Remittances to CARICOM countries: Policy issues and options.

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Introduction

In 2005, an estimated $230 billion were transferred in remittance flows globally (IADB 2006; IMF 2006). The Latin American and Caribbean (LAC) region received the highest volume of remittances worldwide. The region accounted for US$53.6 billion or 24.5%, representing roughly one quarter of total worldwide flows, followed by South Asia with $32 billion or 13.9%.

In 2005, remittances to the LAC equalled 2.7% of the region's Gross Domestic Product (GDP). In 2004, remittances represented 10.4% of total value of exports of goods and services, and 11.3% of the value of total imports. Available data indicate that the magnitude of these flows is growing. The development potential of remittances can enhanced by increasing these flows, reducing transfer costs, lowering the risks associated with transfers and providing more attractive investment options to remitters as well as recipients.

Only a few studies (Bascom, 1990; Samuel, 1996; Orozco, 2002; Kirton, 2005) over the last decade have assessed the contribution of remittances to the economic and social development of the English-speaking Caribbean. Even fewer have examined the policy interventions available to Caribbean policy makers that target migrants' remittances. Though not exhaustive, policy measures to enhance the development of remittances may include remittance bonds, premium interest rate accounts, facilitating transfers through microfinance institutions and outreach through migrants' services institutions.

Although some CARICOM countries have specific policies and institutional arrangements which target migrants in the Diaspora, especially as this relates to returning migrants, there are no clearly articulated policies which target increases in remittance flows to the region. This paper examines selected policies by developing countries geared towards maximizing the development impact of remittances. It outlines some of these policy measures and assesses their applicability in the context of CARICOM countries.

The paper is divided into five sections. Following the introduction, the second section summarizes the recent experience of remittance flows to the Caribbean. In the third section, a brief review of public policy initiatives related to migrants' remittances to the region is presented. The fourth section deals with the applicability of selected policies to the Caribbean. In the final section, conclusions and recommendations are discussed.

Remittance flows to the Caribbean: Overview

Remittances: definitions

The International Monetary Fund (IMF) defines remittances as "current transfers by migrants who are employed in new economies and considered residents there. (A migrant is a person who comes to an economy and stays, or is expected to stay, for a year or more.)" (IMF, 1993, p. 75). In analysing remittances to the Caribbean, Bascom (1990, p.3) defines remittances as "transfers made from earnings and/or accumulated stocks of wealth by individuals who are residents in a foreign country on a temporary or permanent basis….to their countries of origin for dependent support, investment, or any other purpose."

Remittances data collected by the various authorities in the Caribbean region report typically smaller amounts than are usually transferred. To date, these data only include remittances transferred through formal channels, and even, here it is possible that transfers through private accounts in the formal sector are not recorded as remittances. In addition, money transferred by private couriers and other informal arrangements are not reported. In general, migrants' remittances to the Caribbean are significantly underreported.

Levels of Remittances: CARICOM Experience since 2002

Using available data for selected CARICOM countries, it is estimated that at least US$14.6 billion was remitted between 2002 and 2005, averaging US$3.4 billion annually. Remittances increased from around US$2.9 billion in 2002 to roughly US$4.5 billion 2005, or by 48.1% over the period (Table 1). In 2005, the top three recipients of remittances in CARICOM were Haiti, Jamaica and Trinidad and Tobago, accounting for almost 90% of migrants' transfers to the region. Haiti was the largest recipient country obtaining over US$2 billion in 2005.

Table 1: Remittances to Selected CARICOM Countries (US$mn)

	2002	**2003**	**2004**	**2005**	**% Change 2005/2002**
Haiti	1325	1622	1862	2086	57.5
Jamaica	1260	1398	1487	1520	20.6
Trinidad and Tobago	79	62	193	317	301.3
Barbados	109	113	114	125	14.7
Antigua and Barbuda	11.1	26.7	16.9	17.7	59.5
Dominica	3.5	3.5	5.1	4.7	34.3
St. Kitts and Nevis	3.7	3.6	3.9	4	8.1
St. Vincent	3.5	3.7	3.7	3.9	11.4
St. Lucia	4	4.3	3.1	2.2	-45.0
Suriname	15.1	23.5	21.3	21.4	41.7
Guyana	124.3	125.7	187.9	248.4	99.8
TOTAL	**2938.2**	**3386**	**3897.9**	**4350.3**	**48.1**

Source: World Bank, 2006
Note: Countries not included are Montserrat, Grenada, Anguilla, Belize, and The Bahamas.

Table 2 presents data on remittances as a percentage of Gross Domestic Product (GDP). The leading countries in terms of remittances/GDP are Haiti, Guyana and Jamaica where remittances represent 48.6%, 20% and 17.2% respectively of total output of these economies. Remittances are less significant for the other CARICOM countries.

Table 2: Remittances as a Percentage of GDP – Selected CARICOM Countries (2002 – 2005)

	2002	2003	2004	Average
Haiti	38.2	54.9	52.7	48.6
Jamaica	17	17.5	17.1	17.2
Trinidad and Tobago	0.8	0.5	1.5	0.9
Barbados	4.3	4.1	4	4.1
Antigua and Barbuda	1.5	3.1	2.5	2.4
Dominica	1.4	1.3	1.9	1.5
St. Kitts and Nevis	1.0	1.0	1.0	1.0
St. Vincent	1.0	1.0	0.9	1.0
St. Lucia	0.6	0.6	0.4	0.5
Suriname	1.6	2.3	1.9	1.9
Guyana	17.0	17.4	25.6	20.0

Source: World Bank, 2006

Migration and Remittances

Issues related to migration are germane to any discussion on remittances. The process of migration is an integral part of Caribbean economic history. Following the abolition of slavery, many ex-slaves moved from Barbados and the Windward and Leeward Islands to work on sugar plantations in Guyana (then British Guiana) and Trinidad and Tobago. In the early to mid-20th century, following the establishment of oil refineries in Venezuela, Curacao and Aruba, migrants from Trinidad and Tobago and Barbados went to work in these countries. Large numbers of persons from the British and French Caribbean countries moved to the Spanish Caribbean and Central America seeking employment in Panama to work on the Canal. Caribbean migrants also moved to Costa Rica, Cuba, Dominican Republic and Honduras to work on sugar and banana plantations.

In the 1940s, there was a significant movement of Caribbean people to Europe (United Kingdom (UK), France and Netherlands) in search of employment. Movement from the English-speaking Caribbean, particularly to the UK was not restricted since Caribbean countries were colonies of the UK and Caribbean nationals required no permits for entry into UK. UK immigration regulations, supported by the Commonwealth Immigration Act of 1962, were tightened leading to reduced levels of Caribbean migrants.

In 1965, the United States (US) Immigration and Nationality Act liberalized migration to the US. As a result of the new British regulations, Caribbean migration shifted towards the US; between 1960 and 1987, about 2.5 million people migrated legally from the Caribbean to the US. As economic conditions some CARICOM countries worsened, beginning in the mid 1980s, resulting in increasing levels of poverty, unemployment and crime, the numbers of Caribbean migrants to the US and Canada increased. In addition, during this period, many Caribbean farm and household workers migrated legally to Canada under a Canadian Worker Recruitment Scheme.

Since 1990, there has been migration of unskilled Caribbean migrant workers mainly women, seeking jobs as household workers in various Latin American countries including Brazil, Venezuela, Panama, Costa Rica and Colombia. There is also increased intra-Caribbean migration with many persons moving to those Caribbean islands characterised by boom economic conditions, especially Trinidad and Tobago, Barbados, Cayman Islands and the US and British Virgin Islands. Migrants to these countries are mainly from Jamaica, Guyana, and selected OECS countries (Grenada, St. Vincent and Grenadines, St. Lucia, and Dominica).

Public Policy Towards Remittances: CARICOM Countries

The case for remittance policy

Remittances represent transfers between private economic entities. As such, governments may find it difficult to design and implement policies which could typically increase these transfers. However, there are possibilities for governments to implement indirect policies, which can stimulate the growth of remittance transfers. Here, governments assume that increasing levels of remittances are likely to contribute to economic growth and development in the recipient countries.

From a macroeconomic perspective, remittances provide a sustainable source of foreign exchange inflows, which typically improve a country's balance of payments position.

This pool of foreign exchange earnings enhances a country's international credit ratings as well as provides an attractive environment for foreign direct investment. For many countries, with this improved balance of payments position, net international reserves are likely to increase. In addition, with remittances passing through banks and non-bank financial intermediaries, this increases the pool of funds which are accessible by these institutions and can improve their overall operations.

At the microeconomic level, remittances play a critical role in reducing poverty and income inequality. To the extent that a significant proportion of remittances are received by households in the lower income groups, this is expected to increase their income levels and living standards. In addition, such transfers are likely to reduce the credit risks experienced by these households and enhance their investment in physical and human capital.

Although remittances facilitate increased household consumption in many developing countries, a small percentage is used for savings and investment purposes. Where remittances are used for investment, recipients utilize these flows as start up or equity capital to operate micro and small businesses. Recipients who receive remittances on a consistent basis through financial institutions become 'banked', in that these funds are remitted through various types of deposit accounts which allow such households to become integrated into the formal financial sector. By establishing some type of formal relationship with a financial institution, access to credit from this institution may be less difficult for these households**.**

Remittance Polices: CARICOM

In terms of policies towards migrants, some Caribbean countries have established institutions which facilitate returning migrants as well as strengthen links with the Diaspora. In Jamaica, the government operates the Jamaica Overseas Department in the Ministry of Foreign Affairs and Foreign Trade. Among the functions of the Department are:

- administering the Returning Residents Programme (RRP)

- monitoring procedures related to the returning migrant relocation process
- promoting the interest of Jamaicans overseas seeking to provide both skills and services in Jamaica
- implementing policies to support overseas Jamaicans in their host countries
- mobilizing Jamaicans overseas to support national development.

There are however, no specific stated policies which deal with attracting remittances to Jamaica. However, the Bank of Jamaica has responsibility for licensing and regulating remittance firms operating in Jamaica. The requirements for a licence to operate a remittance company in Jamaica are presented in Appendix 1.

In Guyana, there are three government ministries with responsibilities for the Guyanese Diaspora. These are the Ministry of Foreign Affairs (MFA), Ministry of Tourism, Industry and Commerce (MTIC) and Office of the President (OP). A government agency – Guyana Office for Investment (GO-INVEST) has, as one of its responsibilities, the mobilization of overseas Guyanese investors to establish businesses in tourism, fisheries, mining, forestry, manufacturing and agriculture in Guyana. The MFA is responsible for providing consular services and information to overseas Guyanese through communities and Hometown Associations (HTAs) in the Diaspora. The MTIC targets overseas Guyanese using various marketing strategies mainly to attract them home for holiday vacations. The OP has overall responsibility for developing policy guidelines and overseeing policy implementation with respect to the Diaspora. There is no explicit or direct policy geared towards attracting migrant remittances to Guyana.

As part of its policy regarding Barbadian nationals seeking to relocate home, the Barbados government has established the Facilitation Unit for Returning National (FERN) in the Ministry of Foreign Affairs and Foreign Trade. This institution deals with granting various concessions to returning migrants, including duty free entry of personal and household effects, whether used or new; assistance with clearance through customs of personal effects; and waivers of any excess storage charges for such effects. Additionally, concessions are given for the importation of 'tools of trade' which are used by returning migrants. Returning nationals must be residing permanently outside of Barbados for at least ten years prior to the date of resettlement. There is no policy which directly targets the mobilization of migrants' remittances to Barbados.

Selected Policies by Developing Countries: Applicability to CARICOM Countries

Various remittance policy objectives and instruments have been identified in the literature (Wilson and Terry, 2005; Foran, 2006). Five of the relevant objectives are listed as follows:

a) redirect funds to official channels
b) facilitate investment of funds in productive uses
c) reduce transaction costs
d) mobilize savings
e) increase foreign exchange inflows

These objectives may be achieved via the use of mandatory policies or incentives, or some combination of both. In general, mandatory policies have not been successful as means by which remittance flows are mobilized. The rationale for the use of incentives is that remittances are private transfers and the only means by which government can influence these flows is by making them attractive and competitive options for remitters and recipients.

A few examples of mandatory policies in developing countries which have been unsuccessful and abolished include:

- Egypt: migrants were obliged to transfer 10% of their foreign exchange home
- Philippines: construction workers were required to remit 70% of their income
- Syria: 25% of incomes earned abroad were to be exchanged at official exchange rate; and these workers were required to pay a lump-sum foreign currency expatriate tax.

Attempts at state control of remittances have resulted in the growth of informal transfer arrangements.

Redirecting Remittance Flows through Official Channels

Some of the reasons for implementing policies to increase remittance flows through formal financial institutions can be identified as follows. These are positive balance of payments effects, improved international credit ratings and related access to international credit markets and attractiveness to foreign investment. In addition, with increased foreign exchange inflows into the financial sector, its operations become stronger and an enlarged pool of funds is available for loans and investments. Use of formal financial channels for remittances allows hitherto "un-banked" households to access financial institutions and increase their financial literacy; in addition, financial institutions are able to obtain useful information about account holders.

However, remittance transfers via official financial channels may not always increase domestic demand for credit since the financial constraints facing recipients may be reduced. In addition, most of these funds are used for consumption thus reducing deposit levels in the financial sector.

The World Bank (2006) provides some interesting results on the impact of remittances on financial development. In analysing the relationship between remittances and financial development for LAC, these results show that for 16 out of 25 countries there is a "positive and significant correlation between financial development and remittances." (p.45). However, for five CARICOM countries – Belize, Dominica, St. Kitts, St. Lucia and St. Vincent - the study reports a negative correlation between remittances and financial development. The World Bank, however, cites the need for much more rigorous empirical work in this area.

Among developing countries, Korea is one of the few which has used mandatory requirements as a tool for directing remittances through official channels into the domestic banking system. As a condition for issuing exit permits, the Korean government stipulates that at least 80% of earnings of migrant workers must be remitted via the Korean banking system. This relates mainly to migrant workers sponsored by the government. This policy may only be relevant in the context of those Caribbean countries which operate Guest Worker Programmes in countries like the US and Canada. In these programmes, migrant labour is usually sponsored by the home government to work in the host country. Jamaica operates a Farm Worker Programme, through an agreement between the Jamaican and US governments.

In terms of redirecting official flows through official channels, the Mexican experience with migrants in the US can be examined by Caribbean policy makers. The Mexican government has provided identification cards (Matriculas Consulares) which are issued through the Mexican consulates and are accepted by banks in the US to allow migrants (especially those who are undocumented) to open accounts with banks and other financial institutions.

To the extent that there exist a large number of undocumented Caribbean migrants in the Diaspora, especially in the US and UK who use informal channels of funds transfers, CARICOM policy makers may examine the possibility of utilising the Mexican model. Implementation of this policy will require Caribbean missions, consulates, high commissions and embassies in the Diaspora to educate and advise migrants about the advantages of this particular approach to enhancing remittance transfers. This policy will have to be part of a set of policies which make such an approach attractive; these can include foreign exchange accounts in home countries offering attractive interest rates and receipt of remittances in foreign currency. Undocumented immigrants will also have to be convinced that their information will not be shared with relevant authorities in the host countries and jeopardize their position there.

In designing policies to increase remittance transfers through the formal financial sector, policy makers have to consider the following issues. Remitters are less likely to use formal financial institutions because of ignorance as well as distrust, especially in countries where financial sector crises have occurred. The policy effects are likely to be smaller if recipients do not use banks or other financial institutions. In some countries, access to physical financial outlets may be limited.

Facilitating Investment of Funds in Productive Uses

Remittances are used mainly for consumption purposes. However, there exist possibilities for some portion of these transfers to be redirected away from consumption into investment. These include financial and real investments in entrepreneurial activities at the level of households as well as firms.

This policy is in keeping with the Multilateral Investment Fund (MIF)/ Inter-American Development Bank (IDB) Core Principles for supporting the remittance market in LAC (for details, see Appendix 1). One of MIF's specific recommendations is that the development impact of remittances be leveraged and that civil society and private sector organizations should "systematically identify obstacles to leveraging the impact of remittances and engage with all relevant stakeholders to address and remove such obstacles."

MIF proposes the encouragement of micro finance institutions to become directly involved in the remittance market. Money transfer services are attractive to micro finance institutions since they typically serve low income "un-banked" groups. Micro finance institutions can offer a range of new services to their existing clients as well as attracting new clients; this will also generate fee based income through sales of money transfer services.

Micro finance institutions have certain advantages which can make their involvement in the remittance market both potentially profitable and contributory to economic development through funding various categories of enterprises with limited access to the formal financial sector. These institutions target lower income groups and businesses especially in rural communities, providing low cost and accessible financial services. Remittance services are used by micro finance institutions to integrate remittance recipients and senders into the formal financial sector while simultaneously providing various financial services to these groups. In addition, since there are remitters who are interested in investments, micro finance institutions can offer them selected financial investment products which cater to their needs. These can be used by micro finance institutions to attract new clients and diversify their products and services. This strengthens their financial base by providing channels for an increasing level of remittances into savings, mortgage finance and other productive investments.

In Indonesia, the micro banking division of the Bank Raqyat Indonesia (BRI) has implemented policies to mobilize remittances for productive use in rural areas. BRI lends to migrant workers' families with loan repayments made through remittances. BRI also provides credit to migrant workers at the time of their departure, which is secured by remittances transfer commitments.

The experiences of micro finance institutions which are already providing remittance services in LAC indicate that although these have fewer branches than the established multinational transfer companies, they are competitive especially since they charge transfer fees which are lower than the market average. Two experiences from LAC countries highlight the success of micro finance institutions in operating remittance transfer facilities and redirecting some of these funds into productive investments.

In Haiti, FONKOZE which began its operations in 1994 is the largest micro finance institution which provides a wide range of financial products to households, mainly in rural areas. Clients are typically recipients of remittances since FONKOZE uses this facility to encourage remittance recipients to utilise the financial services it provides. FONKOZE has partnership arrangements operating as an agent in Haiti for some of the large international remittance transfer firms. The PRODEM Private Financial Fund (PRODEM PFF) in Bolivia deals with small and medium sized businesses predominantly in the informal economy. It provides a range of financial services including savings, loans, and money transfer facilities. Its main customers are those categories of businesses which demand credit to start or develop a business enterprise or meet any other needs. More recently, an IDB study recommended the upgrading of the services of a Guyanese MFI to include remittance transfer facilities and sale of microfinance products to remittance senders and recipients.

Experiences in developing countries recommend the feasibility of this approach for CARICOM countries. In so far as many CARICOM countries are developing policies which target micro, small and medium sized firms, this represents a useful means of enhancing their operations and channelling remittances in productive areas.

Reduce transaction costs

Although recent trends indicate a decline, transaction costs of remittances to the Caribbean region remain relatively high ranging between 10% and 15% of total amount remitted**.** However, policies which stimulate competition and the introduction of new, cheaper forms of technology to facilitate transfers can contribute to a reduction in these costs. One means through which competition can be increased is to establish more branches of remittance transfer institutions in both the host and home country. In addition, the forging of alliances between financial institutions in the host and home country is likely to facilitate reduced transfer costs. Further, if larger numbers of both remitters and recipients increase their participation in the formal financial sector, transfer costs may be reduced.

In the context of increased competition, an important public policy is to improve the legal, regulatory and administrative framework within which remittance transfer companies are established in both the home and host country and eliminate unnecessary regulatory entry requirements for new operators. The most common requirement is the authorization of new entrants; the licensing requirements for operating a remittance company in Jamaica are presented in Appendix 2. In addition to other factors, authorization of these companies has become more important given Financial Action Task Force (FATF) regulations. Easing up on these formalization requirements may facilitate informal operators, moving into the regulatory framework.

The Mexican experience with respect to attempts at reducing transaction costs is instructive. Information is published by the Federal Consumer Attorney Office (PROFECO) based on information sent by the companies on a voluntary basis. This information relates to a cross section of companies located in Chicago, Los Angeles, New York, Houston, Sacramento, and San Jose. The objective is to provide information to migrants so that they may choose the most convenient and cost effective company through which to transfer funds. CARICOM policy makers may find this approach relevant and workable.

Mobilize savings

An important pre-condition to increase savings out of remittances is to bring both remitters and recipients who are outside of the formal financial system into the system. It is possible that in using the formal financial system, both remitter and recipient may purchase financial products offered for savings purposes by financial institutions. Financial institutions can offer attractive promotions to remitters and recipients to encourage them to open accounts.

Caribbean banks may consider establishing branches in host countries to be closer to the migrant communities. The recent experience of Banco Salvadoreno from El Salvador is instructive. This bank has seven agencies in US cities with significant Salvadorean populations; migrants use these facilities to transfer funds directly to beneficiaries (World Bank, 2006); this institution now mobilises some 12% of remittances transfers.

However, in order to provide more specific and concrete analysis in this area, detailed survey work which focuses on the perceptions and activities both of remitters and recipients is necessary.

In designing policies to mobilize savings, this can include expanding operations of financial institutions into new geographical areas in the home country, particularly remote rural areas which have little or no access to these institutions. In this context, remittance recipients in rural areas will be able to access financial products and services previously accessible only in urban areas. A policy option which may be examined relates to utilization of the facilities/services of post offices, many of which are located in rural areas. This could lower the transaction costs of recipients who usually have to travel long distances to access their remittances. The regulatory framework governing financial institutions, however, will have to change to accommodate this new type of activity of post offices.

In some countries of the Caribbean (for example Guyana) residents are not permitted to hold foreign currency accounts and, as such, receive remittances only in local currency. Allowing residents to hold foreign currency accounts is an incentive for individuals to use the formal financial sector. In addition, tax incentives can be offered on these accounts with interest income exempted from tax obligations.

Increase foreign exchange inflows

Among the policies through which foreign exchange inflows via remittances can be increased include foreign exchange accounts which offer non-taxable premium interest rates as well as premium foreign exchange rates. These benefit both remitters and recipients who are able to access foreign currency from domestic financial institutions through which funds are remitted. Foreign currency denominated bonds, with premium interest and foreign exchange rates, can also be offered to encourage remitters to invest in these instruments.

In Yugoslavia, where foreign exchange accounts are allowed with interest rates higher than market, migrants holding these accounts obtain other benefits including preferences for imported goods, loans for construction and investment and priority for purchases of foreign currency bonds. The Sudanese government provides an incentive to remitters where these funds are exchanged at rates higher than the official rates. In addition, there is a Land for Emigrants Programme where house lots are provided at preferential prices for migrants who purchase such these with foreign currency. The Jordanian government issues development bonds which target foreign exchange transferred by migrants. In Egypt and India, there are special deposit and foreign exchange accounts with tax free interest that target migrants. These policies have been successful and may be explored in a CARICOM context.

Conclusions and Recommendations

Both governments and financial institutions can play a critical role in facilitating foreign exchange inflows via remittances. In a liberalised economy where government's role is limited, direct policy intervention is not likely to be workable. However, indirect policy intervention which provides incentives to recipients to use these funds in one way or another may be possible.

Many Caribbean financial markets remain generally thin, and, as such, the state of the financial sector has implications for possibilities of increasing the flow of foreign exchange via remittances to these economies. Generally, migrants may be deterred from investing their foreign exchange via remittances in domestic Caribbean financial markets for a number of reasons, including:

- low real rates of return on domestic financial assets in the home country relative to those in the host country
- illiteracy about financial investment opportunities
- restricted foreign exchange practices
- lack of developed, organised capital markets.

In designing policies to enhance the role of remittances in development, Caribbean policy makers need to recognise that this:

"… must be based on the recognition that migrants and their families respond to incentives, by making calculated decisions in response to the risks and costs (in money, time and effort) associated with sending, receiving, earning, saving, investing, or otherwise leveraging their money (Terry and Wilson, 2005, p.379).

Indirectly, however, Caribbean governments are able to influence the development of products and services targeting remitters and recipients by facilitating the development of the domestic financial sector. Governments can eliminate or reduce some of the constraints faced by migrants by implementing monetary and macroeconomic policies geared towards creating an enabling environment which can enhance the flow of funds through the financial sector.

What is critical for the region, therefore, is to develop policies which can ensure the sustainability of these flows. In the macroeconomic context, Caribbean policy makers have control over key macroeconomic variables which will impact remittances, including:

- macro-economic stability, especially as these impact migrants' perception of the state of the macro-economy and related areas
- stability and development of financial sector
- interest rate differentials between home and host country
- inflation rates
- foreign exchange rates and related risks.

A good macro-economic policy environment will provide incentives for sustainable remittance transfers; a bad one will do the reverse. As such, there exists the potential for Caribbean policy makers to influence the trends and impact of remittances on growth by designing and implementing suitable changes to the macro-economic policy environment.

Recommendations

In the Caribbean, more extensive macro- and micro-economic research needs to be conducted on remittances which can inform and articulate clear policy recommendations. The policy objectives and instruments outlined in this study require detailed analysis. As a fundamental precondition for policy preparation, the relevant authorities will need to upgrade data collection on remittance transfers. In addition, more information is required on both remitters and recipients. For example, surveys of remitters and recipients may determine the key factors which influence their economic decisions.

The impact of remittances on the macro economy also requires serious study. Research work on the following areas should be prioritised:

i) relationship between remittances and poverty reduction

ii) effects of remittances on household behaviour (consumption, saving and investment)

iii) impact of remittances on financial development, exchange rates and fiscal operations.

Further areas of important research should include:

a) entry requirements of remittance firms

b) comparative prices of remittance services

c) criminal use of remittance channels.

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Appendix 1

Multilateral Investment Fund (MIF), Inter-American Development Bank (IDB)

In 2000, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB) initiated a programme termed "Remittances as a Development Tool" which has two main objectives: increase financial resources of remittance recipients and improve the developmental impact of these funds. The approach entailed sensitizing various stakeholders on the importance of remittances as well as developing mechanisms to generate relevant data on remittance transfers. Since then, the MIF has funded studies, surveys and technical meetings as well as technical assistance projects geared towards enhancing the developmental impact of remittances in Latin America and the Caribbean.

The MIF focuses on providing grant financing in the following areas:

a) lowering costs and improving ease of transmission of remittances
b) improving the enabling environment for remittances
c) mobilising savings and leveraging the development impact of remittances
d) channelling a small portion of migrant capital transfers into productive investments.

The MIF has established a Remittance Advisory Committee for Latin America and the Caribbean which has membership from international and regional financial institutions and money transfer companies. This Committee has devised a set of recommendations, termed Core Principles, which seek to develop the potential of remittance flows to LAC. The Principles deal with deficiencies in critical areas as these relate to remittance institutions, public authorities and civil society. For financial institutions, the focus includes, inter alia, areas such as improving transparency, promoting fair competition and pricing, use of appropriate technology, and expanding financial services. Public authorities are advised to improve data collection, encourage financial intermediation and promote financial literacy. Civil society groups are encouraged to assist in leveraging the development impact of remittances as well as supporting social and financial inclusion of transnational families into their respective communities.

In 2003, an Inter-Agency Remittances Task Force was created with its main objectives being the co-ordination of research and operational activities among various international agencies. Its membership includes the U.K,Department for International Development (DFID), the World Bank, the Asian Development Bank (ADB), the International Organization for Migration (IOM), the International Labour Organization (ILO) and MIF, IDB.

Appendix 2

REQUIREMENTS FOR LICENCE TO OPERATE A REMITTANCE SERVICE IN JAMAICA

1. Completed Application form for each location - (application form available from the Bank of Jamaica)
2. Completed Fit and Proper Assessment 1 questionnaire for each Director, significant Shareholder (shareholding of 10% or more) and Manager(s) of the remittance location – (questionnaire available from the Bank of Jamaica)
3. Copy of Certificate of Incorporation (licence will be issued only to companies registered to do business in Jamaica)
4. Copy of Certificate of Registration of Business Name (where applicable)
5. Memorandum and Articles of Association of the Company
6. Audited financial statements of the company for the preceding two years 2.
7. Copy of acknowledgement from the Commissioner of Income Taxes evidencing the filing of income tax returns for the preceding two (2) years.
8. Proof of Business arrangement with the International Remittance Company, which you represent - a copy of the agency agreement between the overseas principal and the applicant as local agent.
9. Evidence from the affiliated international remittance company that such entity:
    a. is authorized/licensed by an approved supervisory/regulatory body in that foreign country;
    b. has been operating overseas in the remittance business for a minimum of three (3) years
10. A copy of the Agency agreement between the applicant and any sub-agent which performs money transfer/ remittance services on its behalf (when applying for licence for a sub-agency)
11. The company must have a minimum net worth of US$10,000 or its equivalent in Jamaica dollars.
12. Applicants must have the capacity to report electronically to the BOJ

Applicants will be required to pay an annual licence fee in respect of each location
The Bank of Jamaica reserves the right to deny applications based on its internal assessment and judgments of existing Remittance Service outlets in the proposed area of operations.

[1] This process involves the payment of fees to obtain a Police Clearance Report and a Clearance Report from the Financial Investigations Division of the Ministry of Finance & Planning upon instruction to do so by the Bank of Jamaica.

[2] In the event the company has been in operation for less than two (2) years, the financial statement(s) of the principal shareholder(s) must be presented.

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Source: Bank of Jamaica, Jamaica