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Expert Meeting on Maximizing the Development Impact of Remittances
Geneva, 14–15 February 2011

Report of the Expert Meeting on Maximizing the Development Impact of Remittances

Held at the Palais des Nations, Geneva, on 14 and 15 February 2011

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I. Chair's summary

1. The Expert Meeting on Maximizing the Development Impact of Remittances was held on 14 and 15 February 2011, as approved by the Trade and Development Board at its fiftieth executive session, and in accordance with the Accra Accord which mandated UNCTAD to consider the potential of migrants' remittances to contribute to development, maximize benefits derived and minimize costs through appropriate policies, for example expanding migrants' access to financial services.

2. Consistent with this mandate, the meeting explored ways and means to maximize the development impact of remittances by (a) reviewing the recent trends in migration and remittance flows; (b) analysing the impact of remittances on poverty reduction and development; (c) identifying and sharing policies, experiences and lessons learned on channelling remittances in order to better serve development needs; (d) examining ways to facilitate remittance flows; and (e) addressing measures affecting migration and impeding expansion of remittance flows.

3. The meeting was chaired by Mr. Dian Triansyah Djani, Ambassador and Permanent Representative of the Permanent Mission of the Republic of Indonesia to the United Nations, World Trade Organization and other international organizations in Geneva. In his opening remarks, Mr. Djani underlined that the hardships imposed by the world economic crisis had further increased the number of economic migrants, with remittances growing in parallel. While remittances played an important role in the economy, investment and development of developing countries – and particularly in attaining the Millennium Development Goals – their transfer, circulation and distribution were hampered by systemic flaws, including in legislation and financial procedures. It was noted that the international community should, therefore, work together to solve those problems through cooperation and coordination, so as to make sure that remittance flows worked for development.

4. Mr. Petko Draganov, Deputy Secretary-General of UNCTAD made the opening statement. He said that better policies and mechanisms encouraged formal transfers, and that advances in the provision of financial services and in regulatory frameworks played a key role in facilitating remittance flows and channelling them into productive activities. He stressed that managing migration and remittances required greater policy and institutional coherence and coordination, at national, bilateral, regional and multilateral levels.

5. A high-level panel began the meeting. The panellists were Mr. Juan José García Vásquez, Vice-Minister of Foreign Affairs in charge of Migration Issues, El Salvador; Mr. Juan José Gómez Camacho, Ambassador and Permanent Representative of Mexico to the international organizations based in Geneva; and high-level representatives of the Global Migration Group (GMG), namely Mr. William Lacy Swing, Director-General of the International Organization for Migration (IOM), Mr. Assane Diop, Executive Director for Social Protection, International Labour Organization (ILO), Ms. Kyung-wha Kang, Deputy High Commissioner, Office of the High Commissioner for Human Rights (OHCHR), and Ms. Purnima Mane, Deputy Executive Director, United Nations Population Fund (UNFPA). Ms. Kirsi Madi, Deputy Regional Director for Central and Eastern Europe and the Commonwealth of Independent States (UNICEF) spoke on behalf of the Chair of GMG. Mr. Ottaviano Canuto, Vice-President and Head of Poverty Reduction and Economic Development at the World Bank, made a presentation by videoconference. Experts from governments, international and regional organizations, civil society and the private sector contributed to the substantive sessions.

6. Experts commended the background note prepared by the secretariat (TD/B/C.I/EM.4/2). It was noted that the meeting was a response to the General Assembly's resolution on migration and development (A/C.2/65/L.69). The meeting was considered particularly timely as it gave an opportunity to discuss the impacts of the crisis/recovery on remittances, and to contribute to the General Assembly's informal thematic debate in May on international migration and development to shape the second

United Nations High-level Dialogue on International Migration and Development to be held in 2013.

A. Trends in migration and remittance flows

7. It was noted that international migration – currently accounting for 3 per cent of the world's population – had become a driver of the global economy. This dynamic was driven by demographic and labour-market trends, and by widening disparities including between the North and the South. Migration could best be understood in the context of globalization, with 93 per cent of global migrant stock being economic migrants. Migration was the world's oldest development strategy, as illustrated by the first remittance-protection legislation in Europe (which was adopted by Italy in 1901) as well as the treaty concluded between Spain and Argentina in 1960 to lower the cost of receiving remittances.

8. Many experts stated that major destination countries had increased restrictions on migrant inflows during the recent crises in order to keep jobs for nationals, in response to rising anti-migrant sentiment as a consequence of xenophobia and fears of unemployment. This – combined with an uncertain economic recovery and unpredictable currency developments – had deteriorated the outlook both for migrants and for remittance flows.

9. Some important features of migration were highlighted: (a) South–South migration had become larger than South–North migration, accounting for over half of migrant stock from the South; (b) intraregional migration and flows towards emerging developing countries (including North–South) had become more common; (c) female and youth migrants represented 49 per cent and 23 per cent respectively of the total migrant population; (d) the sectoral distribution of migrant employment had shown the importance of the services sector, particularly construction and tourism; and (e) a large portion of remittances was flowing to rural areas and local communities.

10. The incidence of migration in Africa had been rising over time, even though it was lower than in other regions. In sub-Saharan Africa, most movements were intraregional, whereas in North Africa they were mainly to countries outside of the continent. Africa had the highest ratio of skilled migrants abroad, driven by socio-economic conditions and conflicts.

11. The high human, social, existential and psychological costs of migration were stressed. It was important to adopt a human-rights based approach on migration and development, focusing (a) on alleviating the situation of marginalized groups of migrants – particularly the irregular migrants most vulnerable to discriminatory practices; and (b) on regulations and policies excluding migrants. Countries should respect and protect the rights of all migrants, enabling migrants to live in dignity and security.

12. The distinct contribution of women migrants, many of whom had migrated on their own and were working in the informal sector, and the need to integrate the gender dimension in migration management, were emphasized. The meeting noted the insufficient analysis of the gender impacts of migration and remittances. Data on remittances were not disaggregated by the sex of remittance senders and receivers, in terms of volume, frequency and sustainability. However, some experts observed that women remitted a higher proportion of income regularly and consistently. Women were therefore penalized by paying out more on transfer fees. Women also played an important role in administering remittances received from their husbands, suggesting the necessity of financial literacy. A positive result of migration and the related socio-economic development was the empowerment of women. A gender-specific approach to female migration and remittances would enable informed policy interventions.

13. It was noted that countries should not underestimate the negative social and psychological effects of migration for children left behind. Particular attention should be given to the risks borne by migrant children versus the benefits accrued through

remittances. Sex-disaggregated and children-specific data, as well as research, were considered as key areas for further work in order to provide tailor-made solutions to reduce the negative and increase the positive effects of remittances for women and children.

14. It was noted that many aspects surrounding migration and development were politically sensitive and emotionally charged in many countries. International dialogue was essential, but had been difficult. The Global Forum on Migration and Development (GFMD) sought to provide an opportunity to exchange views and to depolarize perspectives, between origin and destination countries. The GFMD had been successful at the recent conference held in Puerto Vallarta (Mexico) in developing a common framework for future discussion, including: (a) a focus on human development, based on knowledge and experiences; (b) a common understanding that there were shared responsibilities (e.g. respecting human rights and ensuring family protection) and shared benefits (in the form of remittances, knowledge, and labour inputs) between origin and destination countries; and (c) using comprehensive partnerships between government and civil society as solid vehicles for advancing action on the ground. It was considered that this framework could allow for generating specific development outcomes. The need to work more closely with the Global Migration Group in the future was highlighted. The GMG aimed at promoting the discussion on migration and development by creating synergies among international organizations in that field. It had undertaken joint work, including in relation to mainstreaming migration into development, and had made contributions to the GFMD sessions.

15. It was noted that remittances were intrinsically linked to migration and were a direct economic benefit of migration. Remittances to developing countries had increased along with migration, and had been growing faster than official development assistance (ODA) since the mid-1990s, although in 2008 a dramatic reverse to what had been a rapidly increasing trend in some North–South corridors was noted. For instance, remittances from Spain and Italy (which accounted for more than 40 per cent of all remittances from Europe) experienced a serious drop. Remittances had also proved to be more resilient than foreign direct investment (FDI) during the recent crises, falling by only 5.5 per cent in 2009 and then growing by 6 per cent in 2010. Remittances recovered earlier and more quickly than FDI, with their value estimated at $325 billion in 2010. This figure was expected to reach $374 billion in 2012. Still, remittances could not replace ODA and FDI.

16. It was noted that remittances were an important source of external financing for developing countries, and had become a particular driver of many developing countries' economies, reaching 2 per cent of their gross domestic product (GDP) in 2009, on average. In 13 developing countries and least developed countries (LDCs), it was over 15 per cent. Studies had found that remittances tended to rise following crises and natural disasters (e.g. the floods in Pakistan and the earthquake in Haiti) and conflicts, underscoring their importance not only in poverty reduction but also in economic stabilization.

17. It was noted that facilitating the movement of people offered a further development-policy tool for developing countries. It was underscored that remittances were private money, often earned at a high personal cost and driven by household-support motives. They should not be a substitute for effective national development strategies. Economic growth with domestic job creation was the paramount priority. Providing a favourable labour market for skilled young professionals – particularly females – was necessary in order to mitigate the possible anti-development impact of migration and remittances.

18. Experts agreed that remittances must be integrated into the overall migration management policy, and that migration and remittances should be mainstreamed into national development planning. The GMG handbook entitled *Mainstreaming Migration into Development Planning* provided a useful tool by setting strategic goals and priorities, identifying key partners and beneficiaries, and developing consultative mechanisms and institutional structures.

B. The development impact of remittances

19. It was noted that remittances were received directly by individuals, with 30 to 40 per cent going to rural areas. They were often considered to be a monetary consequence of social and emotional relations and to be based initially on altruism, which explained why they tended to be spent mainly on household consumption (e.g. at the rate of 86.4 per cent in Mexico), with only a small share saved and invested.

20. The meeting heard that it was becoming increasingly clear that remittances had positive effects on poverty reduction. Notwithstanding varied effects across and within countries (and regions and families), empirical studies – including those conducted by UNCTAD and the World Bank – had revealed that remittances reduced the incidence and depth of poverty in many developing countries. In its study entitled *Impact of Remittances on Poverty in Developing Countries* (UNCTAD/DITC/TNCD/2010/8), UNCTAD found significant poverty-reduction impact in countries in which remittances accounted for over 5 per cent of GDP, where, with the given level of GDP, on average a 10 per cent rise in remittances led to a reduction of 3.1–3.9 per cent in the poverty headcount ratio and a 3–5 per cent reduction in the poverty gap. Remittances played a key role in providing social support through education and health spending in countries where those services were insufficient, contributing to human capital building. They functioned as insurance for recipients, because migrants were called upon in case of need, thereby diversifying family risks and providing continuity of household income.

21. It was noted that beyond the immediate positive impact on households in home countries, remittances could do more to promote development if used to create income streams with the help of effective mechanisms implemented by governments.

22. Given the private nature of remittances and the fact that their main use was for covering basic needs, it was a key policy challenge to find ways to leverage their development impact and to mobilize migrant capital into productive uses. This was one of the most innovative goals for governments, other stakeholders and international development agencies. Attracting migrant capital back to migrants' countries of origin, including by promoting linkages between migrant hometown associations and their communities of origin, was one area that offered great promise. However, considerable effort would be required to overcome migrants' mistrust, over and above the difficulties of identifying attractive investment opportunities. Several countries were active in leveraging remittances to alleviate poverty and create wider social benefits. Bangladesh and Ghana included remittances as a key source of income in their poverty reduction plans and sought to reduce transfer costs and enhance positive effects. The Philippines had created special funds to encourage enrolment by migrants in the national social security system (e.g the Flexifund) and to encourage savings for building homes (e.g. the Home Development Mutual Fund).

23. It was stated that more countries were implementing means to generate incentives for investment in productive capacities. In Mexico, the 3x1 programme was shifting from infrastructure-building to investment in small and medium-sized enterprises (SMEs). In the Philippines, entrepreneur training plus credit access was being provided to empower returnees and their families for economic independence. In Ecuador, business advice, credit access and duty-free treatment for importing working tools was being granted to returnees. In Brazil, start-up microcredits and business training were being provided to returnees, to run SMEs. It was noted that a good understanding of the local culture and environment was necessary for policy success. The approach needed to be suited to the specifics of the country concerned, rather than attempting to use a "one size fits all" approach.

24. It was noted that in some countries – for example, China – the link between migrants and investment was strong, as migrants made investments in China in addition to sending remittances. These investments could be used as initial capital – especially important at the early stages of development to build capital accumulation. Local-level development

approaches stimulated such capital flows. Establishing industrial development zones with an investment-friendly environment, and encouraging the setting up of township and village enterprises and of small-scale workshops by a few remittance-receiving families together, were examples of these. There were also examples from Ghana (a remittances grant facility), the Philippines (a diaspora philanthropic programme for social development) and Mexico (linking remittances to businesses opportunities in rural communities with government credits), to attract investment from diasporas in earmarked projects for education, health, infrastructure and enterprise development in hometowns. Morocco had initiated the creation of a database of certified diaspora associations to strengthen links and to inform them of investment opportunities in Morocco.

25. Migrants also promoted home countries' economies by linking their businesses in host countries with production in home countries. Increasingly, migrant entrepreneurs, being remitters themselves, were demonstrating new possibilities for ethnic-run businesses in the host countries, for nostalgic trade (agro-based products and tourism from their countries of origin), and for a myriad of other opportunities for investment and partnerships promoting the local economies back home. The International Fund for Agricultural Development (IFAD) had implemented projects in this respect, and was currently exploring the role of remittances and business financing in this rapidly growing market segment. In doing so, migrant workers were achieving savings goals while creating jobs, so that migration would become a choice and not a necessity.

26. It was stated that the contribution of migrants went far beyond the economic and monetary dimension. "Social remittances" – i.e. migrants' skills, knowledge and networks – were even more valuable in promoting the development of the countries and communities of origin. Social networks were by their nature bidirectional, and allowed the circulation of resources, information, values and consumer behaviour. In Indonesia, in-kind remittances (i.e. goods sent by migrants to their families left behind) played an important role. Mobilization of the diaspora for development had become one of the most effective means of addressing concerns about "brain drain", replacing it with "brain circulation". Various programmes – including the Migration for Development in Africa programme operated by IOM – provided opportunities for diasporas to become involved in home countries and to share their expertise, either through establishing exchange programmes in public administration, or through university training in home countries, or by facilitating the return of diaspora doctors and other healthcare workers to Africa. One innovative programme from ILO (the Green Jobs initiative) linked remittances with green jobs in rural areas, where remittances were used to reduce poverty in a manner that was respectful of the environment.

27. Although active policy interventions were being implemented, more work was required to channel a part of the remittances towards productive investments in home countries, and towards attracting migrant capital – both in terms of money and knowledge. Considerable effort would be required in order to overcome the difficulties of identifying attractive investment opportunities in communities of origin. IFAD, together with a consortium of governments and partners (namely the European Union, Luxembourg, the Inter-American Development Bank, the Consultative Group to Assist the Poor, and the United Nations Capital Development Fund) had been working for five years promoting such activities, by financing more than 40 projects for public- and private-sector entities. The African Development Bank was developing innovative finance through the multi-donor (IFAD and France) trust fund on migration and development aimed at generating new financial products. This bank was working with the diaspora to channel remittances for productive investment and local development. Innovative finance included issuing diaspora bonds, and enhancing the transfer of knowledge and skills by working with diaspora associations. It was mentioned that diaspora bonds could have a macroeconomic impact and that they were more a form of "patriotic" investment than private money transfer, and also that diasporas may pay more attention to the return on their bonds. Due to the complexity of this tool, it had been used only rarely (e.g. in India).

28. It was stated that the formalization of remittance flows was an important precondition for channelling remittances to productive uses. In this connection, priority attention would need to be given to financial education and financial inclusion. Financial education could raise awareness of and trust in the financial instruments to be used in remittance flows, and could promote a culture of savings. If provided with effective financial and business education, recipient families and returning migrants could exercise their entrepreneurial skills. The projects of the Inter-American Dialogue showed that after receiving financial education, at least half of the participating remittance-receiving families had opened bank accounts and started saving remittances and building assets. ILO had developed a programme to assist migrants in planning their income and expenses, in budgeting better, and also in improving their interaction with financial institutions. This programme had been implemented in the Republic of Moldova and in Indonesia, and would soon be introduced in Cambodia and Senegal.

29. The experience of the Philippines had shown that financial education before migrants' departure, during their stay abroad and after their return – in the areas of contractual arrangements, skills development, cost-effective remittance channels, financial instruments, plans for returning, and investments in small business activities – helped them to make better decisions on using remittances. Public policies and development assistance, supported by civil society, could enable entrepreneurship and the expansion of viable businesses.

30. It was noted that remittances could produce both micro and macro impacts. Macro impacts – in terms of GDP, exchange rates and reserves, the creditworthiness of a country, exports and imports, and consumption – needed to be better studied. Often, remittances had been countercyclical. Being compensatory in nature, remittances helped recipient households to smoothen their consumption of tradable and non-tradables, directly or indirectly expanding the State's tax base and increasing fiscal space. Stable and crisis-resilient remittances could improve government debt sustainability and reduce sovereign risks. On the downside, remittances may lead to real exchange rate appreciation and damage the competitiveness of tradable sectors (i.e. the Dutch disease effect). Such effects were stronger for low-income and some middle-income countries, and even stronger for those with less open trade and capital flows. Excess capital inflows may lead to monetary expansion and inflationary pressures, while reducing the incentive of governments to maintain fiscal discipline and to undertake necessary poverty-alleviation and infrastructure investments. There was a risk of developing economies becoming highly dependent on remittances, discouraging active labour participation in productive activities. This may decrease the domestic labour supply and accumulation of capital, and therefore also economic growth in developing countries. On the other hand, remittances could allow people to leave the labour market to upgrade their education or go into business.

C. Facilitating remittance flows

31. Experts agreed that remittance flows needed to be improved. High transaction costs (despite the average global cost of repatriating remittances having fallen to 8.7 per cent in 2010), lack of financial access including due to financial illiteracy, the use of informal channels, low levels of competition in the money transfer markets (e.g. exclusivity agreements), taxation on remittance transactions, and information asymmetry were serious impediments to remittance flows. It was noted that the G-20 had set the reduction of remittance costs as one of its targets in its multi-year action plan.

32. For many recipient countries, formalizing remittance transfers was an urgent task, in order to reduce transaction costs and to channel remittances into productive use. Informality was related to the fact that many migrants did not have bank accounts, to the diverse character of remittances (e.g. informal credit and remittances in kind), and to general cultural factors. Experts recognized that in order to formalize transfers, it was important to

make formal channels more accessible, affordable, efficient, competitive, user-friendly and transparent.

33. Various practices to that end had been adopted by stakeholders – including by destination and recipient countries, post offices, banks and credit unions. The European Union was promoting partnership agreements, particularly with Western African countries, at the continental, regional and bilateral level. It had taken steps to achieve a gradual reduction in remittance costs (e.g. a recent drop from more than 11 per cent to less than 9 per cent in France), and to cooperate with African diasporas. It had financed several projects amounting to €30 million to maximize the livelihood and development impact of remittances, since 2002. IFAD's Financing Facility for Remittances group was financing projects and policy advocacy plans that promoted competition at national and international levels, offering alternative and better financial "options" for migrants to use their hard-earned money. Bangladesh was planning to establish the Migrant Welfare Bank, which would offer loans at favourable rates of interest to workers going abroad and provide financial assistance to returnees for productive investment.

34. Financial inclusion and financial education were considered to be key to formalizing remittance flows and lowering transfer costs, as evidenced in Mexico. Mexico had adopted two approaches to making financial services available to the 19.3 per cent of unbanked and 24 per cent of underbanked Hispanic households in the United States. One was to issue consular cards – an ID card for Mexican migrants – through every Mexican consulate in the United States to facilitate the opening of bank accounts. Agreements to accept such cards as official ID had been signed between banks/credit unions and Mexican consulates. Another approach was to provide financial education to migrants in the United States and to recipients of remittances in Mexico; this could be facilitated by specific bilateral agreements and agreements with non-governmental institutions in both countries. More needed to be done by the remittance-receiving communities to promote financial education and inclusion. The situation was mentioned of irregular migrants frequently being denied access to formal financial services in destination countries. Some experts thought that financial inclusion in destination countries should be made possible for any migrant, whether documented or non-documented.

35. It was pointed out that the postal system played a useful role in improving remittance flows, on account of its very wide physical network across the world and the trust placed in it by customers owing to government support and international regulation. Post offices were usually cheaper than banks or money transfer organizations; in sub-Saharan Africa, for example, they were 50 per cent cheaper. Post offices could reach underserved rural areas, particularly when assisted by international support. With the implementation of the Universal Postal Union–IFAD project in six West African countries, remittance volumes increased by 104 per cent and transfer tariffs were reduced by 30 to 50 per cent from 2009 to 2010. Proactive efforts by post offices could provide creative solutions regarding remittance services. For example, in Brazil, the legal constraint allowing only private banks to offer banking services had been overcome by an agreement between the post office and the private banks; this had allowed the banks to provide remittance services at post offices. This had facilitated remittance flows, lowered transaction costs, and allowed banking services to reach peripheral areas.

36. The importance of the postal network in transferring remittances was linked to its three complementary dimensions which were likely to become even further integrated in the near future. Firstly, the physical dimension: with a total of 660,000 outlets, post offices were the world's largest physical network. There were almost twice as many post offices and postal agencies (500,000) as commercial bank branches (275,000) in developing countries. Secondly, the electronic dimension: post offices were connected by means of an electronic data interchange network that enabled them to provide electronic money order services and to facilitate trade. (Airlines and customs agencies could also connect to this network.) And thirdly, the financial dimension: more than two thirds of post offices

provided some financial services (e.g. money orders, savings accounts, bill payments, social benefits). For example, the financial arm of Japan Post currently held almost $1.9 trillion in savings, making it one of the biggest financial institutions in the world.

37. High-quality, efficient and affordable services offered by banks could encourage formal transfers, as was the case in Turkey where most transfers were made via banks and the rate of informal transfers was only 19 per cent. In addition, the Turkish Central Bank offered migrants a foreign currency deposit account with a credit letter and a Super Foreign Exchange Account at favourable interest rates, thus attracting formal remittances.

38. It was stated that increasing the diversity of agencies involved in remittance transfers would serve to formalize remittance flows. Credit unions, financial cooperatives and microfinance institutions could provide transfer services alongside traditional institutions such as banks, post offices and money transfer organizations (e.g. Western Union). Government played a key role in providing an enabling environment in that regard. In some countries, credit unions were required to obtain licences in order to be able to transfer remittances, over and above the permission they needed to function as non-banking financial institutions.

39. Experts stressed that technological progress had facilitated the development of efficient transfer channels. The use of internet connections and secure transactions had, for the large part, transformed the way remittances were transferred. In Turkey, the "passing trade system", whereby neither the sender nor the recipient needed to have a bank account, had increased efficiency while reducing transfer costs. The fact that the majority of remittances from the United States to Mexico were now sent electronically had decreased average remittance costs markedly. Access in the rural areas of many developing countries to new technologies (e.g. point of sale, personal digital assistants and mobile transfers) was considered to be a major contributor to increasing the use of formal channels. Development agencies (e.g. those involved in the Financing Facility for Remittances programme) had been stimulating the use of new technology through financing projects that included adequate technology platforms and the training required to implement those agreements. The Universal Postal Union (UPU) had been developing a worldwide electronic payment network, based on its multilateral postal payment regulations and its International Financial System network, under which secure and reliable software would be made available to all members. The International Financial System also allowed for domestic and international money order services (e.g. cash-to-cash, cash-to-account, account-to-cash and account-to-account). Post offices had a key role to play in the development of mobile banking, as they operated under a worldwide regulatory framework; they had already offered such services in Italy and Tunisia. As had been shown in Ghana, Kenya and the United Republic of Tanzania, post offices were good cash merchants and also good agents (in partnership with mobile banking operators) for the management of cash transfers. Building on these services, post offices could develop a range of account-based services, such as savings linked to money-transfer products. This was essential so that a combination of remittances and other financial services could ensure the economic viability of providing such services in less economically developed areas, for example in villages and towns in rural areas, and in small cities on the periphery of large urban centres.

40. It was stated that there had been encouraging signals from successful pilot projects in the Mediterranean basin, sponsored by the European Investment Bank, to promote the use of formal channels. A specialized Tunisian–French bank had been created in France, to serve the needs of Tunisian migrants. In Turkey, a remittances securitization scheme was being implemented which consisted of issuing bonds backed by expected future flows of offshore remittances flowing through a trust account.

41. Experts emphasized the need to continue improving the flows of information on remittances (i.e. the magnitude of informal flows, the origin and destination of remittances, and the transfer costs involved). It was noted that some countries (e.g. in the European Union) legally obliged entities transferring remittances to provide relevant information. In

the European Union, the Directive on Payment Services had created a single market for payments, with the aim of establishing a modern and comprehensive set of rules applicable to all payment services throughout the European Union.

42. It was noted that the World Bank had undertaken work to improve data on international remittances, within the framework of its Global Remittances Working Group. The Inter-American Development Bank had been carrying out studies on remittances, too. In addition, it had put forward policy recommendations (including on remittance data) for several Latin American countries, some of which had been implemented. IFAD and its partners had been actively providing market environment analysis to private- and public-sector stakeholders through its flagship “Sending Money Home” project and the institutional-neutral one-stop-shop portal for information on remittances.

43. Exchange of information among remittance-transferring institutions was considered useful, as was dissemination of best practices. Some European Investment Bank initiatives were serving to promote interactions between European Union and North African financial institutions as well as the establishment of memorandums of understanding between them. Transparency was also promoted by providing customers with information about the transfer service – i.e. the total price (including fees, foreign exchange rates and any charges paid by recipients) and the transfer speed. Price comparison websites were among the relevant tools in use; these were considered particularly useful as they could include information that governments may wish to make available to their diaspora communities. One main outcome of a more transparent environment was increased market competition, which had led to reduced costs for sending remittances. In the United Kingdom, for example, prices had fallen by nearly 50 per cent for remittances sent to six key receiving countries, between 2005 when the website initiative was launched and 2010. In New Zealand, prices had fallen by 20.8 per cent in the 18 months following the launching of a similar initiative in March 2009.

44. It was stated that the elimination of exclusivity agreements and taxation on remittances and the granting of incentives (e.g. subsidies) contributed to lowering transaction costs and increasing the level of formal remittance flows. In an effort to facilitate flows of remittances through formal channels, the Pakistan Remittance Initiative offered reimbursement to businesses (i.e. money transfer organizations and banks) sending remittances to Pakistan on the condition that they did not charge customers any fees.

45. Experts emphasized that since both flexibility and surveillance were required simultaneously, designing appropriate regulatory frameworks for new financial instruments and technologies (e.g. mobile banking) posed a fresh set of challenges for policymakers. Current regulatory practices aiming to address money laundering and the financing of terrorism may also limit the spread of new technologies for remittance purposes. The use of mobile technologies for money transfers raised the question of how communications companies should be regulated in this regard. It would be necessary to make adjustments to current regulatory practices in order to bring about a widespread use of new technologies by migrants to send remittances.

46. Studies had shown that receiving remittances correlated negatively to having insurance cover, as relatively constant remittance flows acted as a kind of de facto insurance cover against unforeseen events. Remittances could be leveraged for the development of social protection through purchase by recipients of formal insurance. Both governments and insurance companies could turn this leverage to best advantage by (a) supporting the development of microinsurance markets; (b) exploring demand from remittance senders for formal insurance cover for their families in home countries; (c) designing insurance products that would allow for premiums to be paid by migrants abroad; (d) envisaging marketing activities among migrant organizations abroad; and (e) offering trainings in financial and insurance literacy at both ends of the remittances corridor.

D. Addressing measures affecting migration in order to facilitate remittance flows

47. It was noted that migration-related measures affecting remittance flows could be found in both home and host countries. In home countries, high recruitment fees, a lack of training to empower migrants, and reintegration issues needed to be addressed. In host countries, migrant quotas, economic needs tests, labour market tests, management needs tests, burdensome visa requirements and procedures, and an absence of (or inadequate provision of) social protection and welfare benefits for migrants, were commonplace.

48. An important factor affecting remittance flows was the vulnerability of temporary migrants, which was the result of their irregular status and their lack of knowledge of the legal and economic context of the destination country. For many home countries, irregular migrants accounted for up to 50 per cent of their workforce abroad. Such vulnerability could pose threats in terms of the continuation, quantity and stability of remittances, and in terms of migrants' confidence in sending remittances home.

49. One proposal described at the meeting was increasing the number of signatory parties – particularly destination countries – to the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, which had not been ratified by all countries. Another was the promotion of unilateral protection initiatives and policies for temporary migrant workers, as had been implemented by Mexico for temporary migrants from Central America. Motivated by a desire to protect certain basic rights of migrant workers, and recognizing their contribution to the local economy, Mexico had introduced innovative social and labour schemes to provide temporary migrants with access to essential services such as education and health, and a surveillance mechanism for rights violations.

50. The social protection schemes in many origin countries that were accessible to migrants may exist in a vacuum, due to (a) an absence of similar schemes in destination countries, or (b) an absence of linkages between the schemes in origin and destination countries. There was, therefore, a need for some degree of recognition and harmonization. Senegal had had social protection agreements with France since the 1970s. However, the differing levels of cover between France and Senegal, in terms of contributions, made harmonization difficult. In an attempt to channel remittances to productive sectors, Senegal was developing a banking package for Senegalese migrants that would include life/death insurance, medical insurance and pensions.

51. New comprehensive policies and regulatory and institutional frameworks had emerged in several origin countries to protect their migrants' rights and to facilitate remittances flows; this had included facilitating returnees' reintegration into the country's social and economic life. One notable example was Ecuador's Secretaría Nacional del Migrante (national secretariat for migrants), which, inter alia, sought to progressively include migrant-related issues (both economic and social) in public policy – for example, the risks of migration, and remittances. Ecuador had implemented its policies through a series of programmes – including offering migrants direct legal assistance, creating links with migrants via the "red de casas ecuatorianas" (offices financed by the Government of Ecuador providing support services for Ecuadorian migrants abroad), encouraging productive investment, assisting in economic and social reintegration, supporting diaspora knowledge networks, and providing tailor-made financial services by setting up a migrant bank. Bangladesh had set up – in 2001 – the Ministry of Welfare and Overseas Employment, which had produced relevant regulations and initiatives including a comprehensive overseas employment policy, electronic registration of people interested in migrating, and a census of migrants. It had also set up a policy-monitoring mechanism led by a special task force. A key policy focus was to "know your migrants", i.e. to have a better understanding of the number, composition, skill level and motivations of migrants, and also of the main corridors of migration, so as to design policy responses. In the

Philippines, since the early 1980s, the National Reintegration Centre for Overseas Filipino Workers (under the Department of Labour and Employment) had been implementing the National Reintegration Programme for Migrants together with the Overseas Workers Welfare Administration and the Philippine Overseas Labour Offices. Other institutional partners working on this programme included the Central Bank and the Department of Trade and Industry. Recognizing that labour migration was not a "one-way street", the reintegration programme provided three phases of assistance – pre-departure, during the period abroad, and upon return. Indonesia had enacted its Law on the Placement and Protection of Indonesian Migrant Workers, which was aimed at protecting its migrant workers abroad, including through special provisions safeguarding their incomes and remittances.

52. Experts considered that home and host countries were jointly responsible for maintaining an enabling environment for the successful return and the professional/vocational rehabilitation of migrant workers. Temporary and circular movement could reduce risks associated with migration and enhance benefits for both origin and destination countries; for example, legal migrants tended to remit more thanks to access to formal transfer channels. Cooperation agreements and memorandums of understanding (MOUs) between origin and destination countries on temporary and circular migration had been becoming increasingly popular, addressing a wide range of issues including migrant rights, labour and social protection, and facilitation of remittance flows (e.g. the agreement that had been concluded between Ecuador and Spain). The agreement between Canada and Mexico that was signed in 1974 establishing the Seasonal Agricultural Worker Programme was considered a useful reference point in the promotion of secure, legal and orderly migratory movement between countries. 208,670 Mexicans had participated in this programme as at September 2010. Bangladesh was party to seven such agreements/MOUs (mostly with other developing countries) and had another two being developed. The Philippines had signed several similar agreements/MOUs covering the "three phases" (see para. 51) with several countries in Asia and the Middle East. The Government of Indonesia had signed MOUs with the top 10 countries receiving Indonesian migrant workers, in order to give them full protection and to ensure their well-being, including by securing the flow of their remittances. International organizations such as IOM were said to be playing a supporting role in the proper design and negotiation of these agreements.

53. Trade agreements, including the General Agreement on Trade in Services (GATS), could address particular barriers affecting the movement of natural persons to provide services (mode 4) – for example, effective market access including through increasing labour quotas, removing economic needs tests, or setting clear criteria for such tests. It was noted that the quantity and quality of mode 4 commitments continued to be limited, including in the Doha Round offers, restricting the movement of natural persons at all skill levels. Several experts stated that liberalizing mode 4 would be a win–win situation for both developed and developing countries, with estimated development gains for developing countries of over $150 billion. A strong, commercially meaningful outcome in mode 4 would have huge potential spillover benefits for both developed and developing countries.

E. Conclusions and recommendations

54. Experts expressed appreciation for UNCTAD's work on migration and remittances, and made the following conclusions and recommendations:

(a) Migration is a win–win pro-development opportunity for all countries in the context of globalization. It should be mainstreamed and integrated into national development strategies.

(b) Managing migration issues is a shared responsibility between the countries of origin, transit and destination. Bilateral agreements on temporary and circular migration can help maintain secure, legal and orderly migratory movements between countries.

(c) Remittances are intrinsically linked with migration, and have become a particular driver of the economies of many developing countries. Remittances must be integrated into the overall migration management policy and national development strategy. The gender and youth dimension should be integrated into the management of migration and remittances.

(d) Remittances have made positive contributions to poverty reduction, economic growth and social development in recipient countries by answering basic needs, enabling investment in housing, health and education, and enabling transfers of knowledge and skills from returned migrants and diasporas. Nevertheless, it must be emphasized that remittances cannot be a substitute for coherent economic development strategies.

(e) Proactive and targeted policies and measures could enhance the development impact of remittances. These may include (i) financial education and financial inclusion, both for migrants and for recipients of remittances; (ii) the design and marketing of financial products (e.g. savings and insurance products); (iii) technical training in money transfer and financial services; (iv) migrant entrepreneurship training; (v) assistance to SMEs; and (vi) the securitization of remittances (e.g. through diaspora bonds).

(f) While keeping in mind that remittances are private flows, four steps in the process can be identified as maximizing the development impacts of remittances, namely: (i) formalizing remittance flows; (ii) establishing an enabling and competitive environment and conducive regulatory framework; (iii) promoting access to financial services and finance (i.e. linking remittances with other financial products e.g. scaled savings products, credit, insurance, and mortgages); and (iv) developing the range of financial products, including for rural areas, and promoting the use of new technologies.

(g) Remittance flows need to be improved further, by: (i) reducing transaction costs; (ii) ensuring safety and security; (iii) providing accessible and affordable transfer channels; (iv) eliminating tax on transactions; (v) improving transparency, information and competition in the money transfer markets; and (vi) offering innovative products. The postal network could be an important modality in rural areas, especially where other financial services providers are absent.

(h) In order to increase remittance flows, measures – especially those that may act as barriers on temporary migration – should be dealt with at national, bilateral, regional and multilateral levels, including at the Doha Round services negotiations. Facilitating temporary and circular migration – including through bilateral agreements – provides a useful solution, which requires cooperation among the countries involved in migration.

(i) Policy coherence and integrated approaches are particularly important. Despite the existing policies, experiences and mechanisms available to facilitate migration and remittances, there is room for strengthening and improving cooperation and coordination nationally and internationally – including among origin, transit and destination countries – and also for experience-sharing and for providing an enabling environment for temporary and circular migration.

(j) A comprehensive approach should seek, inter alia, to: (i) set clear and aligned policy goals and priorities; (ii) establish and strengthen coherent regulations and institutions; (iii) assess labour market needs in destination countries; (iv) provide migrants with pre-departure and return reintegration training; and (v) hold multi-stakeholder consultations to facilitate flows of remittances for development, and rights-based managed migration.

(k) The following are areas for future action:

(i) Consolidating current country-specific reviews of financial regulations and payment systems affecting remittance flows, in order to assess what exists, what works, and what could be improved.

(ii) Establishing an analytical framework and road map to evaluate countries' levels of financial inclusion and financial literacy as a key component of development strategies.

(iii) Producing a toolkit and database on pro-development practices and policies that facilitate remittance flows, in order to address barriers and promote productive investments to better harness remittances for development.

(iv) Continuing research and holding further expert meetings on the linkages between migration, remittances, trade, investment and development.

II. Organizational matters

A. Election of officers

(Agenda item 1)

55. At its opening plenary meeting, the expert meeting elected the following officers:

Chair:	Mr. Dian Triansyah Djani (Indonesia)
Vice-Chair-cum-Rapporteur:	Ms. Karolina Frischkopf (Switzerland)

B. Adoption of the agenda and organization of work

(Agenda item 2)

56. At its opening plenary meeting, the expert meeting adopted the provisional agenda for the session (contained in document TD/B/C.I/EM.4/1). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Maximizing the development impact of remittances
4. Adoption of the report of the meeting

C. Outcome of the session

57. At its opening plenary meeting, the expert meeting agreed that the Chair should summarize the discussions.

D. Adoption of the report of the meeting

(Agenda item 4)

58. Also at its opening plenary meeting, the expert meeting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.

Annex

Attendance*

1. Representatives of the following States members of UNCTAD attended the expert meeting:

Angola
Azerbaijan
Bangladesh
Benin
Bolivia (Plurinational State of)
Bosnia and Herzegovina
Burkina Faso
Cambodia
Cameroon
Cape Verde
Chad
China
Cyprus
Dominican Republic
Ecuador
El Salvador
France
Germany
Ghana
Honduras
India
Indonesia
Iran (Islamic Republic of)
Italy
Jordan
Kazakhstan
Lao People's Democratic Republic
Lesotho
Madagascar
Mexico
Morocco
Myanmar
Nigeria
Paraguay
Philippines
Poland
Republic of Moldova
Saudi Arabia
Senegal
Serbia
Switzerland
Thailand
The former Yugoslav Republic of Macedonia
Tunisia
Turkey
Uganda
Uzbekistan
Venezuela (Bolivarian Republic of)
Viet Nam
Zambia

2. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
African Development Bank
European Union
Inter-American Development Bank
League of Arab States

3. The following United Nations organizations were represented at the session:

United Nations Economic and Social Commission for Western Asia
United Nations Environment Programme
International Trade Centre UNCTAD/WTO

* For the list of participants, see TD/B/C.I/EM.4/Inf.1

4. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
International Labour Organization
World Health Organization

5. The following panellists were invited to the expert meeting:

(listed in order of intervention)

Mr. Otaviano **Canuto**, Vice-President and Head of Poverty Reduction and Economic Development, World Bank (by videoconference)
Mr. Dilip **Ratha**, Senior Economist, Development Prospects Group Manager, World Bank (by videoconference)
Mr. Ralf **Chami**, Director of Regional Studies Division, Middle East and Central Asia Department, International Monetary Fund
Mr. Saul T. **De Vries**, Deputy Director, National Reintegration Centre for Overseas Filipino Workers, Department of Labour and Employment, Philippines
Mr. Manuel **Orozco**, Director of Remittances and Development, Inter-American Dialogue (by videoconference)
Ms. Awa **Ndiaye**, Présidente, Espace Afrique International; and Vice-Présidente, Fond mondial de la diaspora
Mr. Yu **Zhu**, Professor, Fujian Normal University; and Chair, Asia-Pacific Migration Research Network, China
Mr. Pedro **de Vasconcelos**, Coordinator, Financing Facility for Remittances, International Fund for Agricultural Development
Mr. Raúl **Hernández Coss**, Director-General for Access to Finance, National Banking and Securities Commission, Mexico
Mr. Pedro **de Lima**, Economic Advisor, Head of Economics Development Unit, DEAS/OPSB, European Investment Bank
Mr. Serguei **Nanba**, Coordinator, Postal Financial Services, Universal Postal Union
Mr. Duran **Şimşek**, Expert, Undersecretariat of Treasury, Turkey
Mr. Leon **Isaacs**, Managing Director, International Association of Money Transfer Networks
Mr. Dave **Grace**, Senior Vice-President, World Council of Credit Unions
Mr. Gonzalo **Lima Galarza**, Director, Migrants' Bank, Ecuador
Mr. Samba Yomb **Thiam**, Technical Advisor to the Minister, Ministry of Senegalese Abroad, Senegal
Mr. Ravi **Bangar**, Deputy Permanent Representative, Permanent Mission of India to the World Trade Organization
Mr. Khurshed Alam **Chowdhury**, Director-General, Bureau of Manpower, Employment and Training, Ministry of Expatriates' Welfare and Overseas Employment, Bangladesh
Ms. Andrea **Riester**, Deputy Head, Migration and Development, German International Cooperation (GIZ), Germany