

CHAPTER 3

PROCEEDINGS OF THE FIRST CONFERENCE DAY

The first day of the conference was dedicated to the preparatory meeting of senior officials and experts from international organizations, financial institutions, civil society and diaspora organizations. The main focus was on sharing cross-cultural experiences, including those at the local and grass-roots level, and further to consult on issues commonly faced by migrant remittance senders and recipients in order to develop recommendations aimed at improving remittance services and enhancing their development impact. The meeting was divided into four sessions and included presentations and panel discussions on the following agenda items: (a) overview of migrant workers' remittances; (b) improving remittance services; (c) enhancing the development impact of remittances and, (d) the outcome of the conference and its follow up.¹

Rogatien Biaou, Minister of Foreign Affairs and African Integration in Benin, opened the first day of the conference. In his speech, he expressed his satisfaction with the interest shown by LDCs in remittances, and underlined the potential role of remittances in the development process of LDCs. Minister Biaou further highlighted the importance of the conference as a platform to share national experiences and practices, and reminded the delegates and experts of their crucial role in paving the way for the preparation and successful adoption of the ministerial declaration, a document which would constitute a solid basis for any future action concerning remittances in LDCs.

The speech of Minister Biaou was followed by the election of Ambassador Samuel Amehou as Chairman, and Mr. Muhammad Mahfuzur Rahman from Bangladesh as Rapporteur of the Ministerial Conference.

First Session: Overview

The first session of the day provided an overview of the scale and importance of remittances to LDCs. It included presentations from representatives of the World Bank, IOM and the Government of Benin.

Dilip Ratha, Senior Economist, World Bank

Dilip Ratha, Senior Economist at the World Bank, presented some of the main findings of the Bank's 2006 *Global Economic Prospects Report on the Economic Implications of Remittances and Migration*. His presentation underlined that remittances have continuously increased in the last decade and now represent the second largest capital flow to developing countries

after Foreign Direct Investment (FDI). Remittances constitute a substantive share of GDP in many developing countries, often amounting to 10 per cent or more. The paper highlighted that remittances generated substantial welfare gains and reduced the incidence and severity of poverty. It also pointed to the risks and costs of remittances and requested governments to adopt relevant policies and to provide information to migrants so as to reduce such risks and optimize the benefits of migration. One major obstacle to the use of formal remittance channels are the often high, regressive and non-transparent remittance transfer fees. Depending on the choice of the remittance channel, the type and size of the transaction, costs can amount to 20 per cent of the sum remitted, even though the actual costs of the service provided seem to be much lower. The presentation concluded that there is considerable scope to reduce the costs of remittance transactions, especially for the small transfers typically made by poorer migrants, and recommended that governments should give priority to measures that increase access to banking systems and strengthen competition in the remittance industry.

Nilim Baruah, Head of Labour Migration Division, IOM

Nilim Baruah presented the main points from his paper, “Remittances to LDCs: Issues, Policies, Practices and Enhancing Development Impact” and the Compendium of LDC Remittance Practices, both of which are presented in full as Chapter One and Two of this publication.

Zul Kifl Salami, Minister of State, in charge of Plan, Prospective and Development in Benin

The first session concluded with a presentation by Zul Kifl Salami, Minister of State, in charge of Plan, Prospective and Development in Benin. In his opening remarks, Minister Salami highlighted the point that globalization has encouraged the free circulation of goods, but has imposed even more restrictions on migration. However, there is an increasing awareness of the potential gains of migration for development. Remittances, as a product of migration, are an important financial source and reduce poverty at the individual household as well as at the local community level. Minister Salami’s speech emphasized the important role of civil society and the private sector in improving the financial infrastructure and further drew attention to the fact that migrants need to be better involved in decision-making processes relevant to the country’s development. The Minister concluded that reducing remittance costs as well as improving banking services in order to encourage formal remittance transfers constitute the main parameters within which the development impact of remittances could be enhanced.

Second Session: Improving Remittance Services

The second session was dedicated to the topic of “Improving Remittance Services” and included presentations from representatives of the Central Bank of West African States, the Government of Bangladesh, as well as micro-finance and diaspora organizations. It provided an overview of policy options to lower costs, expand access to services and provide information and support to migrant remitters. Special consideration was also given to the role of migrant and diaspora associations and their experiences and initiatives in the area of improving remittance services.

Pascal I. Koupaki, Special Counsellor to the Governor of the Central Bank of West African States

The first presentation delivered by Pascal I. Koupaki, Special Counsellor to the Governor of the Central Bank of West African States addressed the “Core Principles, Strategies and Initiatives

in Improving Remittance Services”. In his presentation, Mr. Koupaki noted the importance of remittances for the region: Remittance transfers in 2004 accounted for a 3.2 per cent share of the West African Economic and Monetary Union’s GDP, in countries such as Guinea-Bissau, Senegal and Togo even up to 8.1 per cent. Recognizing the importance of remittance flows for national economies in the region, governments need to develop strategies to increase the safety, speediness and accessibility of remittance services. He suggested that government action to improve financial services should promote increased competition between service providers, improve local infrastructure and create attractive investment products for migrants. Mr. Koupaki concluded by underscoring the importance of any action aimed at improving remittance services to be incorporated into a global strategy on poverty reduction and channelling productive investment towards developing countries.

Muhammad Mahfuzur Rahman, Director, Economic Wing of the Ministry of Foreign Affairs of Bangladesh

The second presentation was delivered by Muhammad Mahfuzur Rahman, Director in the Economic Wing of the Ministry of Foreign Affairs of Bangladesh. Comments were provided by Normand Lauzon, Director of the Sahel and West Africa Club of the OECD, who was part of the discussion panel. Mr. Rahman provided a comprehensive overview on approaches adopted by Bangladesh to lower costs and expand access and provision of information. As one of the top recipient countries of remittances, Bangladesh has given high priority to action on improving remittance services. Measures taken not only include expanding services, particularly to rural areas, but also lowering costs by increasing competition amongst remittance intermediaries in migrant host countries. Furthermore, the Bangladesh government has ensured competitive exchange rates and attractive saving and investment options for migrants, both in foreign and domestic currency. In order to disseminate information on remittance services and investment opportunities, migrants are informed through pre-departure and diaspora briefings, information brochures, press releases and websites.

The second session also included presentations on the topic of “Partnerships”. Partnerships provide an institutional framework which allows financial service providers to link up with the official banking sector and other financial institutions and thereby offer improved financial services to their clients. Presentations were given by representatives of micro-finance and diaspora organizations.

Sharmi Sobhan, Executive Director of Fonkoze USA, and Charles Nalyaali, Executive Director of Uganda Micro-Finance-Union (UMU)

Two micro-finance institutions, Fonkoze USA, a branch of Fonkoze Haiti, and the Uganda Micro-Finance-Union (UMU) were represented by their respective Executive Directors, Sharmi Sobhan and Charles Nalyaali.² Fonkoze, Haiti’s largest rural micro-finance institution, offers a variety of financial services such as micro-loans and SME loans, savings deposits and currency exchange services. In partnership with commercial banks, money transfer companies and licensed money transfer agents in Haiti, Fonkoze has further developed a successful remittance programme which gives rural Haitians access to safe and secure remittance services at an affordable rate. The Uganda Microfinance Union (UMU) is a locally owned, non-governmental organization, providing clients with a variety of financial products such as loans, money transfer systems and village phones, in an effort to enable the poor to help themselves move forward.

Fred Oladeinde, President of the Foundation for Democracy in Africa

The second session also included a presentation by Fred Oladeinde, President of the Foundation for Democracy in Africa, who highlighted the main points of his paper, entitled “Credit Union – Efficient Financial Institution Model for Diaspora Remittances”. The paper stated that increased competition in the remittance transfer market would considerably reduce transaction costs and fees. Non-banking institutions such as user-owned credit unions have the advantage to provide affordable financial services to migrants while assisting them to build financial strength. Such an initiative is represented by the World Council of Credit Unions’ (WOCCU) and International Remittances Network (IRNet), a credit union-based network which enables migrants to send money from a credit union in the US to a credit union abroad, as well as to WOCCU partner agents. The IRNet offers its clients different financial services, including remittances, at affordable cost and guaranteed exchange rates. Mr. Oladeinde further referred to the African Union’s Western Hemisphere African Diaspora Network (WHADN) which targets the potential of the African diaspora to enhance development in Africa. Part of this project is the WHADN Credit Union initiative providing user-friendly, affordable financial services to Africans in the US with ties to their country of origin.

Emmanuel Argo, President of the Global African Diaspora Coalition and Member of the NEPAD-CSO³ Think Tank

One final diaspora initiative was presented by Emmanuel Argo, President of the Global African Diaspora Coalition and Member of the NEPAD-CSO Think Tank. The presentation explored the role of public-private partnerships, the different initiatives taking place within the African diaspora and the benefits it is expected to bring towards the development of Africa. Through the Global African Diaspora Coalition (GLAD), African Diaspora has taken a lead in mobilizing African nationals and initiated the creation of numerous public-private partnerships. Public-private partnerships provide a forum for constructive dialogue amongst governments, international organizations, civil society and businesses and thereby play a key role in enhancing the socio-economic development of Africa. Such partnerships may also increase the volume of remittances and further attract investment from the diaspora and entrepreneurs in Africa. Mr. Argo pointed out the need of an international platform such as NEPAD to share views and address concerns from the various stakeholders involved. Such a platform would enable the public and private sector together with the African diaspora to streamline strategies and programmes for sustainable development, in particular with regard to the development potential of migrant remittances.

Third Session: Enhancing the Development Impact of Remittances

The third session of the first conference day addressed the issue of enhancing the development impact of remittances. The aim was to identify policy options and concrete measures to enhance the development impact of remittances in LDCs. The session included interventions by international organizations/institutions such as UNDP and UNCDF as well as financial institutions such as the African Development Bank. Prominence was also given to migrant and hometown associations, as they can also play a pivotal role in raising awareness about business and investment opportunities in their countries or communities of origin. The session provided a number of promising examples and initiatives from migrant associations, such as a programme on the pooling of remittances for investment and an initiative on tax relief.

Loretta Foran, Investment Economist, African Development Bank

Loretta Foran, Investment Economist of the African Development Bank, opened the session with a presentation on “Policy Options for Enhancing the Development Impact of Remittances”. She highlighted the crucial importance of remittance flows for many developing countries, while taking into account the lack of data on remittances particularly to the sub-Saharan region. Such deficiencies in data make it difficult for governments to take informed policy decisions for enhancing the development impact of remittances. The presentation focused on the two main objectives related to remittances which are increasing formal remittance flows and channelling the funds to productive use. Further activities to be undertaken should include enhanced data collection mechanisms, promotion of a competitive remittances industry and the use of rural institutions such as micro-finance institutions, rural banks or post offices for the provision of financial services. Ms. Foran finally underscored the importance of an integrated approach to remittances, involving partnerships with the various stakeholders.

Arun Kashyap, Private Sector Development Adviser, UNDP

The second presentation was given by Arun Kashyap, Private Sector Development Adviser from UNDP. His paper on migrant workers’ remittances and development from a UNDP perspective indicated that remittances may play a crucial role in achieving the UN Millennium Development Goals (MDGs) and should constitute an integral part of Poverty Reduction Strategy Papers (PRSPs). Governments in partnership with diaspora and local associations need to develop policies to give priority to remittances in national planning. A focus should be on capacity building to improve data collection, support local governance and domestic private sector development. Mr. Kashyap pointed out that especially in the context of South-South Cooperation, there is a growing need to exchange lessons learned and good practices from countries which have implemented projects on remittances for development and further successfully retained human capital.

Yiping Zhou, Director of the Special Unit for South-South Cooperation, UNDP

Another important contribution to this third session was made by the Director of the Special Unit for South-South Cooperation in UNDP, Mr. Yiping Zhou, who was not able to be present himself, but submitted a paper on “The Importance of South-South Cooperation in Channeling Remittances to Least Developed Countries towards Human Development”. It began by highlighting the particular constraints faced by LDCs with regard to remittances. Financial systems in LDCs are often weak and underdeveloped. Migrant remitters face various obstacles such as lack of efficient, accessible and cost-effective service options, driving them to informal markets with all their risks and uncertainties. Technical assistance from other southern countries can provide LDCs with much needed experience and best practices on how to reduce costs, increase efficiency of services and provide safety and investment options. The paper concluded by giving a number of examples and activities developed by the Special Unit in partnership with other organizations whose focus lay on utilizing remittances as a tool for the achievement of the MDGs.

Gibril Faal, President of AFFORD UK

Under the sub-thematic area of “The Role of Migrant and Home Town Associations”, a paper by Gibril Faal, President of AFFORD UK was presented, entitled “Remittance Funds: A Call for Remittance Tax Relief”. Mr. Faal began by referring to the importance of hometown associations in pooling remittances. He then concentrated on policy options for governments in destination

countries and recommended treating remittances similar to charitable donations and economic regeneration investments in terms of tax relief. The author called on governments to introduce appropriate legislation for a tax relief on remittances spent for international development, explaining that such an initiative would create incentives to allocate more money to international development funds and thereby support productive investments and projects in developing countries.

Djibril Diop, Micro-finance Expert, Ministry of Finance of Senegal

Next, Djibril Diop, a micro-finance expert from the Ministry of Finance of Senegal, offered insights from Senegal, a country in which remittances constitute a major source of finance for the national economy, but which are mainly sent through informal channels. He explained that micro-finance institutions, in partnership with commercial banks, have come to play an important role in the process of rural development in Senegal. With the aim of further professionalizing these micro-finance institutions, Senegalese authorities are planning to improve their integration into the global finance system. Furthermore, Mr. Diop articulated the need to better integrate migrants into the financial system, enabling them through partnerships with micro-finance institutions, NGOs and local communities in the host countries to play an important role in the implementation of development programmes and projects in their country of origin.

Moucharaf Ibinkunle, Secretary General, The High Council of Beninese Abroad

The High Council of Beninese Abroad, represented by the Secretary General, Moucharaf Ibinkunle, gave a presentation on “The Role of Migrant Workers’ and Local Development Associations”. In his paper, Mr. Ibinkunle affirmed that the Beninese diaspora is estimated at more than 2 million people, most of them residing in other African countries in the region. Remittances are mainly used to satisfy social and household needs, whereas very little is invested in local development projects. Nevertheless, numerous migrant organizations, often organized in ethnic, regional or professional categories, play an important role in providing information on remittance services and business opportunities in Benin. In order to attract more remittances, service providers need to considerably reduce transfer costs and further offer financial products such as microcredits to their clients. The paper suggested that banks need to play a more proactive role in attracting migrants’ savings and rebuild the confidence of their clients.

The final thematic area was dedicated to the subject of “Leveraging Remittances: Role of Banks and Financial Institutions”, and included three presentations. Comments were provided by Leila Mokadem, Principal Investment Economist of the African Development Bank, and member of the discussion panel.

Claude Sumata, Researcher at the Centre of African Studies at SOAS, London University

The session began with Claude Sumata, Researcher at the Centre of African Studies at SOAS, London University. His paper recognized the importance of remittance flows to developing countries, and pointed out that one of the main obstacles identified in the sub-Saharan region remains the weak banking sector. As a consequence, banks are only minimally involved in money transfers to the region. Mr. Sumata argued that governments and the international community should agree on strategies to foster the development of the banking system, particularly in the sub-Saharan Region. Furthermore, he indicated that measures need to be adopted to create a competitive climate to reduce transfer costs and encourage cost-effective payment technologies attractive to migrant remitters and recipients. He added that programmes should target the poor,

unbanked population segments, helping them to benefit from savings and improve services for insurances, loans and access to bank accounts.

Makarimi Adechoubou, Regional Technical Manager in the Financial Inclusion Practice Area, UNCDF

Makarimi Adechoubou, UNCDF Regional Technical Manager in the Financial Inclusion Practice Area, then gave a presentation on “The Construction of Inclusive Financial Sectors: Improving Access to Financial Services” where he addressed the question of how to ensure access of disadvantaged, particularly rural and impoverished populations to financial services. He indicated that in order to enhance development, micro-finance institutions need to be integrated into the formal finance sector. Furthermore, initiatives need to actively include the interests and constraints of the various actors involved and should build on good practices. Mr. Adechoubou added that legislative measures are needed to regulate and supervise micro-finance institutions, diversify the choice of financial products for savings and investment and build on partnerships between micro-finance institutions and the formal banking sector. His paper concluded with the statement that progressive inclusion of the micro-finance sector will improve the development impact of financial flows, particularly in rural areas.

Fred Kwoba, Foundation for Democracy in Africa

Fred Kwoba from the Foundation for Democracy in Africa concluded the third session by introducing the audience to the Direct Expatriate National Investment (DENI) programme. His paper, entitled “DENI: an Ingenious Proposal with a Practical and Immediate Impact on Development” sets out an ownership-based model for the pooling of remittances to large-scale investment. DENI targets the African diaspora and encourages them to contribute to the debt relief process in their country. The model is based on the assumption that Africans acquire a portion of the official debt, to be issued in form of debt vouchers, and will be redeemed in the respective countries through a share in national assets such as privatized telephone or electricity companies. In order to build confidence in the programme and successfully implement it in each country, assistance would be required by international organizations and financial institutions. The paper concluded that DENI can replace a culture of aid dependency by a culture of ownership.

Fourth Session: Draft Outcome of the Conference and Follow-up

The last session concluded the preparatory meeting of senior officials and was dedicated to the draft outcome of the conference and its follow-up. The delegates recommended to the conference for its consideration and adoption the draft outcome document entitled “Ministerial Declaration of the Conference of Least Developed Countries on the Development Impact of Remittances”. The draft declaration laid the basis for the ministerial consultations to be held on the second conference day.

Mr. Muhammad Mahfuzur Rahman, Rapporteur of the meeting, introduced the draft report of the Preparatory Committee which was adopted after some amendments. The first conference day concluded with the closing remarks delivered by Rogatien Biaou, Minister of Foreign Affairs and African Integration in Benin.

¹ For more details on any of the presentations, please consult the Annex, where the original and full versions of each paper/presentation can be found.

² More information is available on the websites: <http://www.fonkoze.org> and <http://www.umu.co.ug>.

³ New Partnership for African Development (NEPAD) and Civil Society Organization (CSO).