

Remittances: getting the right attention

A few observations¹

By Jan Niessen

Director Migration Policy Group

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- Remittances have rightly moved up on the agendas of governmental and non-governmental organisations. It is a recognition of their importance for first and foremost the individual migrants and their families as well as for the migrants' countries of origin. This conference organised by major players in the financial world is another welcome proof of the increased attention for the many issues related to the transfer and use of remittances. Despite increased attention much is still unknown about the volume of the amounts sent from individual European countries by various categories of immigrants to other countries in the different regions of the world.
- Who are actually sending money home? Is there a difference in terms of types of migrants – skilled, low-skilled unskilled; regular or irregular migrants? Is there a difference between migrants according to country or region of origin? How regular are transfers made and do economic developments interfere in this respect? Which means are being used to transfer the money, is it by formal or informal means and can the differences between the two ways be explained by the preferences and 'culture' of the migrants concerned and is it the outcome of a rational process of weighing the pro's and the con's of informal or formal money transfers? Or is the choice between the two inspired, or if you want dictated, by availability of institutions, organisations and persons specialised in transferring money and their respective client orientation? Formal and informal ways of transferring are sometimes pictured as opposite and mutually exclusive, but from the perspective of the immigrants they could well be complimentary and used at the same time.
- Not all these questions can be answered or will be answered at this conference, but in order to be able to Taylor your services to the needs of the clients, i.e. the migrants transferring money back home, it is important to at least arrive at some tentative answers.

The clients: migrants concerned

- Remittances are sent from persons who belong to the poorer sections of society in developed countries to person in developing countries. There is strong evidence that remittances flows are growing and there is some evidence that remittances increase in times of crisis. In other words there is an increasing and steady flow of money sent around the world by a growing group of persons.

¹ Many of the observations are based on the report of the International Conference on Migrant Remittances: Development Impact, Opportunities for the Financial Sector and Future Prospects London, 2003).

- This may be a surprise to many which is probably due to the image many people have of migrants and immigrants. Migrants are often seen as poor, generating low income and as not capable of making savings. Migrants are, however, hard working people and entrepreneurial and risk-taking persons. They maintain strong links with their country or region of origin and are dedicated to their (extended) families that are left behind. Migration is a way of earning income and improving skills and is often part of a survival strategy. This makes the transfers of money (but also of skills of all types) extremely important for them. Therefore, migrants are also for the private sector and the banking sector a very interesting group of people who generate an enormous amount of income, which is spent either on the spot or, in their country of origin.
- Policies of either governmental or non-governmental institutions and organisations should take the individual immigrants' strategy as a starting point. They should not project and pursue only their own ideas and interests when they engagement themselves actively in the remittances debates. For example, immigrants cannot make up for the decreasing development aid; immigrants are not professional development workers, etc.
- This is to say that consultations with the immigrants concerned are crucially important and will in the end make public and private sector policies more effective. Nobody will ever say that stakeholder consultations are easy things to do. The associated difficulties range from the intricacies of locating them and identifying organisations which represent them, to the enormous diversity of the migrant population. They have different sets of cultural values and practices related to the use and transfer of money.
- At the end of the consultation process you will have a client profile or clients profiles demonstrating an enormous diversity, but that is in itself not very different from other clients. The needs are different and differently expressed and it should be possible to design general costumer policies taking this diversity into account.
- An extremely important feature of that profile is of course that migrants operate in two or more places the same time, places which are geographically speaking at a great distance from each other but also in terms of needs and rules of the financial game. This is an interesting challenge for banks. A client working and living in Europe may lead to clients in countries of origin.
- From the perspective of the client, the increased attention for remittances resulted in greater competition between informal and formal transfer mechanisms and among actors in the formal system, such as the various types of banks. This has lead to lowering transaction costs, increasing efficiency, improved outreach and other services. This healthy competition keeps the providers of financial services on the edge and may lead to even greater service for the clients, i.e. the migrants and their families.
- A major challenge for the financial service providers is the integration of the unbanked senders and receivers into the financial system through better outreach, new technologies and more cost-efficient and transparent services. Strategies include information sharing and efforts to overcome migrants' cultural barriers to formal institutions, strengthening of financial infrastructures. In this way the private sector

can develop products specifically for migrants. The strategies will vary per country and they differ in terms of out reach in developed and developing countries.

Public policies

- The public and private sector can co-operate much more than currently is the case. The private sector can suggest and subsequently support the development of public policies in a number of ways. Governments can provide incentives for the private sector to develop Taylor-made products for the migrant community. Governments can also encourage schemes for migrants to save and invest remittances. This could include pre-departure orientation to migrants on remittance transfer and savings options; post-arrival host country orientation on remittance options; reintegration assistance relating to investment options for accumulated savings; promoting and disseminating information on latest technologies, e.g. wireless internet technologies and the role of employers of migrant workers in delivering payment technologies and financial services; information campaigns should also point at the potential risks including legality of using informal transfer systems. Information should be made more readily available and it could be explored how a web-based information system could be set up as a joint venture of public and private partners. This website could feature best practices of public policies as well as banking practices.
- Other important areas of public policy that should be further developed and endorsed by the private sector are related to the improvement of reporting and measurement of remittance flows; the assessment of financial infrastructures, in both receiving and sending countries to identify barriers to remittance flows and concomitant promotion of investments in domestic payment and ancillary systems in developing countries; investment choices for migrants should be increased.
- The regulatory environment is constantly changing partly as a result of the combined and increased efforts to combat fraud, money laundering and terrorism. Rules and regulations are introduced which provide more security and transparency but have as a side effect a considerable increase of costs. The public and private sector should agree on a way of measuring the impact of these measures and of reducing compliance costs. A balanced system of regulation should be developed which provide incentives for banks to become (more) active while allowing greater outreach by permitting non-banking institutions to participate in payment systems. This would contribute to maintaining a situation of healthy competition.
- Regulatory regimes should not drive informal systems further underground but rather encourage their formalization. One way of achieving that is to include concerned stakeholders such as informal remittance service providers into the regulation making process. Regulations must be fair and effective applicable to formal and informal systems and create compliance incentives. Regulatory requirements should match with local and national enforcement and supervisory capacities. In certain developing countries this would mean that efforts must be made to develop the financial infrastructures.