

Remittances-The Jamaican Experience



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Introduction

- Context and background
 - Migration since 1950's
 - Growth in remittance flows rival tourism and export as foreign exchange earners



Causes of Growth

- Waves of labour migration
- Increased reach of transfer companies
- Increased involvement of Financial Intermediaries
- Enhanced electronic transfer capability



Remittances Include

- Migrant worker transfers
- Alimony and other support maintenance
- Pensions
- Gifts in cash or kind

Remittances are not....



- Funds to migrants bank accounts-included in Financial Account
- Payment of mortgages and other service payments-included in “Other Services” account.



Method of Data Collection

- Commercial banks and merchant banks-daily
- Remittance companies/credit union-monthly
- Building societies-monthly
- Post office-monthly

Major Source Countries for Remittances

Remittances by Source Countries										
	1997		1998		1999		2000		2001	
		%of		%of		%of		%of		%of
	US\$m	Total	US\$m	Total	US\$m	Total	US\$m	Total	US\$m	Total
United States	229.0	35	245.4	36	304.7	43	384.6	47	444.5	46
United Kingdom	87.9	14	73.1	11	95.7	14	130.8	18	222.2	23
Canada	30.4	5	7.4	1	31.7	4	34.6	4	37.8	4
Cayman	12.2	2	18.0	3	20.3	3	17.1	2	30.5	3
Other	301.7	44	333.2	49	252.0	36	247.2	29	230.7	24
Total	661.2	100	677.1	100	704.4	100	814.3	100	965.7	100



Growth in Remittances

	1997	2001	% change
Total remittance (US\$m)	661.2	965.7	46.1
Volume (approx) mn.	1.0	2.3	130

Economic Impact of Remittances

Remittances in Comparison to Key Economic Indicators						
	1997	1998	1999	2000	2001	Average 1997-2001
Remittances(US\$Mn)	661.2	677.1	704.4	814.3	965.7	764.5
<i>Remittances as % of:</i>						
Gross Domestic Product	9.8	9.8	10.1	11.5	13.3	10.9
Merchandise Exports	38.9	42.0	47.0	52.1	66.4	49.3
o.w. Bauxite/Alumina	91.3	99.3	103.2	111.6	131.1	107.3
Tourism	58.5	56.6	55.0	61.1	78.4	61.9
Direct Investment Inflows	325.2	183.4	134.5	173.8	157.3	194.9
Imports (c.l.f.)	19.9	21.0	22.4	23.3	27.0	22.7

International Comparisons

Remittances Inflows	US\$m		2001/1997	Rem/
	1997	2001	% change	Pop-US\$
Jamaica	661.2	965.7	46.1	367.2
Barbados	55	80.0	45.5	266.7
Trinidad & Tobago	30.2	40.0	32.5	33.3
Brazil	1324	2600.0	96.4	15.5
Mexico	4865	9273.0	90.6	95.2
El Salvador	1199.5	1972.0	64.4	314.0
Dominican Republic	1088.9	1807.0	65.9	212.1
Haiti	256	600.0	134.4	75.4
Cuba	670	930.0	38.8	83.0
Ecuador	406	1400.0	244.8	110.7
Nicaragua	150	610	306.7	120.3

International Comparison of Macroeconomic Contribution of Remittances

Remittances in Comparison to Key Economic Indicators *				
	As a percent of:			
Country	Exports	Tourism	FDI	GDP
Mexico	4.3	74.1	46.6	1.2
Brazil	2.2	80.1	4.1	0.2
El Salvador	54.4	712.1	358.5	11.6
Dominican Republic	27.5	58.6	164.8	8.2
Ecuador	18.6	267.2	122.9	5.2
Jamaica	45.0	57.8	204.2	10.3
Cuba	44.4	43.7	235.5	2.9
Peru	10.4	77.2	39.6	1.2
Colombia	6.4	80.4	25.8	0.8
Haiti	119.8	503.2	2614.2	10.2
Nicaragua	41.0	223.7	106.5	11.2
Guatemala	16.7	141.9	166.2	2.5
Honduras	14.4	139.5	150.0	5.2
* Averages of 1997-2000				

Transactions costs

Transaction costs-USA to Jamaica			
		US\$	
Companies	1-100	101-300	301-500
A	14.00	20-25.00	33-38.00
B	10.0	15.0	20.0
C	10.0	20.0	20.0
D	13-15.00	22-27	34-40.00

Institutional Arrangements



Funds are transmitted via:

- Authorised dealers- 6 banks, 9 merchant banks, 2 building societies
- Money transfer companies-6
- Postal service
- Hand delivered



Institutional arrangements cont'd

- Promotional efforts intensified both locally and abroad
- Number of remittance outlets increased from 230 in 1997 to 349 in 2001 (51.8%)
- Companies set up near farms in Canada and in areas with high concentration of Jamaica immigrants
- Companies have upgraded money transfer technology and improved the speed of service to customers.

Market share of remittances by institutions

Remittances by Institutions-US\$m	1997		1998		1999		2000		2001	
	US\$m	% of Total	US\$m	% of Total	US\$m	% of Total	US\$m	% of Total	US\$m	% of Total
Commercial Banks	262.2	39.7	249.8	36.9	206.3	29.3	187.0	23.0	177.0	18.3
Remittance Companies	253.8	38.4	285.7	42.2	357.0	50.7	453.7	55.7	566.2	58.6
Building Societies	125.1	18.9	118.0	17.4	116.5	16.5	147.6	18.1	195.5	20.3
Other	20.1	3.0	23.6	3.5	24.6	3.5	26.0	3.2	27.0	2.8
Total	661.2	100.0	677.1	100.0	704.4	100.0	814.3	100.0	965.7	100.0



Monitoring and Regulation

- Arise in context of money laundering
- BOJ to assume supervisory responsibilities for remittance companies
- BOJ establishing mechanism to monitor and implement operational criteria
- Acts to be amended - Money Laundering, BOJ and Co-operative Societies



Institutional Arrangements

- Locate with Cambio Monitoring
- Apply fit and proper criteria
- Approval of location
- Strict application of Money Laundering Guidelines
- Facilitate enhanced flow of financial statistics



Financing Development?

- Channeling flows not Central Bank prerogative
- Typical transaction size for consumption
- Enhance productive infrastructure for investment
- Continued stabilization and strengthening of financial intermediation



Conclusion

- Contribution of remittances to economy recognized
- Remittance flows substantial, sustainable and resilient.
- Remittances loosen resource constraints to other areas of the economy