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Remittances and Financial Inclusion Conference
opening remarks from
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Chairman of the Management Committee, WSBI

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Good morning ladies and gentlemen,

It is a great honour for me to welcome you on behalf of the Inter-American Development Bank and the World Savings Banks Institute to our conference "Remittances and Financial Inclusion".

I would like to start by thanking our friends from the Inter-American Development Bank and in particular its President, Mr. Enrique Iglesias, for jointly organising this conference with us.

We believe this conference comes at a timely moment.

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Remittances, that is the funds that migrants are sending to their family and relatives in their home country on a regular basis, attract more and more the attention of policymakers and business.

We think that there are at least 3 main reasons for this development.

Firstly: The sheer amount of funds transferred globally each year.

So early in the day, we may not wish to open the debate about statistics! However, respected sources have assessed the annual flow of remittances through **official** channels to top 120 billion US-Dollars last year.

Indications from multiple sources lead us to believe that the annual flow of remittances through **non-official** channels, these are flows outside the formal financial systems, could be on the same level.

We therefore can conclude: it is very likely that the total annual remittance flows exceed 200 billion US-Dollars.

Secondly, the fact that for a number of recipient countries remittances represent a significant and stable amount of finance. Especially when measured against each country's gross domestic product.

In a number of countries remittances account for 10 to 25 per cent of GDP.

Clearly, percentages of that order of magnitude have to retain our attention.

Furthermore, several surveys, mainly in the North-South America corridor, have shown that even at times of economic downturn in their new country of residence, migrants do their utmost to continue and send home on a regular basis the same amounts of money.

Equally, it has been observed when natural disasters like hurricanes or earthquakes strike their home country, migrants tend to increase the amounts of money they send – albeit with a time delay – thus contributing to buffer the negative impacts of such natural disasters.

Thirdly, the fact that remittances are first and foremost “the people’s money”.

We cannot exaggerate stressing this. Each of the dollar, euro, or other currency unit that is being sent home by a migrant has been earned and saved from immediate consumption in the migrant’s new country of residence, and is destined directly to the intended beneficiaries, for consumption, saving, or investment.

Let me elaborate on some of the issues I have touched and propose some conclusions.

As the figures mentioned earlier show us: the sheer amounts transferred mostly between developed and developing countries every year are staggering.

They outpace official development aid and other direct investments.

They represent a formidable source of finance for development and investment, and a generator of sustainable growth.

They are the result of millions of individual decisions, repeated every quarter or month (or even several times a month).

These millions of individual decisions are in themselves not triggered by any policy-making, marketing or advertising campaigns. They merely express bonds, strong personal relationships, between people.

(However the existence of these remittance transactions cannot be an alibi to question the rationale for official development aid or other direct investments. It would be a terrible mistake to think that remittances actually could replace official development aid. On the contrary:

Considering the financing requirements of developing countries, two thoughts jump to one's mind: would it be possible to have official development aid at least match remittance flows sent through official channels?

And how can we make sure that, from a macro-economic perspective, the funds created by remittances are used effectively for sustainable economic development?

Ladies and gentlemen, perhaps half of the total annual volume of remittances is flowing through non-formal channels.

Why does it matter?

Financial flows of such magnitude that are not recognized within economic aggregates for analysis, planning and decision making fatally foster significant distortions.

These distortions affect amongst others the balance of payments, the formation of exchange rates, national as well as local budgets.

And – a factor that is at least as disturbing – these financial flows through non-formal channels are conduits of choice for an underground economy and illegal activities.

Such activities are – in the vast majority of cases – not caused by migrants and their families and relatives.

Non-formal channels are fostered by the fact that migrants and their families do not have sufficient access to, and do not sufficiently trust, formal channels for sending and receiving money.

For me, one of the crucial topics of this conference is to reflect what can be done to change this situation.

This is not the point for entering into a debate about whether migration is good, or less so.

As we know from history, migration has existed for a very long time.

With globalization, migration is here to stay for a foreseeable future, and migrants will continue to have the legitimate requirement of sending money home.

It is a challenge to all, policy makers and business alike, to enable them to do so in ways that do not foster negative effects.

Ladies and Gentlemen, remittances can represent a significant part of a nation's gross national product.

For some countries, they could even be considered as a full-fledged economic sector of its own.

This has evidently many implications for the rest of the economy, and how it develops.

It may directly influence the structure and growth of imports and exports and the speed of urban or rural development. It might affect demographic patterns and whatever is linked to them: education, health, social security and so on.

This should be yet another incentive for trying to better assess the exact amounts that flow from developed to developing countries, both through formal and informal channels.

Better understanding of these flows and their patterns, better planning of their evolution under difficult economic and political conditions would assist receiving countries to make better decisions in terms of - amongst others - balance of payments v

implications, budget planning, interest rate and currency exchange rate settings, investment priorities, and allocation of tax incentives.

Does this matter? Certainly. In a globalised economy developing countries have to cope with many variables, a number of which they have no control upon.

Because of the wide dispersion of their sources and destinations, remittances represent a pillar of resources and funding with a high degree of stability.

They show a high degree of "economic cycle"-independence. They are there in good times much as in bad times, considered from both the sending and the receiving country.

This should be yet another incentive for such countries to formulate and implement policies that take a "remittance-friendly" approach.

This is even more the case, since - as I said before - remittances can be truly and fairly regarded as the people's money.

Experience from all over the world has taught economics, and the policy makers who care to listen, that when individuals are allowed to make their own decisions as regards their financials, they usually make good decisions, that contribute to increase their wealth in the short and medium term.

In the context of remittances at least three pre-conditions have to be achieved:

Firstly, it should be ascertained that, for each remittance transaction, the intended beneficiaries receive the largest possible part of the amount sent by migrants, within as short as possible a time period.

In other words, both migrants and beneficiaries must have access to “fair transaction” services and systems.

We can bemoan again and again the use of informal channels, but one of the reasons for migrants and beneficiaries to rely on them is the perception that they get a better deal, for the time being.

This may not be true, yet this perception is one of the challenges to be overcome by the providers of formal remittance services.

Secondly, both migrants and beneficiaries, must have the assurance that their money is “safe”.

This notion can take different meanings. On one side it implies that funds received by beneficiaries, whether they are maintained in cash or in an account, will not lose their purchase power because of too steep inflation rates and/or sudden devaluation – official or de facto - of a local currency.

On the other side, beneficiaries must have the certitude that the funds they maintain in an account are protected against loss or misappropriation in case of bankruptcy of a financial intermediary.

Thirdly, both migrants and beneficiaries must be able to make choices.

Their decisions must be constrained as little as possible by legal and/or regulatory dispositions that specifically affect migrants and remittance flows.

We do have the impression that in some respects unnecessarily high regulatory burdens have been piled up which make access to remittances services difficult and in a large number of cases even impossible.

Very strict rules in the "sending" country, forcing the remitter to produce administrative documents difficult to obtain, are among these obstacles.

To make it perfectly clear: We certainly do not want to propose here that there is no good reason to ascertain the identities of users of financial systems.

Nevertheless, every effort should be made to formulate dispositions reconciling two important aims: to combat money laundering and terrorism effectively, **and** to prevent that more of the remittance money moves, or stays, outside of the formal financial channels.

Ladies and gentlemen, let me conclude and highlight once again some points that in our view matter most:

- Many million people regularly sent remittances worth some 200 billion US-Dollars. Many of these people are not legal migrants, maybe half of the remittance flows are processed by informal channels.

- Remittances often represent a significant share of the receiving country's gross national product.

- Remittances flows are usually stable, and they assist to ride out adverse economic conditions.

- Remittances represent decisions made by individuals for individuals. This really is grassroot-financing at its best.

All this lays a particular responsibility on policy-makers and on business.

With our partners of the Inter-American Development Bank, with whom we are delighted to co-organize this event, we choose as title for this conference: "Remittances and Financial Inclusion".

The themes that we should like to propose to you to explore and debate throughout the proceedings of this conference stem from considering its title from two perspectives:

what can business and policy-makers do, individually and jointly, to ensure that remittance flows are “included” in the world’s financial system?

And what can business and policy-makers do, individually and jointly, to enable migrants and their beneficiary families and relatives to also become “included” in the world’s financial system, and make sure they continue to have access?

At this stage I wish to say a few words about the world savings and retail banks, whose organization I have the honor to preside.

It should come as no surprise to you that savings and retail banks whose mission is generally to focus on individual customers, as well as small and medium size enterprises, and who have evidenced a commitment to societal topics, have been at the forefront of the debate on remittances, and continue to pioneer, as service providers, many innovative solutions.

You will hear about some of them over the next 2 days.

But let me stress that we are extremely conscious that this topic is a big one and of critical concern to a huge number of people.

Therefore we are also extremely conscious that the solutions that will address the challenges cannot come from one part of the industry alone – nor for that matter do we expect them to come from any single policy-maker.

On the contrary, making remittances really work not only for the benefit of migrants and their families, but also for the benefit of economies at large, will require co-operation between many different policy-makers and business sectors.

This is why we have attempted to bring together in Brussels representatives from so many areas to debate this topic.

Ladies and gentlemen, I thank you for your attention and I wish us all a very insightful, ground-breaking, mobilizing conference.