

**Remarks by Douglas W. Nelson, President,
The Annie E. Casey Foundation
At the Multilateral Investment Fund/
Inter-American Development Bank Conference in Collaboration with
The Annie E. Casey Foundation
on
Sending Money Home: Remittances and Transnational Families
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Good afternoon. I am delighted to be here and grateful to Donald Terry and the Multilateral Investment Fund for extending Casey a partnership role around the important issues facing transnational families.

I actually have two reasons for being intensely interested in the subject before us this morning – namely, the impact of remittances on the well-being of transnational families. One of those reasons is thoroughly professional and institutional. The Casey Foundation’s commitment to pursue strategies that strengthen vulnerable families, including immigrant families, has led us to a deepening appreciation of the significance of remittance practices, policies and market issues. In fact, Casey has been working hard in recent years to understand how we might better align remittance practices with the economic interests of low-income working immigrant households in the U.S.

The other motive for my interest is a personal one. If you’ll allow me, let me begin with the personal. About ten years ago, for reasons too convoluted to reconstruct here, my family got co-mingled with a wonderful Liberian immigrant family, headed by a resilient, extraordinary, and hard-headed single mother of three teenage boys, named Kandy. My job in Kandy’s life was, first and foremost, to get her three boys out of a refugee camp in the Ivory Coast, legally entered in the U.S., and then enrolled in college. Although that was virtually impossible in those days, it turned out to be the easier of the challenges she put to me. My other assignment was to assist her with routine financial transactions. Now mind you, my job was not to advise her. She was pretty sure she was much more practical and experienced than I – no, my job was to drive her around to do family business, provide a little help with written English, and cover any money shortfalls that might arise in the course of our transactions.

One of the first projects I was recruited to assist with was sending \$125 to relatives in a small city in the Ivory Coast. Here’s how we did it. Kandy took her check from the minimum wage job she worked cleaning offices at the World Bank to a storefront check cashing service on Georgia Avenue in Washington, D.C. We paid about 4 percent to turn it into cash. We drove about three-quarters of a mile to a Western Union counter in a supermarket and there paid \$12 to send \$125 to Danane in the Ivory Coast. We then went to a third location to buy a \$9 international phone card to cover the five minute call she needed to make to inform her uncle that there was money at the Western Union office. On the call she explained to her uncle that he could pay the fellow who would need to drive him the 26 miles to the office, once he picked up the cash.

I should add to this true story a true epilogue. It took me eight years to help her three boys get their college degrees. However, it took me and those three college graduates nine years

to convince their mother she could safely open a checking account at a bank. And two of the three kids were economics majors!

Over those nine years, Kandy has worked hard, usually two jobs at a time. She's competent, productive, and reliable, and she now makes about \$25,000 a year. But she is still one illness, one auto breakdown, one dental emergency away from being unable to pay her rent or being unable to help out her kin back home. She has lived and worked in America for more than a decade with no savings, no assets, no real ability to help educate her children, no retirement, no health insurance, no credit or credit history. Moreover, she has continuously felt guilty that she's never had enough money to meet the needs and expectations of her family and friends back in Africa.

What's important about this story – besides proving that I'd make an awful financial literacy teacher – is that it isn't the least bit exceptional or extraordinary.

In fact, there are millions of hard working households in this country, both immigrant and native-born, who, like Kandy, can't turn their wages into any meaningful form of family financial stability or economic security. There are millions of hard working families who can't invest as much as they would like in the development, potential, or education of their children. And there are millions of hardworking immigrant households who can't share enough of the benefits of their earnings in America to meet the needs of adult and child family members living back in their home country.

This problem, this dilemma, goes to the heart of what the Casey Foundation is all about. Since our founding, our mission has been to help find ways to improve outcomes for disadvantaged children . . . to find ways to narrow the very wide gap that exists in this country between what happens to advantaged kids and what happens to kids who are not.

A while ago, we at Casey came face to face with the fact there was not going to be any large scale breakthroughs in outcomes for America's most at-risk kids unless and until we achieved large scale improvements in the economic status and prospects of their low-income parents. Over the last decade, that realization has evolved into a multi-faceted agenda that we, at Casey, call "Family Economic Success." It's an agenda that encourages job-creating investments in isolated, high poverty communities; that promotes access to fair wage jobs; that supports career ladder employment opportunities; that expands the use of wage enhancements like the Earned Income Tax Credit; that promotes public funding for critical working family supports, including child care, transportation, and health coverage. It's also an agenda that stresses the crucial role of financial education for low-income working families; the importance of access to mainstream financial institutions and financial tools; the critical role of public and private incentives for savings, asset ownership, home ownership, and credit worthiness. Finally, it is an agenda that increasingly focuses on addressing and reducing the disproportionately higher costs that low-income families in this country routinely pay for essential goods and services – for everything from groceries to car loans to insurance to credit to tax preparation and to fundamental financial services like cashing checks or sending remittances.

This Family Economic Success framework has been (and remains) an agenda aimed very broadly at all of America's working poor families. But it is thoroughly relevant, AND maybe

especially relevant, to families who have international economic responsibilities for relatives both in this country and abroad.

This is a special burden. It obliges an immigrant family to try to maximize their economic prospects and progress in the U.S., while simultaneously sharing a portion of usually modest earnings with kin and community in their native land. It's a tough balancing act, and for many transnational families, it feels like a zero sum cycle. Payments to needy homeland kin undermine their achievement of economic progress in America, which, in turn, limits the amount of dollars they can ultimately share across borders.

Helping transnational families climb out of this trap – helping them secure a greater measure of family economic success – would yield multiple and meaningful benefits, both here and abroad. First, it would increase the prospects for success and achievement of immigrant children being raised in the United States. And second, it would help immigrant families in America reduce poverty in their native communities and foster growth and development in the less-developed world.

Let me emphasize that “remittance reform” is by no means the sum and substance of meeting this big family economic success challenge, but it is an important issue and, quite possibly, a critical entry point for accelerating the economic progress of transnational families.

A core objective of these reforms, of course, is increasing the efficiency and reducing the cost of remittance transactions. The less money diverted into inefficient transfer logistics, higher-than-necessary service fees, fraud, excessive currency exchange costs, losses or taxation, the more money that's available for family well-being on both the sending and receiving side.

The Inter-American Dialogue's Task Force has done an extraordinarily thoughtful job of mapping out the strategies that promise greater efficiency and equity in these remittance markets. The Casey Foundation can't improve upon those recommendations, and we heartily endorse the directions they've set forth. We agree, for example, that increasing competition among money transfer providers has – and will continue – to drive down prices and drive up customer service. We also believe that it's extraordinarily important – in this country and around the world – to enable, encourage and reward mainstream banks and other financial institutions to become much more routinely and widely engaged in the remittance business. In many ways, these institutions are positioned to become the most secure, rapid, and cost efficient provider of individual to individual money transfers.

Some multi-national banking networks are already embracing this role, but more need to be encouraged to do so. The Task Force's suggestion that U.S.-based banks, serving immigrant communities, be given some form of Community Reinvestment Act credit for providing quality remittance services is an intriguing idea. It may also be useful for American foundations to consider making endowment deposits in local banks or credit unions that stretch a bit to offer quality remittance services to transnational family customers in their service areas. The Casey Foundation is right now exploring how we might help test the utility of this approach in some of our own target communities around the country.

But strengthening the remittance market is not just about changes on the supply or provider side of the equation. Consumers are critical players as well. Remittance senders need

better information and more guidance to make financially wiser remittance decisions. They need to know more about what choices they have; the comparative costs and conveniences of the alternatives available; and the benefits to them and their families of having a bank account or possessing a fair priced debit or credit card. Consumer outreach and consumer education need to become a higher priority for the community organizations, civic organizations, human service agencies, schools, and philanthropies that serve immigrant families in the United States.

Taken together, these supply and demand side strategies can make a big difference. They can accelerate the already evident improvement in the remittance market; and, by doing so, they can free up millions upon millions of additional hard-earned dollars to the benefit of both immigrant families in the United States, as well as kin and communities in their native country.

This is an important opportunity, but let me suggest – in closing – that it’s not the only opportunity embedded in the remittance issue.

A while ago I was describing the Casey Foundation’s Family Economic Success initiative that’s aimed at this country’s low-income working families. A big part of that effort has revolved around encouraging eligible families to be aware of, and take advantage of, the Earned Income Tax Credit (EITC). We (and many others) have supported outreach, education, and affordable tax preparation to help more low-income families get what they are entitled to. The result has been hundreds of millions of additional dollars in the households and communities of working poor families.

But the EITC effort has also produced something more. It created a crucial point of intervention. We – our grantees and partners – found that engaging a family to apply for the EITC provided a great opportunity/occasion for introducing that family to a broader array of financial education services – to information about the benefits of becoming banked; to the availability of other work and income supports for which they’re eligible; to the advantages of accumulating assets, developing credit histories, and defending themselves against predatory exploitation.

I’ve got a hunch that reaching out and engaging immigrant families around the opportunities for less costly remitting just might provide a similar strategic opportunity – like the EITC – for offering a broader array of economic strengthening supports, services, and information. It might be a critical path to getting more transnational families banked, credit worthy, financially educated, and asset conscious.

In the long run, this may be the key opportunity. Increasing the ease and decreasing the cost of remitting remains job one, but helping immigrant families progress toward greater effective earnings, lower living costs, better consumer choices, and greater asset accumulation may be the real key to enhancing what they can contribute to their children’s future success in this country and to the well-being of family and friends back home. I think it’s an opportunity that I hope we can explore more fully and with your help in the future.

I thank you for letting the Casey Foundation weigh in on this hugely important global issue.