Comments from Leon Isaacs

Informal Thematic Meeting New York

Good afternoon, I am delighted to be here to share some thoughts with all of you on this vitally important topic this afternoon.

As someone who has spent nearly all of my working life, over 25 years, in the remittances and payments space I am delighted they are receiving proper attention at such a high-profile venue.

There is so much that I would like to say during my short intervention here about how to make improvements and achieve the promise of remittances but I will restrict my comments to three key areas:

1. The vital importance of lowering the cost of remittances
2. A simple tool to harness remittances for development
3. Valuing the senders and receivers of remittances

From the issues brief we are aware of the size of the remittance market ($575 bn of which $429 bn goes to developing countries) and we are also told that they are too expensive. In reality, the World Bank's Remittancepricesworldwide website shows that remittances are now 7.32% of face value for a $200 transaction. The good news is that this is down from 10% in 2008 but the bad news is that it is a long way short of SDG 10.c which sets the price target at 3%. The gap between the current and target price is $25bn in one year and we are talking about a target that is 13 years away. If we can get the price down to 3% then senders/receivers can save hundreds of billions of dollars over the next decade – so it is a price worth achieving.

But to achieve this goal is going to take a number of key activities, there is no one single solution. It will take a lot of work and co-ordinated action from many stakeholders. It will also take some bravery.

Some of the key things that need to be considered are:

1. Changing the business model for sending remittances. 95%+ of transactions today involve cash. This makes it expensive, potentially dangerous and very inefficient. We have to use new technologies such as mobile payments, in order to change how remittances work. There are some great examples of digital, cashless remittances, happening in Africa. We have to harness this and connect it to the non-cash financial services already being used by many people in developed countries – but not, at the moment, to send remittances.

2. Regulation. We need consistent and proportionate regulations in many areas, not least because we need to address the current significant challenges of ‘de-risking’. These include:
    i. ensuring that anti-money laundering regulations are not interpreted so narrowly that people can not send money easily through formal channels.
    ii. Rescinding current regulations that exclude, for example, undocumented migrants in some countries from being able to transfer money.
    iii. Enabling non-bank service providers to offer remittances
    iv. Removing exclusivity clauses where they still exist.

We also need to build the capacity of our regulators to be able to keep up with or ahead of new technological developments.

My second key, and quick point, is that remittances are a great tool for developing financial inclusion. In most countries remittance receivers have to visit a bank to collect their money. Every month they come in, collect their money in cash, take it home, spend some and save (under the mattress) the remainder. The banks, because they look at each transaction individually, look at this as a nuisance and don’t value the consumer. Work that we did in CIS states to intercept and educate remittance receivers on the benefits of budgeting, opening accounts and proactively managing their money yielded great results for the individuals and brought them into the financially included sphere. For the banks this showed that these customers really are valuable to them – indeed, on average a remittance receiver opening a new account brought in one year's worth of remittances that they had saved at home and deposited it at the bank. This can be emulated anywhere.

And so, to my final point, and perhaps the most important. We really need to develop methods to recognise and celebrate the hardships and sacrifices that remitters and their families suffer. Whilst people often migrate to improve their life outcomes we should never forget that these are people who are removed from their families and often live in the most basic of conditions. Adding senders and receivers together, remittances directly touch the lives of one in every seven people on Earth.

Four short years ago, at the Global Forum for Remittances hosted by IFAD in Bangkok in 2013, a number of us floated the idea of holding an International Day of Family Remittances. I am delighted that our friends at IFAD have taken this idea forward and that June 16th each year is now the official International Day of Family Remittances. This represents an invaluable opportunity not only to recognise the efforts of migrant workers globally, but also to strengthen current partnerships and create new synergies among sectors to promote the development impact of remittances worldwide. In particular, the day has received substantial endorsements from the private sector (MTOs, mobile organisations, FinTechs, etc) which demonstrates the interest of the private sector in collaborating to address the SDGs. It is a great tool and I would encourage every country to get behind it in the future and to use it to enhance cooperation between sectors on remittances.

I could keep advancing ideas for a lot longer but I fear my time is up and in the words of a wise man “the skill in attending a party is knowing when it is time to leave”.