



MIGRANTS' REMITTANCES

Moderator's Summary from the 6 February 2007 Roundtable Discussion at the Second Plenary Meeting of the Leading Group in Oslo

Numbers

- In 2006 world wide remittances sent home from migrants from developing countries exceeded USD 200 billion. Unrecorded remittances through informal channels are significantly larger (adding maybe 50 %).
- These remittances are larger than foreign direct investment and more than twice as large as official aid received by developing countries.
- Migrants' remittances will continue to increase in the future. Remittances tend to follow and rise during crises such as nature catastrophes and wars.
- Remittances are increasing countries' access to capital and are important for many countries' economies.

Policy implications

- Migrants' remittances are *private* money and flows.
- Fiscal incentives may create distortions
- Remittances should not be a substitute for official aid (ODA).
- Remittances have a proven effect of reducing poverty. A 10 % increase in per capita remittances leads to a 3,5 % decline in the share of poor people (according to household surveys from the World Bank).

“Innovative or not – that is the question”

- Remittances do not in themselves represent innovative financial mechanisms. Remittances have been an important financing source for decades already.
- Working for reduced costs of transfers and enhanced effects as regard to development is nevertheless “innovative”.
- Increase in transfers of remittances through formal channels will make them more transparent. Reducing suspicion of remittances financing criminality and war or money laundering is a key challenge.
- Today a mistrust of the banking system. Large groups of migrants do not have banking accounts. An increase in remittances through formal/banking channels will gain security and make saving and investment opportunities possible.
- Employers have a role in securing rights of working migrants and facilitating savings through employees' acquisition of bank accounts.
- Remittances can have negative social implications in the countries of origin. This has to be focused on.

Governmental initiatives

- Remittances are private money and should be treated as such. Governments still have a role to play, even though remittances should not substitute ODA.
- Main goals are to help the system to reduce the costs of remitting to assure that a higher share of the remittances end up at the intended receivers. Assistance to improve the lack of necessary banking culture among migrants is important.
- Formalization (2 billion people in the world do not have access to the financial system) and transparency are key challenges.
- Create public-private alliances to improve the conditions of remitting.
- Gain knowledge of remittances through improved market research and surveys to be able to improve the statistics.
- To improve the cooperation and participation of migrant/diaspora groups into the developing work.
- Facilitate and support home town community associations among diaspora through matching funding. From private consumption only to more socially sustainable development in region of origin. Remitters want to pay back to their home towns.

Suggested next steps for policymakers

- Governments can develop cooperation with countries which have gained experience through concrete actions.
- Governments can in partnership with private sector form working groups to facilitate the improvement of conditions for transfers (costs, channelling, transparency).
- Increase knowledge about remittances.
- Possibility to support remittances used for socially sustainable projects through matching funding.
- Improve the trust and access to banking accounts and savings and gain transparency through remitting through formal channels.

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