DOC 0548/05
(Vers 0.1.)

18 May 2005
NBI/ARE

Remittances and Financial Inclusion Conference: closing remarks from Chris De Noose, Chairman of the Management Committee, WSBI Brussels, 20. May 2005

Dear Mr. de Lecea, Mr. Terry, ladies and gentlemen,

We are coming to the close of this breathtaking conference. Please bear with me for a few more moments. I would like to share with you – in a more or less "real time" exercise – what are for me the highlights of these 2 days. To wrap up I have made some choices – for which I would like to apologize in advance with those who may feel that I have omitted their input – this is no judgment of quality, the full material of the conference will be made available soon on our website.

But before we all resume our day-to-day activities, I wished to synthesize what struck me most during these 2 days. Let me review the sessions in the order of the programme:

From the opening session

The scene was immediately set: remittances are not just about migrant money transfers, but about "the people's money". But, as Donald Terry mentioned, the high amounts of funds transmitted unfortunately also reflect poor economic conditions in receiver countries, so people are looking for other –sometimes harder- working opportunities in places far away from their homes.

Indeed, as Mr. Dupla del Moral illustrated with Latin America, this continent is still suffering from income inequality and millions of people have flown abroad to find a well paid job. The Guadalajara Summit, as Mr. Dupla taught us, addressed the remittance issue under the more comprehensive approach of migration and social cohesion for both sender and receiving countries.

The economic role of remittances is undeniable: they represent a formidable source of finance for development and investment that may generate sustained growth. They can represent a significant part of the nation's gross national product; they may directly influence the structure and growth of imports and exports, and the speed of urban or rural development. They affect demographic patterns, education, health and social security issues.

But how can we make sure that remittances are safely channeled to productive activities, creating more economic opportunities for both senders (who wish to build assets in their home countries) and receivers (who could start building a safety net through savings and investments)? We started to tackle this issue in the next sessions, identifying some key points that I will comment briefly:

- **General Principles:**

The World Bank and the BIS are working with central banks, international and other development organizations to develop General Principles for International Remittances, in an effort to create service standards and principles for consumer protection, transparency and market behaviour.

-Regulation:

The European Commission presented an approach to regulating remittance transfers, both by creating a category of payment institutions to whom would be issued a single EU "passport" to operate in the internal market - therefore increasing competition – and by issuing a regulation on information to be provided with credit transfers – the transposition of FATF Recommendation VII.

-Data issue:

The European Central Bank underlined both the necessity to get data, and the difficulties in measuring remittance flows, agreeing that the best way –although expensive- is through household surveys. By understanding better the nature, origin, destination and amounts of flows, proper public policies and market incentives can be put in place.

Donald Terry stressed the need for better numbers in Africa and in Asia. It has been estimated that there are more than 175 million of migrants (not counting domestic migrants), transferring around 200 US billion dollars each year. It is believed that this 175 million people could be supporting more or less 500 million people. To include them in the financial sector means opening the financial systems of the world on a scale we have never seen before.

-Involvement of banks:

Bringing remitters in the financial system does not mean exclusively integrating them in the financial market, it means integrating them in the society, as they could make more informed decisions about their future, allowing them to choose services in a more transparent and fair environment. Whilst it has been proven that it "is expensive to be poor", it is also been proven that when poor people have more financial options they are able to save and make decisions that increase their wellbeing. Why don't we give them the opportunity of managing their own assets through an accessible financial sector?

Banks have been somehow reluctant to enter the remittances market, although this is changing at a high speed during the last years, we ask ourselves: Why is the financial system not more open?

Are we using the right business model? Does the business model have to take into account a larger client base and thinking about future population trends?

As an example, La Caixa has built its success on the belief that offering remittance services is just the beginning of a broader client relation with migrants. Remittances are just the entry point, the goal is to move migrant costumers up the financial value chain, adapting products and applying cutting edge banking technology to satisfy their needs. Joan Rosas presented “Caixa’s” comprehensive internet portal, which is entirely dedicated to migrants’ needs and concerns. Their services have gone further and now they are also offering entrepreneurial advice and linking promising projects to a network of business angels.

-Understanding migrant needs:

Jan Niessen spoke from the perspective of migrants. Who are they? Do we know their needs? Migrants in this century are men AND women, unskilled AND skilled workers. Although sometimes they represent a big community in the receiver country they are “amorphous” in the sense that they don’t have a voice and neither vote in important issues that affect their lives. Thus they are often in a vulnerable position and are not integrated in society.

Nilim Baruah reviewed the motivations of migrants in different regions to use transfer mechanisms, what use beneficiaries made of funds received, and the range of support services required.

We then listened to several WSBI members presenting their practical experiences in providing remittance services. I was astonished by the terms used in that session: Passion, Loyalty, Trust, Responsibility…Did we suddenly change the topic of the conference? – I thought?. No. Speakers were talking from their hearts. You could see how passionate they are about remittances. “It is not just about sending money over there, it is building a relationship with clients. It is being a banker: building trust to be able to manage the “people´s money”.

From them we learnt the importance of building alliances in order to leverage local expertises, maximize capillarity from the distribution networks and to use cost-effective operations. Lloyds´ allliance with ICICI India, Caixa Economica Federal with BCP Bank, the “Bravo” brand of CECA and Bansefi´s “red de la gente” were very illustrative examples of this kind of successful partnerships.

For these savings and retail banks the challenge is clear: the business is beyond remittances. Taking into account demographic trends they wish to enlarge their client base and renew it: CECA well recognizes that almost 10% of the Spanish population are migrants, Lloyds acknowledges the growth of the UK Indian community expanding 6 times faster than others, and Caixa Economica Federal is targeting the more than 5 million Brazilians that live abroad.

But we didn’t hear only good things in that session. Speakers also shared with us the problems they have encountered. Two main challenges were identified: First, how to address the particular needs of each migrant community taking into account their diversity, ranging from Moroccans, to Colombians to Chinese in the case of CECA? Second, how to overcome the regulatory, including compliance hurdles when working with multinational platforms?

From the session on leveraging remittance proceeds through microfinance. There are various lessons learnt:

-Banking with the poor requires understanding their special needs. Nancy Barry described the priorities: first offer access to savings, then lending (e.g. for housing), then insurance products, then remittance services. Microfinance institutions are often well placed to offer personalized services to their clients and this constitutes one of their main comparative advantages in the industry. When entering the microfinance world, banks would need a mental shift, meaning: a committed top management, a committed staff and an engagement with the client for personalized attention. Working to build financial literacy is also important.

- For Kai Schmitz, when serving the lower end clientele, financial institutions need to start building trust in the system. The poor expect convenience, respect, proximity and product diversity. They are eager to save and invest in assets that are dear to them, such as housing and education. Remittance funds could be well channeled to these as was illustrated by Bansefi´s and BCP examples.

- Costumers can greatly benefit from more competition in the remittance industry. Jennifer Isern highlighted that the main challenge is to get formal channels develop the same touch than the informal channels have.

Finally, on the session addressing the convergence of policy and business interests. Speakers tackled the issue of proper balance between regulation and competition.

Douglas Pearce underlined that access to secure and accessible deposit accounts would increase productive uses of remittances and promote formalization. He then identified some points of convergence between policy and business interests which coincide with some of Henrik Parl's own observations: both public and private players are interested in having lower charges and lower costs; they both are in favor of increased competition and the increased use of formal channels. And moreover both are interested in building a fair market, securing providers and therefore building trust.

Speakers agreed on the fact that key issues to be tackled by both the public and private sector are:

1. Improving data and market knowledge
2. Improve costumer awareness of the market possibilities, including procedures and costs.

And 3. address regulation in a way that is more proportionate to the remittance market and related to it's actual risks (e.g; liquidity can be more significant than capital requirements).

Bernd Balkenhol then pointed to possible policy entry points for remittances: infrastructure, taxation, financial literacy, licensing, and supervision. He also mentioned the opportunities existing to build bridges between microfinance and remittances: remittances are private funds contrary to microfinance that comprises public and private funding.

Henrik Parl talked both from a business and a policy perspective. As a connectivity provider, Eurogiro links the postal and banking world, different technologies and regions, and provides global solutions. He recognized the lack of common standards as a hurdle, and proposed the development of such open standards for remittances.

Nikos Passas led us through the world of the unregulated, bringing to the fore the value propositions it delivered, and cautioning about the unintended, negative effects of regulation.

In concluding the panel, Don Terry also reminded the audience that money transfer operators provide services in areas which usually are not covered by traditional banks.

To conclude, ladies and gentlemen, I would like to suggest that when in the near future you think about the theme of "Remittances and financial inclusion", then there are 3 words that come to your mind: **place, space, and pace**. Let me explain:

Place: I think that you will agree with me that through our collective actions over the past 3 years or so we have contributed to putting the subject of remittances at the top of the agendas of policy makers, and to make it more visible for business at large. There is definitely a place for remittances in the visions, strategies and plans at policy and business level.

Space: I think you could also agree with me that the remittance space has been much better defined. Indeed, remittances are not only about the mere transfer operation between a remitter and his family in his/her home country. Remittances are neither about the whole issue of migration, or development in the wide sense. But, very clearly, remittances are about including people, and including service providers, into the financial community. This is the space for this topic.

Pace: Yet, I must confess that I have a concern with the pace at which the extremely good, extremely necessary objectives, measures and plans that we debate and implement achieve the intended impacts. The amounts remitted continue to grow every year, but are the actual benefits growing at least the same rate? I am certainly not suggesting that anybody engages in yet another round of fact finding. What I would really call this audience for, is that we commit to pace, greater pace, in transforming into reality, and actual benefits for all stakeholders, the views and plans that we have shared during these 2 days.

So, remember: place, space, and pace. Now, ladies and gentlemen, I thank you for your attention. Please join us now for the lunch which is organized in the Foyer Space, just outside themeeting room: this will be yet another networking opportunity for everybody.

I would like to thank everybody for contributing to making this conference a success: **our partners from the Multilateral Investment Fund of the IADB**, my fellow speakers who contributed their knowledge and time, our joint WSBI-IADB team who have been working feverishly for several weeks now to produce this event, and of course, you, the delegates. Do have a safe journey home, and let us meet again in the near future on the journey to fair remittances, and financial inclusion.