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**High-level segment: Maximizing the development impact of remittances
and diaspora knowledge in LDCs: Policy implications**

Remittances in Perspective: Panacea or Curse?

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

REMITTANCES IN PERSPECTIVE

¿PANACEA OR CURSE?

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functionality of remittances

- reduce poverty
- increase expenditures in education and health
- insure against adverse shocks
- finance housing and capital investments

however,

- ❖ not focused on the poorest countries or the poorest households or geographical regions within countries
- ❖ migration costs seem to discriminate against the poorest households
- ❖ environments of recipients are key to maximise development potential

thus,

- ✓ remittances are neither a substitute for development assistance, nor for public policies targeting the poor households and regions
- ✓ remittances can be a useful complement
- ✓ development assistance and public policies can be relevant for reaping potential benefits from remittances

in short,

remittances are market-led (decisions to remit funds are decentralised), however, international and national interventions can make the difference regarding their developmental impact

preconditions

at the heart of remittance's potential impact on development:

- well functioning institutions
- adequate public policy-making capacity

policy and regulatory reform

Recommendations to increase competition include:

- i. promoting regulatory changes to enable greater participation of micro-finance institutions, credit unions and savings and loans cooperatives*
- ii. strengthening post offices to enable them to handle remittances while increasing their offer of savings products*
- iii. active promotion of specialised remittances trade fairs*
- iv. discouraging of exclusivity agreements between banks and money transfer institutions*
- v. a multi-pronged attack to promote greater participation of the formal remittance networks, including cost, efficiency, availability of services in the rural areas, anti-corruption, etc., financial regulations and prudential supervision to promote competition and a healthy financial system, and pro-growth macroeconomic policies*

micro-level recommendations

To maximise developmental impact of remittances local governments can:

- improve conditions in the communities of remittance recipients, such as access roads and productivity inducing investments, e.g., irrigation
- enhance the empowerment of household methods to access public services and thereby increase total coverage

meso and macro levels

- Matching grants to diaspora community development projects
- Central banks need to monitor the additional impact of remittances on exchange rates and real estate prices, *so as to tailor monetary policies to compensate for possible undesirable consequences*

further financial access

- ❑ ***securitisations of remittances***: future-flow receivables remittance securitisation
- ❑ ***candidates***: Ethiopia, Haiti, Nepal, Senegal and Sudan
- ❑ further analysis is clearly necessary
- ❑ however, direct support by donors may be necessary as the market would gravitate towards more developed capital markets

further financial access

- ***Long-term loans.*** The African Export-Import Bank has experience arranging remittance based future-flow based syndicated medium to long-term loans
- Conditions for remittances backed loans are less stringent than those required for a securitisation

further financial access

- ✓ *Diaspora bonds*: debt instruments issued by a sovereign country to raise funds from its diaspora population
- ✓ worth further study as to the feasibility of issuing diaspora bonds are Bangladesh, The Republic of Yemen and Mozambique which have India, Saudi Arabia and South Africa as migrant destinations
- ✓ worth exploring could be a regional issuance of diaspora bonds by a group of countries supported by a regional bank

Haiti

- Haiti could issue diaspora bonds to finance reconstruction but lacks most institutional and governance pre-requisites
- necessary the involvement of the UN and multilateral and bilateral donors with technical assistance and providing credit enhancement options to add credibility
- management of proceeds from the bonds, earmarked for specific projects, could also gain credibility if supported by the UN

regional integration

Efforts should expand beyond trade to include:

- the adoption of common or harmonised legal frameworks related to migration and money transfers
- reforms proposed for increasing competition and efficiency in the remittance markets could be undertaken regionally

a role for ODA

- *support policy reform aiming at maximising the developmental impact at the micro, meso, macro and regional levels:*
 - *households (promoting productive investments);*
 - *communities (supporting links of the migrants and their communities of origin, and the establishment of matching grants funds);*
 - *macro-economy (support issuing of diaspora bonds, securitisation of remittances, development of financial institutions, and enhancing prudential regulation and supervision); and,*
 - *regional (supporting convergence of legal frameworks related to migration and money transfers).*

research and enhanced data gathering agendas

- data needed for: better macroeconomic management; improving quality and reliability of debt indicators; and, achieving more realistic country risk assessment results
- a call for further research:
 - economic logic of household remittance recipients' behaviour, community and macroeconomic issues
 - diaspora organisations

loyalty of diaspora communities

- LDCs governments would benefit from maintaining the loyalty of diaspora communities
- *Actions include:*
 - *offering dual citizenship*
 - *ensuring emigrants can vote in the elections*
 - *supporting the development of diaspora private networks*

REMITTANCES IN PERSPECTIVE

THANK YOU!