

“Caribbean Diasporas Remittances and Development”

Speaking notes

for

The Honourable Jean Augustine, P.C., M.P.

at the

**Multilateral Investment Fund of the
Inter-American Development Bank and the
Canadian Foundation for the Americas Meeting**

**Western Harbour Castle
Toronto, Ontario
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CHECK AGAINST DELIVERY

I am pleased to be here with such a distinguished gathering of individuals, experts and organizations who work in an area that lends so much to the efficient functioning of not only our domestic Canadian economy; but that of numerous sovereign economies beyond our borders. As someone who has gained unique insight through the course of various public assignments over the years - - I applaud your good efforts to make a difference in the lives of millions.

In the global community of the 21st century, new challenges give way to new opportunities. As more and more data is brought forward, it is becoming increasingly clear that international or ‘cross-border’ remittance is a practical and effective tool in the battle against global poverty. It bears direct impact on economic development, poverty reduction, and financial stability around the world.

In my remarks today, I would like to share some personal insight drawn from my experiences as a member of the Diaspora. Secondly, I will update you on some developments and related observations which stem from my efforts as the Prime Minister of Canada’s Special Advisor for Grenada. Lastly, I will touch upon the value of the work you and similar civil society stakeholders perform; and offer some thoughts about how we go forward.

REMITTANCE - - SOME FACTS

The efficient and secure flow of remittances from developed countries to developing countries is vital to the livelihood of many. It is telling that migrant workers send roughly \$100 billion a year from developed countries to their families and friends back home. In the Americas, it constitutes a growing and significant source of financial inflows estimated at some US\$40 billion per year.

It is especially telling in Latin America and the Caribbean where well over a third of the world's recorded remittance flows; edging out net foreign direct investment flows to the region. Studies have shown that remittance recipients are more likely to send their children to school, gain improved access to health care, and are more likely to start small businesses. I understand that product options introduced recently in some remittance services allow remittance senders to directly pay for a house or to save money in a bank account from overseas.

And international credit unions have reported that remittance receivers who typically do not meet the criteria to own a bank account, are more likely to open accounts, accumulate savings, access other financial service products such as loans and insurance, and establish a credit history.

MIGRANT WORKERS

Today, approximately ten percent of the world's population is involved in the sending or receiving of remittances either as the economic migrant who has traveled abroad to earn a wage or the recipient. The rapid growth and size of international remittances reflects the hard work and commitment of migrant workers in search of better lives for themselves and their families.

Many countries have production demands that migrant workers meet - - and those workers in turn have families back home who depend on the remittances that come from the migrant worker's earnings. Year after year, millions leave their hometowns and villages to seek job opportunities and better lives for themselves and their loved ones. Today, at around 175 million, it is said that the number of economic migrants would alone constitute the sixth most populous country in the world.

The advent of the information age and the implementation of information and communications technologies within the financial community infrastructure have combined to spur the competitive development of efficient, electronic, domestic payment systems in North America.

But, at the same time, perhaps the most significant challenge remains the cost of individual transfers - - particularly in the context of potential deterrents it may pose for the sender; or the manner in which it may impact upon the working poor recipients in developing countries.

One solution may lie in competition which usually means better pricing for consumers. In Canada, the fees charged and the speed, precision and reliability of the service provided are nominal and highly competitive.

In contrast, existing international remittance systems generally lack efficient practices for individual. Completing a single transaction can involve a multi-layer series of correspondent bank transactions that raise the cost of the transaction and add to the time it takes to get the funds to the ultimate recipient.

It is comparatively measurably more difficult and obviously more expensive to process a single payment through these correspondent international arrangements.

Fortunately, through the good efforts of civil society individuals and organizations such as yourselves, the situation is changing.

We are able to draw some encouragement from the fact that some new low cost, accessible and efficient remittance services have been introduced. As a result, the fee for sending remittances appears to be falling sharply.

The introduction of these new services -- or remittance products -- has been spurred on by the confluence of changes in regulatory environments, technological innovation and changes in perception of the size of the market. Changes in the regulatory environment are often needed for private-sector participants to gain access to or be able to serve the relevant segments of domestic markets. Innovation and automation in payment systems are necessary to reduce the cost of handling small cross- border transfers.

And finally, financial institutions have to believe that remittance flows will be large enough to justify the expense of developing payment systems that can communicate across borders, or even to develop products that can use existing payment systems such as credit card and/or ATM products.

But in the final analysis, technological innovation in payments systems to facilitate cross-border transmission is key.

When the regulatory and technological conditions for more efficient remittance services converge, the result can be dramatic rise in competition and a resulting sharp drop in the cost of sending payments between economies.

PERSONAL INSIGHT

Like many of you, I came to Canada in pursuit of improved life opportunities - - to earn an education, build a career, and contribute to the building of this fine society in which we have chosen to live. Through my work as an educator and community activist, I had the opportunity to share in the lives and experiences of so many individuals around the world.

My last eleven years serving as an elected representative in the national legislature of Canada has also presented me a special insight... and the opportunity to work around the world with a wide range of distinguished colleagues on a number of timely issues.

I am also charged with the responsibility of reporting back to my Prime Minister as his Special Advisor on Grenada - - the land of my birth. And I look forward to drawing upon your regional insight as I carry out my mandate to ensure Canada's commitment to the region in light of the devastation of Hurricane Ivan, last September 2004.

DEVELOPMENTS IN GRENADA

- **Canada is home to several thousand Canadians of Grenadian origin, based predominately in Toronto, Montreal and Calgary.**
- **Canada and Grenada enjoy a “special relationship” due to shared Commonwealth heritage, familial links and similar position at multilateral forums.**
- **Grenada, even by Caribbean standards, has a high level of skilled emigration, which has lead to the creation of a system where over 10% of its GDP is derived from remittances.**
- **Canada has been one of the main Official Development Assistance (ODA) development partners of Grenada and the greater Caribbean since the 1960s.**
- **The Diaspora played a major development role in Grenada post-hurricane Ivan: Raised funds (several hundred thousand dollars in Canada alone), pushed issue to forefront/political pressure in foreign capitals (one of the main reasons we gave as much as we did!), kept economy running initially through remittances and visits, care packages, etc.**
- **Canada provided Grenada with over \$10 million in emergency and bilateral assistance after Ivan struck.**

- **Canada is the only foreign government that provided funds (\$4.8 million) for the Agency for Reconstruction and Development (ARD), the Grenadian agency responsible for co-ordinating Grenada's reconstruction efforts.**
- **Over the last 25 years, natural disasters have cost the Caribbean over \$60 billion.**
- **Damage to Grenada after Ivan was \$EC 2.4 Billion, or twice Grenada's GDP**
- **The Government of Grenada has designated this decade to be the "Knowledge Enhancement Decade" in which they aim to get at least 50% of their human resources engaged in high-value knowledge based activities, such as financial services, ICT, and education.**
- **The plan calls for increased investment in and accessibility to ICT along the same lines as the "vision 2020" program in Trinidad.**

VALUE OF THE WORK THEY DO

I commend you and your colleagues for the good ground gained on this file over the last few years.

This includes the goal established at last year's Summit of the Americas in Monterrey to halve the cost of sending remittances by 2008, from 12 percent to 6 percent, with the Multilateral Investment Fund of the Inter-American Development Bank taking an important role based on valuable experience gained in this area.

And of course, last June's Sea Island, Georgia agreement by G8 leaders to take actions to improve remittance transfers. This includes the promotion of competition, using innovative payment instruments and enhancing access to formal financial systems in sending and receiving countries.

The leaders of Britain, Canada, France, Germany, Italy, Japan, Russia and the United States were committed to working closely with international organizations, including the World Bank and IMF, to update data on remittance flows and develop standards for data collection in sending and receiving countries.

CANADA - JAMAICA

Remittances also play an essential role in private sector development efforts, enabling families to receive needed capital for education, housing and small business investments.

Last month, I was pleased with the announcement by my colleague, the Minister of Finance Ralph Goodale, of the agreement between Canada and Jamaica to work together to help financial institutions in both countries facilitate the secure flow of funds between Canada and Jamaica.

Under the partnership, the Governments of Canada and Jamaica are working together to:

- identify financial institutions in both countries that are interested in working together to reduce the cost of transferring money between Canada and Jamaica;**
- improve the quality of statistics measuring remittance flows between Canada and Jamaica; and**
- establish appropriate legislative frameworks to ensure competitive financial sectors that comply with international anti-money laundering and anti-terrorist financing standards.**

Canada, together with other G-8 countries, has been active in developing remittance partnerships that improve access to affordable remittance services. As an important source of remittance flows, the Jamaican community in Canada will be a key partner in this initiative.

CONCLUSION

My hope is that you will leave this meeting with a heightened sense of the importance and urgency of your work.

In a general sense, financial authorities should be encouraged to consider ways to lower the cost of remittance transfers, and at the same time facilitate the linkage of remittances to opportunities to promote greater growth and the inclusion of marginalised populations in the formal economy.

You must continue pressing for:

- the promotion of more competition in remittance services;**
- the identification of regulatory impediments to remittance services and elimination of anti-competitive practices;**

- the enhancement of the quality and cross-country comparability of remittance data;
- the strengthening of the financial infrastructure for electronic transmission of remittances;
- the entry of more remittance flows into the formal financial sector; and
- the integrity of remittance channels so they are not misused for unlawful means.

CONCLUSION

In closing, in the global community of the 21st Century, new challenges give way to new opportunities and vice versa.

International remittance between private individuals is an increasingly effective tool in the battle against global poverty. By bringing together the technical and policy experts on payment systems and remittances, this meeting can help lay the foundation for significant progress.

This involves increased financial literacy, improving the regulatory framework, competitiveness of the market, and the physical infrastructure of the banks in the receiving countries.