This documentation is edited by the German Federal Ministry of Finance. In response to the request of the G8 in Heiligendamm, the German Federal Ministry of Finance hosted a high-level meeting on remittances in Berlin from 28 to 30 November 2007. The meeting was held in a G8 outreach style, with delegations from G8 countries and the European Commission as well as participants from other countries, international organizations, the private sector, civil society, academia and the media. The high-level meeting had two objectives: First, to assess the progress of measures to facilitate remittance flows agreed at the Sea Island Summit in 2004, where the G8 launched its Global Remittances Initiative. Second, the meeting was intended to initiate a dialog on new channels for transferring funds, instruments to promote migrant transfers and other potential measures. During the course of six panel discussions with 19 presentations by high-ranking experts, seven recommendations were formulated by the participants of the G8 Outreach Meeting.

Federal Ministry
of Finance

G8 2007

G8 Outreach Meeting on "Remittances" in Berlin, 28 – 30 November 2007




G8 Outreach Meeting on "Remittances" in Berlin, 28 – 30 November 2007




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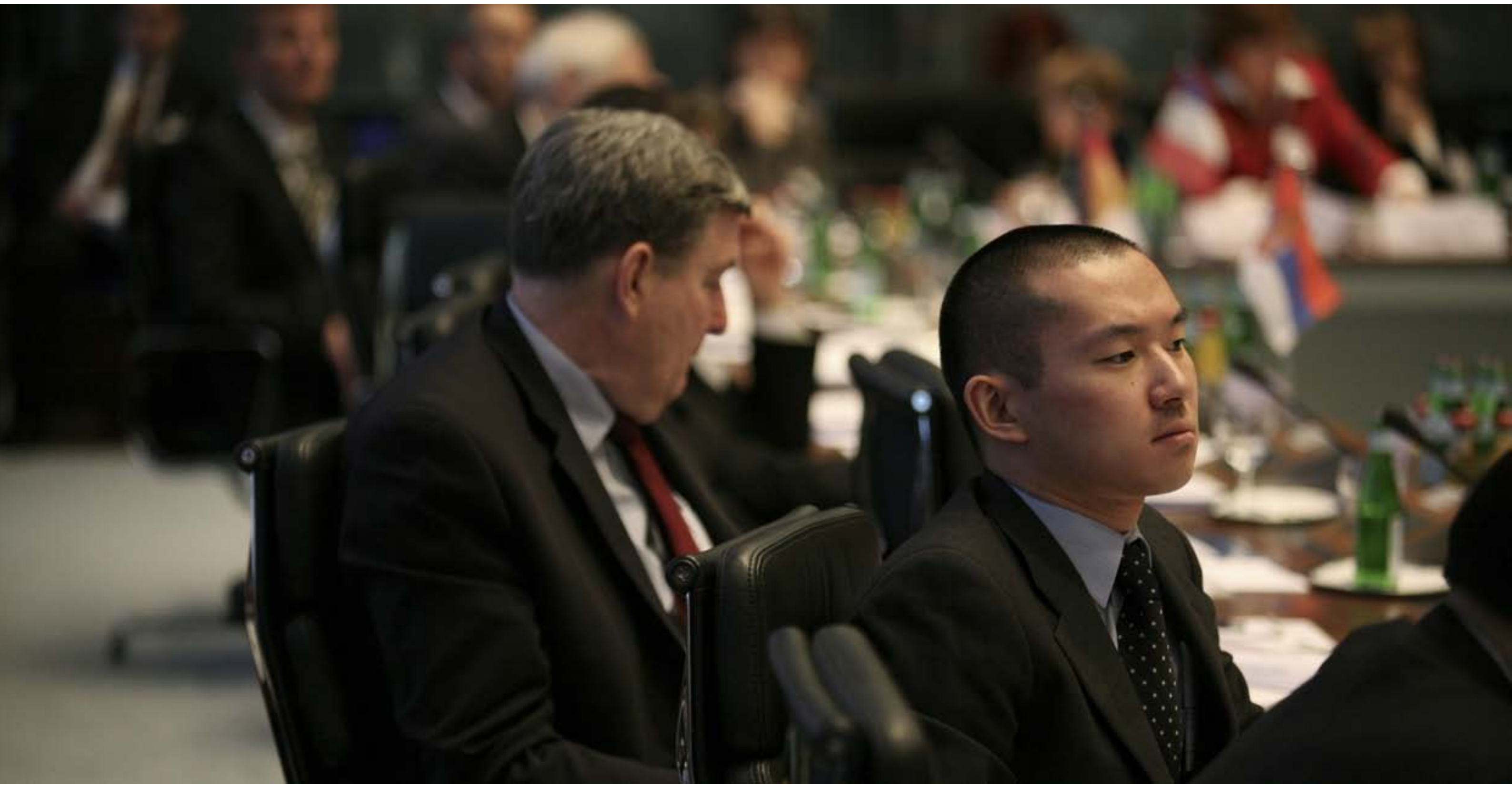

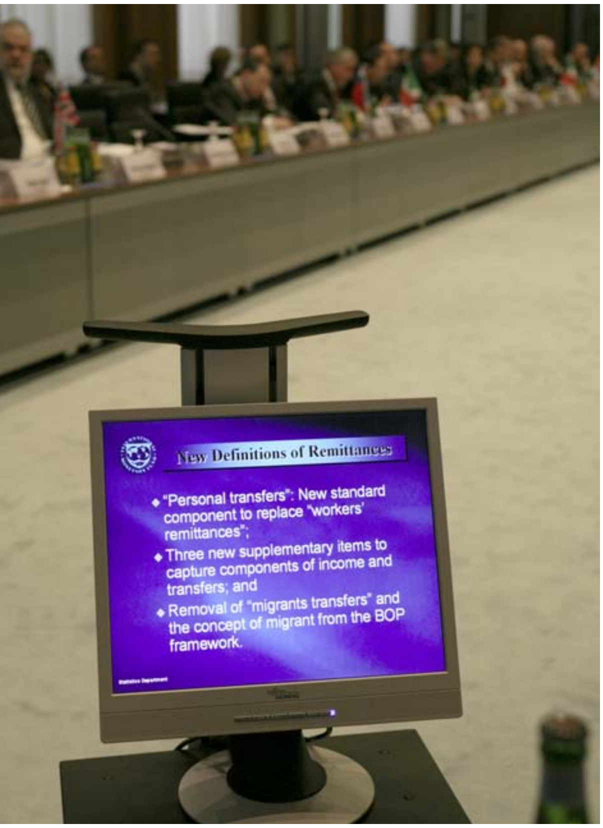
New Definitions of Remittances
"Personal transfers": New standard component to replace "workers' remittances";
Three new supplementary items to capture components of income and transfers; and
Removal of "migrants transfers" and the concept of migrant from the BOP framework.

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Preface
by Peer Steinbrück,
Federal Minister of Finance

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Dear Reader,

For me, it was quite a surprise to learn that the volume of remittances – migrants' private transfers – has already exceeded the figure for official development assistance. These small amounts of just a few hundred dollars, when viewed individually, have reached a level of more than 200 billion US dollars a year in total. In many countries, remittances have become an important, if not the most important, source of external financing. The inflows are often higher than revenues from the export of natural resources or goods and larger than foreign direct investments.
The phenomenon of remittances has been overlooked, not to say neglected, for quite some time. Most governments did not pay much attention to the problems and needs of migrants who wanted to send portions of their hard-earned money to their relatives in their home countries. And the private sector, mainly the banking industry, was often not interested in offering services for migrants. It is therefore no surprise to find that migrants have often sought private or informal channels to send money home.

At the summit in Heiligendamm, the heads of state and government of the G8 countries agreed that Germany, the current president of the G8, should organize a high-level meeting on remittances as early as this autumn. In response, the Federal Ministry of Finance of Germany organized a two-day, high-level meeting on remittances in a G8 outreach format with participants at a senior expert level. Alongside delegates from the G8 countries and major recipient countries, the conference was attended by representatives from international organizations, the private sector, the media and NGOs as well as representatives from the fields of research and academia.

The objective of the meeting was not only to encourage an exchange of views among experts. In fact, the purpose of this meeting was to put the focus back on the remittance phenomenon and to produce an update of the various multilateral and national initiatives that had been launched at the Sea Island Summit in 2004.

I would like to congratulate all participants on the formulation of the “7 Recommendations of the G8 Outreach Meeting on Remittances”. These recommendations are a tangible outcome and were not only endorsed by delegations from the G8 countries, but also by representatives from further countries, international organizations, national institutions, the private sector, academia and the civil society who attended the meeting. Let me thank you for participating in this high-level meeting and helping to make it a success. The feedback we have received thus far on the outcome of the meeting has been very satisfying.

In its capacity as G8 president in 2007, Germany inserted the “7 Recommendations” into the G8 process, and I will continue this important work in the G8.

First and foremost, the enclosed documentation contains the “7 Recommendations”, but it also provides summaries of the various presentations that were given at the meeting and that, together with the respective discussions, led to the formulation of the recommendations. In addition, you can find copies of the speeches delivered during the conference. Furthermore, we have tried to capture the cooperative atmosphere of the meeting by selecting some representative photographs.

I hope you will enjoy the read.

Sincerely,
Peer Steinbrück

The 7 Recommendations of the G8 Outreach Meeting on "Remittances" in Berlin, 28 – 30 November 2007

Background: In response to the request of the G8 in Heiligendamm, the German Federal Ministry of Finance hosted a high-level meeting on remittances in Berlin from 28 to 30 November 2007. The meeting was held in a G8 outreach style, with delegations from G8 countries and the European Commission as well as participants from other countries, international organizations, the private sector, civil society, academia and the media. The high-level meeting had two objectives: First, to assess the progress of measures to facilitate remittance flows agreed at the Sea Island Summit in 2004, where the G8 launched its Global Remittances Initiative. Second, the meeting was intended to initiate a dialog on new channels for transferring funds, instruments to promote migrant transfers and other potential measures. During the course of six panel discussions with 19 presentations by high-ranking experts, the following seven recommendations were formulated by the participants of the G8 Outreach Meeting.

Recommendation No. 1: The participants welcomed the work done to improve remittance data following the G8 Summit at Sea Island. National statistical offices and central banks are encouraged to continue their efforts to improve the quality of data used to compile estimates of remittance flows within the Balance of Payments framework. In this regard, the conference recommends that they make use of the forthcoming compilation guide drafted by the Luxembourg Group. The conference also recommends that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows.

Recommendation No. 2: The participants recognized the extensive research on the development impacts of remittances which has been undertaken in recent years. They invited the international community to explore ways to encourage formal transfers and innovative mechanisms to leverage remittances for development.

Recommendation No. 3: The participants welcomed the preparation of General Principles for International Remittance Services by the international taskforce led by the Bank for International Settlements and the World Bank. Policymakers should use these principles as an instrument to improve the regulatory framework of the remittance industry, foster competition, enhance transparency, and strengthen consumer protection in their remittance markets.

Euro hall in the Federal Ministry of Finance, Berlin

Recommendation No. 4: The participants of the G8 Outreach Meeting recognized the contribution of the G8 countries, in collaboration with their bilateral partners, as well as the efforts of the European Commission to facilitating remittances flows and deepening the development impact of those flows. Participants urged the national authorities to continue to pursue such collaborative efforts. Participants also suggested that to avoid duplicative efforts, coordination of the work by the national authorities with other national authorities, the NGOs, the private sector and the MDBs should be pursued.

Recommendation No. 5: One of the major challenges is still to attract remittances to bankable channels. While recognizing the considerable efforts undertaken so far, the participants of the G8 Outreach Meeting called upon policymakers, the private sector, and the international community to continue their work to strengthen financial systems and to improve access to financial services – through better systems and attractive ways to remit, save and invest for migrants, diaspora, and remittance recipients – thereby contributing to reducing poverty and promoting economic growth.

Recommendation No. 6: Innovative payment instruments are evolving at a rapid pace and might further reduce the cost of remittance services and increase the access to financial services. International organizations and policymakers should monitor these developments closely and should be prepared in case adjustments to the regulatory framework are needed. Policies aimed at influencing remittance flows should be further monitored.

Recommendation No. 7: The participants of the G8 Outreach Meeting welcomed the several attempts of the public and private sector as well as the civil society aimed at coordinating and moving forward the existing and forthcoming initiatives to promote remittance flows. The participants regarded the establishment of a Global Remittance Working Group as an interesting proposal which should be considered by the G8. Such a group should be led by an International Organization, which wants to take the lead, and should consist of members from the public and private sector as well as the civil society. The tasks of this group should be – among others – to heighten the awareness of the remittances phenomenon, to encourage further research on the development impact, to support the implementation of the General Principles for International Remittances Services, and to initiate pilot programs with a demonstration effect.

Opening Statement
by Thomas Mirow,
State Secretary, Federal Ministry of Finance

Let me begin by welcoming participants from all over the world, representing many nations, the private sector, NGOs and academia. Welcome to Berlin. Welcome to the Federal Ministry of Finance.

I am very grateful that the Federal Ministry of Finance has the honor of hosting this high-level meeting on the important subject of remittances.

Any attempt to tell you something new about remittances would be like trying to sell ice to the Inuits as, thanks to your presence here today, we have convened a meeting of the leading experts in this field. And we are very happy that you have decided to accept our invitation to come to Germany.

But allow me to make some general observations on the important topic you will be discussing over the next two days.

What makes remittances so important? Remittances are usually relatively small amounts of a couple of hundred dollars or euros sent by migrants, who work abroad, to their relatives in their home countries. However, if you add up these – at first sight – small amounts, the total is quite impressive. According to the most recent Global Development Finance Report from the World Bank, recorded remittances sent home by migrants from developing countries were estimated at more than 200 billion US dollars, a 100% increase since 2001. If you include the amount of remittances transferred through informal channels, the overall figure is even believed to exceed the 300-billion threshold.

Today, remittance flows are already three times as high as the amount of all official development assistance combined, which stood at 100 billion in 2006. In many countries, remittances are the most important source of capital inflows, higher than foreign direct investments and greater than export revenues.

Sending money home is not a new phenomenon. Ever since people started going abroad to find better opportunities to use their skills, they have sent their hard-earned money to relatives and friends in their home countries. Migration and remittances are interconnected phenomena.

Three quarters of remittances flow to developing countries. Most of the money reaches families in need. This additional income helps to finance healthcare, education, and investment in business growth, thus offering an escape from poverty. Remittances help the really poor.

For me, the most appealing aspect about remittances is the fact that these capital flows illustrate the solidarity existing between people even over very long distances and long periods of time. Such support has not been organized by aid agencies, it is not the outcome of a summit, it is a real, grassroots movement in the best sense of the word, and it has become the most important source of external finance for low income countries.

For a long time, the phenomenon of remittances has been overlooked or neglected and there was little, if any, support for these expressions of private solidarity. On the contrary, for many migrants it was very difficult to find ways to send their money home. Many banks were not interested in offering transfer services for these small amounts. If formal transfer channels existed, the transfer costs were often high and reduced the amount that could be transferred to people in need. So it was not surprising that migrants often had to transfer their money by private means, either by sending it via mail or using informal channels. Even today, many migrants have great difficulties in using formal transfer channels because they have no access to financial services, especially if their legal status is not clear.

The World Bank deserves credit for highlighting the sheer size, the rapid growth and the economic impact of remittances. At the Sea Island Summit in 2004, the G8 also focused on the remittances phenomenon and launched the Global Remittances Initiative. This initiative consisted of multilateral and national components and was aimed at improving data collection, building a consistent regulatory framework, lowering transfer costs as well as at heightening awareness with regard to new technologies and the development impact. Several new multilateral working groups were set up and the G8 countries committed themselves to an action plan with concrete measures.

What is the outcome of theses initiatives? Have the working groups produced tangible results? Have national action plans lived up to expectations? Is there a coherent view on the development impact of remittances? Are there any new developments in the transfers sector? Has the internet altered the transfer landscape? These and other questions are on the agenda for this high-level meeting on remittances. The G8 summit has asked for a stock taking of the work undertaken up to now on the Global Remittances Initiative and whether more needs to be done. The agenda of this meeting is therefore centered on these issues. In six panels you will have the opportunity to hear presentations by the leading experts, discuss the main issues and listen to the major stakeholders.

Before concluding, let me just highlight the launch of a special website on remittances this afternoon. In Germany which is one of the biggest source of remittances, there is little public knowledge of this topic. Against this background and in order to highlight the exceptional nature of this meeting, the Minster of Finance, Peer Steinbrück, and the Minister for Economic Cooperation and Development, Heidemarie Wieczorek-Zeul, will today officially launch the website www.geldtransfair.de. Visitors to this site – which I would like to stress is not just directed at migrants – can find an overview of transfer channels and the related costs of sending money to and from Germany. It is a contribution to more transparency. Our website follows the good examples of similar ones such as the UK's sending money home site.

I wish the conference every success. I am confident that our discussions will improve our understanding of remittances, help us to identify the best policy and regulatory frameworks, and extend the impact of remittances in reducing global poverty.

Thank you!




Panel I: Scope and Recent Trends of Remittances

with Neil Fantom (Moderator), Jens Reinke, Jens Walter, Martin Hallet, Sergey Shcherbakov

According to recent estimates, remittances have developed next to foreign direct investments (FDI) to become the most important source of external financing for developing countries in recent years. G8 countries committed themselves at the Sea Island level to "work with the World Bank, IMF, and other bodies to improve data on remittance flows and to develop standards for data collection in both sending and receiving countries". This commitment led to the establishment of an international working group – the Luxembourg Group.

Panel I provided an overview of recent trends and gave the Luxembourg Group the opportunity to present its recommendations for improving data on remittances. Furthermore, other methods of estimating remittance flows were discussed as well.

Jens Reinke
Statistics Department, International Monetary Fund

Jens Reinke is an economist at the International Monetary Fund. Currently with the Statistics Department, he leads the project on improving remittances data.

Prior to joining the IMF, Dr. Reinke was an Associate Director of the IRIS Center at the University of Maryland, where he directed research into financial regulation, banking sector development and macroeconomic issues. As a Senior Research Officer at the Bank of Botswana, Dr. Reinke managed a research division responsible for international finance and trade. He was sponsored by the London School of Economics to carry out his PhD research on microfinance institutions in South Africa and continued post-doctoral research at the LSE on financial market development, financial regulation, and statistical and governance issues.

Recent Trends of Remittance Flows

Jens Reinke presented aspects of the IMF/World Bank remittance work relating to improving data on remittance flows. The weaknesses of current official data on remittances were illustrated by looking at recent trends of remittance flows in global balance of payments aggregates. He also discussed the forthcoming improvements, relating to both conceptual and practical guidance on improving remittance estimates.

Panel I: Scope and Recent Trends of Remittances

Ways to improve Quality and Coverage of Data on Remittances – the Recommendations of the Luxembourg Group

The presentation focused on two core elements of the guide.
(i) An inventory of sources and compilation strategies highlighting their strengths and weaknesses.
(ii) A practical 4-step data development plan for compilers.

The different compilation strategies (transaction reporting, direct reporting, household surveys and data models) were presented against the background of relevant remittance channels (e.g. banking system, MTOs etc.) where their application is most promising. Furthermore, the 4-step data development plan was explained. The plan recommends that compilers should (i) know the current remittance channels and decide which channels are important in their own country, (ii) evaluate their current system in order to identify which channels are insufficiently covered, (iii) prioritise which of these channels are most effective to improve the overall data quality and (iv) improve the data collection by choosing the compilation strategy that is most effective in collecting accurate data for this channel.

Jens Walter
Deputy Head of the Balance of Payments and International Investment Position Division – Deutsche Bundesbank;
Head of Section "Current and Capital Account Transactions, Legal Issues, Collection System".

Jens joined the Bundesbank in 2000 and currently works as Head of Section in and Deputy Head of the Balance of Payments and IIP Division. He is responsible for the current account, collection systems and legal bases. In the field of remittances, Jens represented the Deutsche Bundesbank in the Technical Sub-Group on the Movement of Natural Persons of the UN Interagency Task Force on Statistics of International Trade in Services which developed the new statistical definitions of remittances in response to the 2004 Sea Island Summit. Jens also represented the Bundesbank in the Luxembourg Group on Remittance Data which has drafted a compilation guide for those whose task it is to obtain, process, verify and publish data on remittances.

Dr. Martin Hallet
Head of Sector “Development Policy” in the Directorate-General for Economic and Financial Affairs of the European Commission, Brussels

Martin Hallet has been working in the Directorate-General for Economic and Financial Affairs of the European Commission since 1995. He is Head of Sector on economic aspects of development policy, including issues of international migration and remittances. His previous jobs in the European Commission were on the Bulgarian economy and on economic aspects of EU regional policy. He studied economics at the University of Trier in Germany where he also worked as assistant at a chair for European economic policy from 1990 to 1995 and wrote his doctorate thesis on the economic integration of Greece and Portugal into the European Community.

Indirect Estimation of Remittance Flows – Results of a study on the Volume and Geography of Remittances from the European Union

In view of the apparent problems of official statistics on workers’ remittances from the EU, the European Commission recently financed a study to estimate the volume and geography of remittances from the EU. The study, which was carried out by Sergi Jiménez-Martín, Natalia Jorgensen and José María Labeaga at the Fundación de Estudios de Economía Aplicada (FEDEA) in Madrid, uses an indirect methodology based on the stock of migrants by origin in EU Member States and derives their remittances by estimating their disposable income and propensity to remit. For the year 2004, remittances from the EU are calculated at €26.8 billion of which €6.9 billion within the EU. Apart from intra-EU remittance flows, the main global regions of destination were non-EU Europe, North Africa, Sub-Saharan Africa, Latin America and Asia. The 10 most important remittance corridors identified were Germany-Turkey, France-Morocco, France-Portugal, Spain-Morocco, Spain-Colombia, Germany-Poland, Spain-Ecuador, France-Algeria, Italy-Albania, and Germany-Serbia and Montenegro. The study shows that an indirect estimation of remittances is an important methodology, complementary to other compilation methods, which can provide interesting results. Nevertheless, the study faced substantial data constraints and acknowledges that there is scope for improvement in the estimations if more and better data on migrants and remittances in the EU were available, notably from household surveys.

Progress in Remittances Statistics in Russia

There is no economic definition of remittances and the absence of that makes it difficult to organize an appropriate statistical monitoring of the phenomenon. Proposed definitions of personal remittances, total remittances, total remittances and transfers of NPISHs lie in descriptions of their calculations from certain BOP indicators, i. e. have a technical nature. Our position regarding the economic definition is in the following: "remittances are resident households' receipts (real and/or financial assets) from abroad which are connected (directly or indirectly) with manpower migration and resident dispatches (real and/or financial assets) in favor of nonresident households which are connected (directly or indirectly) with manpower migration".

Because of imperfection of statistical tools there was arranged a selection of gross information about cross-border transactions of individuals in Russia. We succeeded in categorizing transactions by the purposes, countries, channels. An experimental calculation of aggregate of personal remittances was made on this base.

Russian experts will continue improving both an operational infrastructure and a statistical monitoring of remittances. In our judgement it would be correct to study the phenomenon not unilaterally as it takes place now (namely in the light of influence of remittances on economic development of the countries), but also from the aspect of influence of labour migrants on the development of host countries.

Sergey Shcherbakov
Head of the BOP Department of the Bank of Russia

Sergey Shcherbakov has been working at the Central Bank of Russia as a Director of Balance of Payments Department since 1992. He was one of the first who started to develop BOP compilation in Russia. Statistical and analytical information on remittances is produced in BOP Department and this area is developing rapidly.

Prior to joining the Central Bank of Russia, he worked at the Minsk Regional Statistical Committee, studied in the Academy of Foreign Trade for top managers and after graduating he worked at the Central Statistical Department of the USSR where he was responsible for external trade statistics and international comparisons. He has a Ph.D. in economics and he is an author of many economic publications. He is a member of BOPCOM of the IMF.

Neil Fantom, Moderator

Neil Fantom is currently a Senior Statistician in the Development Data Group of the World Bank, part of the Development Economics Vice-Presidency. In collaboration with the IMF and the United Nations, Neil has led the International Working Group on Improving Data on Remittances, and has been the World Bank representative on the Luxembourg Group, which was formed to provide better guidelines on remittance compilation to compilers of Balance of Payments statistics. Within the World Bank, Neil also leads a team which aims to help developing countries improve their capacity to produce official statistics.

Neil has spent his career working with developing countries, helping them produce and use better official statistics. His previous work experience includes five years working in the for the Department for International Development, seven years in and working with their national statistical offices, and three years with Eurostat in Luxembourg, mainly working with candidate countries to help them meet the statistical requirements of accession to the European Union.

Neil has degrees in Statistical Science from the University of London and Mathematics from the University of Durham. He was a member of the UK Government Statistical Service between 1987 and 2005, and has been a Chartered Statistician and Fellow of the Royal Statistical Society.

Panel I: Scope and Recent Trends of Remittances

Recommendation No. 1: The participants welcomed the work done to improve remittance data following the G8 Summit at Sea Island. National statistical offices and central banks are encouraged to continue their efforts to improve the quality of data used to compile estimates of remittance flows within the Balance of Payments framework. In this regard, the conference recommends that they make use of the forthcoming compilation guide drafted by the Luxembourg Group. The conference also recommends that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows.

Panel II: The Development Impact of Remittances

with Dr. Volker Ducklau (Moderator), Jan Hillered, Dilip Ratha and Rainer Münz

The G8 agreed at the Sea Island Summit to “promote better coherence and coordination of international organizations that are working to enhance remittance services and heighten the developmental impact of remittance receipts in developing countries”. This session provided an overview of recent research on the development impact of remittances. The panel provided the opportunity to discuss whether a coherent view on remittances had been emerging and how the private sector helps to increase the development impact by providing needed services.

Jan Hillered

Regional Vice President, Germany, Central and South-eastern Europe, Western Union Financial Services GmbH

Jan is a seasoned financial manager with more than 20 years of experience in the finance sector. Prior to joining Western Union, he worked 10 years for the Dutch ING Group, holding various general management positions in the Czech and Slovak Republics. He was also a member of the project management team assigned to restructure and sell ING-BHF Bank AG, Germany and build ING's new presence in the German market. In addition, he spent 10 years at Nordbanken (NORDEA AB), as Senior Management at the Headquarters in Sweden and later at Nordbanken Hong Kong Branch, as Senior Vice President & General Manager.

What it Takes to Make Remittances Flow to Developing Countries

- Migrant population growth and increased incomes mean that remittances flowing into developing countries continue to increase every year.
- There is healthy competition in the money transfer industry and migrants around the globe benefit from the choice and lower pricing that this encourages. Though there are many means of sending money, people are generally aware of 5-6 of them and used 2-3 of them in the last 12 months.
- Western Union, together with its affiliates Orlandi Valuta and Vigo, operates a network of 320,000 locations worldwide. This network plays a key role in facilitating the increasing flow of remittances to developing countries.
- Western Union's Agent network consists largely of banks, postbanks and postal networks, also acting as a conduit for millions of migrants into formal financial channels potentially broadening their access to financial services. The speed, convenience and reach of Western Union's service complements regular banking services, offering more choice to send and receive funds.
- Committed to making its services more accessible to more people, Western Union is developing other routes aimed at growing the reach and value of its services, such as the recent agreement with the GSM Association. The aim of this agreement is to create a platform that can be used by mobile telephone operators around the globe to develop and offer mobile phone based low denomination remittance services to their customers.
- The company is continually investing in productive ways of working with communities, such as job-creation, education and financial literacy projects. Through the Western Union Foundation and innovative programs like 'Our World, Our Family', we work to empower underserved communities, especially those impacted by high rates of migration.

Panel II: The Development Impact of Remittances

Macroeconomic Aspects of the Remittance Phenomenon

The session reviewed recent trends in remittances, discussed how to leverage remittances for development at the macro level, and presented the International Remittances Agenda. The main points were:

- Recorded remittances sent home by migrants from developing countries are expected to reach $240 billion in 2007. The true size of remittances is even larger. Recorded remittances were more than twice the level of official development assistance (ODA) flows and nearly two-third of FDI received by developing countries in 2007. Smaller and poorer countries tend to receive relatively larger remittances relative to the size of their economies.
- Remittances are stable or even countercyclical; they tend to rise following crisis, natural disaster, or conflict
- Remittances reduce poverty in the recipient economy; they are also associated with increased household investments in education, entrepreneurship, and health
- Large remittance inflows may cause currency appreciation and affect traditional exports. As remittances tend to be relatively stable and persistent, the appropriate policy response however is not to sterilize the inflows, but to learn to live with them.
- Remittances can help obtain and improve credit ratings of countries.
- Financial institutions receiving remittance can securitize future remittances for raising capital from international markets.
- Diaspora bonds can potentially raise significant amounts of development financing.

The session proposed the establishment of an international working group to coordinate future work on remittances.

Dilip Ratha
Senior Economist and Manager, Migration and Remittances Team, Development Prospects Group, The World Bank

Dilip Ratha is the author of the article “Workers’ Remittances: An Important and Stable Source of External Development Finance” and the World Bank flagship “Global Economic Prospects 2006: Economic Implications of Remittances and Migration”. He has written extensively on international finance topics including shadow-ratings for unrated countries, future-flow securitization as a tool for development financing, and the rise of South-South foreign direct investment. Prior to joining the World Bank, he worked as a regional economist for Asian emerging markets at Credit Agricole Indosuez, and as an Assistant Professor at Indian Institute of Management, Ahmedabad. He has a Ph.D. in economics from Indian Statistical Institute, New Delhi.

Rainer Münz
Senior Fellow, Hamburg Institute of International Economics, and Head of Research & Development, Erste Group

Rainer Muenz is an expert on international migration, population change and demographic aging. He has done research and published books and papers on migration and development, migration policy and the impact of aging on economic growth and social security.

Remittances: Is there a Coherent View on the Development Impact?

Development impact:
1. Remittances (unlike most ODA expenditure) reach households and individuals in middle and low-income countries, expand their household income, increase the potential for consumption as well as for household investments and savings.
2. Remittances contribute to inequality between households of emigrants and households with no bread winner abroad.
3. At macro level there clearly is evidence of poverty reduction, but also a danger of higher inflation if disposable household income is exceeding local supply (Dutch disease effects, asset price inflation, higher prices for consumer goods).
4. Remittances to countries contribute to appreciation of local currency (if remitted amounts of money are converted locally).
5. Remittances help close current account deficits; but their availability might reduce incentives for implementation of sound macroeconomic policy and institutional reform.

What to do in order to maximize gains from remittances?
1. Do not tax remittances.
2. Promote reforms that also encourage investments (property rights, rule of law, etc.)
3. Increase transparency and accountability at all levels of government.
4. Promote prudentially secure banking and financial sector
5. Prepare migrants before they leave
6. Engage migrant receiving countries in a dialogue about future development and recruitment of skills.
7. Protect migrants' rights in order to give them access to minimum wages and social security coverage both leading to higher remittances.

Volker is a law graduate and started his career in international cooperation in 1980. More recently he has held several senior management positions in the Federal Ministry of Economic Cooperation and Development. In the 90s he was responsible for the Ministry's policy planning and worked close to the Minister. For four years he was Deputy Director General for Latin America, Northern Africa and Middle East before being seconded to the African, and subsequently, the Asian Development Bank, where he served as a Member of the Board of Directors. Since 2006 he has been heading the Migration Department in the Ministry.

Volker Ducklau, Moderator
Deputy Director General, Civil Society, Migration, Information, Federal Ministry for Economic Cooperation and Development, Germany

Panel II: The Development Impact of Remittances

Recommendation No. 2: The participants recognized the extensive research on the development impacts of remittances which has been undertaken in recent years. They invited the international community to explore ways to encourage formal transfers and innovative mechanisms to leverage remittances for development.




Panel III: Easing the Way Home

with Seymour Fortescue (Moderator), Gregory Watson, Norbert Bielefeld and Jack Jared

The second multilateral initiative the G8 launched at the Sea Island Summit was the establishment of an international task force led by the Bank for International Settlement (BIS) and the World Bank. This task force has formulated a set of general principles designed to assist countries to improve the market for remittance services. This panel presented the general principles of the task force, which cover transparency and consumer protection, payment system infrastructure, legal and regulatory framework, market structure and competition, governance and risk management. Representatives of the private sector discussed the efforts of the banking sector to lower transfer costs in recent years. A further topic was the cooperation of public institutions and the private sector in order to improve remittances services.

Gregory Watson
Remittance Specialist, Payment Systems Development Group, The World Bank – Task Force for Developing General Principles for International Remittance Services

Gregory Watson joined the World Bank in 2007. At the Bank, he provides technical advice to projects on remittances and oversees the creation of the Bank's remittance price database. In addition, he leads country assessment teams to implement the World Bank/CPSS General Principles on International Remittance Services, and provides legal and regulatory reform counsel to governments in the areas of remittances and payments. He is also leading efforts to create a regional African Payments and Remittances Initiative.

Prior to coming to the World Bank, Greg was the coordinator of the remittances program of the Multilateral Investment Fund of the Inter-American Development Bank. He served as the MIF's representative to the World Bank/Bank of International Settlements joint task force on International Remittance Services.

Previously, Mr. Watson worked as the Legislative Assistant for Foreign Policy for U.S. Senator Christopher J. Dodd, Chairman of the Senate Foreign Relations Subcommittee on the Western Hemisphere. Mr. Watson has a Master's degree in International Development from the Fletcher School of Law and Diplomacy, and a bachelor's from Tufts University.

Improving International Remittance Services through the Implementation of the General Principles

The presentation began by detailing the process that led to the drafting of the World Bank/BIS General Principles for International Remittance Services. It then went on to summarize each principle: GP1 Transparency and Consumer Protection GP2 Payment System Infrastructure GP3 Legal and Regulatory Environment GP4 Market Structure and Competition GP5 Governance and Risk Management.
The presentation then explained that the principles have been endorsed by the G20 and the financial stability forum, and requested G8 endorsement. It continued on to discuss the efforts that the World Bank has taken to implement the principles through the drafting of a Guidance Note for practitioners and several pilot assessment missions. It also detailed future plans for further implementation measures in global terms, with a particular focus on Africa. The presentation concluded by identifying some common remittance regulatory issues identified in the assessments performed so far.

Global Remittances – The need for Public & Private Sector Collaboration

The first part focused on a number of themes regarding remittances

- What they are
- Why they happen
- The size and scope of the remittance phenomena.
- The differences between formal and informal channels
- The involvement of the financial services participants to date
- The need for a change in business models to accommodate changing needs of migrants

The second part depicted how we have addressed this business in Citi, our strategic and tactical approach, some successes and failures along the road. Lessons leant and the absolute need for cooperation to create a remittance eco-system. The third and final part made a recommendation for the formation of a formal Global Remittance Task Force whose members are chosen from Government, Supranational and Multilateral Agencies, Postal Organisations, Commercial Banks, MicroFinance Organisations, Money Transfer Businesses, etc. The purpose of this Task Force is to move the General Principles for International Remittance Services to a more practical, business level.

Jack Jared
Managing Director Europe, Middle East & Africa Cash Management Sales Head, Financial Institutions & Public Sector – Global Transaction Services – Citigroup

Jack is responsible for cash management sales to Financial Institutions & Public Sector in Europe, Middle East and Africa. Citi currently operates with some 3,000 clients in the region, having presence in 51 countries and operating on a non-presence basis with clients in a further 60 countries. Jack has, during his 25 years with the firm, worked in Relationship Management acting as Senior Banker and Senior Credit Officer within the Financial Institutions group; Technology where he implemented a global risk management system; Product Management where he had responsibility for a number of global payment products and cash management sales.

Norbert Bielefeld
Deputy Director Payment Systems,
World Savings Banks Institute, WSBI

Norbert is responsible within WSBI for all payments and securities markets topics from both a European and worldwide perspective. WSBI has Members focusing on retail, regional and responsible banking in 92 countries, with which WSBI works on interest representation, business co-operation, and technical assistance initiatives. Prior to joining WSBI in 2001 Norbert worked in banking and the credit sector in France and Italy, and established leasing companies in Germany and Belgium. At SWIFT, he successively headed marketing and customer support, new network services, payments strategy, and banking industry initiatives.

Efforts of the private banking sector to lower transfer costs

The first part presented a description of customer (both remitters and beneficiaries) expectations and requirements regarding remittance transactions benchmarked against findings from available market research. The importance of the “first” and “last” mile dimensions were highlighted, and remittance services were positioned as trust enablers for the provision of core banking and insurance services.

The presentation then reviewed the contributions to-date of the private banking sector to bringing the topic to the fore, contributing to policy making, and improving the value proposition for both remitters and beneficiaries. A 3 pillar-based initiative of the World Savings Banks to establish a standard, channel independent value proposition including i.a. transparency commitments was introduced.

The presentation concluded by highlighting additional initiatives that are required from public authorities to create and maintain a competitive market that will be conducive to migrating the remittance market from cash to account-based transactioning, in order to enable optimum developmental leverage both at micro- and macro-levels.

Panel III: Easing the Way Home

Seymour Fortescue, Moderator
Chairman of the UK Remittances Task Force (a private sector-led group that the UK Government established)

Seymour chairs the UK Remittances Task Force set up to increase the flow of remittances to developing countries through registered remittance channels, to improve information available to remittance senders, and to enhance access for both senders and receivers. The Task Force is funded by the Department for International Development but is made up of private sector members.

Previously Seymour worked in retail banking with Barclays Bank for 26 years. He was subsequently Director of Finance and Fundraising of Imperial cancer Research Fund and Chief Executive of the UK's Health Education Authority. He returned to banking in 1999 as Chief Executive of the self-regulatory Banking Code Standards Board. He retired from full time employment in 2006.

Panel III: Easing the Way Home

Recommendation No. 3: The participants welcomed the preparation of General Principles for International Remittance Services by the international taskforce led by the Bank for International Settlements and the World Bank. Policymakers should use these principles as an instrument to improve the regulatory framework of the remittance industry, foster competition, enhance transparency, and strengthen consumer protection in their remittance markets.

At the summit in Sea Island the G8 countries set up an action plan and each country and the European Commission committed themselves to concrete actions. This session gave countries of the G8 and the European Commission the opportunity to present their progress in implementing their plans and to show whether a reformulation of their plans has been or will be necessary. The relevant paragraphs on Italy, the United Kingdom and the European Commission from the summit document are as follows:

"Italy: Over the last few years, remittance flows from Italy have significantly increased (to €6 billion in 2003). Italy has developed an Action Plan aimed at attracting immigrants' remittances into official financial channels and promoting the development of innovative payment technologies; addressing statistical issues; encouraging the use of remittances as a tool for economic growth and development in countries of origin. Several initiatives have already been launched or are under consideration, such as pilot projects on "microfinance-remittances" especially with countries in North Africa (Morocco in particular), the Balkans and Sub-Saharan Africa."

"United Kingdom: The UK is developing remittance partnerships with, initially, two countries that receive significant remittance flows from the UK. These partnerships will build on current UK-supported programs, such as those with the FinMark Trust in southern Africa, to strengthen the financial sector, reduce barriers to remittance flows, and improve access to affordable and efficient remittance services."

"European Commission: The flow of workers' remittances from the EU is an important source of financing for third countries, including countries neighboring the EU. The Commission is preparing a new legal framework on EU payment services designed to increase the choice of services, make remittance transactions more secure, and enhance transparency and competition in the market. An EU program also assists third countries in the area of migration and asylum, supporting initiatives to reduce remittance transfer costs and to facilitate the use of remittances for productive investments and development initiatives."

Panel IV: Update of the Sea Island Action Plan – National Component

with Bill Murden (Moderator), Giorgio Novello, Martin Alsop and Javier Palmero Zurdo

Giorgio Novello

Giorgio Novello joined the Italian Foreign Service in 1986. He is a former student of the ENA (promotion Liberté-Egalité-Fraternité). He served at the Embassies in Lagos and London (covering also the Western European Union – WEO), at the German Foreign Office – Auswaertiges Amt in Bonn (1998-99) and served as Press Counsellor in Berlin. From 2004 to 2006 he was Deputy Permanent Representative of Italy to OSCE, in Vienna. As a Senior Counsellor, he is currently Head of the Foreign Debt, IFIs and Export Credit Bureau at the Italian MFA in Rome and Deputy Head of the Italian Delegation to the Paris Club. He is a lecturer in International Relations at Trieste University.

Migrants Remittances – The Italian Experience

Since the Sea Island Summit, Italy has achieved concrete intermediate results in making remittances more efficient and less costly; addressing statistic issues; enhancing the development potential of remittances. The updating of the Italian Action Plan, a living document, is under consideration.

The Bank of Italy and the Ministry of Foreign Affairs are the main institutions involved in its implementation. The Bank encourages the development of innovative transfer instruments and promotes market competition. The Italian Exchange Bureau (an entity within the Bank of Italy) launched a new survey based on the direct reporting by all money transfer companies operating in Italy (2006), which now provides improved statistics. Italian banks, including small local banks, have improved their offer, in particular through dedicated comprehensive packages. The Italian Government has undertaken initiatives in co-operation with a number of players including partners in recipient countries (e.g. Morocco). Interesting results have been achieved by the Italian Government in co-operation also with relevant international organisations, especially in: a) data collection (e.g. Albania); b) planning/adoption of national strategies (Moldova); c) operational initiatives (IOM-led MIDA/Ghana-Senegal programme for SME in recipient countries: projects are supported by migrants' remittances, while innovative remittance schemes are also progressively implemented, including a Development Fund fuelled by a fraction of transfer fees). Italy is considering also new areas of intervention, such as possible securitization of some remittances flows.

Panel IV: Update of the Sea Island Action Plan – National Component

Promoting Competition by the new EU-Payment Services Directive

During the G8 Sea Island Summit held on 9th June 2004, the Commission committed to continue its work to set up a new legal framework for payment services in the Internal Market, designed "to increase the choice of services, make remittance transactions more secure, and enhance transparency and competition in the market".

End 2005, the Commission adopted a proposal of a Directive aimed to establish the modern and harmonised legal framework necessary for the creation of an integrated payments market which would enable payments to be made more quickly and easily throughout the whole EU. After intensive negotiations, an agreement was reached during the first half of this year, under the German Presidency of the EU Council. Just a few days ago, Directive 2007/64/EC on payment services in the internal market was published in the Official Journal. It has now to be written into national law of the 27 EU Member States as soon as possible, and by 1st November 2009 at the latest.

With the adoption of this Directive, the EU legislators have delivered on their commitment to provide for the legal foundations of a real single market for payments within the EU. This Directive will bring major benefits to all the users of payment services, including money remittance: more competitors, more transparency, harmonised rights and obligations, fully in line with the general principles for remittance services.

Javier Palmero Zurdo
Principal Administrator, Unit H/3 "Retail issues, consumer policy and payment systems", "Internal Market and Services DG", European Commission, Brussels

Javier is responsible for the implementation process of the "Payment Services Directive" 2007/64/EC. He has been closely involved in the negotiation process of this Directive, since the adoption of the Commission proposal end 2005 until its formal adoption by the Council and the European Parliament a few days ago. In addition, he is also responsible for the follow-up of the Regulation (CE) 1781/2006 on information on the payer accompanying transfers of funds as well as for infringements concerning payment issues. He has been working for the European Commission since 1993.

Martin Alsop
Economic Adviser, Financial Sector Team,
Growth and Investment Group,
Department for International Development (DFID)

Martin has considerable experience in financial sector development, and has worked both short and long term in a range of countries across Africa and Asia. Martin currently leads DFID's significant agenda on remittances, and, based in London, plays a policy, advisory and management role for DFID's remittance programmes in Africa and Asia and is on the Steering Committee of the private sector-led UK Remittances Task Force. Martin participated in the briefing process for the G8 Heiligendamm 2007 summit, and is a respected contributor in the international remittances policy arena. He has formerly worked for Tony Blair's Commission for Africa carrying out research on aid, debt and finance, and spent two years working for Nigeria's federal Debt Management Office during the time of the historic Paris Club debt deal.

Making Transmission Mechanisms more Effective via Bilateral Agreements

In Sea Island, 2004, G8 members committed to improving data, helping reduce sending costs, increasing formal flows and enhancing the development impact of remittances. DFID has sought to fulfill these objectives via various initiatives aimed at increasing the development impact of remittances. These include the www.sendmoneyhome.org initiative which has helped improve information and choice, and reduce costs; the private sector-led UK Remittances Task Force, which has produced inaugural reports on the UK market, guidance on regulation, and a Customer Charter to improve transparency; and bilateral Remittance Country Partnerships (RCPs), which have been implemented in Nigeria, Ghana and Bangladesh. The RCPs seek to promote access, remove policy and legal barriers, harness private sector innovations and increase formal flows. In Bangladesh the partnership has supported the development of a national payments system, has opened a competitive grant facility to catalyse private sector innovation, and has conducted a public awareness campaign to help migrant workers better understand the remittance services that are available. Lessons learned include the need for a country-led approach which is demand driven, partnerships with public, private and diaspora groups, the successful leadership of the G8 and the need for greater collaboration among partners.

Panel IV: Update of the Sea Island Action Plan – National Component

Bill Murden has worked at the US Treasury for more than 25 years. He is Director of the Office of Banking and Securities Markets and has been involved in handling the Asian financial crisis of the late 1990s, the stresses in the hedge fund industry and recently the turmoil on the subprime market.

Mr. Murden has participated directly in the Treasury's remittance work since the launch of the bilateral remittance initiative between the USA and Mexico in 2002. He played a pivotal role in the inception of the Sea Island Remittance Initiative and in bringing the appropriate standard setters to the table to develop the CPSS/World Bank General Principles.

Bill Murden, Moderator
Director at the Treasury, United States of America

Panel IV: Update of the Sea Island Action Plan – National Component

Recommendation No. 4: The participants of the G8 Outreach Meeting recognized the contribution of the G8 countries, in collaboration with their bilateral partners, as well as the efforts of the European Commission to facilitating remittances flows and deepening the development impact of those flows. Participants urged the national authorities to continue to pursue such collaborative efforts. Participants also suggested that to avoid duplicative efforts, coordination of the work by the national authorities with other national authorities, the NGOs, the private sector and the MDBs should be pursued.


Beadle

Panel V: Reaching Out to the Unbanked

with Cerstin Sander (Moderator), Dave Grace, Kai Schmitz and Günther Müssig

The G8 emphasized that the developmental impact of remittances may be fostered by increasing financial options for the recipients of these flows. Panel V assessed which efforts to “enhance access to formal financial systems in sending and receiving countries” have been proven successful. In addition, the question of whether financial literacy programs are suitable tools in terms of making it easier for people to send and receive money were discussed. Furthermore the panel offered the opportunity to present the relevance of microfinance entities in developing countries and their role in strengthening local financial markets and improving access to financial services.

Dave Grace
Vice President, Association Services,
World Council of Credit Unions (WOCCU)

Dave is responsible for WOCCU's legislative and regulatory tools, fundraising, educational programs and the development of the International Remittance Network (IRnet) service and its application in both developed and developing countries. Mr. Grace has been deeply involved in remittances briefings for governments and has been widely interviewed as an expert on remittances by national and international media. Mr. Grace was previously with the Federal Reserve Bank, managing its financial services and information technology units.

WOCCU is the leading international trade association & development agency for credit unions and financial co-operatives worldwide.

Ways to Broaden the Access to Financial Services

The problem was first defined as 90%+ of populations in G8 countries having access to financial services, while only an estimated 33% do globally; 695 million people rely on financial co-operatives for access. Barriers to access include:

- Physical: lack of accessible branches, hours and/or technological;
- Financial: high opening and minimum balances; and/or
- Environmental: off putting, non-welcoming and know your customer rules.

The second part identified the linkage between remittances and access to financial services. Many senders and receivers of remittances are unbanked and low-income. Most recipients of remittances choose a location nearby to receive transfers and have the means to open an account at the time of the transaction. Remittances are being used by credit unions as an entry to account ownership. Credit unions have transferred over $2 billion in remittances and in Central America 30-40% of receivers are opening accounts. Credit unions are also using the transfers in credit decisions for small loans. WOCCU launched zero-cost transfers recently via shared branching.

To help facilitate remittances as called for in the Sea Island Summit, governments should allow direct access to payment and settlement systems for supervised institutions, provide prudential/proportional legal and regulatory systems and pro- poor organizations such as credit unions should maintain their tax-exempt status.

Panel V: Reaching Out to the Unbanked

Remittances and Microfinance – A Working Business Model

Objective of the presentation was to showcase a for-profit business model that uses remittances to create development benefits and is commercially sustainable. The company has created a software platform that is licensed to banks in the US and Europe to enable them service unbanked immigrant customers with a competitive money transfer product and other services relevant to migrants such as small loans and mortgages. This platform, called ARIAS, links the banks in migrant host countries with Microfinance institutions (MFIs, banks, credit unions) in migrant's home countries and enables the parties to offer products together.

ARIAS was developed with a very large investment on the back of a leading banking software and enables banks to offer a money transfer service with instant payments in cash or credit to account at a low cost. It helps the banks to attract more immigrant customers, offer a more relevant service to them, and create a customer base in the fastest growing segment of the population. MFIs in the receiving countries gain access to the remittance market dominated by banks with exclusive agreement with money transfer companies but little interest in servicing the recipients with more than a cash payout. Immigrants get access to banking, pay less for remittances and help their families to make better use of remittances and get access to microfinance services.

MFIC originates revenues from processing and licensing fees and will become profitable in 2008. The company is currently expanding its remittance network to Africa and Eastern Europe.

Kai Schmitz
Executive Vice President,
Microfinance International Corp. ("MFIC")

Kai Schmitz is responsible for the operation of MFIC's remittance platform (ARIAS – www.ariasfs.com). He also oversees the operation of Alante, a microfinance institution in the US focused on migrants that since inception in 2003 has grown to 11 branches with 60,000 clients. Mr. Schmitz has over 7 years experience with remittances and microfinance in Africa, Latin America, Europe and the US and works on projects with a variety of multilateral and private sector organizations.

Microfinance International is a private sector microfinance provider that is supported by various government, private and multilateral investors.

Günther Müssig

Chief of Mission, International Organization for Migration (IOM), Guatemala Mission

Günther Müssig has worked with IOM for 26 years, with over 22 years as Chief of Mission in the IOM offices in Panama, Chile and Guatemala.

IOM Guatemala has developed several projects such as the Temporary Migrant Workers Programme to Canada and the Concept of Community Funds. Several projects have been designed and executed under this concept, including a housing project and a medical service plan benefiting migrants' families in the place of origin. Another area of activities is a programme for migrant workers to send their remittances through regular bank services. Also, IOM Guatemala has published the series "Workbooks on Migration", with a total of 24 issues to date. These publications address diverse issues related to migration and development.

The Experience with Financial Literacy Programs

The first part displayed the experience of IOM Guatemala carrying out annual household surveys on migration and remittances, which yield data on:

- Places where Guatemalans live in the United States
- Migration and remittances
- Use of remittances
- Remittance transfer mechanisms

The second part presented the Remittance Banking Program of IOM Guatemala, while the third part described the Medical Insurance Financed by Remittances through a Medical Service Plan called "Salud a su Alcance", with data on specific services provided by the Program.

The fourth part focused on the Housing Program for the families of migrants living in the United States, with specific data on the process, which includes contacting interested persons, funding, building and general description of the houses.

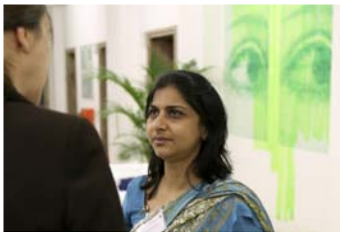
Cerstin Sander, Moderator
Kreditanstalt für Wiederaufbau (KfW), Germany
KfW Entwicklungsbank, Financial Sector Europe

Ms. Sander has senior responsibilities managing initiatives and transactions, such as securitisations, to support financial sector development and access to finance for small and microentrepreneurs. She has spent nearly 20 years working in international development – previously with the UK Department for International Development (DFID), the Austrian Development Cooperation in East Africa, the Canadian International Development Research Centre, and as a consultant. She served as the Team Leader of the Private Sector Development Group, OECD/DAC POVNET, in 2005, among other special tasks. Her assignments in Africa, Asia, the Caribbean & Latin America, and the former Soviet Union have covered microfinance and financial & private sector development, performance management, and evaluation. Ms. Sander has worked and published extensively on money transfer and migrant remittances with the World Bank, ILO, IFAD, and DFID, among others. She served as the founding editor of the Migrant Remittances newsletter until 2005. Ms. Sander also teaches on the subject at the Boulder Microfinance Training in Turin.

Panel V: Reaching Out to the Unbanked

Recommendation No. 5: One of the major challenges is still to attract remittances to bankable channels. While recognizing the considerable efforts undertaken so far, the participants of the G8 Outreach meeting called upon policymakers, the private sector, and the international community to continue their work to strengthen financial systems and improve access to financial services – through better systems and attractive ways to remit, save and invest for migrants, diaspora, and remittance recipients – thereby contributing to reducing poverty and promoting economic growth.



Closing Session: Outlook and Next Steps

with Donald F. Terry (Moderator), Leon Isaacs, Francois Marion and Leila Rispens-Noel

The G8 underlined at their summit in Sea Island that through the use of innovative payment instruments the cost of remittance services could be reduced. This session presented innovative payment instruments that have or will successfully increase the access to formal channels. Furthermore, policies which are aimed at influencing remittance flows were discussed.

Leila Rispens-Noel
Programme Officer (Migration, Remittances, Microfinance and Development); Country focal person for Nigeria, Ghana, Kenya, Tanzania, Uganda and Cameroon.

Leila has been working since 2001 as programme officer with Oxfam Novib, an international development cooperation organisation based in the Netherlands.

She represents Oxfam Novib to the European Microfinance Platform which is based in Luxemburg where she serves as the focal person for the Working Group Remittances.

She also initiates capacity building program for diaspora organisations. Leila advocates for the inclusion of migration in development strategies and the active participation of diaspora organizations in the field of development cooperation.

Outreaching and Cooperating with Diaspora Communities

In engaging diasporas in development, Oxfam Novib initiates the following programs
1. Facilitate conduct of capacity building program through trainings and workshops (project cycle management, proposal writing, fundamentals of microfinance, strategic planning, fund raising, financial literacy deepening knowledge and understanding of development, etc.)
2. Provide technical and financial assistance to diaspora organisations which have projects in their countries of origin
3. Support and stimulate broad alliance building of transnational networks of migrants – national and international levels – through dialogues and meetings
4. Encourage active participation of migrants in policy making to achieve coherency in migration and development policies through conduct of expert meetings, dialogues, workshops, debates and conferences and ensure active participation of migrant leaders in important conferences/meetings
5. Conduct remittances and financial literacy (personal finance, social investments, encourage diaspora philanthropy, link with MFIs)
6. Initiate and support linking and learning / exchange visits (Past activities: trips to Mexico and Philippines (microfinance/remittance and Burundi, Moluccas/Indonesia, Sudan, Somalia, and Ethiopia (peace). Challenges and issues in linking remittances to development:
1) Capacity building of diaspora organisations engaged in development work; establishing good track record; 2) Financial literacy of remittances senders and receiver (grassroots level); financial inclusion – what about the undocumented migrants? 3) Create enabling environment, comprehensive national and internationa migration and development strategies in both host and sending countries. 4) Comprehensive national migration and development strategies. 5) Coherent and inclusive multi-stakeholders' approach (public – private, diasporas, donor organizations, local communities, and civil society) 6) Recognizing other positive contributions of diasporas other than remittances. 7) Rights and gender-based approach to migration and development.

Closing Session: Outlook and Next Steps

Will Innovative Payment Systems Change the Transfer-Landscape?

The first part outlined the most common new technology applications, including pre-paid cards, internet applications and phone based solutions. Of these, phone based solutions currently appear to be the most promising as there are over 2 billion handsets in the world and mobile phone penetration is deeper than the other forms of technology.

The presentation emphasised that there is a lot of activity in this area and that most of the current innovations improve the process for the sender but do not address "last mile issues" as they cannot generally facilitate cash collection in remote areas where money is often most needed.

There is a strong need for cooperation between all the key stakeholders including remittance companies, regulators, technology companies, banks and development organisations.

The session concluded by stating that there are exciting developments in technology around remittances. It is too early to establish their absolute impact but it is recommended that governments and development agencies monitor the area and where appropriate provide assistance and encouragement to the private sector in order to develop customer focused solutions.

Leon Isaacs
Chief Executive Officer –
Developing Markets Associates Limited (DMA)

DMA provides a broad range of services that help to mobilise funds into developing markets. These include a consumer remittance comparison website (www.moneymove.org), a remittances database (www.dmassocs.com/dril), consultancy, organising inward investment conferences and development conferences. Leon was Commercial & Marketing Director, Travelex Money Transfer Ltd, reported to the CEO, was a member of the senior management team and established a new global money transfer business. In addition he had P&L responsibility for UK, Ireland, Benelux and Africa. From 1997-2003, Leon held similar positions with MoneyGram International Ltd. He began his career with NatWest before moving on to Thomas Cook. Leon is an expert on remittances and international money transfers. He is a Board Member of IAMTN and a steering group member of the UK RTF. He has spoken at many conferences on remittances including the World Bank and UN events.

Francois Marion
Head of Multilateral Development Institutions Unit –
French Treasury Directorate

François now heads the unit in charge of official development assistance and multilateral development institutions at the French Treasury. Before June 2007, he was head of market operations at Agence France Trésor, the French Debt Management Office. François, a former scholar of Ecole Normale Supérieure, in Paris, holds a Ph. D. in Quantum Physics.

French experience with policies aimed at influencing remittances flows

The document presents the French "co-development" approach, namely the support of diasporas and returning migrants, around five key projects :
1. commissioning a study in collaboration with the African Development bank, based on households surveys in 5 African countries, to increase data on remittances in Africa
2. launching a website to improve transparency in international transfer costs (www.envoidargent.fr)
3. creating two co-development savings products to support the migrants who invest in their home countries (through tax exemptions or providing a grant element to private loans)
4. creating a trust fund to promote "co-development" in multilateral institutions
5. co-financing pilot projects in several African countries such as matching migrant remittances with ODA in entrepreneurial projects and reinsertion, as well as supporting local banking systems, in particular to microfinance institutions and mutualist systems (West Africa).

Closing Session: Outlook and Next Steps

Recommendation No. 6: Innovative payment instruments are evolving at a rapid pace and might further reduce the cost of remittance services and increase the access to financial services. International organizations and policymakers should monitor these developments closely and should be prepared in case adjustments to the regulatory framework are needed. Policies aimed at influencing remittance flows should be further monitored.

Closing Session: Outlook and Next Steps

Donald F. Terry, Moderator
General Manager of the Multilateral Investment Fund
Inter-American Development Bank

Donald F. Terry has been the General Manager of the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) since its inception in 1993. The $1.8 billion Fund, which is sponsored by 38 donor countries, promotes broad-based economic growth and poverty alleviation through private sector development. Toward that end, MIF actively seeks partners to help test the effectiveness of innovative ideas. MIF's projects are designed to become self-sustaining and eventually, through demonstration effect, reach the scale necessary to improve the lives of millions of families throughout Latin America.

Over the past fourteen years, MIF has approved more than 1,000 projects, primarily grants, with over 800 civil society, private sector, and government partners. Together, these efforts are putting $ 2.2 billion to work in all twenty-six developing countries of the IDB.

These projects are helping to reform legal and regulatory frameworks, transform microfinance systems in several countries, leverage the development impact of remittances, finance job training programs for disadvantaged youth, promote venture capital, and improve the competitiveness of the small business sector. As a result, MIF is now the largest provider of grant finance to the region.

Before joining the MIF, Mr. Terry served as Deputy Assistant Secretary of the Treasury for International Affairs, where he received that Department's Meritorious Service Award in 1980. From 1982-1993, Mr. Terry served as Staff Director of three Congressional Committees: The Joint Economic Committee, the House Committee on Small Business, and the House Committee on Banking and Financial Institutions.

Mr. Terry holds a bachelor's degree in Political Science from (1968) and a law degree from the University of California Law School at (1972). He also graduated from the Senior Managers in Government Program in 1978.

Recommendation No. 7: The participants of the G8 Outreach Meeting welcomed the several attempts of the public and private sector as well as the civil society aimed at coordinating and moving forward the existing and forthcoming initiatives to promote remittance flows. The participants regarded the establishment of a Global Remittance Working Group as an interesting proposal which should be considered by the G8. Such a group should be led by an International Organization, which wants to take the lead, and should consist of members from the public and private sector as well as the civil society. The tasks of this group should be – among others – to heighten the awareness of the remittances phenomenon, to encourage further research on the development impact, to support the implementation of the General Principles for International Remittances Services, and to initiate pilot programs with a demonstration effect.

Closing Statement
read on behalf of Nicolette Kressl, Parliamentary State Secretary of the Federal Ministry of Finance, by Dirk H. Kranen, Coordinator of the G8 Outreach Meeting

Ladies and gentlemen,

Ms. Kressl asked me to thank all participants for coming to Berlin and making the meeting a success. Thanks to all of you, representing central banks, private financial institutions, governments, donors, civil society and academia, for sharing your knowledge and practical insights with us.

Many developing and emerging market economies have discovered this source of external financing and they are developing policies to benefit from this phenomenon in the future. They are identifying countries with special needs, for example, economies with ageing populations, and are encouraging and supporting interested citizens in their countries to work abroad.

In industrialized countries the phenomenon of remittances has been overlooked, not to say neglected, for quite some time. Most governments did not pay much attention to the problems and needs of migrants who wanted to send portions of their hard-earned money to their relatives in their home countries. And the private sector, mainly the banking industry, was often not interested in offering services for migrants. It is therefore no surprise to find that migrants have often sought private or informal channels to send money home.

Therefore, the intention of this meeting was not only to encourage an exchange of views among experts. In fact, the purpose of this meeting was to put the focus back on the remittance phenomenon and to produce an update of the various multilateral and national initiatives that were launched at the Sea Island Summit in 2004.

In the past two days you have therefore undertaken a difficult stocktaking exercise. I have been told that it was the first time that such a comprehensive exercise of this kind has taken place since the G8 started the Global Remittances Initiative in 2004. We all know that remittances are not a new phenomenon and that they flourished long before they found the attention of the G8. Even in Germany, the biggest source of remittances in Europe and one of the largest sending countries in the world, there is little public knowledge of this topic.

Therefore, we have tried to use the opportunity of this meeting to heighten public awareness of remittances in Germany. Yesterday, you participated in the public launch of the website www.geldtransfair.de. This website was not our own invention as we have drawn on other successful examples. But our website now gives migrants in Germany access to independent information about the transfer costs for the main corridors of Europe's biggest remittance market. Thank you for helping to make this launch event a success through your participation.

I would also like to thank the Deutsche Bundesbank, which produced an overview of the German remittances market. I assume you have not had time to study the paper in detail, but it is well worth reading as it provides an overview of the volume of migrant remittances in Germany. It also describes the main transfer channels and the legal provisions for access to financial services in Germany.

The Ministry of Finance complemented the work of the Bundesbank by producing a short overview of the treatment of remittances in German tax law. Even many colleagues in the Ministry were quite surprised that German income tax law already contains specific provisions on setting remittances off against the tax base. By giving migrants the opportunity to deduct transfers to relatives in their home countries under certain conditions, the German taxpayers are thus already supporting these financial transfers to persons in need in the developing world. Perhaps this German legislation can serve as a model for other countries as we have followed the good example set by other states of creating more transparency in the remittances market.

Closing Statement
read on behalf of Nicolette Kressl, Parliamentary State Secretary of the Federal Ministry of Finance, by Dirk H. Kranen, Coordinator of the G8 Outreach Meeting

Continuing in this vein,
a couple of weeks ago the Financial Times published a series of articles on the remittances phenomenon. These articles were a very interesting and, I would even say, educating read. This series triggered a lot of letters to the editor. Let me cite one letter which I found noteworthy. It was published on September 4th and it was written by Mohammed Kassam from Virginia in the USA. He wrote: "Cash remittances sent directly to the family by its sons and daughters working in more productive or higher-paying economies are the most efficient way to raise the family income."

And then he adds: "How this money is spent is the recipient family's business, not that of western development experts who must not be allowed to mess up the remittance sector, which is the most successful global activity in developing countries".

Of course, this is an extreme and not a representative view, but I think the writer has a point. Remittances should not be seen as a substitute to the development efforts of the governments of developing and developed countries. And we should be careful about assuming that we have a better idea about how to spend remittances than the recipients do.

However, I believe there are a lot of things we should do:

First: We should aim to understand the remittance phenomenon better by trying to improve the methods of compiling the data on remittances. We should therefore encourage the Luxembourg Group on remittance data to continue its work.

Second: International organizations should focus even more on the developmental impact of remittance receipts in developing countries. There has been extensive research in recent years which has to be translated into daily practice.

Third: The work of the international taskforce led by the Bank for International Settlements and the World Bank should be recognized by policymakers. The General Principles for International Remittance Services should be instrumental in improving the regulatory framework of the remittance industry, fostering competition, enhancing transparency, and strengthening consumer protection in the remittance markets.

Fourth: It is encouraging to see the progress made by G8 countries as well as the European Commission in implementing their self-imposed programs for facilitating remittances flows to developing countries. National authorities should pay more attention to the relevance of bilateral channels and should develop bilateral partnerships between relevant sending and receiving countries as needed.

Fifth: Remittance flows have to be attracted into formal channels. While considerable efforts have been undertaken in this direction so far, and this fact should be acknowledged, policymakers, the private sector, and the international community must continue their work to improve access to financial services and thereby contribute to reducing poverty and promoting economic growth.

And finally, sixth: Innovative payment instruments are evolving at a rapid pace and might reduce the cost of remittance services and increase the access to financial services. International organizations and policymakers should monitor these developments closely and should be prepared in case adjustments to the regulatory framework are needed.

Let me summarize what I just said in a nutshell. The best help we can offer people in need is to create the right conditions which empower them to help themselves. This empowerment should lead our actions in the remittances sector too.

We will report the findings and recommendations of this meeting to the G8 countries which originally tasked us with organizing this meeting. I am confident that Japan, who will take over the G8 presidency next year, will continue the work on this important subject.

Thank you again very much for your participation in the meeting. I wish you a safe trip home.

Thank you.

Official Launch of the website www.geldtransfair.de
by Heidemarie Wieczorek-Zeul,
Federal Minister for Economic Cooperation and Development,
and Peer Steinbrück,
Federal Minister of Finance

Welcome address by Peer Steinbrück, Federal Minister of Finance

Fellow Minister,
Governor Jelašić,
Honored guests from Germany and around the globe,

It gives me great pleasure to welcome you here at the Federal Ministry of Finance.

Your discussions on the subject of remittances got underway this morning – a term not widely understood by the general public.

Contrary to what some might suppose, remittances are not overseas development aid, but private maintenance payments made by foreign workers to their families in their countries of origin.

Many people are probably not aware that home-country relatives frequently depend on the remittances sent by migrants to secure their livelihoods. And it is often precisely these remittances that enable children to attend school, giving them at least some say in their own destiny.

What particularly appeals to me is the fact that these payments reach the really needy without the involvement of the authorities and without any bureaucratic hurdles as a consequence.

The individual transfers generally involve sums of just a few hundred dollars. According to the World Bank's latest estimates, however, the figure flowing to developing countries alone adds up to more than US$200 billion in total annually.

Believe it or not, this is more than double the level of all global development aid combined! Remittances have thus become developing countries' most import source of capital in recent years.

In view of this, the decision taken by the G8 nations at their Heiligendamm summit to pursue this topic with greater vigor is exceedingly welcome.

That is the very aim of this meeting, which Germany has the honor of hosting in its capacity as president of the G8. We want to examine the progress achieved so far and, where necessary, identify new measures to be taken. We are not starting from scratch, but can build on the work already undertaken through national and multilateral initiatives. And recommendations have already been developed – which now need to be deliberated and put into practice.

The primary objective of our endeavors should be to help people to help themselves. What kind of concrete support should be given in the field of remittances? For me, there are a series of fundamental prerequisites. One of these is to provide every single individual with the opportunity to keep a bank account so they gain access to financial services.

We must also create the framework whereby transfer fees can be kept as low as possible, preventing them from eating up a large portion of the money urgently needed in the country of origin. At their Sea Island Summit three years ago, the G8 states established that transaction costs can constitute as much as 15% of the transfer. Since then, progress has without doubt been made in cutting these costs – but the target similarly set at the Sea Island Summit of a 50% reduction has not yet been achieved.

Against this background, I am delighted that the website www.geldtransfair.de will be presented and activated shortly in my ministry, the Federal Ministry of Finance. The website has been developed by the Gesellschaft für Technische Zusammenarbeit on behalf of my colleague, Heidemarie Wieczorek-Zeul.

Ms. Wieczorek-Zeul, I would now like to hand over to you. Please tell us more about this important project.

Thank you.

Official Launch of the website www.geldtransfair.de
by Heidemarie Wieczorek-Zeul, Federal Minister for Economic Cooperation and Development, and Peer Steinbrück, Federal Minister of Finance

Speech by Heidemarie Wieczorek-Zeul, Minister for Economic Cooperation and Development

I am delighted to be here to talk to you today and to be able to present a very practical example of Germany's work in the development field. It is practical in the sense that, by reducing the costs of transferring money abroad, a greater proportion of the money migrants send home will actually arrive there. Foreign migrants send that money home to support family members who have remained there, to pay for their education or their health care. Often, this is the only reliable form of social security they have. When the need is particularly great, the money transfers increase. Without these regular remittances, the people in Afghanistan would never have survived. They were vital to the country's stability.

The costs can be reduced by ensuring that the alternatives are transparent and that there is competition between the various operators. What better medium could there be for that than the internet? That is why we are about to launch the new website, which we have called GeldtransFAIR, or "money transfair", with a nod to the Fair Trade label. It will initially provide information on the six major countries receiving remittances which have a large migrant community living in Germany. These are Albania, Ghana, Morocco, Serbia, Turkey and Vietnam.

Studies have revealed an urgent need for a service like this. Our study on remittances from Germany and the way they are sent to migrants' home countries showed that when sending 100 euros to one of these six countries, for example, people may be charged 8 euros or they may be charged a massive 70 euros. At the moment, it is very difficult to find information on how much the transaction will cost and how long it will take. Many advisers provide either imprecise information to their customers or none at all.



It is important from a development point of view that migrants send money through formal channels. It allows those receiving the money to enter the formal finance system and use other bank services as well. That strengthens the local banking system and boosts the balance of payments.

I asked the GTZ, one of the implementing organisations of German development cooperation, to develop the website, which is being operated by GeldtransFAIR together with the Frankfurt School of Finance as a public-private partnership. I would like to thank both these institutions for their efforts. Professor Steffens, President and Chairman of the Board of the Frankfurt School, will be presenting the website to you in more detail.

I would also like to thank DfID, which has already successfully piloted a similar website, www.sendmoneyhome.org, and advised us on our initiative. The UK initiative has succeeded in cutting the costs of transferring money to India, for example, by 40%. That means more money actually gets to wherever it is urgently needed to fight poverty and boost economic development. Here in Germany, the Minister of Finance, Peer Steinbrück, and I are about to take the first step by officially clicking the button that will launch our new website, www.GeldtransFAIR.de.

Gala Dinner at the invitation of the Deutsche Bundesbank and the Federal Ministry for Economic Cooperation and Development Museum for Communication, 29 November 2007

Welcome Speech
by Prof. Dr. Hermann Remsperger, Member of the Executive Board of the Deutsche Bundesbank

It is my pleasure to welcome you to this dinner on the occasion of the G8 Outreach Meeting on "Remittances". I would also like to welcome you on behalf of Karin Kortmann, Parliamentary Secretary of the Federal Ministry for Economic Cooperation and Development.

As far as I know, this is the first time that the Federal Ministry for Economic Cooperation and Development and the Bundesbank jointly host such a dinner. I could well imagine that there will be further opportunities to do so in the future.

As a central bank, we take a keen interest in financial sector issues, because monetary stability and financial stability go hand in hand. Therefore, we are closely following the World Bank's financial market activities, including its strategies for strengthening the financial systems in developing and emerging market economies.

In this context, let me mention a conference we organised jointly with the Federal Ministry of Finance in Frankfurt in May this year. This conference provided input for the G8 action plan for the development of local bond markets in emerging market and developing countries.

And I am happy to say that we will continue to play an active role in this area. In close cooperation with the Finance Ministry, the Bundesbank is organizing a workshop at the end of January which will primarily deal with the broadening of the database on local currency bond markets in the light of financial stability.

Furthermore, the Bundesbank has also built up direct ties with the Ministry for Economic Cooperation and Development. This gives us a useful insight into the activities of the World Bank and the Regional Development Banks. Equally, we are happy to share our technical expertise on financial market issues with your ministry, Ms Kortmann, as background information for the German position at these institutions.

Ladies and gentlemen, we are here today in the Museum for Communication. I think this location was well chosen. Communication and remittances have some things in common – both involve a sender and a receiver. If the process of relating the sender to the receiver is well designed, it should be beneficial to both.

In the context of remittances and seen from the perspective of an individual receiver, remittances can be a substantial part of household income. At the same time, remittances can have a major positive impact on the development of a receiving country as a whole.

At the macroeconomic level, remittances have positive effects on the balance of payments. For the receiving country, remittances are non-debt creating inflows, comparable to foreign direct investment.

The exhibition in this museum vividly illustrates the origins, the development and the future prospects of the information society. Again, there are some parallels with our conference.

First, we are looking at the origins of remittances within the context of international migration. Then, we are also examining the development of the flow of remittances against the backdrop of technological progress and changes in migration patterns. Finally, we are discussing measures to improve the framework for remittances.

More specifically, we will look into issues such as
- lowering the cost of remitting,
- bringing both senders and receivers into the financial system,
- increasing the benefits migrants can gain from the financial system,
- counteracting adverse macroeconomic impacts, and
- improving the collection of remittance data.

The Bundesbank has prepared a paper for the conference which provides an overview of the German remittance market. This paper shows that Germany is one of the most important sending countries for remittances and is number four worldwide. Last year, Germany received Euro 5.2 billion from the rest of the world and remitted Euro 9.5 billion. Roughly one-third of remittances sent from Germany go to countries of the European Union. Turkey and Serbia receive the bulk of those remittances which go outside the European Union. Almost all payments from Germany to EU countries are executed by banks, which highlights the fact that a wellfunctioning market infrastructure and cost-effective payment systems are in place.
There is evidence and growing awareness among banks of the commercial potential of the remittances business. In Germany, competition in the financial sector ensures quite reasonable prices for remittance services, at least as far as sending costs are concerned.
In the case of Turkey, the most important receiver country of German migrant payments, remittances are processed mainly by Turkish banks in Germany or by financial service providers with a close link to Turkish banks. In some other countries, money transfer providers outside the banking sector play an important role. The decision to involve a remittance provider other than a bank depends on the degree of development of the banking system in the recipient country. And, here, the degree of confidence is key.
Efforts to channel remittances through banks and other licensed or registered financial service providers are to be welcomed for several reasons. One important point is that the balance of payments can more accurately reflect economic transactions of migrants who are working abroad and transferring money home.
Therefore, we are ready to support initiatives to ensure that everybody has the possibility of transferring money home in an easily accessible, secure and efficient way.
For example, the Bundesbank took part in the task force on remittances set up by the Committee on Payment and Settlement Systems and the World Bank. This task force agreed on “General principles for international remittance services”, which focus on payment system aspects.
Furthermore, we take part in international efforts to improve the data on remittances. My colleague Jens Walter pointed out this morning that the remittance market has to cope with various statistical problems. Owing to the multitude of channels used for remittances, it remains difficult to capture the whole picture of personal cross-border remittances.
The channels vary with respect to the country concerned and the individual remitter involved. In this regard, different demographic structures and financial systems of the residing and receiving countries, convenience and cost of the remitting method are important. Owing to the – usually – small amounts remitted per transaction and the multitude of channels, the compilation of exact and complete statistics remains a difficult task.
I am convinced that our conference will contribute to a better understanding of the economic role of remittances. Remittance flows are an important and stable source of funds for many countries. They are a substantial part of financial inflows for countries with a large migrant labour force. Although not all money transfers are captured in official statistics, formal remittances nevertheless constitute the second largest source of external funding for developing countries, exceeded only by foreign direct investments. They are ahead of both capital market flows and official development assistance.
For some developing countries, remittances account for an even higher share than FDI. Current trends suggest that remittance flows will continue to increase in the next few years.

Ladies and Gentlemen, I firmly believe that this conference will help to make remittances easier, cheaper and more secure. Even if Germany offers the best possible conditions for sending remittances, improvements might still be needed in some receiving countries. The important role remittances can play on a micro and macroeconomic level are worth every effort undertaken to achieve that end.

Gala Dinner at the invitation of the Deutsche Bundesbank and the Federal Ministry for Economic Cooperation and Development Museum for Communication, 29 November 2007

Keynote Speech
by Karin Kortmann, Parliamentary State Secretary of the Federal Ministry for Economic Cooperation and Development, Making Use of the Opportunities of Migration: Germany's Approach

Ladies and gentlemen,
I am pleased that this important G8 conference on remittances is taking place in Germany, and that you, ladies and gentlemen, have accepted the joint invitation of the German Federal Bank and the Federal Ministry for Economic Cooperation and Development.

Migration: new insights
Our conference's topic, remittances, is a core element of the overall issue of migration and development. So I would like to voice three ideas of a more general nature:
1. On a global scale, it is not true that globalization has led to unprecedented migration. As long as a century ago, the share of migrants in the global population was similar to today's, between 2.5 and 3 per cent. The great difference is the direction of migration: migration patterns have changed radically, with South-North migration now dominating.

2. Development and migration are not incompatible. Rather, there appears to be an inextricable link between development on the one hand and growing mobility and migration on the other. The relationship between migration and development is neither linear nor inversely proportional. Scientific literature refers to that relationship as the "migration hump." This means that emigration rises sharply in the early phase of development. Only after several decades of sustainable growth – once income levels in countries of origin and destination have become more similar – does emigration decline again. Former "classic" countries of origin may then even become destination countries for migrants. (Examples in Europe include Spain, Italy, and Ireland; in Asia, for example, Malaysia, Taiwan, and South Korea.)

3. Political realism is needed when dealing with migration. The kind of negative knee-jerk reaction that was characteristic of the past, asking "How can we prevent migration?", will not be much help. But euphoria about huge money transfers (about which the World Bank has been reporting since 2003) would not be an appropriate response to the situation, either. Pursuing political strategies in response to global processes means neither trying to hide from them nor applauding them blindly. The point must be to steer them in a constructive way. For a long time, development policymakers' thinking was dominated by well-founded concerns:
the concern that brain drain causes developing countries economic damage;
the concern that families and the social fabric are torn apart in cities and villages of origin;
the concern that illegal migration is extremely hazardous. Of course, we all know the terrible images of crowded refugee boats.

Hardly ever did we think about the potential benefits of migration. The World Bank study I mentioned earlier has drawn our attention to the enormous volume of diaspora remittances. But it is not only financial ties that have become an increasingly important factor for economic development in countries of origin. What is also often underestimated is the transfer of knowledge and the establishment of micro and small enterprises, which are contributing a great deal to the creation of jobs. Realistic development policies today mean a need for action along two lines: minimizing the risks of migration on the one hand and maximizing its potential on the other. We are perfectly aware of the risks. So I will now comment mainly on opportunities and potential.

Opportunities and potential involved in migration

Global spending on development cooperation was just under 135 billion US dollars in 2005. By contrast, migrants transferred more than twice as much to developing regions in 2006: over 300 billion US dollars. Most of the remittances go to migrants' families, who are thus given a chance to invest in health, education, housing, etc. This enables them to reduce poverty in the short and long term and to deal with emergencies. Remittances are thus making a significant contribution to poverty reduction. For every euro or dollar sent back to someone's home country, two to three euros are spent in the local economy. This has a positive impact on economic growth and productivity in the countries of origin. According to a model-based simulation of the World Bank, migration boosts world GDP.

Many developing countries are dependent on such flows. For example, migrant remittances amount to 29 per cent of GDP in Moldova, 22.5 per cent in Bosnia and Herzegovina, and 18 per cent in Jordan. These flows are an important source of refinancing for the banks of the countries concerned. Money is important, but money is not everything. There are also non-material transfers.

Both development policymakers and German enterprises with international operations are interested in people who are at home in several cultures, and willing to move back and forth between them. In our globalized world, intercultural competence has come to be more than a "soft skill." Migrants who are well integrated into democratic, open societies and have been able to become familiar with such societies often work for and support political change in their home countries as well, toward human rights, democracy, tolerance, and gender equality. Migrants are important bridge builders. In that context, diaspora organizations play a decisive role. They often work with local groups in their country of origin to implement social, cultural or education projects, such as the establishment of schools. Business cooperation is also a widespread phenomenon. What is probably the most important potential for development is migrants' knowledge and experience, which they share with their home countries. This brain gain requires our support.

Responses of German development cooperation

German development cooperation addresses the following three areas to make use of the opportunities of migration and reduce risks:

1. Migrants' financial transfers to their countries of origin

I need not say much about this topic. Most of you were present today at noon when the new "geldtransfair.de" website was launched. Modeled on the British "sendmoneyhome.org," this web portal provides information about the cost and duration of transferring money to a number of countries (starting with Morocco, Ghana, Viet Nam, Serbia, Albania, and Turkey). In that way, we want to enhance transparency and competition for the benefit of migrants and to strengthen formal channels for remittances via reliable banking institutions.

We also launched a pilot project in cooperation with SWISSCONTACT, the development organization of the Swiss private sector. In that project, Kenyan migrants in Germany work together with a microfinance bank in Kenya. The idea is to reduce the cost of remittances by relying on bank-to-bank transfer and to encourage pro-development savings and investment activities in Kenya. One advantage of this approach is the integration of senders and recipients of remittances into the financial system. The project helps strengthen and stabilize the banking and financial sector in Kenya.

2. Cooperation with diaspora organizations

Cooperation with diaspora organizations can bring about synergies: development organizations benefit from migrants' knowledge about their home countries and from their expertise, while migrants benefit from development organizations' professional skills in the areas of project design, financing and implementation. In 2007, a pilot program was launched for financing nonprofit investment by diaspora organizations. Their project activities at the local level complement the advice we provide to higher levels of the administration.

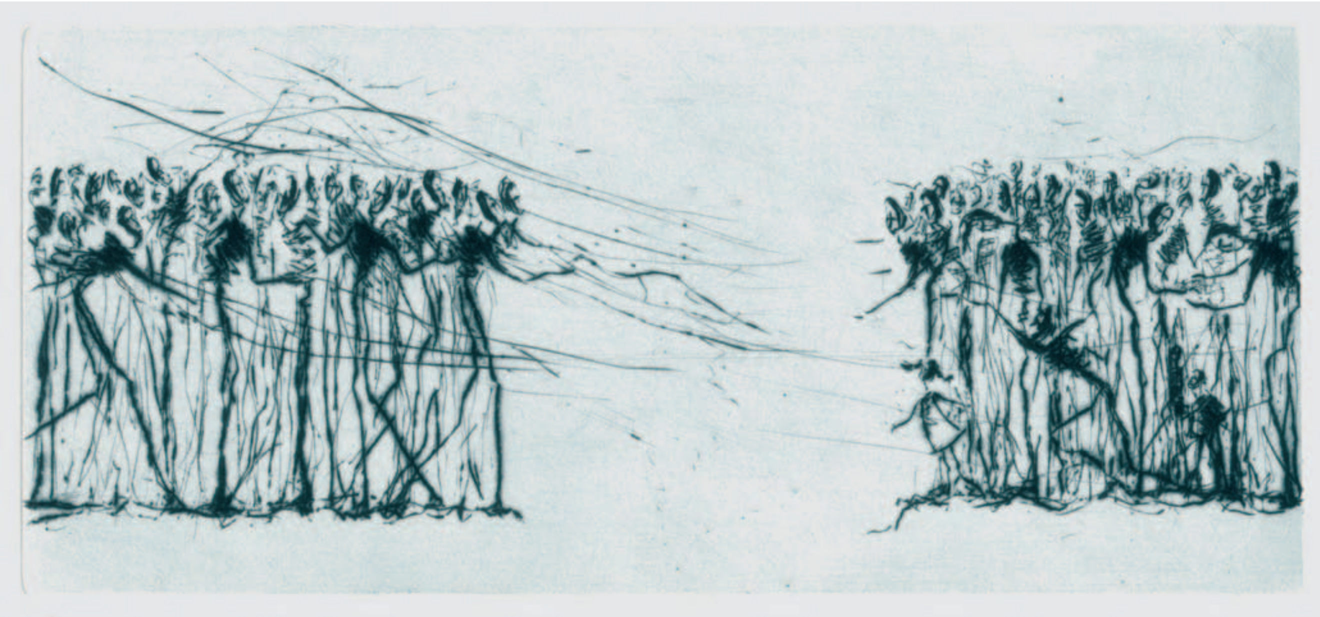
The countries of origin, too, are becoming aware of the potential offered by their diasporas. For example, Morocco's government wants to encourage diaspora Moroccans' business activities. We therefore support links between the Moroccan diaspora in Germany and small and medium-sized enterprises in a region of Morocco with particularly high levels of emigration. In addition, advice is being provided to banks with a view to encouraging people to invest more savings from remittances in the regional economy.

3. Support for highly qualified migrants from developing countries
Let me now come to the third item, our support for migrants who are returning to their home countries. The support program for returning skilled personnel which the German Development Ministry has sponsored for 30 years focuses mainly on highly qualified experts. We want migrants who completed education programs in Germany to use their knowledge in their home countries in a way that is good for development. To that end, the program provides advice, job placement services, networking, workplace equipment, and salary supplements. In 2006, more than 780 migrants returned with assistance from the program, 218 of them Africans.

Let me give you an example: under the program, we are providing support to Ghanaian water supply specialists. They return to Ghana with their knowledge and with some equipment aid and get involved in basic and in-service training for the staff of Ghana's Ministry of Works and Housing. Other returnees use their knowledge to help fledgling private engineering companies to move ahead. However, this important transfer of knowledge is only possible if people's contact with their home countries is not disrupted. We need more mobility between countries of origin and destination. People should be given a chance to spend successive phases of their lives in both countries. In particular, returning migrants should not lose their residence and work permits in Germany quite so quickly. Being able to rely on the continued validity of such permits makes it easier for migrants to opt for returning to their home country, a decision that always involves certain risks.

Within the EU, we are currently discussing what is called "circular migration" – temporary work and residence permits. The incentive for migrants is the chance to improve their situation financially and to gain valuable experience. For countries of origin, circular migration is also helpful with a view to turning brain drain into brain gain. For destination countries, this EU idea could lead to benefits both with regard to labor markets and with regard to security policy. In particular, circular migration could reduce illegal migration and the dangers this poses to migrants.

Conclusion
In conclusion, let me summarize: South-North migration, which is a social consequence of globalization, is becoming a political factor of growing importance. Migration per se is neither good nor bad. Its impacts depend on many factors in the countries of origin and destination. This is where our responsibility comes in: we need to ensure that globalization and migration are compatible with development. National action alone is not enough to steer a global process such as migration. We need an international exchange of ideas and views, and we need agreements so as to balance the interests of countries of origin, destination countries, and of the migrants themselves. The remittances conference provides an opportunity for discussing these very issues, and it will provide important inspiration for innovative migration policies.



Christine Niederlag: “Remittances”, drypoint, 8 cm x 18 cm, Berlin, November 2007

Two groups of figures stand clearly apart and yet all drawn together. Gentle, flowing lines and the gesture of the figures hint at an exchange between the two groups. This exchange is not equal, however, for one group is giving while the other receives. Diagonal motions symbolise the flow of giving and receiving. The lines emanating from the giving group (transfers) do not quite reach the receiving (needy) group, but taper off before arriving at their destination...

(Christine Niederlag)

Remittances – An Artistic Reflection
by Christine Niederlag

Christine Niederlag
Berlin artist and head of the 30 LINKS etching studio

Christine Niederlag has specialized in artistic printmaking, including the drypoint and mezzotint techniques in particular. Her prints primarily explore the human form and various human realities. Her artwork typically captures the essence of its subject in a few elemental lines.

Her prints can be found in numerous public and private collections both in Germany and overseas, have been published in books and periodicals, and displayed in various exhibitions as well.

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Report of the High-level G8 Meeting on Remittances

1. Introduction

The term remittances is used to describe money transfers made by migrants to recipients in their home countries. Such transfers are typically made between people who are usually relatives or friends without a quid pro quo or underlying transaction. For developing nations in particular, these remittances today represent the most substantial source of income. According to the World Bank, annual global remittances flows are more than double the amount of worldwide development aid. Empirical studies show that the level of poverty declines in countries receiving remittances on a considerable scale. Beneficiaries use this money primarily to improve their children's education and to provide living accommodation. After the United States and Saudi Arabia, Germany is the largest remittance sending country worldwide. Outside the EU, Turkey and Serbia are among the three top recipients of remittances from Germany.

At this year's world economic summit in Heiligendamm, under the German presidency, the G8 agreed to an exchange on remittances. This agreement was the launch pad for the high-level meeting on remittances organized at the Federal Ministry of Finance from 28 to 30 November 2007. The meeting was held in a G8 outreach style and attended by delegations from the G8 countries and the European Commission as well as participants from additional countries, international organizations, the private sector, civil society, academia and the media.

2. Proceedings

The Berlin meeting addressed issues relating to improving statistics on remittances and their role in terms of development policy, the reduction of transfer costs, and options for improved market access for the senders and receivers of these payments. Following on from the G8's concrete voluntary undertakings at the Sea Island Summit in 2004, the meeting first assessed the progress to date of the bilateral activities of the G8 and various multilateral initiatives. The opportunities presented by innovative instruments were also elucidated in more detail. The discussion evolved through a series of successive panels, with more than 100 high-ranking experts from the G8 countries and major emerging and developing economies participating in the meeting as a whole. The list of participants also included international institutions such as the European Commission, the European Central Bank (ECB), the International Monetary Fund (IMF), the World Bank and the International Labour Organization (ILO), non-governmental organizations (represented by, for example, the Afrika-Verein, Oxfam and World Vision), the private sector (including Citibank and Western Union), members of the academic community as well as the Bundesanstalt für Finanzdienstleitungsaufsicht (BaFin), the Kreditanstalt für Wiederaufbau (KfW) and further national bodies. The meeting was organized by the Federal Ministry of Finance with the involvement of the Federal Ministry for Economic Cooperation and Development and the Deutsche Bundesbank. Dr. Thomas Mirow, State Secretary at the Federal Ministry of Finance, opened the meeting. An event to mark the occasion was held on 29 November 2007, where Professor Hermann Remsperger, Member of the Executive Board of the Deutsche Bundesbank, and Karin Kortmann, Parliamentary State Secretary at the Federal Ministry for Economic Cooperation and Development, both spoke about remittances as they see them.

The official launch of the German website www.geldtransfair.de also took place during the meeting. Peer Steinbrück, Federal Minister of Finance, and Heidemarie Wieczorek-Zeul, Federal Minister for Economic Cooperation and Development, activated this new information portal on 29 November 2007. The website was developed by the Gesellschaft für Technische Zusammenarbeit (GTZ) on behalf of the Federal Ministry for Economic Cooperation and Development. The site aims to help migrants in Germany find service providers offering favorable terms for transfers to their home countries.

3. Outcome

At the close of the meeting, the country representatives adopted seven concrete recommendations that will be inserted into the G8 process and will thus form the basis for discussions when Japan assumes the G8 presidency in 2008 (see Box 1). The individual recommendations, derived from the various presentations and subsequent discussions during the meeting, are described in detail below.

The 7 recommendations of the G8 Outreach Meeting on Remittances in Berlin from 28 to 30 November 2007

Background: In response to the request of the G8 summit in Heiligendamm, the Federal Ministry of Finance hosted a high-level meeting on remittances in Berlin from 28 to 30 November 2007. The meeting was held in a G8 outreach format and attended by delegations from the G8 countries and the European Commission as well as participants from additional countries, international organizations, the private sector, civil society, academia and the media. The high-level meeting had two objectives: First, the aim was to assess the progress of measures to facilitate remittances agreed at the Sea Island Summit in 2004, where the G8 launched its Global Remittances Initiative. Second, the conference was intended to initiate a dialogue on new channels for transferring funds, instruments to support money transfers by migrants, and other potential measures. Over the course of six rounds of discussions with 19 contributions from high-ranking experts, the participants of the G8 Outreach Meeting formulated the following seven recommendations.

Recommendation No. 1: Improving data on remittances
According to recent estimates, remittances have developed alongside FDI to become the most important source of external financing for developing countries in the last few years. G8 countries committed themselves at the Sea Island Summit to "work with the World Bank, IMF, and other institutions to improve data on remittance flows and to develop standards for data collection in both sending and receiving countries". This commitment led to the establishment of an international working group – the Luxembourg Group. The aim of the first panel discussion was to provide an overview of recent trends and give the Luxembourg Group representatives the opportunity to present their recommendations for improving data on remittances. Other methods of estimating remittance flows were discussed as well.

It became clear that despite existing problems of definition, remittances have developed very dynamically in recent years. Remittances have increasingly caught the attention of statistical authorities since the Sea Island Summit and the initiatives launched there. The main problem in compiling data lies in the differing methods employed internationally to record these payment flows in national statistics. It was therefore proposed that the concept of 'workers' remittances' used thus far should be dispensed with. Owing to various deficiencies, it was suggested that this component be replaced by the concept of 'personal transfers'. This term should be understood as referring to all cross-border payments between households that are made without demanding a quid pro quo. The concept does not depend on the status of the parties involved and is a suitable means to avoid the inconsistencies contained in the previous one.

To improve the compilation of data, the Luxembourg Group, under the leadership of the IMF and World Bank, developed a compilation guide, a draft of which will shortly be posted on the websites of the IMF and World Bank. As part of a transparent consultation process, interested parties from both the public and private sector are invited to submit proposals for amendments and improvements. The aim of the new compilation guide is to facilitate various approaches to collecting and processing data. During the panel discussion, the authors expressed their view that this instrument is a viable means to improve significantly the reliability, comparability and relevance of data on remittances.

A core element of the Luxembourg Group proposals, which was incorporated into the compilation guide, lies in not recommending one single method for all users, but rather in allowing country-specific factors and individual needs to be taken into account when collecting data. For example, data can be gathered from the banks involved ('transaction reporting') or from senders or receivers of remittances ('household surveys').

As the panel session developed, it became evident that the EU faces particular difficulties in compiling data on remittances, with the ability to capture intra-EU transfers being especially significant here. According to a survey commissioned by the European Commission, remittances in 2004 amounted to €26.8 billion, €6.9 billion of which remained within the EU. The principal corridor for transfers is between Germany and Turkey (at €1.7 billion), followed by the France-Morocco corridor (at €1.5 billion).

Remittances are also becoming increasingly important in Russia, whereby the level of transfers from Russia to other states (in particular to China and the Ukraine) exceeds the transfers to Russia (from the USA and Switzerland in particular). At the end of the discussion, the participants agreed on Recommendation No. 1:

The participants welcomed the work done to improve remittance data following the G8 Summit at Sea Island. National statistical offices and central banks are encouraged to continue their efforts to improve the quality of data used to compile estimates of remittance flows within the Balance of Payments framework. In this regard, the conference recommends that they make use of the forthcoming compilation guide drafted by the Luxembourg Group. The conference also recommends that the Luxembourg Group continues to play an active role in helping countries improve their estimates of remittance flows.

Recommendation No. 2: Increasing development impact

The G8 agreed at the Sea Island Summit to "promote better coherence and coordination of international organizations that are working to enhance remittance services and heighten the developmental impact of remittance receipts in developing countries". The second panel session provided an overview of recent research on the development impact of remittances. The panel discussed whether a coherent view of remittances has emerged and how the private sector can help to increase the development impact by providing needed services.

The discussion on the role of the private sector showed that companies active in the remittances field face special challenges. In particular, the 'last mile' to the remittance recipient in the developing countries is frequently very difficult to bridge. For this reason, a comprehensive network of points of contact is required. Western Union, as the leading company of this kind worldwide, is consequently already present in 200 countries at around 120,000 locations today.

There are a series of macroeconomic implications to remittances. First, it is possible to state that the prominence of remittances as a source of income in developing countries has increased greatly. The World Bank estimates that remittances to developing countries alone have more than quadrupled from US$58 billion in 1995 to US$240 billion in 2007. Over the same period, ODA flows have risen by less than double from US$59 billion to US$100 billion. This means remittances are contributing to a significant reduction in poverty in many developing countries. This is all the more so as smaller, poorer countries receive relatively larger remittances. In absolute terms, India (with US$27 billion), China (with US$25.7 billion) and Mexico (with US$25 billion) are the main recipients of remittances. When expressed as a share of GDP, however, the top three receiving countries are Tajikistan (at 36%), Moldova (at 36%) and Tonga (at 32%).

Peer Steinbrück, Federal Minister of Finance:
"Many people are probably not aware that home-country relatives frequently depend on the money sent by migrants to secure their livelihoods. And it is often precisely these remittances that enable children to attend school, giving them at least some say in their own destiny. What particularly appeals to me is the fact that the remittances reach the really needy without the involvement of the authorities and without any bureaucratic hurdles as a consequence."

Money transferred by foreign workers to relatives reaches those who are really in need, encourages more saving, better healthcare and improved education for children, and means recipients are better equipped to deal with economic shocks. The fact that remittances can contribute to the formation of entrepreneurship in the receiving countries is another positive side effect. They can also help stabilize the financial markets in the receiving countries. For these reasons, individual countries such as the Philippines are actively promoting migration to countries where it is possible to earn high levels of income. Another advantageous aspect is that a high level of capital inflows can improve a country's external rating and thereby enhance its ability to borrow on the international capital market. Financial institutions can securitize future remittance flows and use them indirectly to raise capital from the international market as well.

A downside to large inflows is the resulting appreciation pressure. This has an impact on the local currency and can disadvantage an economy's own exports. It also has to be taken into account that remittances may also be a reflection of a 'brain drain', in other words the loss of a country's well-educated elite, with negative consequences for the country concerned. Remittances may ultimately increase inequality between households as not all receive such payments.

The conference did not doubt the overall positive contribution remittances make to the economic growth and macroeconomic development of a country. The participants took the view that, owing to the predominantly constructive impact, remittances should not be taxed and no attempt should be made to direct the allocation of expenditures. At the same time, reforms are wise where they improve the framework conditions for transferring remittances and their use for investment purposes. The participants also observed that remittances are a supplement to, and not a substitute for, ODA.

Dr. Thomas Mirow, Secretary of State at the Federal Ministry of Finance: "Remittances are private funds and decisions about how to use them should be the sole preserve of those who worked so hard to earn this money in the first place. These payments may reduce the pressure on governments in receiving countries to reform. But all the same, we cannot refuse people the right to help themselves just because their governments are not pressing ahead with the right economic reforms. That would be cynical."

Recommendation No. 2 was made at the end of the second panel session: **The participants recognized the extensive research on the development impacts of remittances which has been undertaken in recent years. They invited the international community to explore ways to encourage formal transfers and innovative mechanisms to leverage remittances for development.**

Recommendation No. 3: Implementing the General Principles for International Remittances Services

The second multilateral initiative the G8 launched at the Sea Island Summit was the establishment of an international task force led by the Bank for International Settlements and the World Bank. This task force has formulated a set of general principles designed to assist countries to improve the market for remittance services. The objective of the third panel was to present the general principles of the task force, which cover transparency and consumer protection, payment system infrastructure, legal and regulatory framework, market structure and competition, governance and risk management. Private sector representatives additionally discussed the efforts of the banking sector to lower transfer costs in recent years. A further topic was the cooperation of public institutions and the private sector in order to improve remittances services. Many migrants lack access to the formal financial sector and are unable to send remittances via this channel. A major concern of the G8, alongside reducing transfer fees, is therefore to enhance access to financial services for senders and receivers as well. The main thrust of the task force's work was thus to define the conditions that would lead to improvements for users of remittance services. This can be achieved relatively quickly, for example, by reducing regulation. Improving access to financial services is primarily a project for the long term.

During the meeting in Berlin, the members of the task force emphasized that the General Principles for International Remittances Services should be understood as a guide, rather than a prescription, for competition, transparency and consumer protection. Keeping the costs of licensing and monitoring remittance service providers at a justifiable level, legislators must enable migrants to make transfers in as simple, cost-effective and un-bureaucratic a manner as possible while ensuring the necessary level of transparency in combating money laundering and terrorism financing. This position was supported by both the governments represented and the private sector.

Alongside regional initiatives, a number of countries including El Salvador, Morocco, Honduras and Haiti have already started to implement the general principles in pilot projects. Initial results indicate that lower costs for transfer are achievable, that transfers are becoming more secure and that the user-friendliness of the systems is improving overall. The World Bank has announced that, in light of these positive results, it will continue to initiate further projects in Sri Lanka and Malawi among others. The participants felt that the private sector has an important role to play. By pursuing a transparent business policy in particular, the private sector can contribute to the efficient processing of remittances. This includes providing all the necessary information and conditions for the customer, the transmission of the full amount to the beneficiary and a guaranteed execution time. An improvement in the market environment for remittances can, inter alia, be achieved by agreeing best practices for the banking sector and through innovation.

The private sector itself also has an interest in the remittance business. Migrants' growing share of the world population (currently around 3%) and the persistently large proportion of remittances not passing through the formal financial sector means there is enormous potential for growth if banks and other institutions succeed in making the processing of remittances more attractive. The discussion on the general principles culminated in the formulation of Recommendation No. 3:

The participants welcomed the preparation of General Principles for International Remittance Services by the international taskforce led by the Bank for International Settlements and the World Bank. Policymakers should use these principles as an instrument to improve the regulatory framework of the remittance industry, foster competition, enhance transparency, and strengthen consumer protection in their remittance markets.

Recommendation No. 4: Advancing bilateral partnerships

At the summit in Sea Island the G8 countries set up an Action Plan and each country and the European Commission committed themselves to concrete actions. The aim of the fourth panel was to give two countries of the G8 and the European Commission the opportunity to present their progress in implementing their plans and to show whether a reformulation of their plans has been or will be necessary. The relevant paragraphs on Italy, the United Kingdom and the European Commission from the summit document are as follows:

"Italy: Over the last few years, remittance flows from Italy have significantly increased (to €6 billion in 2003). Italy has developed an Action Plan aimed at attracting immigrants' remittances into official financial channels and promoting the development of innovative payment technologies; addressing statistical issues; encouraging the use of remittances as a tool for economic growth and development in countries of origin. Several initiatives have already been launched or are under consideration, such as pilot projects on "microfinance-remittances," especially with countries in North Africa (Morocco in particular), the Balkans and Sub-Saharan Africa."

"United Kingdom: The UK is developing remittance partnerships with, initially, two countries that receive significant remittance flows from the UK. These partnerships will build on current UK-supported programs, such as those with the FinMark Trust in southern Africa, to strengthen the financial sector, reduce barriers to remittance flows, and improve access to affordable and efficient remittance services."

"European Commission: The flow of workers' remittances from the EU is an important source of financing for third countries, including countries neighboring the EU. The Commission is preparing a new legal framework on EU payment services designed to increase the choice of services, make remittance transactions more secure, and enhance transparency and competition in the market. An EU program also assists third countries in the area of migration and asylum, supporting initiatives to reduce remittance transfer costs and to facilitate the use of remittances for productive investments and development initiatives."

The progress reported during the Berlin meeting is encouraging. Italy, for example, has been working on the concrete implementation of its National Action Plan and the recommendations of the G8 Action Plan since the Sea Island Summit. Against the background of a migrant population of around 5% and remittance outflows to third countries of €4.4 billion (where China, Rumania, and Morocco are the core recipients), Italy registered positive interim results especially in terms of making remittances more efficient and less costly. Italy has also made substantial progress on compiling statistical data and enhancing the development impact of remittances. The Bank of Italy and the Italian Ministry of Foreign Affairs are partners in this process. Italy is cooperating with institutions in Albania, Moldova, Morocco, Senegal and Ghana. Furthermore, Italy has actively participated in the work of the Luxembourg Group and in the formulation of the General Principles for International Remittances Services. Italian banks are involved in a series of international initiatives and bilateral partnerships in, for example, Morocco and Senegal. Notwithstanding the successes, Italy constantly updates its National Action Plan to take account of recent developments and incorporate the experiences gained so far.

The Department for International Development (DFID), the UK institution implementing development work, has succeeded, through its programs (such as the Send Money Home and UK Remittances Task Force initiatives), in enhancing transparency and competition as well as increasing migrants' use of formal payment channels. This also raised the development impact of remittances in the receiving countries, not least through significant price decreases in transfer costs, which, in the case of India, constituted 30% of the total cost of a remittance. The removal of policy, regulatory and other barriers to remittances is an important part of this success. The UK also has partnership programs with, among others, Nigeria, Ghana and Bangladesh. In particular, these initiatives support the creation of national payment systems, promote the development of the private sector and encourage the extension of coverage in rural areas.

In the EU, the adoption of the Directive on payment services in the internal market (Directive 2007/64/EC, OJ L 319 of 5 December 2007, p. 1) during Germany's presidency of the EU in 2007 marks an important step towards strengthening competition and, as a consequence, to improving conditions for remittances as well. The Directive must be transposed into national law by 1 November 2009. The Directive will create a uniform market for payment transactions in the EU that provides increased security and legal certainty for all consumers. The formulation of the Directive is largely consistent with the requirements of the General Principles for International Remittances Services.
In the subsequent discussion, representatives from other G8 countries updated participants about the advances their countries had made in implementing the Sea Island commitments. Here it became clear that extensive progress has already been achieved, although there is still a need for action. The positive experiences, especially those of the UK and Italy, in connection with bilateral initiatives, prompted participants to call for increased cooperation between beneficiaries and countries of origin across the board and they summarized this in Recommendation No. 4:

The participants of the G8 Outreach Meeting recognized the contribution of the G8 countries, in collaboration with their bilateral partners, as well as the efforts of the European Commission to facilitating remittances flows and deepening the development impact of those flows. Participants urged the national authorities to continue to pursue such collaborative efforts. Participants also suggested that to avoid duplicative efforts, coordination of the work by the national authorities with other national authorities, the NGOs, the private sector and the MDBs should be pursued.

Recommendation No. 5: Fostering access to financial services
In their Sea Island Action Plan, the G8 had emphasized that the developmental impact of remittances may be fostered by increasing financial options for the recipients of these flows. Panel V elucidated which efforts to enhance "access to formal financial systems in sending and receiving countries" have been proven successful. In addition, the question of whether financial literacy programs are suitable tools in terms of making it easier for people to send and receive money were discussed. Furthermore, the panel provided an opportunity to present the relevance of microfinance entities in developing counties and their role in strengthening local financial markets and improving access to financial markets.

One of the barriers to accessing financial services in developing countries lies in physical availability. For example, rural areas are frequently completely devoid of banks and financial intermediaries. People living in these areas are often forced to travel great distances to reach the nearest branch. Added to this, there are financial barriers that make it difficult to open bank accounts where, for instance, a minimum account balance is required. Language barriers also play a role in the remittance origin countries. Many recipients, and indeed the people sending remittances, do not consequently have any access to the formal financial sector. Improving the conditions for remittances may promote the use of formal financial channels. Surveys show that between 30% and 40% of those receiving remittances now open bank accounts. Policies should particularly promote institutes demonstrating an explicit focus on combating poverty. In so doing, it is possible to increase the development impact of remittances.

Many countries are already pursuing this approach, especially by providing tax exemptions for relevant companies.

The integration of remittances into the activities of microfinance institutions was seen as a promising model. These institutes usually represent the only source for poorer populations to obtain loans or to utilize other financial services. Thanks to their relatively widespread network of branches, these microfinance institutions can also reach populations in rural areas. Many migrants want to invest their transfers in creating their own (small) business in the home country, and to use this business as the basis for their livelihoods upon their return. Microfinance institutions are ideally positioned to implement this wish. Entrepreneurship in the receiving country can thus be promoted and consequently enhance the economic development of remittances significantly.

Nicolette Kressl, Parliamentary State Secretary at the Federal Ministry of Finance: "Industrialized countries paid little attention to the phenomenon of remittances for a long time. Many governments showed little concern for the problems and needs of migrants who wanted to transfer portions of their hard-earned money to relatives or friends in their home countries. And the private sector, mainly the banking industry, was often not interested in offering the necessary services. It is therefore no surprise that many migrants have often sought and found channels outside the formal financial sector."

Instruments ensuring a population's financial literacy improves have shown themselves to be appropriate means for raising access to formal financial services. During the meeting in Berlin, components of such financial literacy programs were discussed in general and clarified in more detail using the example of Guatemala. Among other initiatives, a Medical Service Plan was established in this country that is intended to ensure remittance beneficiaries can use the payments received to make financial provisions for relatives' medical treatment.

The participants agreed that such approaches are a suitable method to boost access to the formal financial sector and the development impact of remittances as a result. They summarized their discussion in Recommendation No. 5:

One of the major challenges is still to attract remittances to bankable channels. While recognizing the considerable efforts undertaken so far, the participants of the G8 Outreach Meeting called upon policymakers, the private sector, and the international community to continue their work to strengthen financial systems and to improve access to financial services – through better systems and attractive ways to remit, save and invest for migrants, diaspora, and remittance recipients – thereby contributing to reducing poverty and promoting economic growth.

Recommendation No. 6: Promoting innovative instruments and monitoring additional policy measures

The G8 underlined at their summit in Sea Island that through the use of innovative payment instruments the cost of remittance services could be reduced. Innovative payment instruments that have or will successfully increase the access to formal channels were described during the sixth and final panel session. Furthermore, policies aimed at influencing remittance flows were also discussed.

The meeting participants established that although it is still too early to make a final assessment of new and innovative instruments, important stimuli for the increased use of the formal financial sector for remittances can nevertheless be expected. This is thanks to the greater uptake of innovative instruments utilizing modern technologies such as the internet and cell phones. These technologies are enabling the adoption of new transfer channels and payment products that were inconceivable just a few years ago. Processing remittances will become simpler and more transparent overall. However, only individual components of the transfer are being altered; issues such as bridging the last mile are not being solved. For example, almost any region around the globe can be reached using a transfer via cell phone. The way the recipient of the message obtains the payment in cash, however, continues to depend on the distance to the nearest cooperating financial institution.

Innovative products create new tasks for regulatory authorities. Central banks and other public bodies should work closely with providers of new instruments and with the private sector because new technologies have the potential to demonstrate ways to make transfers cheaper and less costly and thus increase the development impact of transfers. Development organizations should be included in this process as they can best represent the priority issues for consumers.

On the basis of the French experience, participants discussed the opportunities for policies to influence remittances. The idea behind this was that targeted promotion may increase the development impact of remittances and their complementary contribution to ODA expenditure. Concrete measures could include increasing competition between remittance service providers. Other measures helping to direct remittances into productive investments in the receiving countries to a greater extent may also be suitable. In France, this is done within the framework of pilot projects awarding a premium on the interest generated by sums in migrants' savings accounts, combined with tax exemptions where the yield is invested in projects in the home country with a positive development impact.

France has already gained positive experience with such co-financing projects in countries such as Mali, Morocco and Senegal. These projects are most successful where the remittances and ODA funds are bundled in specific sectors and the involvement of the diasporas is strong. During further discussion, experiences in conducting projects in Ethiopia, Somalia and Ghana also demonstrated that not all diaspora organizations have the capacity to implement ambitious development projects in a sustainable manner. In Germany, for example, remittances can be taken into account when assessing income tax. This means migrants supporting relatives in their home countries are given indirect financial relief (see Box 2, "The treatment of remittances in German income tax law", p. 90). The last panel discussion was summarized in Recommendation No. 6:

Innovative payment instruments are evolving at a rapid pace and might further reduce the cost of remittance services and increase the access to financial services. International organizations and policymakers should monitor these developments closely and should be prepared in case adjustments to the regulatory framework are needed. Policies aimed at influencing remittance flows should be further monitored.

Recommendation No. 7:
Establishing a Global Remittance Working Group

To continue and deepen discussions held in Berlin, the participants called for the establishment of a working group comprising international representatives from the public and private sectors. To this end, the participants formulated Recommendation No. 7:

The participants of the G8 Outreach Meeting welcomed the several attempts of the public and private sector as well as the civil society aimed at coordinating and moving forward the existing and forthcoming initiatives to promote remittance flows. The participants regarded the establishment of a Global Remittance Working Group as an interesting proposal which should be considered by the G8. Such a group should be led by an international organization, which wants to take the lead, and should consist of members from the public and private sector as well as the civil society. The tasks of this group should be – among others – to heighten the awareness of the remittances phenomenon, to encourage further research on the development impact, to support the implementation of the General Principles for International Remittances Services, and to initiate pilot programs with a demonstration effect.

4. Conclusions

The issue of remittances is of great interest to Germany because the momentum of these transfers, with a double-digit rate of growth, is clearly greater than other financial flows to developing countries, and Germany, after the United States and Saudi Arabia, ranks as the third largest source of remittances worldwide. Remittances also constitute an important addition to public spending on development work, and can contribute to macroeconomic stability and poverty reduction. The meeting in Berlin served to implement the agreement reached at the Heiligendamm summit and thus rounds off Germany's 2007 presidency of the G8. The participation of high-ranking experts provided for an intensive and well-founded discussion. The adoption of the seven recommendations can contribute to achieving progress above and beyond the German G8 presidency as well. This can be realized by establishing the proposed working group and, at the political level, through the continuation of the discussion during Japan's presidency in 2008.

The Treatment of Remittances in German Income Tax Law

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1. Introduction

Maintenance payments to relatives in home countries reduce the amount of disposable income available to migrants. Deducting these transfers when determining migrants' tax bases is a means of providing indirect financial relief to those who support families abroad. This document is intended to describe the preconditions for providing such a concession in Germany. Maintenance payments for children living abroad are not considered here as these are covered by the provision of child benefit or tax-free allowances for children that equally apply to children living in Germany.

2. Relevant fields of German maintenance law

Under German income tax legislation, payments made by migrants to their relatives abroad are treated in the same manner as maintenance payments made in Germany. Whether these transfers are recognized as such in German tax law depends entirely on whether there is a legal obligation to provide support on the basis of national law. German tax law does not permit maintenance claims relying exclusively on foreign legislation, such as claims from siblings living abroad, and claims which it may be possible to enforce in Germany under international law to be recognized for tax purposes. The following will therefore provide a brief overview of German maintenance law.

The provisions on maintenance claims and obligations are contained in German civil law. This body of law differentiates between relationships in the direct line and those in the collateral line. The first category covers people who are direct descendents, for example, the relationship between parent and child. A relationship in the collateral line, on the other hand, exists between people who are descended from the same person, for example, the relationship between siblings.

People related in the direct line are obliged to support each other. In other words, descendents are responsible for ascendants and vice versa. An obligation to provide maintenance also exists between spouses both during and, where applicable, after marriage. The entitlement to maintenance can be asserted only in cases where people are unable to provide for themselves. The obligation to pay maintenance does not extend to those parties who, taking into account their additional financial obligations, would not be able to secure their own livelihoods themselves after making maintenance payments. The relevant court must examine the matter on a case-by-case basis when determining the level of maintenance.

3. Basis for deducting remittances under tax law

As is the case in the majority of laws around the world on the taxation of earnings, German income tax legislation is based on the principle of the ability to pay. This means taxpayers' tax burden must be proportionate to their personal financial means.

In accordance with this principle, payments based on personal obligations also have to be deducted when determining a person's definitive tax base. Maintenance payments that, pursuant to Section 33a(1) of the German Income Tax Act, may generally be deducted up to a maximum of €7,680 per legal dependent, also fall within this category. This ceiling must be reduced where the recipients possess extensive assets or receive income in their own right in excess of €624. German tax law does not distinguish here between payment recipients living in Germany and those living abroad. Therefore, remittances are also tax deductible insofar as they constitute maintenance payments within the meaning of German civil law.

However, there is a requirement to assess the appropriateness of the payments where these are made to persons resident abroad. As a consequence, the maximum amounts stated must be adjusted according to the circumstances in the recipients' state of residence. This is because the maximum amounts contained in the law were determined using the costs of living to be expected in Germany. To perform this adjustment, the German revenue administration placed countries into four categories. The per-capita income of a country's population was taken as the benchmark. Where the foreign per-capita income is between 30% and 60% of the German equivalent, the threshold must be reduced by a quarter. The maximum amount of deductions is halved when the foreign per-capita income is between 10% and 30% of Germany's per-capita income. If the ratio between the foreign and German per-capita incomes is even lower, the maximum amount is decreased by three quarters.

4. Requirements to furnish proof

In order to deduct maintenance payments against their German income tax bases, migrants are required to furnish supporting evidence, especially as these payments are transferred abroad. Migrants must thus demonstrate that they and the payment recipient are related in the direct line. This has to be confirmed by the local registration authority in the foreign country, and thus establishes the basis for the payment recipient's claim to maintenance.

In addition to demonstrating that there is a claim, it is also necessary to prove that the recipient is actually in need of maintenance. To do this, migrants have to state the existing assets and income of the recipient. Wage statements or tax declarations can be used as evidence. To simplify this process of furnishing evidence, the Federal Ministry of Finance has published application forms online (at www.bundesfinanzministerium.de) in the most common languages.

5. Means of payment and requirements to furnish proof

The amount of payments made must be sufficiently documented. In cases where payments are made via bank transfer, the bank statements confirming the payee, the cash outflow and the recipient, are generally deemed adequate proof. If several recipients entitled to be maintained live in one household, it is satisfactory for one of these people to be named as the recipient.

If it is not possible to transfer the payment to the dependent's bank account – because, for instance, this person does not have an account of his or her own and another bank account has to be used instead – the German bank records belonging to the person liable for maintenance do not constitute sufficient evidence in their own right. Moreover, in such cases, migrants must additionally provide confirmation from the bank in the foreign country demonstrating that the stated recipient actually has the power to draw on the account into which the transfer is paid and that the amount was taken into the recipient's control.

Payments are also frequently made via cash transfers as at least one of the parties involved has no access to financial services. In order to substantiate the payments in such situations, migrants have to provide proof of travel (in the form of airplane tickets or petrol station receipts), of the withdrawal in Germany and of receipt by the recipient. This evidence must be compiled at every stage of the transaction, and not on a subsequent basis. Furthermore, there may only be a maximum of two weeks difference between the time of withdrawal and the transfer of the money in order to ensure that there is sufficient correlation.

To simplify matters, in the case of trips to visit spouses, so-called "trips home" (Familienheimfahrten), it is assumed that the migrants liable to tax take one month's net salary with them and that this salary is for all dependents living in the spouse's household. Within this framework, migrants are not therefore required to provide comprehensive evidence regarding their payments. However, the total amount that can be claimed against tax each year is limited to four month's net salary less payments claimed by other means. If migrants wish to claim additional amounts or other amounts that may have been transferred, the figure of the four month's net salary must first be reduced by the amount of payments claimed by other means.

In special cases, for example, where crises occur in the home country, it may be necessary for an intermediary to transport the money in place of the migrants themselves. Money transferred in this way may only be deducted in exceptional cases and then only where proof of the identity of the intermediary and his or her exact travel itinerary is provided.

6. Calculating the tax deduction

In normal circumstances where transfers are made to a dependent living alone, such payments can be deducted up to the maximum amount. However, there are exceptions. If varying living standards in the receiving country require the maximum amount to be adjusted on the basis of the method set out above, the maintenance payments must also be modified using the relevant factor.

In cases where payments are made to dependents with several people living in their households, it is assumed, for the purposes of calculating the deductible amount, that the payments are also intended for members of the household who should not potentially be taken into account. This might include persons not entitled to maintenance or children where special child benefits (child benefit or tax-free child allowance) have been granted for their maintenance. The payments made must be split per person across all the members of the household, even if some of these people are not dependents, so that only the part of the payments allocated to the persons entitled to maintenance is deductible.

If, on the other hand, a dependent receives payments from several people, the persons liable for maintenance may not deduct more than the maximum amount of €7,680 against their taxable incomes. The distribution is calculated according to each payer's share of the total payments. The maximum amount is reduced by one twelfth for each month of a tax assessment period in which the general preconditions are not fulfilled.

In addition to this, the ceiling for the tax deduction may also be reduced where, after payment of maintenance, the income remaining to the migrants is insufficient for them to finance their own livelihoods and, where applicable, even the necessities of life for their families living in the host country. The maximum deductible amount, known in German as the Opfergrenze, is the limit imposed on the portion of income migrants can reasonably be expected to forgo. This is calculated as a percentage of their net income. One percent of every whole €500 of net annual income (max. 50%) may be deducted, less five percentage points for a spouse and for each child (less max. of 25 percentage points). The limit on payments is not applied in the case of payments to spouses living abroad.

The amount of the maintenance payments claimed as part of income tax assessment is considerable. In the 2004 assessment year, for example, a total of 477,629 taxpayers claimed expenditure of €1.473 billion. While this figure does not demonstrate how high the share of expenditure on remittances was, it does highlight the relevance of maintenance payments within the process of assessing income tax.

7. Limits to the deduction in selected foreign tax laws

Other country's laws on the taxation of earnings also contain regulations on maintenance payments that are similar to those found in German income tax legislation in isolated cases. Some of the national provisions in other countries will be described briefly by way of example. As far as they are based on a court order, France permits maintenance payments to a divorced or separated spouse as well as to relatives in the direct line to be deducted in full.

Italy also allows maintenance payments to a divorced or separated spouse that are awarded on the basis of a court order to be deducted in full. With the exception of payments to children, which cannot be deducted, the ceiling for claiming maintenance payments to relatives in Italy ranges up to €2,900, insofar as the recipients do not receive income in their own right in excess of €2,841.

In Japan there is a tax-free allowance of approximately €2,390 for maintenance payments to needy relatives where these people live in the taxpayer's household. This amount increases to around €3,645 for parents living in the household and is around €3,020 when they do not share the home. The precondition is that the parents must be at least 70 years old.

Canadian tax law permits payments to a divorced or separated spouse to be deducted in full insofar as a written agreement has been concluded or a court order made. Payments to children are not, however, tax deductible.

It is also possible to claim maintenance payments to a divorced or separated spouse in full in the USA, although those payments to children are excluded. It should be noted that the deduction in Canada and the USA is subject to the prior levy of withholding tax on the payee.

It is not possible to deduct maintenance payments to a divorced or separated spouse or to children in the UK. A small deduction is only permitted in cases where one of the parties involved was born prior to 1935. In such instances, 1% of the payments made, or a maximum of around €3,600, may be claimed.

Russia does not permit maintenance payments to be deducted.

Program of the G8 Outreach Meeting on “Remittances” 28 – 30 November 2007

Wednesday, 28 November 2007, Evening

Hilton Hotel Berlin, Mohrenstraße 30, 10117 Berlin
06:30 - 10:00 Reception – Get together – Buffet Dinner

Thursday, 29 November 2007, Morning, Federal Ministry of Finance – Euro hall

08:15 - 08:45 Registration
09:00 - 09:15 Opening Statement by Dr. Thomas Mirow, State Secretary of the Federal Minister of Finance, Germany

Panel I: Scope and Recent Trends of Remittances
Moderator: Neil Fantom, World Bank
09:15 - 09:30 Jens Reinke, International Monetary Fund
09:30 - 09:45 Jens Walter, Deutsche Bundesbank
09:45 - 10:00 Martin Hallet, European Commission
10:00 - 10:15 Sergey Shcherbakov, Bank of Russia
10:15 - 10:30 Discussion

Panel II: The Development Impact of Remittances
Moderator: Dr. Volker Ducklau, Deputy Director General, Federal Ministry for Economic Cooperation and Development, Germany
11:00 - 11:15 Jan Hillered, Western Union
11:15 - 11:30 Dilip Ratha, World Bank
11:30 - 11:45 Rainer Münz, Hamburg Institute of International Economics
11:45 - 12:30 Discussion

Thursday, 29 November 2007, Afternoon, Federal Ministry of Finance – Large hall

01:30 - 02:30 Official Launch of the website www.geldtransfair.de by the honorable Federal Minister for Cooperation and Development, Ms. Heidemarie Wieczorek-Zeul, and the honorable Federal Minister of Finance, Mr. Peer Steinbrück

Thursday, November 29, 2007, Afternoon, Federal Ministry of Finance – Euro hall

Panel III: Easing the Way Home
Moderator: Seymour Fortescue, Chairman of the UK Remittances Task Force

02:30 - 02:45	Gregory Watson, World Bank/CPSS
02:45 - 03:00	Norbert Bielefeld, World Savings Banks Institute
03:00 - 03:15	Jack Jared, Citigroup
03:15 - 04:00	Discussion

Panel IV: Update of the Sea Island Action Plan - The National Component -
Moderator: Bill Murden, Director at the Treasury, United States of America

04:30 - 04:45	Giorgio Novello, Head of Foreign Debt & IFI Desk, Italian MFA
04:45 - 05:00	Martin Alsop, UK Department for International Development
05:00 - 05:15	Javier Palmero Zurdo, European Commission
05:15 - 06:00	Discussion

Thursday, 29 November 2007, Evening
Museum for Communication, Leipziger Straße 16, 10117 Berlin

Gala Dinner at the invitation of the Deutsche Bundesbank and
the Federal Ministry for Economic Cooperation and Development
Welcome Speech by Prof. Dr. Hermann Remsperger,
Member of the Executive Board of the Deutsche Bundesbank
Keynote Speech by Karin Kortmann, Parliamentary State Secretary
of the Federal Ministry for Economic Cooperation and Development

Friday, 30 November 2007, Morning, Federal Ministry of Finance – Euro hall

Panel V: Reaching Out to the Unbanked
Moderator: Cerstin Sander, Kreditanstalt für Wiederaufbau (KfW), Germany

09:00 - 09:15	David C. Grace, Vice President, Association Services
09:15 - 09:30	Kai Schmitz, Microfinance International
09:30 - 09:45	Günther Müssig, International Organization for Migration (IOM)
09:45 - 10:30	Discussion

Closing Session: Outlook and Next Steps
Moderator: Donald F. Terry, Manager of the Multilateral Investment Fund

11:00 - 11:15	Leon Isaacs, CEO, Developing Markets Associates
11:15 - 11:30	Francois Marion, Head of Unit, Treasury Directorate, France
11:30 - 11:45	Leila Rispens-Noel, Programme Officer, Linkis Oxfam Novib
11:45 - 01:00	Discussion
01:00 - 01:10	Closing Words by Nicolette Kressl, Parliamentary State Secretary of the Federal Ministry of Finance

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