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REMITTANCES FROM BELGIUM AS A LEVER FOR DEVELOPMENT

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Research conducted for 11.11.11

May 2017

COMMENTS ARE WELCOME Tom.debruyn@kuleuven.be

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Potentialities and challenges of financial inclusion and the remittances market in Belgium

Financial Inclusion of Migrants

The experience of the Italian National
Observatory

4 December 2017, Brussels

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What is the volume of remittances from North to South in 2016?

142 billion USD



ODA

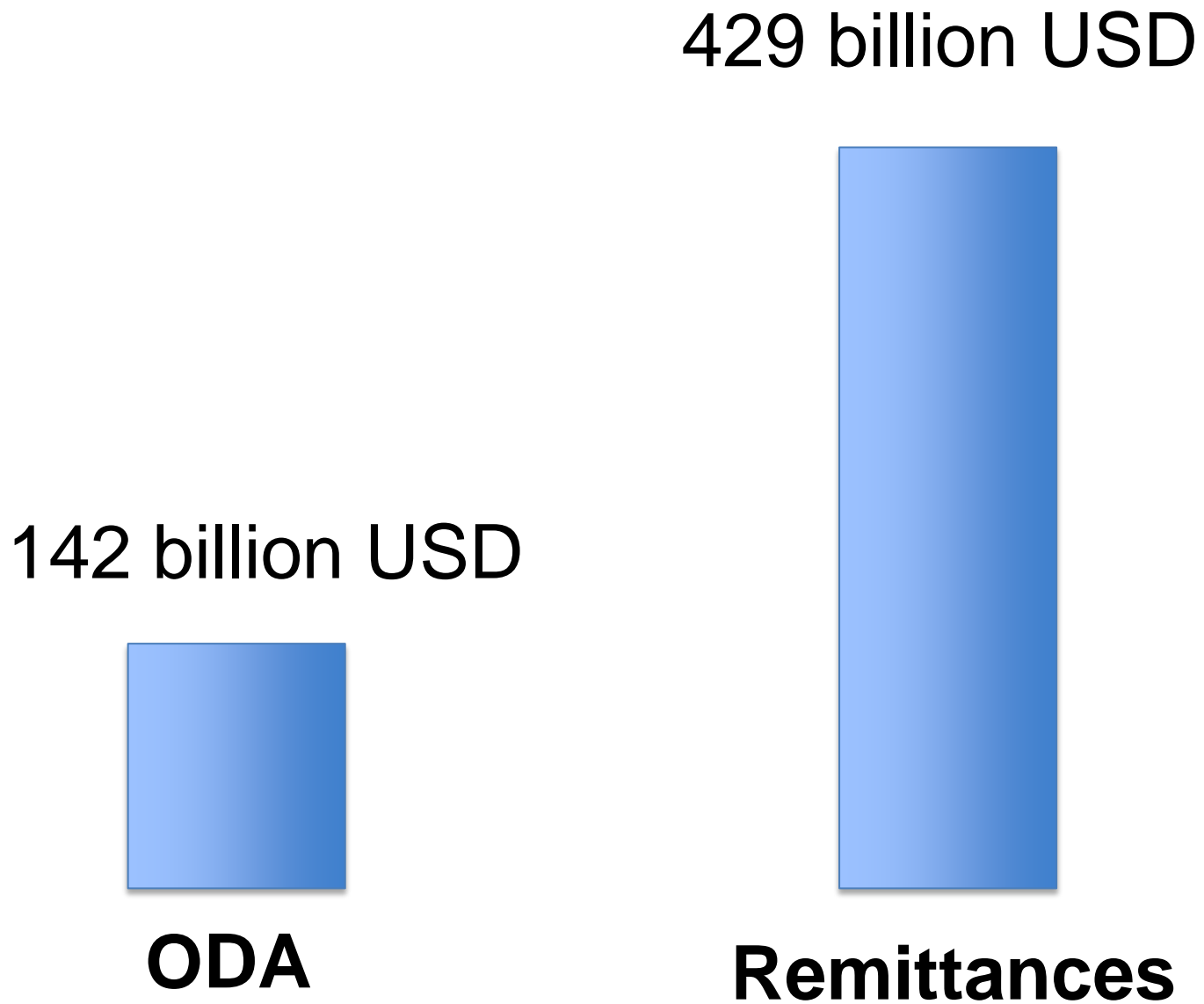
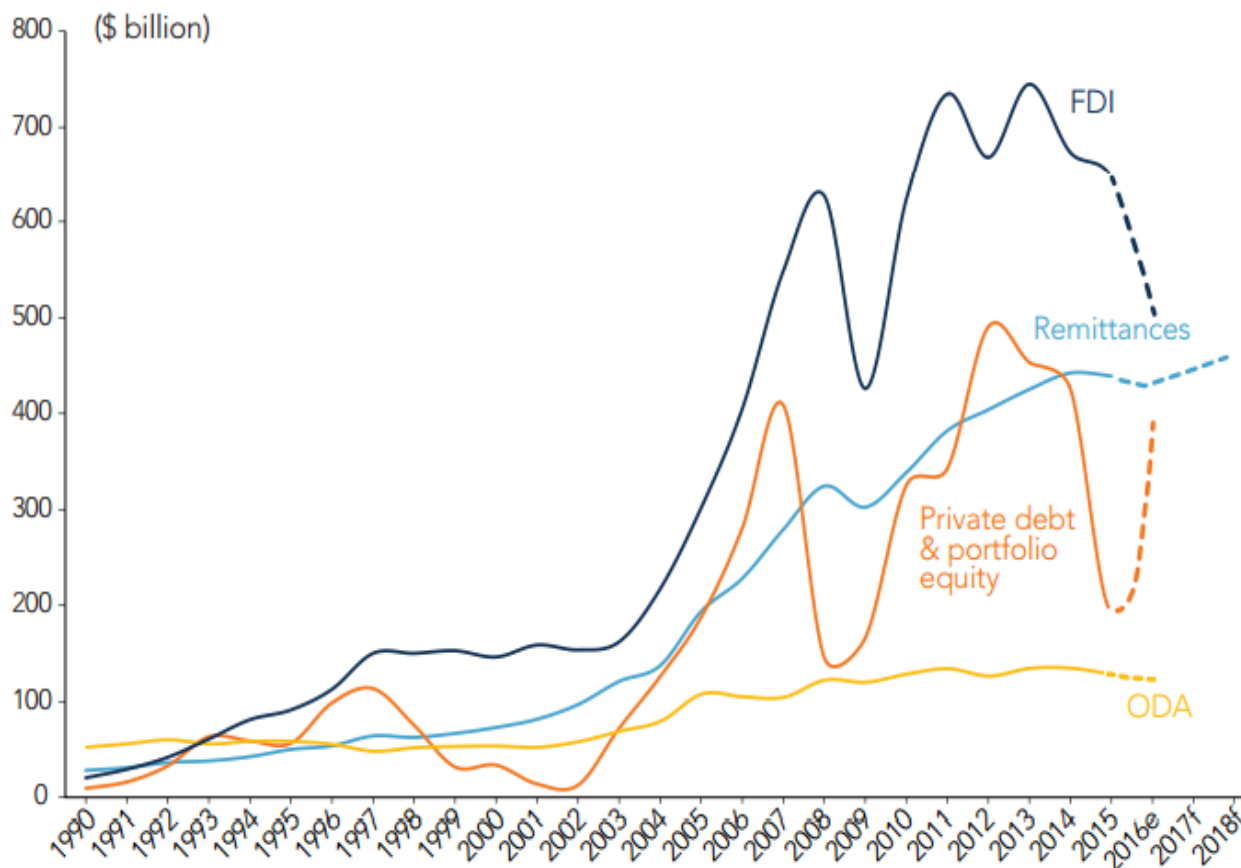


FIGURE 1.1. Remittance Flows to Developing Countries Are Larger Than Official Development Assistance and More Stable Than Private Capital Flows



Sources: World Bank staff estimates; World Development Indicators. See annex A for data and forecast methods. Note: FDI=foreign direct investment; ODA=official development assistance.

From Belgium?

1,7 billion euro



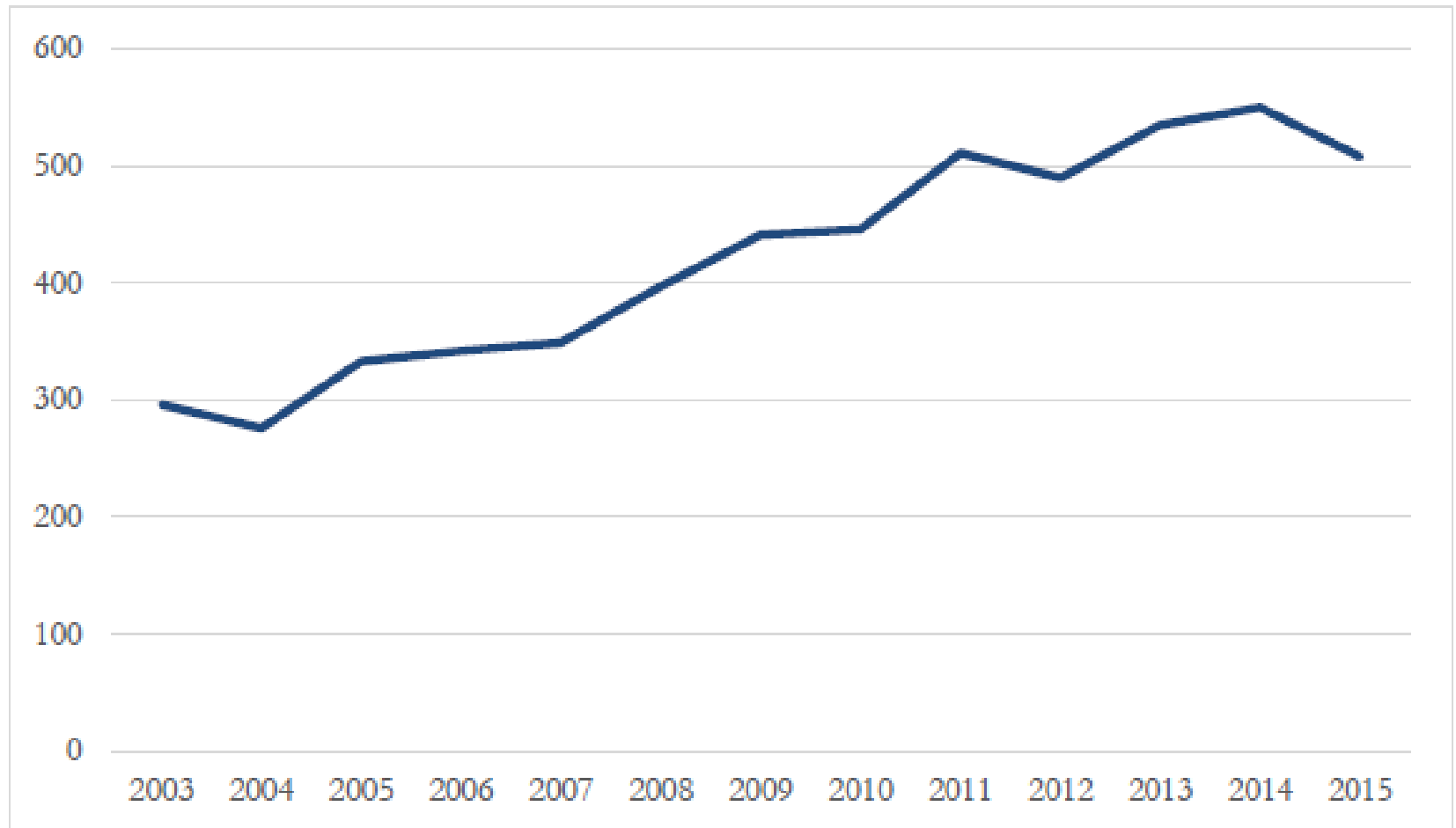
ODA

0.5 billion euro



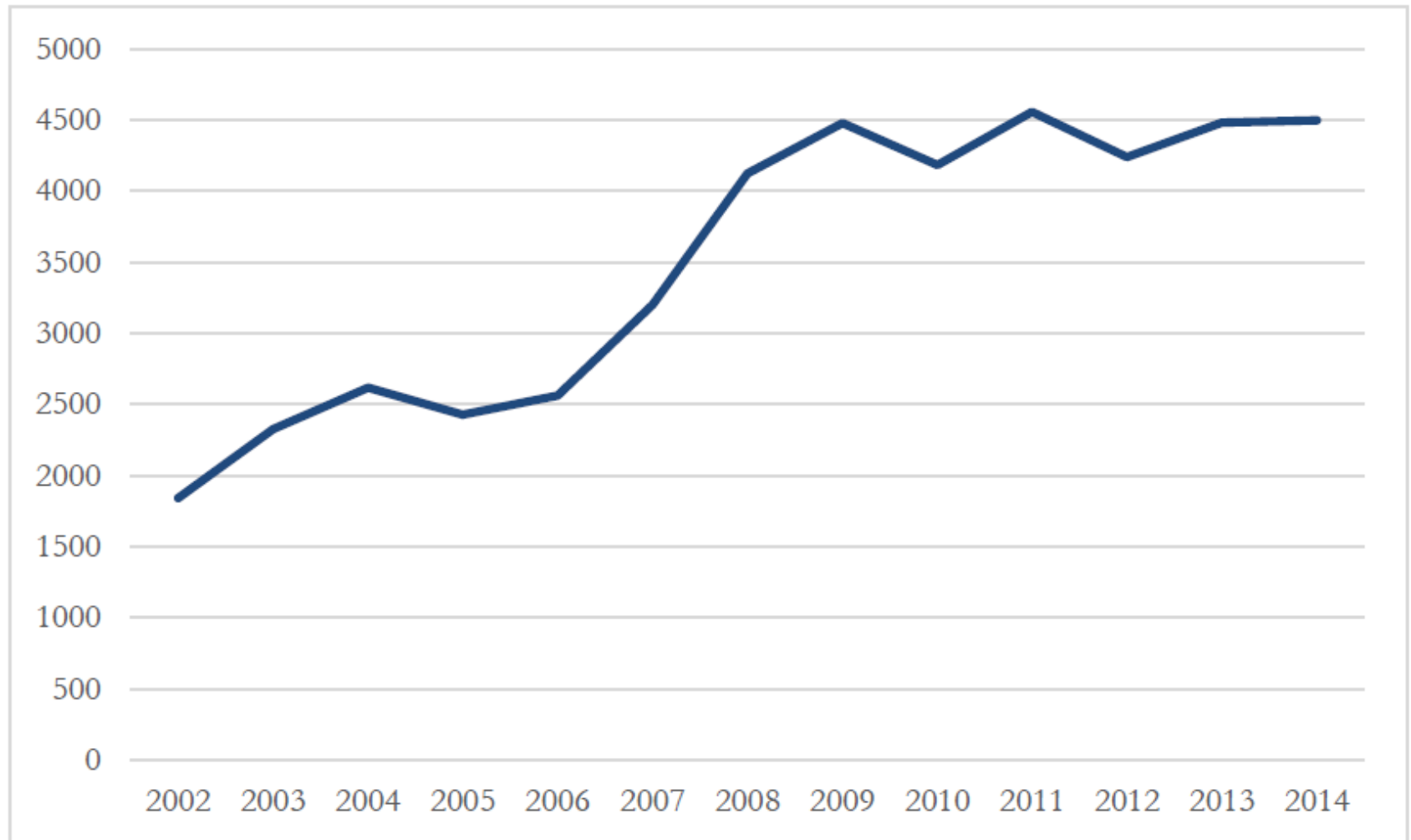
Remittances

Figure 2 Remittances from Belgium according to estimates of the National Bank of Belgium (in million euro)



Source Communication with National Bank Belgium

Figure 1 Remittances from Belgium 2002-2014 (in million euro), according to World Bank estimates



Source World Bank Annual Remittances Data (updated as of Apr. 2016)⁶

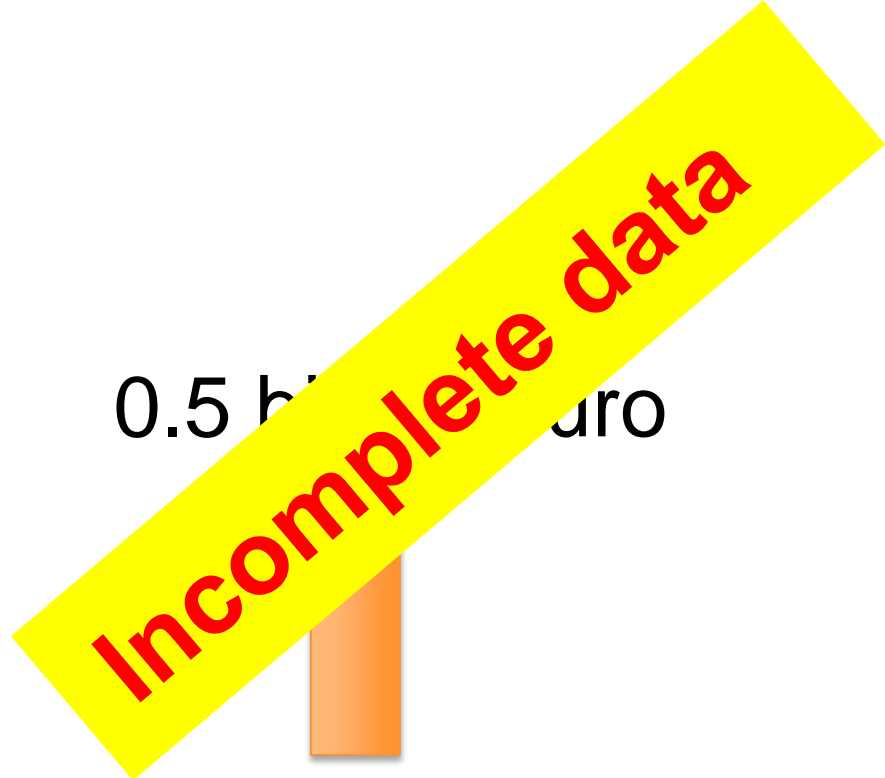
From Belgium?

1,7 billion euro



ODA

0.5 billion euro



Remittances

Remittances from Belgium

Current data sources do NOT give a correct estimation of remittances sent,

and do NOT allow to calculate remittances to specific countries (i.e. remittance corridors)

DUE TO

- main transfer agencies do not have to report to NBB
- diverging definition remittances

MOREOVER:

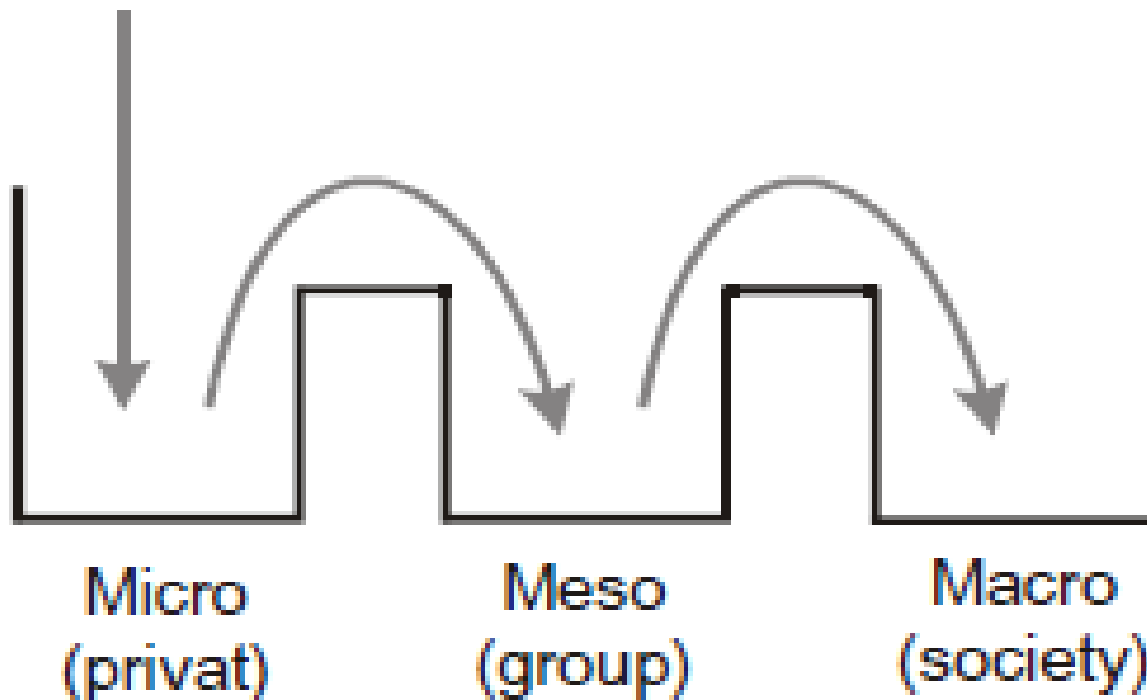
- Informal remittances remain unknown

Remittances are not ODA

- Mainly private money geared towards families
- Poorest do not receive remittances

But remittances do have development impact

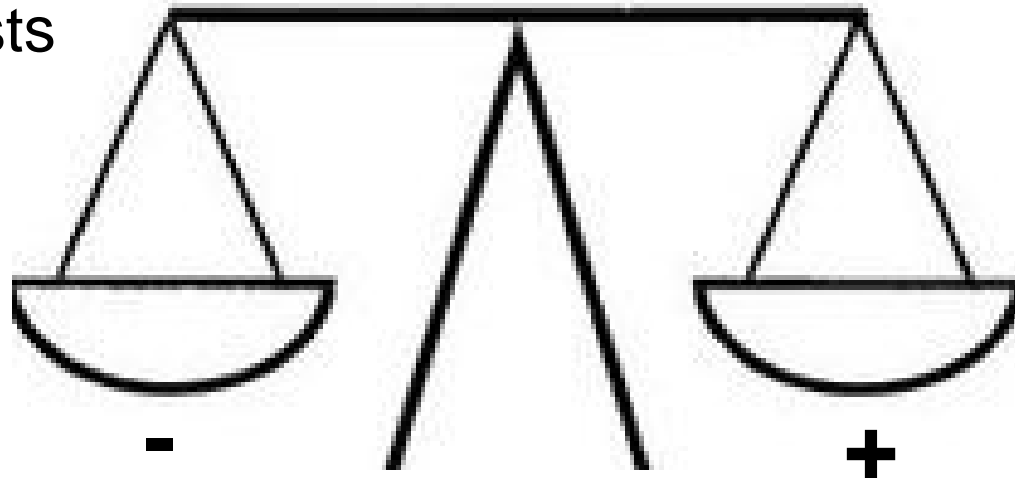
Remittances



a negative as well as positive impact

Dependency
Consumptive
purposes
Inequality
Social costs
...

Extra income source
Education,
Health care
Social security
Counter-cyclical
Emergency
...



Main obstacles to leverage positive impact

- Transaction costs:
worldwide 7,6% while SDG goals is 3%
- Geographical and legal access to remittance services
- Limited services for use of remittances
- Financial inclusion world wide
on average 22% has bank account in LDCs

Main obstacles to leverage positive impact

- Transaction costs:

worldwide 7,6% while SDG goals is 3%

Table 5 **Examples of fees from Belgium of selected countries and money transfer agencies on 1 October 2016**

Remittance provider	Ecuador		Ghana		Afghanistan	
	100 euro	500 euro	100 euro	500 euro	100 euro	500 euro
Western Union	4,90	4,90	6,90	19,90	10 - 15,50	23,50 - 31,00
Moneygram	9	27	5,90	15	8	12
Moneytrans	4	4	8	8	-	-
WorldRemit	3,99	3,99	4,99	12,99	-	-

Source Websites of several money transfer agencies

Main obstacles to leverage positive impact

- Transaction costs:
worldwide 7,6% while SDG goals is 3%
- Geographical and legal access to remittance services
- Limited services for use of remittances
- Financial inclusion world wide
on average 22% has bank account in LDCs

Key Indicators

Account
(% age 15+)
(2014)

34

Formal savings
(% age 15+)
(2014)

16

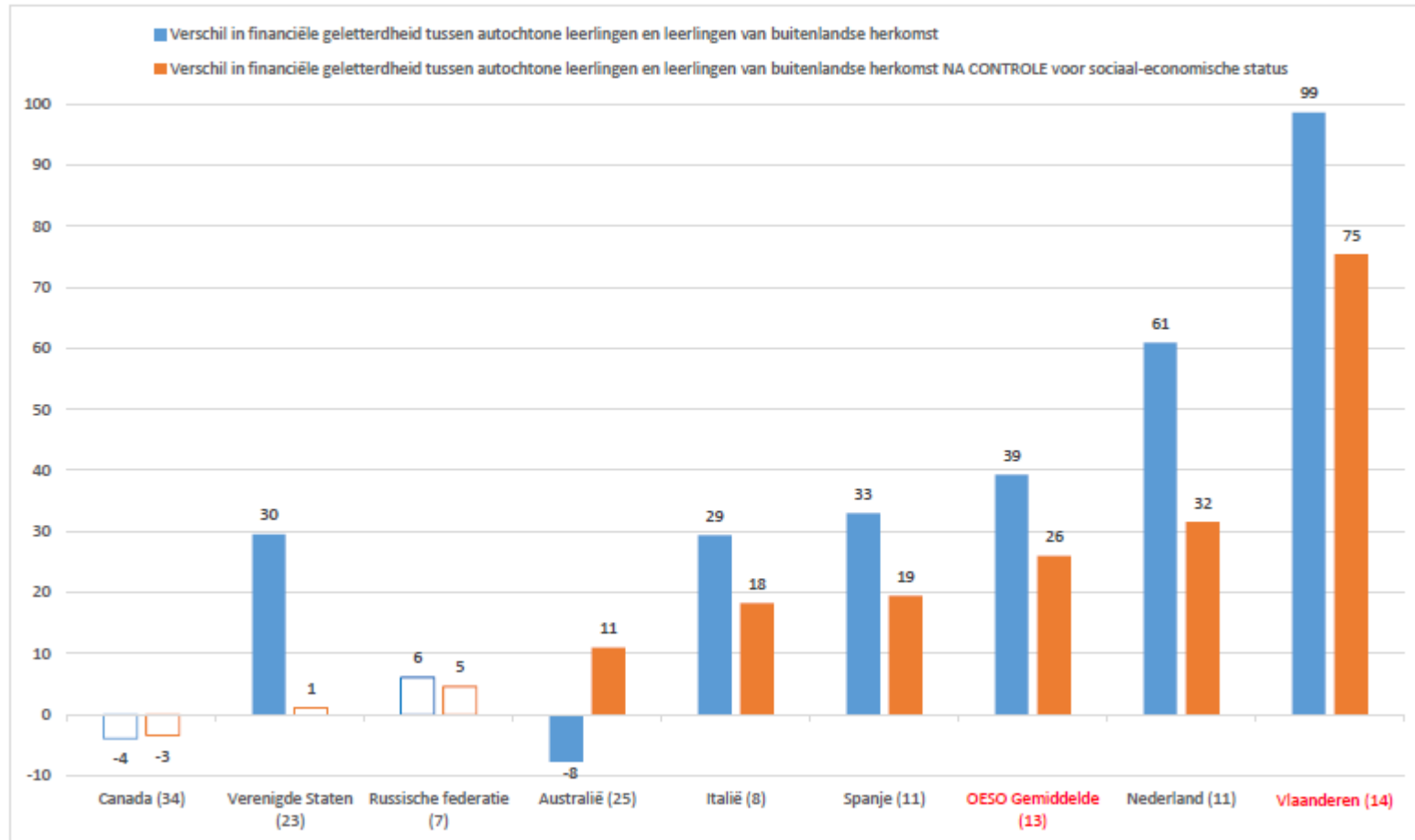
Formal borrowing
(% age 15+)
(2014)

6

Financial inclusion in Sub-Saharan Africa (Global Findex)

Financial literacy of 15y olds with and without migration background?

Figuur 3.7 Verschil in prestaties voor financiële geletterdheid tussen autochtone leerlingen en leerlingen van buitenlandse herkomst



NOOT: Het percentage leerlingen van buitenlandse herkomst wordt per land weergegeven tussen haakjes.

source: <http://www.pisa.ugent.be/uploads/assets/144/1495611368087-Rapport%20financi%C3%ABle%20geletterdheid%20PISA2015.pdf>

How to increase impact?

- Coherent and coordinated policies and data collection
Also with counter-terrorist and anti-laundering policies

Box 4: General Principles for international remittance services (Committee on Payment and Settlement Systems and the World Bank)

The General Principles are aimed at the public policy objectives of achieving safe and efficient international remittance services. To this end, the markets for the services should be contestable, transparent, accessible and sound.

Transparency and consumer protection

General Principle 1. The market for remittance services should be transparent and have adequate consumer protection.

Payment system infrastructure

General Principle 2. Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

Legal and regulatory environment

General Principle 3. Remittance services should be supported by a sound, predictable, nondiscriminatory and proportionate legal and regulatory framework in relevant jurisdictions.

Market structure and competition

General Principle 4. Competitive market conditions, including appropriate access to domestic payment infrastructures, should be fostered in the remittance industry.

Governance and risk management

General Principle 5. Remittance services should be supported by appropriate governance and risk management practices.

Roles of remittance service providers and public authorities

A. Role of remittance service providers. Remittance service providers should participate actively in the implementation of the General Principles.

B. Role of public authorities. Public authorities should evaluate what action to take to achieve the public policy objectives through implementation of the General Principles.

How to increase impact?



- Coherent and coordinated policies and data collection

Also with counter-terrorist and anti-laundering policies

- Increase transparency of costs

Via websites and focused awareness raising

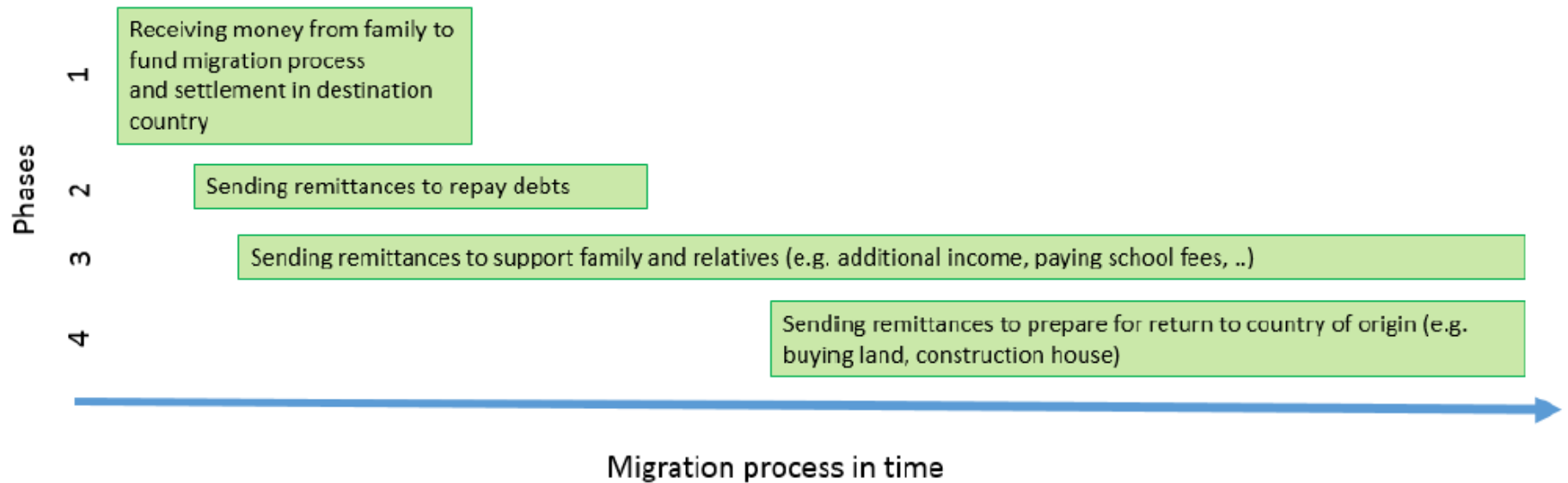
Figure 5 To send 145 euro from Belgium to the DR Congo on the 12th of May 2016

Firm	Payment instrument	Access point	Sending network coverage	Transfer speed	Receiving method	Disbursing network coverage	Fee	Exchange rate margin (%)	Total cost (%)	Total cost (EUR)
Atena Money Transfer 		Agent	Medium			Medium	2.00	-0.29	1.14	1.60
MoneyTrans 	 	Agent	High			Low	3.00	4.21	6.36	8.90
Small World FS-LCC 		Agent	High			High	6.00	2.55	6.84	9.58
WorldRemit 	 	Internet	High		 	Medium	5.99	3.34	7.61	10.65
Sigue Money Transfers 		Agent	Medium			Medium	4.90	5.09	8.59	12.03
MoneyGram 		Agent	High			High	6.90	3.66	8.59	12.03
Western Union 		Internet	High			High	7.90	3.35	9.00	12.60
La Poste via Western Union 		Agent	High			High	7.90	3.35	9.00	12.60
Western Union 	 	Agent, Call Center	High			High	7.90	3.82	9.46	13.24
Total Average							5.83	3.23	7.40	10.36

How to increase impact?

- Coherent and coordinated policies and data collection
Also with counter-terrorist and anti-laundering policies
- Increase transparency of costs
Via websites and focused awareness raising
- Support competition, partnerships and product development
Postal offices, micro-finance institutions, phone companies;
Link remittances to credit savings, insurance, housing

Figure 4 migration process and evolution remittance behaviour



How to increase impact?

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Postal offices, micro-finance institutions, phone companies;
Link remittances to credit savings, insurance, housing
- Bank the unbanked: financial infrastructure and literacy courses
Support financial infrastructure and organise financial literacy courses

[360°](#)[In depth](#)[Codes of Conduct](#)[Basic banking service for asylum seekers and refugees - FAQ](#)[Vision text](#)[Strategic agenda](#)[CSR report](#)[Annual reports](#)[Wefin](#)

Basic banking service for asylum seekers and refugees - Frequently Asked Questions



1. WHAT IS MEANT BY 'BASIC BANKING SERVICE'?

According to the Codex of Economic Law^[1], each Belgian credit institution has the obligation to offer a basic banking service to consumers upon a number of conditions.

How to increase impact?

- Coherent and coordinated policies and data collection
Also with counter-terrorist and anti-laundering policies
- Increase transparency of costs
Via websites and focused awareness raising
- Support competition, partnerships and product development
Postal offices, micro-finance institutions, phone companies;
Link remittances to credit savings, insurance, housing
- Bank the unbanked: financial infrastructure and literacy courses
Support financial infrastructure and organise financial literacy courses
- Take measures to upscale remittances impact
Matching funds, diaspora bonds, ..
- Acknowledge supporting policies
Transnational character of migrants, labour market access and integration, participation in policy development