

Consultative and Experience Sharing Forum on Remittances Leverage for Development

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Excellency Erastus Mwencha, Deputy Chairperson, African Union Commission, Excellency Advocate Bience Gwanas, Commissioner for Social Affairs, African Union Commission, my distinguished fellow panelists and friends, distinguished participants in this Consultative Forum: Good morning and welcome to what I am sure will be two days of stimulating discussions to define the key features of the organization of the African Institute for remittances and to formulate the action plan to implement such an organization.

Remittances have grown over the past two decades into an important feature of global financial flows, mirroring the tremendous growth in global migration. For Africa, especially for some of the smaller countries (like my own homeland, The Gambia), remittances represent critical resource flows, both at the level of households and for broad macroeconomic performance.

At the level of households, remittances shore up the ability of millions of poor families to absorb myriad economic and natural shocks that, otherwise, too often force families to liquidate assets that are the basis for income generation and long-term exit from poverty; similarly remittances enable millions of families to educate children and build a key element for exit from poverty.

At the macro level, remittances have proven to be quite stable relative to other source of foreign exchange and importantly, often continue to grow in the face of economic down turns and contraction in other external flows in recipient countries. [My own experience as the World Bank's Country Director in Pakistan at a time of severe economic difficulties taught me how important and crucial remittances could be but also how humble we need to be about our understanding of the drivers of such flows.]

We can be optimistic about the prospects for remittances.

First, looking out at the horizon, remittances to Africa are likely to continue to grow, reflecting the prospects for increasing migration from Africa as the working age population grows relatively to the total population while this segment of the population contracts in traditional destinations for migrants.

Second, there is huge potential to reduce the efficiency and cost and of transmittal of remittances and in the process increase the amount of resources retained for use by the ultimate beneficiaries; greater transmission efficiency, lower transaction costs and less risks to delivery (greater transaction security) also will provide an incentive for greater remittance flows.

Third, Africa also has the potential to better tap the savings of the large African Diaspora, mostly the migrants of the last five to six decades and their offspring, but also the more longer-term settlers and descendants of Africans, mostly in the Western Hemisphere.

Realizing these prospects is not without its huge challenges. It will take appropriate set of policies across a number of fronts to ensure the right incentive framework for migration flows and the derivative financial flows from it as well as to protect against some of the less benign potential consequences of large remittance inflows (variants of “Dutch disease”); it will require building the strong analytical and empirical basis for formulating policies; and it will require strong understanding and deft management of the many conflicting interests that may clash as new policies are introduced.

The World Bank is excited by the role that the African Institute for Remittances can and, no doubt, will play in promoting collaboration by African countries on data collection, analysis, knowledge sharing and defining policy options and their feasibility. An effective organization to discharge this role is a key element of the institution that Africa needs to support millions of its citizens and descendants to make the maximum impact on their homelands.

A closing and somewhat personal note: you will deliberate on facts and objectives; you will deliberate on strategies, policies, instruments and best organizational fit; but please do not forget that all of this is to support the ultimate actors that make remittances possible. The migrants. The people who take enormous risks to generate these huge flows for people back home. These are the people that your deliberations, expertise and knowledge must serve to make what they do and can do for our countries possible. You see, I was a migrant -- from my very early teens; the son of migrants, the cousin, uncle, nephew of numerous migrants.

I wish you all productive deliberations.