

Remittances from the EU to third countries

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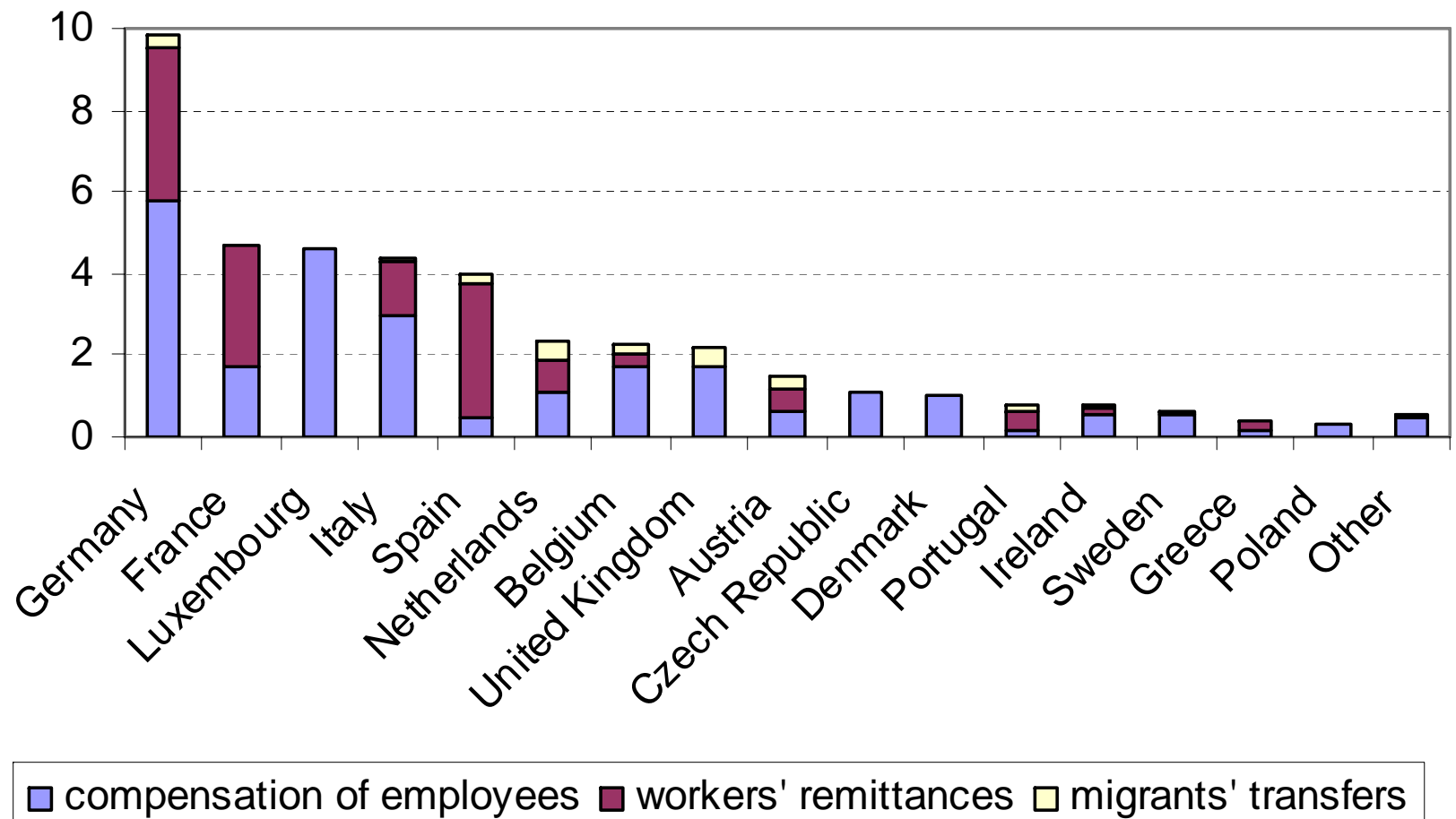
Outline

- ✓ **What do we know about remittances from the EU to third countries?**
- ✓ **What is the EU doing to reduce the costs of transferring remittances?**
- ✓ **What is the EU doing to enhance the development impact of remittances?**

BoP Methodology - Problems in the EU

- ✓ Definitions
- ✓ Intra-EU flows (commuting, seasonal work)
- ✓ Reporting on workers' remittances is not a legal obligation
- ✓ €12,500 reporting threshold for anti-money laundering and informal channels
- ✓ Differences in data collection and reporting ("Luxembourg Group on Remittances" will draft a compilation guide)
- ✓ Little information on destinations

Remittances from EU Member States (in \$US billion, 2003)



Source: IMF

Other sources of information

- ✓ BoP: \$28 billion in 2000 (\$41 billion in 2003); OECD study: \$ 9 billion in 2000 [p.m. EU ODA: \$24 billion in 2000]
- ✓ Main corridors:
 - ES/PT → Latin America (EU survey)
 - DE → Turkey; ES → Morocco; FR → Algeria/Tunisia (FEMIP study)
 - DE → Eastern Europe; UK → Asia/sub-Saharan Africa; FR → sub-Saharan Africa
- ✓ Further research needed

Transfer costs

- ✓ Between 2% and 20%
- ✓ Mainly depending on amounts, destinations (e.g. exchange rate regime), channels (banks, MTOs, informal) and market structures
- ✓ Anecdotal evidence on recently decreasing costs

Draft EU legislation to reduce transfer costs

- ✓ Single European Payments Area Directive: removing remaining legal barriers within the Single Market on payments services by banks and non-banks
- ✓ Regulation on Information on the Payer Accompanying Transfers of Funds: harmonised implementation of Special Recommendation VII of FATF; €1000 threshold for transfers not made from an account

The development impact of remittances

- ✓ Remittances are private money and no substitute for ODA
- ✓ But: ODA projects can enhance the poverty-reducing effects of remittances
- ✓ First best/long term: financial sector development; second best/short term: facilitating flows of remittances into productive investment

EU projects on remittances

- ✓ Improving market transparency:
www.sendmoneyhome.org (UK/DFID incl. Migrant Remittances newsletter)
www.geldnaarhuis.nl (NL, ranking providers for some countries)
- ✓ EC-IFAD Funding Facility on Remittances for innovative projects that improve rural access to financial services
- ✓ Diaspora projects
- ✓ Tailor-made bank services for migrants