



**INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND**



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MIF CONFERENCE ON “REMITTANCES AND THE US FINANCIAL SYSTEM”

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In recent years, the term “globalization” has become a focal point of attention for governments, businesses, NGO’s and other interested parties throughout the world.

Whatever your perspective, the issue cannot be ignored—globalization in financial markets, trade, technology, and many other sectors is a reality that must be acknowledged and addressed. For example, improved competitiveness has become a goal that shapes policy decision across all regions, in developing as well as developed economies.

But with all this attention, there is one aspect of globalization which has attracted relatively little discussion to date: the flow of people. This flow of labor across borders to fill jobs in more developed countries, and the subsequent financial flows from immigrant workers back home to their families, provides a profoundly human dimension to the concept of globalization.

Improvements in transportation, communication and information technologies now make it much easier for migrant workers and their families not only to maintain close personal contact, but also create multiple new opportunities for economic exchange across national borders.

Nowhere is this more apparent than in Latin America and the Caribbean (LAC) where remittances currently constitute a critical flow of foreign currency to the majority of countries.

Indeed, the LAC region is now the largest net recipient of remittances in the world.

That amount was conservatively estimated at US\$23 billion for 2001 and growing. Preliminary figures indicate that total remittances will easily top US\$25 billion for 2002; and cumulative remittances to LAC for the current decade (2001-2010) will very likely exceed US\$300 billion.

For the region as a whole, remittances now far outstrip all forms of Official Development Assistance (ODA) from all sources; account for more than 10% of GDP in several countries; and currently equal about half of all Foreign Direct Investment (FDI) to the region.

At one level, this represents a massive transfer of financial support among twelve to fifteen million families—\$100, \$200, \$300 at a time. But from another perspective, the remittance process also constitutes a financial system, mostly informal, involving more than 100 million separate transactions each year.

And, from an efficiency standpoint, that current system is far from perfect. Last year, total costs for sending remittances to the LAC region were approximately US\$3 billion, over 13% of the total amount received.

Costs per transaction have been reduced in recent years—but not enough. There is growing competition in the money transfer business—but still not enough.

It is for this reason that the Inter-American Development Bank, through the Multilateral Investment Fund (MIF) is promoting with local public and private institutions throughout the region, programs to reduce the cost of transferring remittances and improving access of migrant workers and their families to formal financial institutions.

Specific projects in Mexico, El Salvador, Ecuador, and Brazil are already under way with good results.

For example, Spanish banks and other financial institutions are now linked up to Ecuadorian micro-finance institutions to reduce the cost of sending remittances between the two countries by 75%. Even greater progress is being made in the transfer of almost \$2 billion in remittances between Japan and Brazil.

But the biggest market by far, and the biggest challenge, is still the US financial system. Again, some progress is being made, but much more needs to be done to improve the system of sending more than \$18 billion in remittances from the United States to the LAC region.

It is for this reason, that I am very pleased to welcome you today to this important conference which will present and analyze a study commissioned by the Pew Hispanic Center and the MIF, “Billions in Motion: Latino Immigrants, Remittances and Banking”. This presentation will be followed by a panel of distinguished US government financial system regulators and international bankers.

It is a personal pleasure for me to have the IDB working closely with such a distinguished individual as Roberto Suro, Director of the Pew Hispanic Center, who is well known for his groundbreaking work with the Latino community in the United States, and Sergio Bendixen who already presented earlier this year the first ever demographic profile of remittance senders “Survey of Remittance Senders: U.S. to Latin America”.