



# FOGAL

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## CANADIAN REMITTANCE WORKING GROUP

The idea behind to working group is for representatives from banks, money transfer companies, caisses populaires, government ministries and immigrant organizations to come together to identify key issues, lead collection of data and produce policy recommendations for federal and provincial governments on the economic and social issues related to financial transfers by migrants and immigrants in Canada. The Working Group would be a place for constructive dialogue and would lead practical research to benefit all participants. The working group would be modelled on the U.S. Task Force on Remittances that brought together government, immigrant organizations, foundations, and financial service companies.

The working group would have three principal outcomes:

1. collection of data on remittances in Canada
2. providing a space for exchange of information and developing policy recommendations on remittances;
3. produce recommendations to inform policy formation.

### Background

When combined with telecommunications and travel expenditures by migrants, remittances are the greatest contribution that Canada makes to direct poverty alleviation, promoting economic opportunity and job creation in the developing world. With immigration to Canada projected to remain at 250,000 new entrants per year, these transfers also will remain an important growth area for the financial services industry. Policy on remittances is important for the Canadian financial sector, for economic development in immigrant communities in Canada and for economic and social development in remittance receiving communities – many of which are tied closely to immigrant communities in Canada. Yet, to date minimal attention has been paid to the issue. Little data is available and scant practical research has been produced to inform policy decisions.

Elsewhere, governments are beginning to monitor, regulate, and in some cases are trying to manage remittance flows. The United Nations Economic and Social Commission for Asia and the Pacific has convened special working groups to formulate policy recommendations for governments on worker remittances. The Indian government convened the largest meeting of a diaspora last year and is building upon this. The Philippine government recently signed a Memorandum of Understanding with the U.S. to cooperate in strengthening remittance channels to the Philippines. The Mexican government is working with U.S. and Mexican banking institutions to reduce the costs of transferring money. The Inter-American Development Bank, USAID and private foundations are financing research and pilot programs to lower transaction costs.

In the United States, much research and writing has been done on remittance issues, mainly focused on documenting the size and costs of the transfers, studying how they are used by recipients, and trying to sort through their foreign and domestic development impacts. Some attention also has been given to the role of hometown associations that channel remittances to specific communities, for developmental and political purposes. This research and attendant public-private sector discussions have been crucial to constructing a coherent policy framework on issues associated with remittances in the United States.



## What is Proposed

The Canadian Working Group will focus on the policy issues posed by remittances -- an area in which little work so far has been done in Canada. The Working Group will identify and prioritize issues, problems, and opportunities; look at best practices from the U.S. and multilateral community; and develop policy options.

The central policy questions would identify interventions to make remittances more valuable to individuals, families and communities sending and receiving the funds while increasing opportunities and lowering costs for Canadian businesses. Specific goals may include reducing the cost and increasing security of transfers (which could add, on average, 15 to 25 percent to their value) and exploring whether and how they could make a greater contribution to community and national development. Another objective will be to help avoid bad choices. (For example, taxing remittances.) The project will offer concrete recommendations based on best practices and lessons learned elsewhere that are applicable to Canada.

### Data Collection and Information

The first step, and most critical issue, for the Working Group is data collection and analysis on remittances in Canada. This information, which would be collected using methodologies already developed and proven in the U.S., would include the following:

- How much per capita is being sent from different immigrant communities in the Canada? What percentage of diaspora community income is sent overseas? What explains the differences among diaspora communities?
- How much does it cost to remit? Savings from sending larger amounts? How secure are transfers? What are the differences among countries, companies, and methods of transfer?
- What is the cost structure of the companies that remit money? How much profit do they make on each transfer? Are there large initial costs?

### Policy Issues

The initial agenda of the Task Force will address key policy questions-all focused on increasing the value of remittances. Based on the experience of the U.S. working group, the following five questions may serve as a guide for the specific questions to be developed by a Canadian Working Group:

1. **Transfer costs and government policy:** How can and should the government address the money transfer industry? Is increased competition important? Is regulation needed? What kind of legal and regulatory regimes are important? What changes in current laws and regulations are most important? What can be done to reduce the cost of remitting?
2. **Remittances and Development:** What can be done to make remittances more valuable to the economy and to local communities? What interventions and policies in Canada and abroad can enhance the developmental impact of remittances? What is the role of financial literacy and banking the unbanked?
3. **Hometown Associations and Immigrant Organizations:** What is the potential of these groups to work with the government? What about local organizations in remittance receiving communities? What is the potential of these groups as a focus of Corporate Social Responsibility initiatives by the private sector? What role should Canada play in working with governments and government initiatives to provide long-term investment incentives to members of the overseas diaspora? Are there



any government initiatives and lessons about remittances and other sources of migrant revenue that regulate or enable an efficient money transfer system that goes beyond remittances (investments, financial obligations, etc.). What are best practices in this area?

4. **Foreign Government and Multilateral Policies:** What initiatives are foreign governments and multilateral agencies undertaking vis a vis remittances? How will these initiatives impact Canada?
5. **Empowerment:** What can be done to help people sending and receiving remittances (i.e., the owners of the money) play an effective and productive role in the development and implementation of new policies? Should those regularly sending remittances to a particular country (or even community) have some structured political voice in the policies of that country (or community)? Is there a way to structure such an involvement so that it does not conflict with the rights of the country's residents and citizens?

The purpose of getting answers to these questions is straightforward—to build on them to develop policy recommendations for the government, informed by input from the private sector and immigrant organizations, to enhance the contributions that remittances make to economic and social development of families and communities in Canada and the developing world.

## Work Plan

The first step is identification and invitation of members. The second step is a meeting to agree upon a research and data collection agenda. The third step is development of a work plan and securing funding. The Working Group would aim to produce an initial report on survey findings and policy recommendations six months after its initial meeting. The group would need to meet periodically, either in person or virtually, to review research and drafting of a report. As with the Task Force on Remittances in Washington, the report by the Canadian Working Group would reflect broad agreements among members, but would not necessarily be a consensus document. Strong policy recommendations would be offered when possible, but there would be ample representation of differences, if any, among participants. An attempt would be made to probe differences and suggest what needs to be done to gain greater clarification.