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# **Canada - Caribbean Diasporas and Development Conference Series Report**

**May 30 and May 31, 2005**

**Toronto - Montréal**

## A Report on the Canada - Caribbean Diasporas and Development Conference Series

### EXECUTIVE SUMMARY

On May 30 and May 31, 2005 the Canadian Foundation for the Americas (FOCAL), with support of the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), convened two conferences examining past experiences and new research on the development impact of remittances in the Caribbean. The conferences were held in Montréal and Toronto and were the first events of their kind to be held in Canada on the subject.<sup>1</sup>

Canadian government institutions and the private sector have awoken late to the importance of remittances and Diaspora engagement in promoting economic and social development. To date there has been negligible participation by the Canadian government, private sector or Diaspora organizations in the myriad of symposia, conferences or regional research projects dealing with remittances and Diaspora involvement in development. As a result, Canada now faces the urgent challenge of responding to the rapidly evolving international policy regime, changes in development programmes and the emerging demands of from Diaspora populations and home countries. Fortunately, Canada does not have to start from scratch. The MIF and other development institutions have a wide array of experience, research and knowledge that can assist with the investigation and policymaking process in Canada. The Canada-Caribbean Diasporas and Development conference series provided a timely and much needed opportunity for Canadians to make linkages to existing information, inform early research, and jump-start similar work in Canada.

#### Conference Goals and Outcomes

The first goal of the conferences was to present two recent research studies, funded by the MIF on remittance recipients in Jamaica. The first was executed by the International Research Development Centre (IDRC) and focused on mapping Internet Communications Technology usage by the Caribbean Diaspora. The second, undertaken by the Canadian International Development Agency (CIDA), looked at remittance flows from Canada to Jamaica and to Haiti.

The second goal was to introduce the vast quantity of the MIF's accumulated knowledge, programming experience and insight to Canadian government officials, Diaspora organizations, banks and remittance companies. This was particularly important, as there has been little if any participation by these Canadian stakeholders in regional remittance and Diaspora symposia held by the MIF and other agencies.

The third goal was to focus attention on the linkages and importance that Internet Communications Technologies (ICTs) have for initiatives that support the involvement of Diaspora organizations in their communities of origin. This is an area where relatively little research has been done globally compared with the work undertaken on financial structures and linkages. This also is an area where Canada has large investments, a strong infrastructure and capacity to make a significant contribution.

The conferences succeeded in achieving these goals. The research studies were discussed and will be widely disseminated in Canada, something that would not have happened with out the conferences. The work that the MIF and others have done in the area of remittances is now known in Canada and hopefully will be used by a wide range of actors to inform research and policy development. ICTs are an area of great potential where much more needs to be done, however this was among the first times it was exam-

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<sup>1</sup> The following report was prepared by Ms. Luz Rodríguez-Novoa, M.Sc. in Planning from University of Toronto and Ms. Jennifer Domise, a Masters student in the Department of Geography at York University.

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ined in the context of Diaspora linkages to development. On this topic the meetings benefited from a presentation by a representative of the United Nations ICT Task Force, who shared examples of their difficulties in this area. The longer-term results of the conferences will be seen in greater and better informed Canadian engagement in efforts to improve the flow and use of remittances, as well as in Canada taking the lead in enhancing the use of ICTs to support Diaspora engagement with their home communities.

### Key Conclusions

There were a number of key conclusions that emerged from the session. The overarching conclusion of the meetings was that more research must be done in Canada to quantify remittance flows and to understand the dynamics and structures of “remittance corridors” including the Montréal-Haiti and Toronto-Jamaica corridors. This research is necessary before the government can begin to formulate policies on remittance flows and embark on initiatives to work with Diaspora populations. The contrast between substantial MIF data on remittance flows from the US, Europe and even Japan, compared with the lack of similar data in Canada – currently consisting of one study – made the need for more research in Canada painfully evident.

To date, CIDA inter-agency cooperation on remittance issues has focused on the World Bank. Yet, it is clear from the Toronto and Montréal meetings and post-meeting follow-up activities that the MIF and USAID, which attended the Toronto meetings, have broader, more substantial and more practical experience from which CIDA can also draw as it seeks to understand linkages between remittances and development, to conduct research and to eventually develop programmes. On the other hand, Canada, and specifically the Institute for Connectivity in the Americas, has a wealth of information, resources and experience with ICT and development issues. This knowledge will be invaluable to the MIF and other development agencies as they seek to expand their remittance initiatives with Diaspora groups.

In addition to basic research, greater dialogue between the government and remittance sending communities is needed before the policy development process can begin. The need for this type of dialogue was underscored by the disparity between Diaspora groups’ support for the idea of reducing remittance transfer costs, and their overwhelming distrust of the government involvement in anything to do with remittance transfers. Lack of contact between Diaspora groups in Canada and government, as well as multilateral actors, has created an information vacuum that engenders mistrust and fears of ulterior motives. It is crucial that the Government of Canada strengthens outreach to Diaspora organizations, and it is important that multilateral agencies such as the IDB do the same.

The conference proceeding also called into question some of the assumptions around Diaspora behavior and remittances. Two particularly important findings were presented at the Toronto meeting that will have an impact on future research and policy making, informing and nuancing future work in this area. The first was that the vast majority of remittance recipients in Jamaica are happy with their current method of receiving funds – predominantly Western Union – and most recipients have bank accounts. This finding calls into question the assumption by development agencies that priority must be placed on using remittances as a tool to move people into the formal financial sector. The second finding was that remittance consumers – senders and receivers – already have knowledge of the banking and non-banking options (e.g., Western Union) and are free to choose between them. This suggests that there is little if any role for the government in this area. Rather, it is up to Canadian banks to engage consumers, something that needs to be done to promote competition in the remittance industry within Canada.

Carlo Dade  
Senior Advisor  
FOCAL

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### CONFERENCE REPORT

The Canada-Caribbean Diasporas and Development Conference Series was held in Toronto and Montréal on May 30 and 13, 2005. The Toronto event was hosted at the Westin Harbour Castle and was attended by approximately one hundred individuals from Diaspora organizations, banks, academics and government in Canada, the United States and the Caribbean. The Montréal gathering was held at the Centre Mont Royal with close to 75 individuals. The conferences were organized and hosted by the Canadian Foundation for the Americas, with the support and participation of the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB), the Canadian International Development Agency (CIDA) and the Institute for Connectivity in the Americas (ICA).

#### **Setting the State: The Growing Importance of Diasporas and Remittances in Canada**

In welcoming conference participants the sponsoring organizations highlighted the considerable significance of Diaspora communities and remittances in Canada. Carlo Dade, Senior Advisor of FOCAL, and Kathryn Hewlett-Jobes, Senior Advisor of MIF, invited the audiences in Montréal and Toronto to engage in a topic that is gaining importance among the international development community all across the world: Remittances, one of the main links between Diasporas and their home communities, have great potential to promote sustained growth in immigrants' home countries.

#### *Conference Goals*

Despite its growing importance and relevance for communities and policy makers in Canada and the Caribbean, it was also noted that there are currently only a small number of Canadian academics participating in research. Meanwhile Canadian banks, unlike banks in the US, have not been active in devising and implementing policies to increase access and reduce the cost for immigrants to send money home.

As a result of this nascent focus on the topic of Diasporas and remittances in Canada, the goals of the sessions were principally to examine past experiences and new research on the development impact of remittances in the Caribbean, with a view to supporting Canadian learning and policy making on these issues. Specifically the goals of the sessions were to:

- To present recent MIF research studies on remittance recipients.
- To introduce the vast quantity of the MIF's accumulated knowledge, programming experience and insight to Canadian government officials, Diaspora organizations, banks and remittance companies.
- To focus attention on the linkages and importance that Internet Communications Technologies (ICTs) have for initiatives that support the involvement of Diaspora organizations in their communities of origin.

#### *Current Canadian Thinking on Diasporas and Remittances*

In response to the goals of the sessions, in their opening remarks representatives from both the Canadian International Development Agency (CIDA) and the Institute for Connectivity in the Americas (ICA) briefed the participants on some of the government work being undertaken in this area to date. Both Naresh Singh, Director of General Policy, and Darren Schemmer, Director General for the Americas Branch, highlighted some of CIDA's recent initiatives aimed at meeting the remittance-related commitments made by 34 nations of the Americas at the Special Summit of the Americas in Mexico in January 2004. Both speakers highlighted recent initiatives supported by CIDA, including the December 2004

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meeting of the Haitian Diaspora in Montreal, as well as the funding of small research projects to gather preliminary data on remittances from Canada to Jamaica and Haiti. However, initiatives related to remittances are not limited to CIDA, and include projects and programs undertaken by several Canadian federal agencies in an effort to better understand the remittance market. For example, Mr. Singh noted that Finance Canada has developed partnerships with Jamaica to explore reducing the cost of sending remittances from Canada. While there has been increasing focus on the remittances issues at the project level, Mr. Singh acknowledged that the formation of policy has not developed at the same pace. He stressed the need for improved qualitative and quantitative information about the Diaspora communities and the flow of remittances from Canada to be able to better formulate public policy.

Randy Zadra, Managing Director of ICA, stressed the importance of discussing the remittance topic in Canada in light of our potential to contribute to the development of technology that will enhance linkages between immigrants and their home communities. These comments were echoed by Luis Barnola, ICA Senior Program Specialist, who noted that information and communication technologies are instruments that can enhance the impact of remittances and to improve social and economic development in immigrants' home countries. Mr. Zadra and Mr. Barnola explained how the ICA has been successful in promoting the use of technology in Latin America and the Caribbean, underscoring the ICA's willingness to support projects aimed at linking remittances and banking services for low-income families in developing countries.

### The Role of Remittances in Economic Development: An Overview

Ms. Kathryn Hewlett-Jobes, Senior Advisor of MIF, opened the substantive portions of the Toronto and Montréal conferences with a comprehensive review of existing remittance markets in Latin America and the Caribbean, and how the MIF promotes remittances as a development tool. She stressed that the MIF's focus has been on tracking the flows of remittances, lowering the cost of transfers in order to augment the developmental impact of remittance flows. According to World Savings Bank Institute estimates, remittance transfers account for more than US\$200 billion per year, involving nearly 175 million people. It is estimated that during this decade Latin America and the Caribbean will receive approximately US\$500 billion in remittance transfers. According to research by the MIF, wire companies dominate the remittance market by offering immigrants easy access, convenient hours of operation and culturally sensitive services. However, use of wire transfer companies promote the dominance of 'cash to cash' transactions, which limit the users access to credit and other financial services. From a public policy perspective, the MIF feels that work needs to be done to ensure fair, transparent, competitive markets that prevent abuses, and widen access to financial services for senders and receivers.

Ms. Hewlett-Jobes highlighted that remittances are neither a substitute for international development aid, nor a substitute for welfare policies in immigrants' home countries. Remittances are not seen by the MIF as a development model, but as a symptom that development has failed: People do not want to leave their countries and families behind, but migrate only as a last resort when they lack opportunities at home. This decision to leave carries significant consequences for the communities and families that migrants leave behind. Accordingly, the MIF aims to maximize the impact of remittances and promote economic, social, and financial inclusion of immigrants and their families in their home countries. Ms. Hewlett-Jobes suggested that public authorities can improve remittance data collection, improve regulatory frameworks (without over-regulating or taxing immigrants' family income), and promote financial literacy among remittance recipients. Remittance institutions can work to ensure that the cost of transfers is disclosed in a transparent manner. Finally, civil society needs to ensure that projects financed with remittance flows

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have a long-term impact on development and guarantee the social and economic inclusion of transnational families.

### **The Caribbean Diasporas: Understanding the Communities and Remittances Flows**

One of the critical elements in learning and policy development is the need for relevant and timely research. The conference provided scholars and practitioners active in the area an opportunity to present their work on remittances from North America to Caribbean countries.

#### *The Profile of Caribbean Remittances*

Manuel Orozco, Senior Researcher at the Inter-American Dialogue and Director of the MIF-IFAD Remittances and Rural Development Project presented a number of studies conducted among Latin American and Caribbean communities in the U.S. Dr. Orozco highlighted the importance of involving Canada in research on the development impact of remittances, noting that Caribbean Diasporas in Canada are different from those in the U.S. and would add valuable information to the field.

According to his research, remittances to the Caribbean are important not only in terms of volume, but also in terms of income per-capita as countries of the Caribbean are among the top recipient countries in the world, with an estimated 14% of the region's GDP coming from remittances. The studies suggest that remitters from the English-speaking Caribbean are mainly male, under the age of 35, from small households who send an average US\$250 per transfer and in general have access to financial institutions. This differs sharply from the profile of the average migrant remitter from Central America and Mexico.

According to Dr. Orozco, immigrant engagement is not limited to remittances transfers, which he described as being only one of the "5Ts of transnational engagement" –including Tourism, nostalgic Trade, Transportation, Telecommunications, and remittances Transfers. Dr. Orozco claims that migrants and immigrants from the English-speaking Caribbean in the U.S. are more engaged with their home countries than their Latin American counterparts because they often have mortgage loans in home countries, make more telephone calls and have bank accounts in their home countries.

The challenge for policy makers is to understand that remittances help a large number of families in home countries to stay out of poverty, and they are counter-cyclical – rising in response to adverse economic conditions in the receiving country and helping to cushion the impact of economic shocks. Remittances benefit vulnerable populations in recipient countries; on average throughout the Americas 40% of remittance flows go to rural areas and the main recipients are women. Furthermore, remittances have an impact on economic growth; remittances are responsible for 1% of increase of economic growth in El Salvador, 2% in Dominican Republic, and 1% in Jamaica.

#### *Remittance Recipients in Jamaica*

Donald Anderson of Market Research Services Ltd. (MRSL) presented the results of a survey of remittance recipients in Jamaica that was commissioned by FOCAL in March of 2005. The survey was applied to a sample of 766 Jamaicans that receive remittances from Canada, the U.S. and the United Kingdom. The survey was conducted in four parishes in Jamaica with the highest incidence of past residence in Canada - St. Andrew, St. Catherine, Manchester and Clarendon. The main survey findings reveal that 70% of the survey participants have relatives in the U.S., 30% in the United Kingdom, and 20% in Canada. From those living in Canada, 60% are reported to live in Toronto. More than half of the respondents have been receiving remittances for more than 5 years.

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The largest percentage of this money (over 70%) is transferred through wire companies, and banks are not a common channel of remittances to Jamaica. Survey respondents indicated high levels of satisfaction with the service provided by wire companies. The preference for wire companies was not related to the lack of access to banking services, as a majority of both senders and recipients have bank accounts and have access to ATM cards. Banking services are generally regarded as expensive and some noted instances of the unfair treatment of customers. The survey reveals that remittances to Jamaica are mainly used for household expenses, followed by education and savings. Finally, it is common to send remittances in the form of goods for the family at large, with the average value of these goods equaling an average remittance total (US\$100 –160).

### *Jamaican and Haitian Remittance-Sending Communities*

Alan Simmons from York University presented the preliminary findings of a study on Haitian and Jamaican remittance-sending communities in Canada, conducted with Dwaine Plaza and Victor Piche. The main findings of this study reveal that more than 80% of Haitians and Jamaican respondents send money home. On average, Jamaicans send home slightly more money than Haitians. Recipients are generally parents, other family members or siblings, which differs from the U.S. data that commonly shows spouses and siblings as the main recipients. Professor Simmons findings corroborate other work, demonstrating that wire companies (agencies) and hand transfers were the preferred channels to transfer money to home countries. In terms of cost the study shows that it is more expensive to send money to rural than urban areas in Haiti, and on average it is cheaper to send money to Jamaica than to Haiti. In terms of transnational family contacts, the findings show that Jamaicans tend to visit their home country more frequently than Haitians, while Haitians tend to phone more and show higher willingness to return permanently to their home country.

Professor Simmons highlighted the need for Canada to develop a coherent strategy regarding remittances. Efforts should be made to reduce transfer fees, expand financial services, and assess models of tax exemptions (ie. for immigrants who are supporting aging parents in home countries). It is also important to be sensitive to the gender, age, and social-class characteristics of those sending and receiving remittances, and to implement policies that leverage individual transfers in the development of immigrants' home countries.

### **Development Programmes to Improve the Flow and Use of Remittances to the Caribbean**

There are a number of innovative and successful projects currently being implemented throughout the Caribbean with the goal of increasing the benefit and development impact of remittances. Speakers were invited to share some of their experiences with conference participants.

### *The Benefits of Microfinance*

Pedro De Vasconcelos, remittance Program Coordinator for MIF, discussed the importance of financial democracy, or the ability of all socio-economic groups to access financial services in transnational development, and how remittances can be used to connect microfinance institutions to a wider range of financial services for both remitters in sending countries and their families in their home countries. According to Mr. De Vasconcelos, the introduction of microfinance institutions like Centro Accion as a means to deliver remittances allow for increasing flows through formal channels. By widening the remittance market, increasing choices for consumers and introducing new technologies, the 7 % average cost of sending remittances to Latin America and the Caribbean will decrease further over the next decade.

### *Implementing New Ideas*

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The General Manager of the Jamaica National Building Society (JNBS), Earl Jarrett, discussed a joint project between JNBS and the United States Agency for International Development (USAID) in which one-third of the cost savings accrued from the implementation of a swipe-card technology for remittance recipients was reinvested in USAID education projects, providing computers to Jamaican schools in rural parishes. Patrice Backer, Managing Director of PromoCapital, described the fund, which is a joint venture between PromoBank Haiti and private investors from the Haitian Diaspora and the Haitian private sector as an alternative to development assistance for promoting economic growth and foreign direct investment. The fund invests in large-scale infrastructure projects in Haiti like real estate, electricity and telecom industries.

### ICTs and Diaspora Linkages to Economic Development

Chanzo Greenidge, Principal Researcher in the Pan Americas-IDRC Diaspora Mapping Study on ICT usage by Caribbean Diasporas, presented recommendations to address the structural impediments to the growth of remittance services. Among the impediments is the fact that informal remittance channels have been a barrier to the flow of remittances and productive development. Mr. Greenidge noted that ICTs are important to the development of cottage industries – or Small and Medium Enterprises – in the Caribbean, as well as in disaster prevention. Ruben E. Bermudez, President of Alooo.com, Invel/ICA, and Elink noted that remittances offer a channel to promote “e-inclusion,” or increasing access to technology for remitters. One example is use Web-based remittance systems that allow remitters not just to send money, but also to specify how the money they send is used. The ability to control how the money is spent is an incentive to get people who are not users of technology to become more intensive users. Daniela Giacomelli, Program Officer at the United Nations ICT Task Force Secretariat focused on the uses of ICTs to promote non-financial linkages and outlined problems encountered while setting up the Digital Diaspora project. Reflecting on the lessons learned from the Digital Diaspora project, Ms. Giacomelli highlighted the need for coordinated and sustainable approaches, adequate resources and a strong leadership commitment as elements necessary to build programmes that link Diasporas to their home communities through ICTs.

### Keynote Address

The Honorable Jean Augustine, Member of Parliament for Etobicoke Lakeshore spoke from personal experience about the human aspects of Diaspora connections. As the Special Advisor to Grenada during Hurricane Ivan in September 2004, Ms. Augustine witnessed first hand how remittances funneled through public and private transnational flows were able to reconstruct 94% of the island devastated by natural disaster. The commitment by the Diaspora was a crucial component in raising the needed funds. Ms. Augustine identified the key role remittances play in reducing poverty in marginalized areas. Ms. Augustine has a number of suggestions for improving the impact and harnessing the benefits of remittances, which include: educate public policy makers so that they are able to establish appropriate legislative structures; lower costs to facilitate the flow of remittances; reduce regulatory impediments while observing national and international security laws; reduce anti-competition practices; support technological innovations; and, include and consult remitters and receivers in ongoing dialogue.

### Conclusions and Main Findings

It was clear from discussions at both Montréal and Toronto that while attention to the issue of remittance transfers has increased, much more needs to be done. Specifically, three areas stand out.

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First, more research is needed on quantitative and qualitative aspects of remittance transfers and this research must be sensitive to the unique attributes and conditions of each particular remittance corridor, e.g., Montréal to Haiti or Toronto to Kingston.

Second, a review of Canadian federal and provincial banking and money transfer regulations is needed to ensure regulation is not impeding competition. This is particularly needed in light of recent concerns about money laundering. It is crucial that anti-money laundering regulation not place an onerous or disproportionate burden on remittance senders.

Third, much more is needed in terms of dialogue between government ministries and agencies working on remittance issues and Diaspora communities in Canada. The level of distrust and circumspection that characterizes the initial reaction of many Diaspora communities toward government (and multilateral agency) interest in remittances should serve as a caution to these agencies.

Fourth, a significant volume of research and development experimentation has already taken place in the US and Latin America by the MIF and other agencies. Canadian stakeholders should look to take advantage of this experience and reach out more to the MIF and other agencies with expertise.

Improving remittance flows through reducing fees, increasing access to financial services and providing greater financial choice to remittance senders and receivers has great potential to significantly and immediately improve the lives of communities in the Caribbean and in Canada. The wrong policies on remittances, however, can do great damage. It is crucial therefore, that we get the policies right.