



Migrant Remittances as a Development Tool

Consolidating Regional Perspectives

World Bank Role in

Stimulating Global Interest and Actions

IADB (MIF) – International Forum on Remittances

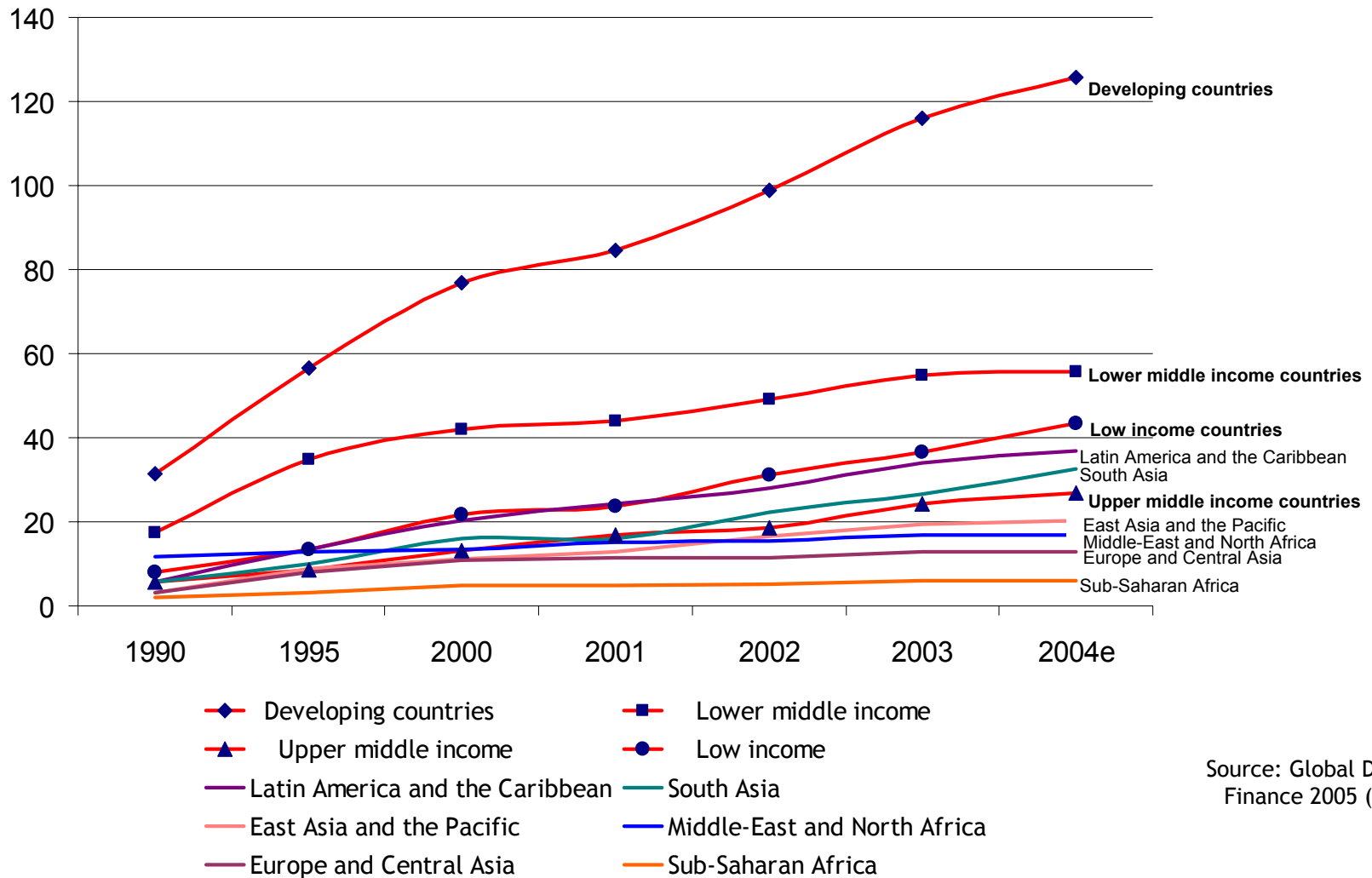
(Washington, DC: June 28th, 2005)

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The Global Context

Remittances are an important and stable source of financial inflows to developing countries



Source: Global Development Finance 2005 (World Bank)



Stimulating Global Interest

The Inter Agency Task Force (IATF)

- Established in October/November 2003
- Jointly Chaired by World Bank and DFID
- Open to all Interested Agencies
- To share experiences and knowledge
- To share key elements of our respective institutional work programs via a regularly updated matrix covering four broad areas of activity
 - Improving Data and Knowledge Management
 - Reducing Remittance Costs and Improving the Efficiency of the Formal Financial Infrastructure
 - Improving Development Impact
 - Operational activities in the Regions
- Formal meetings at six month intervals



The World Bank's work program on remittances: Four focal points

1. Reducing remittance fees/prices through improved financial systems and infrastructure:

Why? Reducing remittance fees is likely to significantly increase annual remittance flows to developing countries. To date, remittance costs remain regressive and high on average.

How? Through more transparency and competition, introducing new technology (e.g., electronic cards and ATMs), and improving payment systems.

2. Facilitating remittance flows while ensuring the integrity of the financial system

Why? The regulatory regime for AML/CFT needs to introduce ways of ensuring financial integrity without unnecessarily reducing access to remittance services.

How? Move remittances to formal channels, and promote consistent and measured regulations.



The World Bank's work program on remittances: Four focal points

3. Understanding and enhancing the development impact of remittances

- Why? Remittances are believed to
- *Directly* impact poverty through increased income levels for poor households, and
 - *Indirectly* impact poverty through macroeconomic effects, such as:
 - a) Allowing countries to better service debt through improving the debt/exports ratio;
 - b) Allowing countries to issue debt using remittance inflows as collateral;
 - c) Increase the inflow of foreign currency and its availability to poor households.
- How? Use policy initiatives to reinforce the demonstrable positive effects of remittances.

4. Improving data on remittances and migration

- Why? Reliable data on remittances are key to our understanding of their development impact.
- How? International collaboration on standards and appropriate techniques for data collection.

Key product this year:

Global Economic Prospects 2006: International Remittances and Migration (November 15th, 2005)

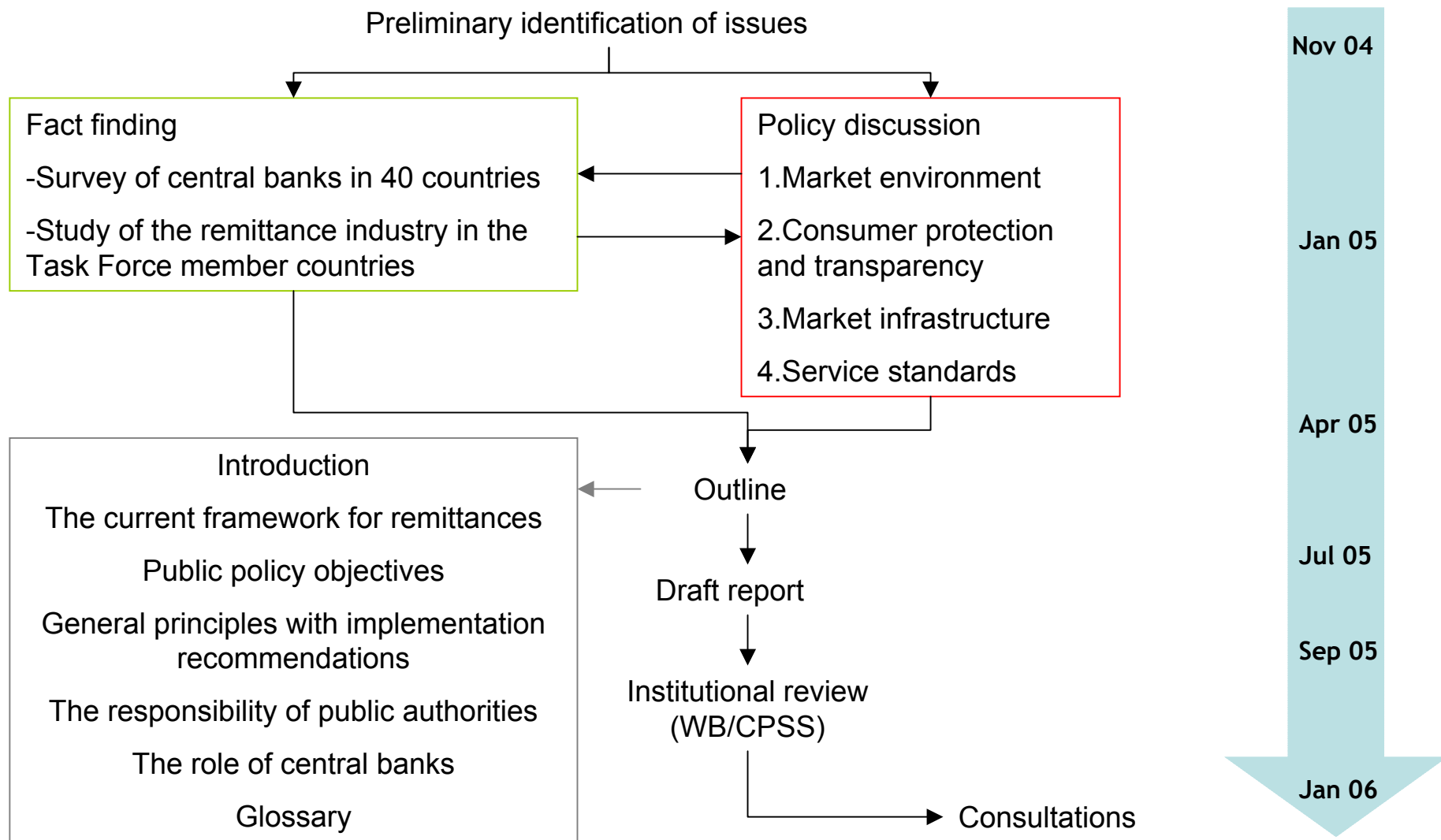


International cooperation is essential for success

- International remittances involve multiple jurisdictions.
- Many issues are suited for international policy coordination, such as:
 - Consistent regulatory regimes
 - Cooperation on ID requirements
 - Consistent service requirements and technological standards
 - Cooperation on financial education
- Bilateral cooperation can create benefits (low-cost U.S.-Mexico ACH link).
- Multilateral cooperation can also result in beneficial actions (the Sea Island G8 summit resulted in the WB taking the lead in creating the Task Force on General Principles for International Remittance Systems chaired by the World Bank and the Committee on Payment and Settlement Systems (CPSS) of the BIS).
- The Task Force mandate is to develop clear and universally applicable general principles on remittances, describing key features and functions that should be satisfied by remittance systems, providers, and financial intermediaries.



International cooperation: World Bank/CPSS Task Force on General Principles for International Remittance Systems (The Process)





Factors that can result in an improved “sound and competitive remittance industry environment”- (Messages to Policy makers)

- **Migrant Remittances as person to person flows**
Recognize the person-to-person nature of remittances in policy formulation
- **Data reporting**
Support initiatives to improve data reporting
- **Formal versus informal remittance channels**
Consider undertaking initiatives to bring remittances into formal channels without reducing access to remittance services
- **The business environment for remittances**
Improve the business environment for remittance providers
- **International cooperation**
Engage in bilateral and multilateral policy coordination to facilitate remittance services and improve data collection and dissemination