



**INTER-AMERICAN DEVELOPEMENT BANK
MULTILATERAL INVESTMENT FUND**



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Today's meeting brings together the major findings and conclusions of a concerted four year effort by the Inter-American Development Bank (IDB) to document and study various aspects of the flow of remittances to Latin America and the Caribbean (LAC).

This effort includes a series of fourteen conferences in nine countries, twelve studies and six public surveys, and a number of projects designed to build institutional capacity and reach the people receiving remittances throughout the region. Next year, the IDB will publish a book on remittance to LAC, and issue a set of core principles governing "best practices" for remittance transactions.

Central to our program has been our partnership with several organizations, particularly the Pew Hispanic Center, the Inter-American Dialogue and Bendixen and Associates which has conducted a series of groundbreaking surveys which has greatly increased our understanding of the entire remittance process.

When we first started in 2000, the central goal was to simply improve data collection in order to document the increasing importance of remittances to the region. At that time, most information was based on extrapolating from statistics found in the "errors and omissions" columns of IMF tables.

This stood in stark contract to countless categories of financial flows, trade in goods and services, and various forms of technology transfer which are all carefully monitored, documented, and reported in great detail.

But all of this has changed dramatically. Most Central Banks in LAC are now actively engaged in tracking remittances, and as a result, we are for the first time, currently in a position to produce accurate baseline data to compare remittances with other international financial flows.

For example, we estimate that for 2003, remittances - \$ 200, \$ 300 at a time - will exceed all foreign direct investment (FDI) to the region by more than 50%. And the volume continues to rise. Mexico, Central America, the Caribbean, and Andean countries all report substantial increases in remittances which reflect the growing integration of labor markets between LAC and the rest of the world.

When we first started, economists characterized the transaction costs of sending remittances as "inefficient". Another, perhaps more accurate, term would have been "outrageous".

Fortunately, this process has also changed dramatically. Four years ago, the average cost of sending remittances to LAC was about 15% of the value of the transaction. But increased competition, and greater use of technology has cut the cost of sending remittances by 50%, and we believe that these charges can be reduced by another 50% over the next 3 to 5 years. This is a real accomplishment – literally billions of dollars a year are being saved by remittance senders and recipients.

LAC is the fastest growing and highest volume remittance market in the world. This is not cause for celebration, however. It means that the region is not producing enough employment to meet the needs of its population.

But it is cause to focus intensively on ways to leverage the development impact of those resources, once received. In doing so, however, we must always keep in mind one obvious fact: “It’s their money”.

Governments at all levels, international organizations, financial institutions, NGO’s and private companies may have some great ideas regarding how to multiply the economic impact of remittances.

We as the MIF for example, are actively promoting the greater involvement of microfinance institutions in remittance flows, and building institutional capacity, particularly in rural areas, to organize productive activities through cooperatives and other groups that can be financed by remittances.

But in the end, decisions about how to use remittances will be made by individual families. Our objective should be to provide them with more, and better, options to use their hard – earned, resources.

That is the challenge that brings us all together today, and will undoubtedly continue to bring us together in the years ahead.

But the process of remittances is more than just money. There are literally tens of millions of transnational families living in, and contributing to, two countries, two economies, and two cultures in the world.

The inevitable impact of these interactions far transcends financial flows; they are shaping our societies in profound ways, many of which are not yet fully recognized or understood.

It is for this fundamental reason that remittances -- the human face of globalization -- will be an important subject for public policy makers, academic institutions, and everyone else involved in development economics for the foreseeable future. We are pleased to have been able to contribute to this process.