances are usually made to family members who have not emigrated).

[11] Mirabaud, *supra* note 2, at 111.

[12] INT'L FUND FOR AGRIC. DEV., *supra* note 6, at 13.

[13] WORLD BANK, GLOBAL ECONOMIC PROSPECTS AND THE DEVELOPING COUNTRIES 2006 xiii (2005) *available at* http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166322&entityID=000112742_20051114174928 (observing that remittances have been correlated with significant decreases in poverty levels in Uganda, Bangladesh, and Ghana).

[14] Mirabaud, *supra* note 2, at 111.

[15] *Id.* (providing, furthermore, that people in rural areas of developing countries have limited access to banks and that most recipients of remittances do not have bank accounts).

[16] *See* Héctor Ricardo Grau & T. Mitchell Aide, *Are Rural-Urban Migration and Sustainable Development Compatible in Mountain Systems?*, 27 MOUNTAIN RES. AND DEV. 119, 121 (2007) (hypothesizing that the reduction of rural populations due to urban migration has probably resulted in the expansion of forests in mountain regions of Latin America).

[17] *Beyond Voice*, *supra* note 4 (discussing a database compiled by locals that accepts text-message questions and provides relevant farming advice).

[18] *See* Grau & Aide, *supra* note 16, at 122 (explaining how urban migration can lead to decreased agricultural activity reducing erosion and increasing productivity).

[19] *See id.* (stating that increasing populations in mountain regions could not be supported by traditional agriculture and that subsequent urban migration has resulted in benefits to society in general).

[20] INT'L FUND FOR AGRIC. DEV., *supra* note 6, at 2.

[21] *Id.* at 15.

[22] *Id.* at 17.

[23] *Id.* at 6.

[24] Hillel Rapoport & Frederic Docquier, *The Economics of Migrants' Remittances*, *in* HANDBOOK ON THE ECONOMICS OF GIVING, RECIPROCITY, AND ALTRUISM, at 6 n.3 (Institute for the Study of Labor, Discussion Paper Ser. No. 1531, 1990), http://www.econstor.eu/bitstream/10419/21307/1/dp1531.pdf (noting that official statistics do not account for small transfers, transfers in-kind, unofficial transfers, or transfers personally carried by migrants).

[25] U.N. Dep't of Econ. & Soc. Affairs, Population Div., *World Urbanization Prospects*, *The 2009 Revision: Highlights*, 2-3, U.N. Doc. ESA/P/WP/215 (Mar. 2010), http://esa.un.org/unpd/wup/Documents/WUP2009_Highlights_Final.pdf.

[26] *Id.* at 2.

[27] *Id.* at 10.

[28] Mirabaud, *supra* note 2, at 115.

[29] INT'L FUND FOR AGRIC. DEV., *supra* note 6, at 9 (describing five important regulatory issues covered by rules pertaining to cross border payments: authorized paying institutions; non-bank financial institutions; ownership of foreign currency accounts; limits on and requirements for money transfers; and anti-money laundering).

[30] *Id.*

[31] *See* Chris Bold, *Mobile Banking 2.0 or 0.5? – Mobile Banking for Those with No Mobile*, CGAP (Oct. 13, 2010), http://technology.cgap.org/2010/10/13/mobile-banking-20-or-05-%E2%80%93-mobile-banking-for-those-with-no-mobile/#more-3310 (describing how the governments of Pakistan and the Philippines may use over-the-counter agents to distribute government payments to more impoverished citizens who likely do not have phone access).

[32] INT'L FUND FOR AGRIC. DEV., *supra* note 6, at 11 (describing how after September 11, 2001, most African countries introduced anti-money laundering legislation).

[33] FIN. ACTION TASK FORCE, FATF 40 RECOMMENDATIONS (2003), http://www.fatf-gafi.org/dataoecd/7/40/34849567.PDF.

[34] INT'L FUND FOR AGRIC. DEV., *supra* note 6, at 11.

[35] *See* Ratha, *supra* note 5 (asserting that between 2003 and 2008, remittances doubled to reach approximately $330 billion).

[36] *Id.* (postulating that increased regulation may drive remittances from official channels, and official data may be underestimating global remittances by ten to fifty percent).

[37] *See, e.g.*, *Tax Collections, Remittances, and Policy Measures to Raise Reserves*, THE NATION (Pak.), Aug. 17, 2008, http://www.nation.com.pk/pakistan-news-newspaper-daily-english-online/Business/17-Aug-2008/Tax-collections-remittances-and-policy-measures-to-raise-reserves/1 (providing that tax receipts from remittances could increase foreign exchange reserves while increasing economic stability); *About Pakistan Remittance Initiative*, PAKISTAN REMITTANCE INITIATIVE, http://www.pri.gov.pk/about (last visited Oct. 17, 2010); *Remittances Exceed $8 Billion Mark*, THE DAWN MEDIA GROUP (June 10, 2010), http://www.dawn.com/wps/wcm/connect/dawn-content-library/dawn/news/business/remittances-exceed-$8-billion-mark-jd-05 (describing how Pakistani government agencies have undertaken the Pakistan Remittance Initiative to direct remittances through formal channels and have made financial gains through encashment and profit on Foreign Exchange and Currency Bearer Certificates).

[38] *See, e.g*, Rep. of the Indep. Expert, *supra* note 9, para. 42 (explaining that cash transfer programs must remove physical, cultural, and geographical barriers to reach certain vulnerable groups, including those living in remote areas).