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**MIGRANT REMITTANCES POLICIES AND PROGRAMMES**

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Excellencies,  
Ladies and Gentlemen,  
Distinguished participants,

According to the estimates of the World Bank, remittances are expected to reach \$375 billion in 2008 worldwide. And the remittance flows to developing countries are estimated more than \$300 billions in the same year. Although the latter points to 6.7% increase from the 2007 with \$267 billion, due to the financial crisis, remittances are expected to fall 1.8% of GDP in 2008 from 2% in 2007 in developing countries.

Remittances have positive effects on poverty reduction in developing countries. While providing additional financial resources to the poor households, remittances help families to meet their basic needs. To some regression analyses, 10% increase in remittance may result in 3.5% decrease in number of poor people.

In some cases, remittances can be enough for the recipients to provide savings or investment opportunities in small-scale enterprise, to buy land or open a bank account.

Remittances, for some developing countries are the most important source of external finance.

Flows of remittances are relatively predictable and stable. Unlike other types of foreign income, remittances can rise to meet the needs of ordinary people during times of crisis in the receiving country, constituting a counter-cyclical nature.

Despite the slowdown in the global economic activity in 2008 which is estimated to deepen in 2009, remittances stand more resilient than other forms of money transfers to developing countries such as official capital or private flows, the figures show.

Excellencies,  
Ladies and Gentlemen,

While remittances can help, through poverty reduction effect to improve economic growth in developing countries, the sending of money by migrants to their families and communities is difficult and costly.

Underdeveloped financial infrastructure, limited competition, regulatory obstacles, lack of access to the banking sector by remittance senders or receivers are among the main reasons of high remittance prices. But, maybe the most important of all is the lack of transparency in the remittance market. It is usually difficult for senders to compare remittance's sending options.

This means, migrants frequently turn to informal channels to transfer money. Transparent and accountable ways of transferring money are important to prevent financial crimes and money

laundering or the diversion of funds to finance other illegal activities such as terrorism. Preventing these illegal activities is best achieved through regulated formal systems.

The challenge here is to create a set of rules that are flexible and inclusive enough to cover both informal and formal sector approaches.

To make the most of remittances there is a need to improve the infrastructure for sending and receiving money. This will mean having good economic policies at national level; political stability and improvements in the investment climate in origin countries.

In many cases however, the cost to consumers of remittance transactions is expensive. Therefore reducing the cost in remittance transfer price would result in more money remaining in the pockets of migrants and their families, thus affecting significantly income levels. This added income could then provide remittance recipients with more opportunities for consumption, savings and investment.

Reducing remittance fees would also encourage the use of formal remittance channels instead of unrecorded ones.

Excellencies,  
Ladies and Gentlemen,

Increasing access to banking system -or 'banking the unbanked' and providing necessary environment for competition in the remittance market by avoiding overregulation, with the entry of new money transfer operators can help reduce high remittance costs.

Encouraging partnerships between the remittance service operators and already existing postal services would help expand remittance services without making big investment.

Streamlining and optimizing the process of remittance transfer, with the better use of modern technology would reduce transfer costs.

**Specific articles which aim at facilitating remittance transfers and reducing costs, especially taxes levied by the Governments could also be included in the bilateral or multilateral labor agreements to the benefit of developing countries.**

Supporting migrants to use the formal financial sector might include providing them with information about the services available and helping to overcome their concerns about using formal institutions such as the need for identification.

In response to the growing value of remittances, it is important that governments do not damage private nature of remittances. Remittances involve a trade off between the needs of the migrant and those of the families to whom they send money. Any attempts to increase the volume and poverty reduction impact of remittances should not place additional burden on migrants who may also be in a vulnerable situation.

Remittances perhaps may not be taxed.

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The possible contribution of the OSCE could be through information exchange with respect to best services and practices in the area of remittances among the governments.

Thank you for your attention.