REMARKS by Senator Aloun N'dombet Assamba
Minister of State
Ministry of Industry, Commerce & Technology
Roundtable on Remittances
Tuesday, September 17, 2002
Hilton Kingston Hotel

Salutations:

We congratulate the IADB and, in particular, the Multilateral Investment fund for your continuing focus on remittances as a development tool in the Caribbean. The role of remittances in Jamaica's national development has been a much-discussed topic, but it is not often that we have a forum of this nature.

To a large extent, remittances are used for basic sustenance needs and make up a significant portion of the income of our households. Remittances have helped to improve the standards of living of a large segment of the Jamaican population, providing money for basic needs such as food, clothing, housing improvements, education, and providing hard currency for consumer goods such as household appliances.

We cannot therefore, undervalue the role of remittances in promoting economic development. At a macroeconomic level, remittances provide a significant source of foreign currency, increase national income, finance imports, and contribute to the balance of payments. Remittances also have transnationalized our economic, social and political life, thus contributing to the expansion of wire transfer companies in Jamaica.

We need to look, however, into how we can more effectively employ remittances in national economic development, making sure to involve our large transnational community. Additionally, we need to look at ways of improving efficiency and reducing the cost of transfers, as well as greater use of migrant capital in productive investment projects.

One of the ways to ensure the future of remittances in countries such as ours is to make it easier or cheaper to send money home.

Credit unions in the United States, for example, have been initiating measures to cut the cost of money transfers, by offering remittance services to immigrants. Wiring money can cost a relatively high percent of the amount sent. Competition from credit unions help to reduce those rates. These reductions help to free up more money for recipients back home and provide more capital for private sector development.

Another challenge is that of increasing the flow of remittances into official channels. As you know, some countries have tried to increase flows through cooperative agreements between the sending and receiving countries through such means as deducting a certain percentage of earnings and requiring their transfer back to their country of origin. These include countries where workers are required to remit a percentage of their earnings such as the Philippines, China, and Korea. We need to explore these and other models to see how we can improve the flow of remittances into official channels.

Another means of increasing flows through official channels is by decreasing the costs of sending remittances. Remitting money back to one's home country through wire transfers, money orders, and couriers is not cheap, with migrants spending up to 15% of the remittance to send it, and losing an additional 10% in the currency exchange. Thus, due to transfer costs, the amount of money available to the recipient could be as much as 20 to 25% less than the available funds.

To address this problem, some companies have opened branches of national banks in the countries where their nationals are working, and some have formed partnerships with U.S. and foreign banks, postal services, and money transfer and exchange agencies. I believe, therefore, that in addition to regulation of international money remittances, more emphasis should also be placed on developing partnerships.

In effect, we must seek to eliminate any potential obstacles that would prevent migrants from sending their savings back home. Migrants may be more likely to remit into savings accounts if they can have dollar denominated accounts, receive higher than normal interest rates, better exchange rates, tax and customs exemptions, low interest loans, access to credit and technical support, assistance for small business development, and coverage of rural areas. Other short-term measures to increase the amount of remittances could include promoting return visits, tourism, and return after retirement.

Remittances, it has been further suggested, would be safer and used more productively if they entered the banking system before being spent. For instance, additional funds entering the banking system would allow banks to increase the number of loans, thus stimulating business. Further, rather than keeping remittances at home under a mattress, the funds could earn interest and remain physically secure before being spent. Such a situation could be accomplished by creating a partnership between banks and wire transfer companies. How practical and applicable is such a suggestion, should be further explored in your discussions.

Another strategy we need to further explore is the creation of national and regional remittance banks to link migration and development. As suggested, migrants would deposit their remittances in the banks, which would transfer the requested percentage of remittances to the migrants' families. The remainder of the funds would stay in the bank and be used as leverage for international and regional funds for development projects. The funds also could go into an investment fund for local projects.

Our objective, therefore, should be that of addressing the argument that migrants and recipients do not invest in their home countries because there are few investment opportunities, or because they fear losing money due to inflation or political instability.

In the final analysis, the effects of migrants' remittances on development will probably be determined by many of the same factors that shape the decisions of foreign investors and development generally: a stable political environment; sensible macroeconomic policies; adequate investment in human capital; and the availability of institutional mechanisms for investment in activities with attractive rates of return.

It is my hope that this Roundtable will move us forward as we seek to improve the efficiency of transfers and to ensure that all countries in the region take full advantage of this tremendous resource.