

The Canada-Caribbean Remittance Corridor

Fostering Formal Remittances to Haiti and Jamaica through Effective Regulation

*Emiko Todoroki
Matteo Vaccani
Wameek Noor*



THE WORLD BANK

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Washington, D.C.

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Manufactured in the United States of America
First Printing: April 2009



printed on recycled paper

1 2 3 4 5 12 11 10 09

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ISBN-13: 978-0-8213-7919-6

eISBN: 978-0-8213-7923-3

ISSN: 1726-5878

DOI: 10.1596/978-0-8213-7919-6

Library of Congress Cataloging-in-Publication Data

The Canada-Caribbean remittance corridor : fostering formal remittances to Haiti and Jamaica through effective regulation.

p. cm.

ISBN 978-0-8213-7919-6 -- ISBN 978-0-8213-7923-3

1. Migrant remittances--Canada. 2. Migrant remittances--Haiti. 3. Migrant remittances--Jamaica. 4. Alien labor, Haitian--Canada. 5. Alien labor, Jamaican--Canada. 6. Alien labor--Legal status, laws, etc.--Canada. I. World Bank.

HC120.F55C363 2009

332'.042--dc22

2008056022

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Foreword

The World Bank has been at the global forefront in research on remittances. Studying over 12 bilateral remittance corridors thus far, the Financial Market Integrity Unit has focused its research on remittance market integrity issues and the specific incentives influencing the choices of channels to send money home. Initially conducted at the request of Department of Finance, Canada, this corridor, Canada-Caribbean, has clearly distinguished itself from other bilateral remittance corridors studied in the past.

At the originating end of this corridor, these distinguishing features include a country that, throughout its history, has made immigration one of its primary social and economic building blocks. At the receiving end is a region historically characterized by many small economies heavily dependent on remittance inflows and significant migration outflows. This corridor focuses on Jamaica and Haiti, two of the Caribbean's primary labor exporters and also the countries with the two largest Caribbean communities in Canada.

Given the importance of remittances in the region, there is a need for effective, yet proportionate regulation. Risk must be effectively mitigated along potentially vulnerable routes, while innovation, competition and transparency in the remittance markets must be encouraged. Regulatory frameworks that reflect local conditions and are proportionate to the risks involved will facilitate the provision of services of the highest quality to migrants and their families.

It is hoped that research provided from this study will generate policy dialogues among all relevant stakeholders, and assist national authorities in their efforts to effectively regulate and supervise the remittance markets. National authorities should continue to encourage the use of formal transfers and develop more reliable and competitive remittance channels. These channels must efficiently meet the varied needs of Caribbean migrant workers and their families in the safest and most secure environment possible.

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The World Bank

Acknowledgments

This publication was written by Emiko Todoroki (Task Team Leader), Matteo Vaccani and Wameek Noor of the World Bank. The authors are especially grateful to Latifah Merican-Cheong, Director, Financial Market Integrity, World Bank, for her guidance and comments in producing this working paper.

The internal peer reviewers of this study were Mario Guadamillas, Massimo Cirasino, Carlo Corazza, and Paloma Monroy of the World Bank. Comments were also received from Isaku Endo and Jean Pesme of the World Bank.

The study benefited from consultations with David Sevigny, Antoine Brunelle-Côte, Malcolm Wakefield and other representatives of the Department of Finance, Canada. The suggestions of Terence Francis Winsor, Senior Advisor to the Canadian Executive Director at the World Bank are also appreciated. The study also benefited from the input of Lily Chu, Marco A. Arena Duffoo, Pablo Fajnzylber, Muhammad Badrul Haque, Mathurin Gbetibouo, Yira J. Mascaro and Raul Hernandez Coss of the World Bank.

Denis J.R. Fortin of Royal Canadian Mounted Police, Brigett Wilks and Elaine Weir of Ministry of Finance and Planning, Jamaica, Berthony Joseph of Banque de la République d'Haïti and Alfred Metellus of the Haitian Ministère de l'Economie et des Finances also provided comments. In addition, we are grateful for comments received from private sector representatives in Canada, including Western Union and CIBC.

We express our sincerest gratitude to Anne Hastings at Fonkoze (Haiti), Joséé St-Hilaire at Development International Desjardins (Quebec) and Natacha Kay Mortley at the University of West Indies (Jamaica) for their assistance in organizing focus group meetings with remittance senders and recipients. The logistical support of Maryse Calixte and Pollyanna Marie McHargh-Scott was critical to successfully conduct fieldwork. The help of our editor, Peter Maitland, is also appreciated.

Finally, we would like to thank all those individuals who spent time speaking with us during fieldwork in Canada, Haiti and Jamaica. Listings of the institutions visited are as follows:

Canada: Western Union, Scotiabank, Office of the Superintendent of Financial Institutions (OSFI), Canadian Bankers' Association, TD Bank, Canada Imperial Bank of Commerce (CIBC), Royal Bank of Canada (RBC), Bank of Montreal, Jamaica National Overseas (JNO)/Jamaica National Building Society (JNBS), VMBS/VMMT, Royal Canadian Mounted Police (RCMP), FOCAL, Jamaican High Commission, Canadian Border Services Agency (CBSA), Finances Canada, Statistics Canada, Citizenship and Immigration Canada (CIC), Canadian International Development Agency (CIDA), Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Development International DeJardins (DID), Consulate of Haiti to Montreal, Interagency Regulatory Committee on MSBs (Quebec), CAM Transfer, Jamaican Association Montreal, Unitransfer, Haitian remittance senders.

Haiti: Embassy of Canada to Haiti, Banque de la République d'Haïti (BRH), Ministère de l'Economie et des Finances, National Statistics Bureau (NSB), Ministry of Haitians abroad, Unité de Renseignements Financiers (UCREF), Fonkoze, Scotia-bank, Sogebank/SogeXpress, C.A. M. Transfer, Rapid Transfé, UNIBANK/

Unitransfer, Acra Financial Services (AFS), Association nationale des institutions de Microfinance d'Haïti (ANIMH), Haitian remittance recipients.

Jamaica: Bank of Jamaica, Ministry of Finance and Planning, Private Sector Organization of Jamaica, Financial Services Commission, Jamaica Customs, Western Union/Grace Kennedy Remittances, Lasco MoneyGram, JN Money Services, Financial Investigations Division (FID), Scotiabank, Statistical Institute of Jamaica (STATIN), University of West Indies, Association for the Resettlement of Returning Residents, National Commercial Bank Jamaica, First Financial Caribbean, Planning Institute of Jamaica, City of Kingston Cooperative Credit Union, Canadian High Commission in Jamaica, the HEART trust/ National Training Agency, Capital and Credit Remittance, Jamaican remittance recipients.

Abbreviations and Acronyms

AE	Adult Equivalent
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMLA	Anti-Money Laundering Act
ATM	Automated teller machine
BPM	Balance of Payment Manual
BOJ	Bank of Jamaica (Jamaican Central Bank)
BoP	Balance of Payment
BRCA	Bilateral Remittance Corridor Analysis
BRH	<i>Banque de la République d'Haïti</i> (Haitian Central Bank)
Can\$	Canadian Dollar
CBSA	Canadian Border Services Agency
CDD	Costumer Due Diligence
CERLAC	Centre for Research on Latin America and the Caribbean
CGAP	Consultative Group to Assist the Poor
CIC	Citizenship and Immigration Canada
CIN	<i>Carte d'Identité Nationale</i>
CIDA	Canada International Development Agency
CIMB	Commerce International Merchant Bankers
CSAWP	Canada's Seasonal Agricultural Workers Program
DEC	Development Economics
FATF	Financial Action Task Force
FDI	Foreign direct investments
FID	Financial Investigation Division (Jamaican FIU)
FINTRAC	Financial Transactions Reports Analysis Centre of Canada (Canadian FIU)
FIU	Financial Intelligence Unit
FOCAL	Canadian Foundation for the Americas
FRD	Financial Regulation Division (Jamaica)
GDP	Gross Domestic Product
GNI	Gross National Income
GK	The Grace Kennedy group
HDI	Human Development Index
HEART	Human Employment and Resource Training
HTA	Hometown Association
ID	Identification
IMF	International Monetary Fund
INS	U.S. Immigration and Naturalization Service
IT	Information technology
JNBS	Jamaica National Building Society
JNO	Jamaican Nationals Overseas
JSLC	Jamaica Survey of Living Conditions
LAC	Latin America and Caribbean
MEF	<i>Ministère de l'Economie et des Finances</i>
MENA	Middle East and North Africa

MFI	Microfinance Institution
ML	Money Laundering
MSB	Money Service Business
MTO	Money Transfer Operator
NTA	National Training Agency
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OSFI	Office of the Superintendent of Financial Institutions (Canada)
PCMLTFA	Proceeds of Crime (Money Laundering) Terrorism Financing Act (Canada)
POCA	Proceeds Of Crime Act (Jamaica)
PPP	Purchasing Power Parity
PTR	Professional, Technical, and Related workers
RCMP	Royal Canadian Mounted Police
RSP	Remittance Service Provider
STR	Suspicious Transaction Report
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TF	Terrorist Financing
TRN	Taxpayer Registration Number
TTR	Threshold Transaction Reports
UCREF	<i>Unité Centrale des Renseignements Financiers</i> (Haitian FIU)
UK	United Kingdom
UNDESA	United Nations Department of Economic and Social Affairs
US\$	United States dollar
WDI	World Development Indicators
WU	Western union
WW II	World War II

Exchange Rates

The exchange rate conversions for all amounts used in this report are as follow, as of July 30, 2008:

US\$1 (United States dollar) = Can\$1.0232 (Canadian Dollar)

US\$1 (United States dollar) = J\$71.750 (Jamaican Dollar)

US\$1 (United States dollar) = G36.150 (Haitian Gourde)

While a US\$ or Can\$ equivalent has been usually provided for Jamaican Dollar and Haitian Gourde, no conversion was provided for and between US\$ and Can\$ because of the almost par exchange rate.

Description of Terms and Key Business Models

The market for remittance services can see the participation of a wide range of actors, who can compete independently or partner with each other to form several business models. Throughout this report, frequent references will be made to these definitions relating to the relevant market players. These definitions, in quotation, are based on the General Principles for International Remittance Services¹:

■ **Remittance Services Provider (RSP):**

“An entity, operating as a business, that provides a remittance service for a price to end users, either directly or through agents.”

Thus, RSPs are business entities conducting cross-border or domestic money/value transfer services on behalf of senders and recipients. RSP includes banks, (generally competing in the market by offering wire transfer products, or providing remittances through a partnership with a money transfer operator), money transfer operators (as described below) and their agents (as described below). This is the broadest term applied to reference actors of the remittance market players.

■ **Money Transfers Operator (MTO):**

“A non deposit taking payment service provider where the service involves payment per transfer (or possibly payment for a set of series of transfers) by the sender to the payment service provider (for example, by cash or bank transfer)—i.e. as opposed to a situation where the payment service provider debits an account held by the sender at the payment service provider.”

Thus, a money transfer company or remittance service company provides money/value transfer services using agents. Broadly speaking, there are two types of MTO. One is an international (or multinational) MTO where the MTO establishes its own network of agents on both sending and receiving ends.

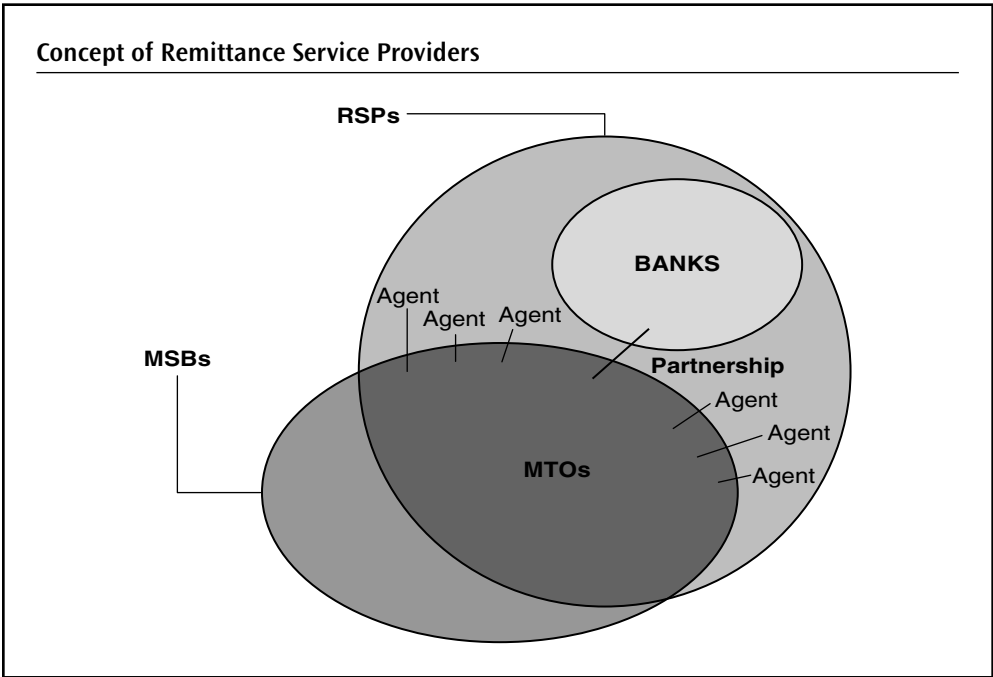
Another is a local MTO where the MTO is set up as a local remittance company. The local MTO can offer remittance services by partnering with either international MTOs or local MTO at the same or corresponding end of the corridor. The local MTO develops a network of agents in the local market.

In Haiti, “maison de transfert” is the term equivalent to MTO. In Jamaican, “money transfer agency” or “primary agent” is the terms equivalent to MTO. Jamaican authorities probably use the term “primary agent” in consideration of a local MTO acting as an agent of an international MTO.

■ **Agent:**

“Agent (capturing or disbursing agent). An entity that captures or distributes remittance transfers on behalf of a remittance service provider. ‘Capturing’ means receiving the money and instructions from the sender. ‘Disbursing’ means giving the money to the receiver.”

1. The work on developing General Principles for International Remittance Services was led by the World Bank and the Committee on Payment and Settlement Systems under the Bank for International Settlement. Representatives from international financial institutions involved in remittances and central banks in both remittance sender and receiving countries were involved in developing these principles.



Sources: Author's representation.

Thus, agent is any business entity (whether of financial nature or not) or an individual acting as originating or disbursement points for remittance transactions, on behalf of the MTO. Several layers of agents can be combined to form a remittance service network. At times, a local MTO partners with an international MTO and acts as an agent of the international MTO.

In Jamaican, “subagent” is the equivalent term.

- **Money Services Business (MSB):** Money service business is a broad term that covers more than remittance services. The main use of this term in this report relates to the MSB sector in Canada. Thus the exact definition of MSB in Canada can be referenced to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) and its website² states that:

“A money services business means an individual or an entity that is engaged in the business of any of the following activities:

- foreign exchange dealing;
- remitting or transmitting funds by any means or through any individual, entity or electronic funds transfer network; or
- issuing or redeeming money orders, traveler’s checks or other similar negotiable instruments. This does not include redeeming checks payable to a named individual or entity. In other words, cashing checks made out to a particular individual or entity is not included.

Money services businesses include alternative money remittance systems (such as Hawala, Hundi or Chitti), etc.”

2. See <http://www.fintrac-canafe.gc.ca/re-ed/msb-eng.asp>

Executive Summary

The primary objective of this report is to make a contribution to policymakers as they work to improve the integrity and safety of the Canadian and Caribbean remittance markets. In doing so, the report takes into account immigration and other issues as they affect remittances, and recognizes the important role remittances play in economic development and poverty alleviation in Caribbean countries. The report particularly focuses on the remittance corridor between Canada-Haiti and Canada-Jamaica given the size of their respective diaspora communities in Canada and their role as major remittance recipient economies in the Caribbean region.

This report analyzes the following issues:

1. The role of remittance flows to Caribbean economies;
2. The features of Canada as a host of Caribbean communities and originator of remittances;
3. The landscape of remittance markets in Canada, Jamaica, and Haiti; and
4. The regulatory framework faced by remittance service providers in Canada, Jamaica, and Haiti.

Based on the findings of this study, the authors provide specific policy avenues to government authorities in all three countries. These are aimed at enhancing their knowledge of remittance flows and remittance market features, increasing the transparency of these flows, and creating an enabling remittance market environment through effective regulations and oversight.

The Role of Remittance Flows to Caribbean Economies

Seeking avenues to improve competition in the remittance market and the reliability and integrity of transfer channels is a fundamental element in fostering the development potential of such flows. This is particularly true in the Caribbean, where remittance inflows have been an important external source for financing to local economies.

The Caribbean region, characterized by the small size of its economies, continues to significantly depend on remittances resulting from intense migration patterns, an element traditionally deeply-embedded in the Caribbean culture and history. Throughout the last half of the 20th century, the net migration rate in the Caribbean stood as the highest in the world, with flows targeting an increasingly wide range of destination countries, including Canada.

In 2007, Latin America and the Caribbean (LAC) as a whole received US\$60 billion in formal remittances, accounting for almost 19 percent of global remittance flows to developing and developed economies—totaling US\$317 billion (Ratha and Mohapatra 2007). This has made the region the single largest recipient of remittance transfers among developing countries. The Caribbean represented more than one tenth of LAC remittances.

In the last 15 years, the combined flows of workers' remittances, payment of employees and migrants' transfers reaching the Caribbean have seen a 900 percent increase, passing

US\$6 billion in 2005. These financial flows have surpassed both Official Development Aid (ODA) and Foreign Direct Investment (FDI) entering the Caribbean since the early 1990s.

At the individual country level, remittances in some cases represented more than 20 percent of the gross domestic product (GDP) of the local economy, and have played a significant role in lessening both balance of payment deficits and the impact of natural disasters, to which the region is particularly vulnerable. Remittances to Jamaica and Haiti represented 19 and 21 percent of GDP respectively in 2006. At the individual household level, remittance inflows have been equally significant in importance.

The Features of Canada as a Host of Caribbean Communities and Originator of Remittances

Since the late 1960s, Canada has been an attractive destination for migration from the Caribbean region due to its relatively open immigration policy and geographic proximity. Immigrant inflows into Canada have helped sustain economic growth, with the foreign-born population strongly contributing to the demands of the Canadian labor market. In 2006, there were an estimated 580,000 individuals of Caribbean descent in Canada, with immigrants from the region accounting for approximately 3 percent of the overall foreign workers reaching Canada. The Haitian and Jamaican communities (respectively numbered 102,000 and 231,110 in 2006) represented the two largest immigrant groups among Caribbean residents.

Migration from the Caribbean to Canada has been decreasing relative to other inflows, due to the rapid growth of landings from Asia to Canada. As in the case of other minorities, Caribbean migrants seem to face challenges in successfully integrating into the local job market. In this regard, the Canadian Government has launched several initiatives to ease the access of skilled migrants into the country's economic fabric.

As in many other host economies, immigrants to Canada often send money home. The growing weight of immigrants in the population in Canada might be reasonably expected to push for more intense remittance outflows. However, remittances from Canada currently constitute an area where substantial information gaps remain, especially when it comes to official estimates.

Recent estimates put total Canadian remittance outflows between approximately US\$12 and US\$17 billion in 2006. Jamaica and Haiti, the two countries on which this report has focused, were estimated in 2006 to have received respectively between US\$135–200 million and US\$70–80 million from Canada. While the receiving ends of the two corridors have been periodically capturing the size of formal inflows, estimates of the size of informal flows may be improved using survey-based instruments on both sides of the corridor.

It is a common practice among immigrants from the Caribbean to send money home. Surveys conducted among recent immigrants confirm that foreign workers from the region are among those with the highest propensity to remit, with small-volume (Can\$150–200), high-frequency transactions (generally monthly or by-monthly).

Both informal and formal remittance channels are currently in use along the Canada-Caribbean corridor. Informal transfers through cash couriers or pocket transfers—whether by friends, relatives, or “professional” smugglers—are still part of the picture, although much less so than within the Caribbean, or between the United States and the region. The extent of the use of unregistered remittance service providers in Canada is not

well known at this point, due to the relatively new registration requirement which came into force in June 2008 (however, the initially estimated number of service providers and that of entities later registered with the financial intelligence unit of Canada are significantly close). The shipment of food and other goods in barrels through specialized companies is still a well used practice although at a decreasing pace. Development of the remittance market and increased competition are in fact providing significant incentives to switch from informal to formal channels.

The Landscape of the Remittance Market in Canada, Jamaica and Haiti

The remittance market in Canada is dominated by Money Transfer Operators (MTOs), endowed with extensive networks of agents throughout Canada, meeting the needs of migrant workers to send money home. The perception by the banking industry of remittance services as an unprofitable business can explain the minor role played by banks in this segment. Due to the nature of the average client (usually walk-in customers) and type of transactions (usually cross-borders), it is considered a high-risk business line requiring potentially very costly compliance programs, not offset by the profits made through typically low transaction volumes. However, exploratory partnerships between Canadian banks and major international MTOs have been launched recently. Some credit unions also have entered the market in recent years, tapping into its growth.

MTOs are the channel of choice for most remitters, not only because of their dominant market presence but also thanks to their faster and cheaper transactions. Field research by the BRCA team, and previous studies have shown that speed, reliability, and security of transactions are the main factors shaping the choice of remittance channels and service providers: customers are willing to pay a premium if such elements are guaranteed by the provider.

In recent years, rising competition among MTOs has led to lower transfer fees to Caribbean destinations, as the incumbent multinational MTOs are facing the entry of smaller, aggressive ethnic operators into the market. For example, along the Canada-Jamaica corridor low flat fees have been introduced for transfers of up to Can\$1,000–2,000. In major Canadian metropolitan areas, concentration of service providers is high, especially within ethnic communities.

The Jamaican remittance service market has become increasingly transparent and competitive over the years. Remittance transfer costs from Canada to Jamaica were approximately 10-15 percent of the transfer amount for a typical remittance transfer only a few years ago, but are now as low as 2.5 to 5 percent of the transfer amount. Jamaican banks and building societies have shown increasing interest in entering the remittance business, often establishing a subsidiary to specialize in such services. However, the competitiveness of the Jamaican remittance market might be further enhanced by discouraging the use of exclusivity agreements.

The Haitian remittance service market also has seen increasing competition in the past years, with the entry of new service providers in the market. However, fees have not seen a dramatic fall such as is the case of Jamaica. The security situation on the ground in Haiti is certainly one of the key elements for the higher cost of operations. Another element may be a lack of market transparency, which can shield operators from aggressive price competition.

Regulatory Framework of Remittance Service Providers in Canada, Jamaica, and Haiti

MTOs and their agents in Canada are regulated only under the AML/CFT regime, based on the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) and have been made subject to registration at the federal level since June 2008. Currently, provincial authorities in Quebec are exploring the possibility of introducing a licensing regime for money service businesses, including MTOs.

As far as AML/CFT requirements are concerned, MTOs and their agents—as part of MSBs—are required to register with FINTRAC (the Canadian FIU and PCMLTFA enforcer on MSBs). MTOs and their agents exhibit willingness to cooperate and comply with the regulation, and have a good understanding of basic compliance obligations. There are challenges, however, when it comes to implementation (such as acceptance of specific IDs under customer due diligence (CDD) requirements, internal compliance policy, and employee training). The recent AML/CFT reform (which introduced the registration regime for MSBs) also equipped FINTRAC with sanctioning power for non-compliance.

Central Banks in Haiti and Jamaica are the designated regulators for MTOs, and are responsible for monitoring and supervision of the industry. Both countries instituted a licensing requirement for operators, including subagents in the case of Jamaica. MTOs are subject to full AML/CFT requirements and report suspicious transactions and large cash transactions to the local FIUs.

Jamaica has a rigorous licensing regime in place, and Bank of Jamaica (BOJ) has issued a comprehensive guidance note to MTOs describing regulatory obligations in detail. The local remittance market is growing rapidly, signaling that no fundamental regulatory obstacles are in place against new entries. However, this same growth might be accelerated if the relatively slow and expensive licensing process could be further streamlined.

Haiti has made positive progress in bringing MTOs under the regulatory regime, yet monitoring and supervision of MTOs still present significant challenges. Clearer guidance for the industry is urgently required, as knowledge of regulatory requirements varies considerably among operators. The lack of an effective identification system also poses a challenge both in terms of integrity of the system and access to financial services by users. Finally, reporting of transaction volumes to the central bank at the time of the study team's visit was not yet harmonized, although the BRH has been planning to address this issue in the near future.

Policy Recommendations

Based upon the study team's findings, a set of policy recommendations are suggested with reference to the following objectives (see table below):

- Enhancing knowledge of remittance flows and their size for policy design purposes;
- Strengthening the regulatory framework governing remittances;
- Ensuring effective implementation of regulatory requirements;
- Fostering competition and transparency in remittance markets; and
- Promoting sound policies for migration and migrant integration.

Recommendations

Haiti	Jamaica	Canada
<i>Enhancing knowledge of remittance flows and their size for policy design purposes</i>		
<ul style="list-style-type: none"> ■ Offer clarification and guidance on transaction reporting format and frequency. ■ Estimate informal remittance transfers via survey-based research. ■ Enhance interagency (BRH, MEF, NSB) cooperation on data collection. ■ Coordinate with sending countries in matching remittance flow data. 	<ul style="list-style-type: none"> ■ Integrate JSLC survey data to enhance remittance inflow estimation. ■ Estimate informal transfers by comparing overall flow estimates with the reported formal figure. ■ Make policy decisions based on the probable size and type of informal transfers. ■ Coordinate with sending countries in matching remittance flows data. 	<ul style="list-style-type: none"> ■ Consider requiring MTOs to periodically report transaction volumes. ■ Draw upon global best practices to capture remittance data accurately and effectively. ■ Coordinate with receiving countries in matching remittance flows data.
<i>Strengthening the regulatory framework governing remittances</i>		
<ul style="list-style-type: none"> ■ Remove the obsolete provisions in the 1989 MdT decree. ■ Consider providing MEF with power to sanction MdTs engaging in non-permitted activities or operating with no license. ■ Consolidate MdT regulation into a single code for operators. ■ Lower the customer identification threshold for wire transfers to US\$1,000. ■ Introduce CDD requirement for non-cash form of remittances. ■ Speed up the work to bring the MFIs under the regulatory regime. ■ Ensure MFIs engaging in remittances are subject to the same requirements—tailored accordingly when required—as MdTs. ■ Consider removing the ban on physical cross-border cash transfers above 200,000 gourdes. ■ Introduce a currency declaration or disclosure system at the border. 	<ul style="list-style-type: none"> ■ Identify the source of the back-log in the processing of MTO license applications. <ul style="list-style-type: none"> – Consider increasing the number of staff, or enhance its time efficiency if located in the BOJ. – If outside the BOJ, discuss possible solutions with the agency(ies), such as agreeing on a strict turn-around time. – Set a timeframe within which applicants should be informed of the result of their applications. ■ Reconsider the cost structure for licensing fees and annual renewal fees. ■ Assess how the rigorous standards can be maintained at the same time that the fees may be lowered. 	

(continued)

Recommendations (*continued*)

Haiti	Jamaica	Canada
<i>Ensuring effective implementation of regulatory requirements</i>		
<ul style="list-style-type: none"> ■ Educate <i>maisons de transfert</i> on legal and regulatory requirements. ■ Provide senior management and compliance officers with training on AML requirements. ■ Strengthen on-site inspection of AML compliance. ■ Consider applying sanctions to non-compliant <i>maisons de transfert</i>. ■ Increase the number of supervisors as required and ensure an adequate budget for the supervision of the <i>maisons de transfert</i>. ■ Enhance supervisory skills and knowledge, through training in Haiti and abroad, for both on-site inspections and off-site monitoring. ■ Require feedback from UCREF about the filing and quality of <i>maisons de transferts</i>' STRs and about their threshold reporting requirements. ■ Provide guidance to <i>maisons de transfert</i> about acceptable alternative identification documents. 	<ul style="list-style-type: none"> ■ Provide training to compliance officers of remittance companies. ■ Develop typologies studies of money laundering/terrorist financing cases involving remittance transfers and remittance companies. ■ Assess how remittance companies are reporting STRs during the on-site inspections. ■ Provide FIU feedback to the remittance companies on STR reporting. 	
<i>Fostering competition and transparency in remittance markets</i>		
<ul style="list-style-type: none"> ■ Consider a regulatory requirement to prohibit exclusivity agreements and non-competition clauses. ■ Consider the introduction of transparency requirements on fee structure for MdTs. 	<ul style="list-style-type: none"> ■ Consider a regulatory requirement to prohibit exclusivity agreements and non-competition clauses. ■ Consider expanding the provision of broader financial services through mobile phone remittance services and the use of stored value cards. ■ Study how other countries have addressed the aforementioned issues. ■ Undertake a risk assessment of mobile phone remittance services and stored value card vis-à-vis money laundering and terrorist financing risk. 	<ul style="list-style-type: none"> ■ Attempt to assess the real risk stemming from the provision of banking services to MTOs, rather than the perceived risk. ■ Propose potential risk mitigation measures to Canadian banks. ■ Consider the introduction of transparency requirements on fee structure for MTOs.

Haiti	Jamaica	Canada
<i>Promoting sound policies for migration and migrant integration</i>		
<ul style="list-style-type: none">■ Provide necessary support to migrant workers before departure, such as orientation on working overseas and other educational and training programs.■ Ensure safe migration or temporary working arrangements abroad through negotiation with host countries.		<ul style="list-style-type: none">■ Ensure the continuous implementation of initiatives fostering immigrant integration, and promote incentives geared towards creating similar initiatives.■ Regularly and vigorously continue to evaluate these programs, and determine strategies to improve them.

Key Statistics

Economic indicators for Canada, Haiti, and Jamaica

General	Canada	Haiti	Jamaica
Population (million, 2006)	32.65	9.4	2.67
Population Growth (annual %, 2006)	1	1.6	0.5
GDP (current US\$ billion, 2006)	1,272	5	10
GDP (PPP-current international dollars, 2006)	1,199	12	20
GDP Growth (annual %, 2006)	2.8	2.3	2.5
GNI, Atlas method (current US\$ billion, 2006)	1196.6	4.0	9.5
GNI (PPP-current international dollars billion, 2006)	1,184	10	19
GDP per capita (PPP-current international dollars billion, 2006)	36,713	1,224	7,567
GDP per capita Growth (annual %, 2006)	1.74	0.68	2.01
Foreign Direct Investment, Net inflows (US\$ million, 2006)	69,068	160	882
Official Development Assistance and Official Aid (US\$ million)	...	581.4	36.72

Source: World Development Indicators (WDI) database, August 2, 2008.

Migration Data

	Amount	Source
Size of the foreign born population in Canada, (million, 2006)	6.19	Statistics Canada
Total permanent resident inflow into Canada, 2006 (all source countries)	251,649	CIC
Total temporary worker inflow into Canada, 2006 (all source countries)	112,658	CIC
Net Migration—Haiti, 2005	−140,370	WDI
Net Migration—Jamaica, 2005	−100,000	WDI
Flow of permanent migrants from Haiti to Canada (2006)	1,686	CIC
Flow of permanent migrants from Jamaica to Canada (2006)	1,651	CIC
Flow of temporary workers from Haiti to Canada (est.) (2006)	97	CIC
Flow of temporary workers from Jamaica to Canada (2006)	6,313	CIC
Estimated size of Haitian community in Canada (2006)	102,000	Statistics Canada
Estimated size of Jamaican community in Canada (2006)	231,110	Statistics Canada
Average income of Haitians in Canada (Can\$, 2001)	26,412	Statistics Canada
Average income of Jamaican in Canada (Can\$, 2001)	19,782	Statistics Canada

Remittance Data			
Remittances		Amount	Source
Total Remittance Inflows to Jamaica (US\$ billion)	2006	1.9	WDI
	2006	1.77	BOJ
	2007	1.96	BOJ
Total Remittance Inflows to Jamaica (% GDP, 2006)		19.4	WDI
Estimated bilateral remittance Inflows from Canada to Jamaica (US\$ million)	2007	135.5	BOJ
	2006	217	WB DEC
Total Remittance Inflows to Haiti (US\$ billion, 2006 BoP)		1.1	WDI
Total Remittance Inflows to Haiti (% GDP, 2006)		21.5	WDI
Estimated bilateral remittance Inflows from Canada to Haiti, 2006 (US\$ million)		73.6	WB DEC
(US\$ million)		65–75*	Orozco (2006)
(Can\$ million)		82.7**	Authors' estimate
% of Jamaicans remitting from Canada, 2004–2005		62.3	Simmons, Plaza, et al. (2005)
% of Jamaican households receiving remittances, 2006		45.3	JS LC
% of Haitians remitting from Canada, 2004–2005		84.4	Simmons, Plaza, et al. (2005)
Median remittance transaction from Canada to Jamaica (Can\$)		195	Simmons, Plaza, et al. (2005)
Median remittance transaction from Canada to Haiti (Can\$)		200	Simmons, Plaza, et al. (2005)
Transfer Fees (selected MTOs)			
		Min	Max
Can\$50 Transfer fee to Jamaica, Can\$ and (% share of amount remitted)		5 (10%)	10 (20%)
Can\$100 Transfer fee to Jamaica, Can\$ and (% share of amount remitted)		5 (5%)	10.99 (10.9%)
Can\$200 Transfer fee to Jamaica, Can\$ and (% share of amount remitted)		5 (2.5%)	14.99 (7.5%)
Can\$300 Transfer fee to Jamaica, Can\$ and (%share of amount remitted)		5 (1.7%)	16.99 (5.7%)

Remittance Data		
	Amount	Source
	Min	Max
Can\$50 Transfer fee to Haiti, Can\$ and (% share of amount remitted)	4.5 (9%)	10 (20%)
Can\$100 Transfer fee to Haiti, Can\$ and (% share of amount remitted)	7 (7%)	15 (15%)
Can\$200 Transfer fee to Haiti, Can\$ and (% share of amount remitted)	12.5 (6.2%)	20 (10%)
Can\$300 Transfer fee to Haiti, Can\$ and (% share of amount remitted)	15 (5%)	27 (9%)

*Based on 70% of adult population remitting, 52–60,000 Haitian adults, US\$150 average monthly transfer.

**80% adult Haitian population remitting, 73,695 adult Haitian residents, Can\$1,407 median yearly remittance in 2004.

Introduction

Bilateral Remittance Corridor Analysis

The Bilateral Remittance Corridor Analysis (BRCA) effort was launched when the Asia Pacific Economic Community (APEC) asked the World Bank to study the global implications of remittances and of alternative value transfer systems (referred to as alternative remittance system, ARS). Both have become significant in the new era of fighting money laundering and terrorist financing. The Financial Market Integrity Unit of the World Bank accepted the task within its global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) mandate. The study evolved into an analysis of bilateral remittance corridors within and across various regions, and this was found to be the best approach to understanding remittance flows, the factors determining their volume and characteristics, as well as the evolving trends of the remittance market. The findings of the studies provide information and analysis that both remittance sending and remittance receiving countries will find useful as policy guides.

The BRCA's key concern was one of integrity, namely the possibility of the criminal use of remittance channels for money laundering and terrorist financing purposes (ML/TF). Enhanced supervision of remittance channels means that money launderers and terrorist financiers are less likely to use them because both the risks and the costs associated with their illegal venture increase. However, in most countries, the lack of data on illegal flows, as well as the incipient nature of AML/CFT frameworks, makes judgments on effectiveness of AML/CFT measures difficult, though anecdotal evidence is persuasive. BRCA, therefore, has collected a great deal of data about formal remittance channels and also uses available data and information from AML/CFT assessment reports. It is critical, however, that BRCA analysis should also investigate remittance flows through informal channels, since these channels are more vulnerable to money laundering and terrorist financing risks.

Table 1. World Bank’s Bilateral Remittance Corridor Analyses, 2008

Published	Report Drafting Stage
United States–Mexico	Qatar–Nepal
Canada–Vietnam	United Kingdom/United States/South Africa–Uganda ^d
Germany–Serbia	South Korea–Mongolia
Italy–Albania ^a	United States–Honduras
United States–Guatemala	
Netherlands–Suriname ^b	
Netherlands–Morocco ^b	
United Kingdom–Nigeria ^c	
Malaysia–Indonesia	

Note: ^aThis report is focused on the originating end of the corridor, i.e. Italy.

^bConducted by the Ministry of Finance of the Netherlands.

^cPartnership with UK Department for International Development.

^dPartnership with Central Bank of Uganda.

An increased flow of funds through formal channels tends to minimize the potential risks of money laundering and terrorist financing, and adds to the safety and integrity of the remittance flows. Such use of formal channels also increases competition, which tends to lower the cost of sending money and, hence, again increase the volume of the flows.

On the other hand, there are concerns that stringent AML/CFT measures could adversely affect the access of the poor to financial services. The BRCA studies, therefore, also look at whether disproportionate regulation of the remittance market might dissuade the poorer and less-educated clients, such as migrant workers, from using the formal financial sector. The BRCA recommendation is that AML/CFT requirements should be balanced with other financial access policies.

Overall, the objectives of these exploratory studies have been to provide policy recommendations that address the principal issues faced by policymakers in both sending and receiving countries. These issues are to protect the integrity and raise the efficiency of formal remittance systems, to enhance the developmental impact of remittance flows. Recent studies have focused more on issues related to shifting remittance flows from informal to formal transfer systems, because this is a means of discouraging illegal financial flows and of improving the impact of remittances on development and poverty reduction. To this end, the BRCA also examines the incentives that influence remittance decisions and identifies information gaps and areas for further research. Table 1 lists the studies that have taken place to date.

About the Canada-Caribbean Remittance Corridor

The Caribbean region is distinct from other regions because of its high propensity to migrate, a propensity unrivaled by other major labor exporting regions. Because of its relatively open immigration policy and geographic proximity since the 1960s, Canada has

been an attractive destination for migration from the Caribbean. These immigrant inflows into Canada have helped support economic activities, with the foreign-born population contributing to meet the gap in the Canadian labor market. In 2006, there were 580,00 individuals in Canada claiming Caribbean descent, of whom 317,000 were born abroad, accounting for 5.1 percent of the overall migrant population. Of these 580,000 people of Caribbean descent, the share of Haitian and Jamaican communities (which represent the two largest immigrant groups among Caribbean residents) was, respectively, 102,000 and 231,110 individuals. The BRCA, therefore, has chosen to examine the “last mile” of the remittance corridor in these two countries.

Several economies in the Caribbean region, especially from the lower income group, are highly dependant on remittances. Between 1991 and 2006, the combined flows of total remittances, (that is workers’ remittances, payment of employees and migrants’ transfers) reaching the Caribbean have seen almost a 17 percent average annual growth rate, surpassing US\$6 billion in 2005. The remittance inflows into the Caribbean region, since the early 1990s, have overtaken both Official Development Aid (ODA) and Foreign Direct Investment (FDI). This contrasts with the global picture of remittances into developing economies where FDI inflows are larger than remittance inflows. In the Caribbean, ODA has seen a declining trend while FDI saw a somewhat volatile growth. The growth of remittances has, since 2000, been much faster than that of FDI, and the gap continues to widen. In some countries, remittances represent more than 20 percent of the domestic gross domestic product (GDP), and have played a significant role in lessening both balance of payment deficits and the impact of the natural disasters to which the region is particularly vulnerable. In Jamaica and Haiti, in 2006, remittances represented 19 and 21 percent of GDP, respectively.

Jamaica has a relatively competitive remittance market. The majority of the transfers appear to pass through formal channels. Thanks to the existence of many service providers, Haiti also has a market that is somewhat competitive. Informal flows, however, though smaller than formal remittance flows, are considered to be sizeable in the case of Haiti.

The primary objective of this report is to make a contribution to policymakers as they work to improve the integrity and safety of the remittance market. In doing so, it attempts to take account of immigration and other issues as they affect remittances, and to recognize the important role that remittances play in the economic development and alleviation of poverty in Caribbean countries. This report therefore suggests some policy avenues for improving knowledge of remittance flows and remittance market features, for increasing the transparency of the flows and the cost structure, and for creating an enabling market environment through facilitating remittance transfers via effective regulations and oversight.

Methodology and Outline of the Report

The report is based on fieldwork in Canada, Jamaica, and Haiti. The fieldwork includes interviews with key informants from both the financial and government sectors, and discussions from focus groups for migrant workers and their families. On both sides of the corridor, data collection on bilateral remittance flows has been challenging, and particularly so in attempts to assess the relative size of informal flows. Official data from authorities is

combined with other best estimates drawn from a wide array of sources, both on the field and within the existing literature.

The report is organized under five chapters. Chapter 1 sets the scene for the analysis of the bilateral remittance corridor, and presents key regional social and economic trends relating to growth, migration, and remittances in the Caribbean. Chapter 2 looks at the originating end of this corridor, and provides a view of Canada's role both as a major migration target, and as the origin of migrants' remittance flows. This chapter also reviews the regulatory framework for the local remittance market. Chapter 3 focuses on the Canada-Haiti remittance corridor. It analyzes the features of the Haitian community in Canada, its remittance practices and the characteristics of the Haitian remittance service market. It also provides several estimates of the bilateral remittance flows. In addition, there is an analysis of the regulatory framework in Haiti to which remittance services providers (RSPs) are subject. In Chapter 4, the Canada-Jamaica corridor is similarly examined. Finally, Chapter 5 summarizes the main findings, identifies the main challenges, and provides policy recommendations.

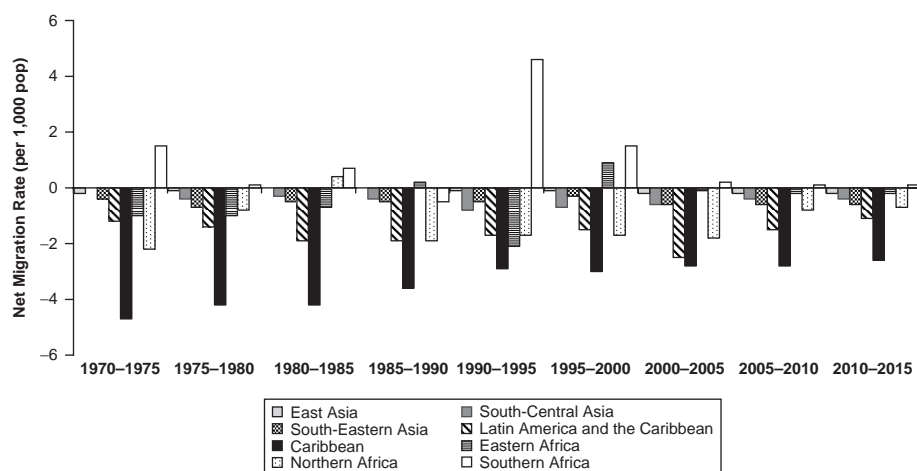
Migration and Remittance Patterns in the Caribbean

This chapter provides an overview of migration and remittance patterns in the Caribbean region. It analyzes those economic trends that act as push-factors for migration and remittances in fifteen countries: Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.³ Eleven of these countries, based on their populations, are defined as small economies, a fact that contributes to the region's particular vulnerability to economic fluctuations, and its resulting significant reliance on external financing sources. These sources include remittances as well as foreign direct investment (FDI) and official development assistance (ODA).

This chapter analyzes three recent trends within the Caribbean:

- Migration patterns both within and from the Caribbean in the second half of the 20th century.
- Factors underlying the high net emigration flows recorded in the Caribbean, with a special focus on economic incentives.
- Remittance inflows into the Caribbean basin, with reference to the size of flows involved and also to their impact on recipient economies.

3. In some cases, some countries are excluded from analysis due to unavailability of data. This will be explicitly stated.

Figure 1. Regional Comparison: Net Migration Rate, 1970–2015

Source: Authors' representation based on UNDESA data.

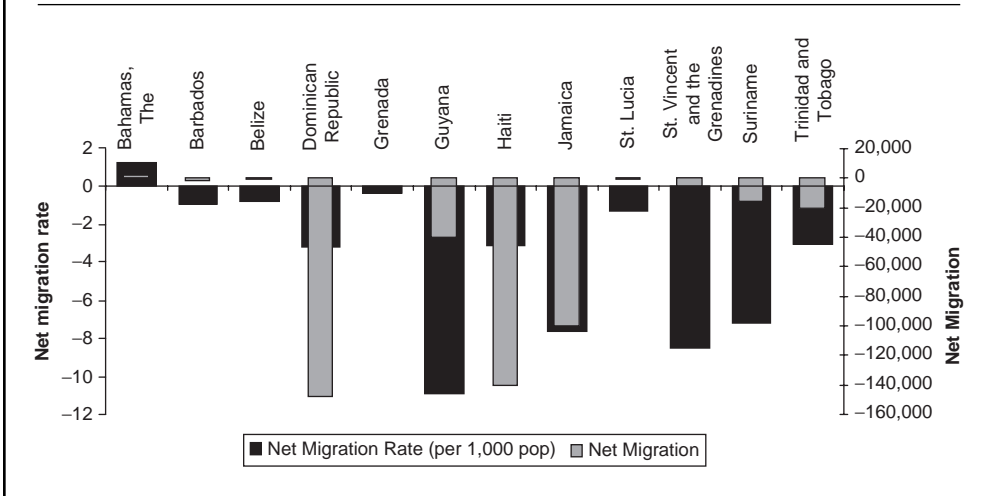
Migration and the Caribbean

Migration is a deeply embedded element of Caribbean culture and history (Thomas-Hope 2002). The last 50 years have seen a transformation of the Caribbean region into a major net labor exporter, to the point where, in several countries, the annual labor migration accounts for as much as 12 percent of their populations (Nurse 2004). Within the group of countries considered in this section, the estimated size of the migrant diaspora is about 4.3 million individuals,⁴ which accounts for 18 percent of the total 2006 population in the region, (most of whom migrated to the United States). Smaller economies had a much higher percentage of migrant diaspora abroad: in Barbados, the level was 25.5 percent; in Jamaica, 26.4; in Guyana, 41; in Suriname, 43; and in Grenada, 69 percent (as of around 2000, see ECLAC 2006b). If undocumented migrants were included in the picture, the migration rate would probably be even bigger.

Three main categories of countries within the Caribbean region can be broadly identified as participating in international migration. Poorer countries like Jamaica, Guyana, Suriname, and Haiti are mainly senders; more prosperous jurisdictions, such as the Bahamas, attract migrants from within the Caribbean, and others, such as Barbados and Belize in the last fifteen years have been experiencing both inward and outward flows.

Compared to other regions, net emigration rates in the Caribbean were the highest throughout the last half of the 20th century. Net annual rates in the working population averaged approximately 3.5 per 1,000 people between 1970–2010 (Figure 1).

4. World Bank T1 estimate on migrant stocks. St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines are not included in the count due to data availability.

Figure 2. Caribbean: National Net Migration, 2005

Source: Authors' representation based on World Bank (2007c).

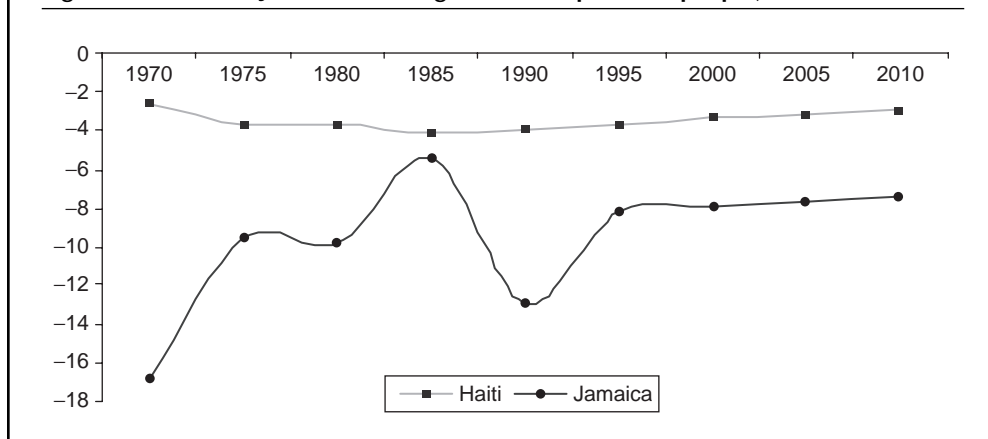
Absolute net migration in the Caribbean has been following a more cyclical path, growing fast between the 1950s and 1970s, then declining until the mid-1990s to grow again in the following 10 years. It is now projected to decline again towards its 1950s levels (close to 100,000 emigrants per year)⁵. Relative to population size, on the other hand, the region's net migration rate is in steady decline, and it is projected to decrease by more than 10 percent between 1990 and 2015.

Outward migration peaked between 1980 and 1995 in Trinidad and Tobago, Dominican Republic, Grenada, Guyana, Jamaica, and Haiti. Jamaica and Haiti are particularly affected by outward migration flows, and respectively exported 100,000 and 140,000 workers (net migrant flows) in 2005 (Figure 2). Jamaica experienced very high negative net migration rates at the beginning of the 1970s, followed by a second peak in 1990. Haiti, on the contrary, has maintained a more stable pattern, ranging from a -2.6 to -4.1 percent over the 1970–2010 period (Figure 3).

Main Economic Factors Behind High Emigration

The high migration pattern in the Caribbean is clearly pushed by countries such as Jamaica, Guyana, Suriname, and Haiti, which have mainly been senders of migrant workers. In these countries, poverty and a high degree of income inequality, coupled with high youth unemployment, are particular concerns, and they act as push-factors for migration to other Caribbean countries or outside the region.

5. UNDESA, UN Population Projections, 2006.

Figure 3. Haiti and Jamaica: Net Migration Rate per 1000 people, 1970–2010

Source: Authors' representation based on UNDESA data.

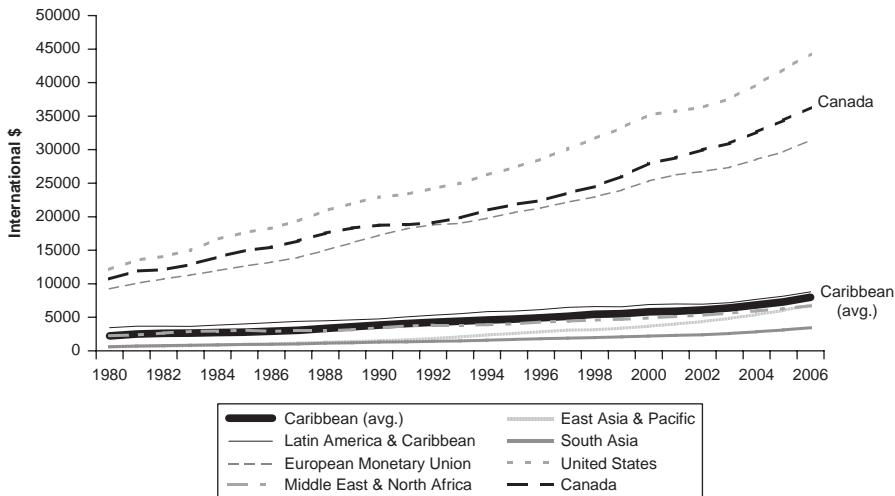
The Push Factors

On average, each country in the region has a population of 1.7 million and, in total, the region accounted for only about 0.4 percent of world population in 2006. In the same year, the Gross Domestic Product (GDP) of the region⁶ represented only about 0.17 percent of the overall world GDP at constant prices, and its per capita income was US\$ 4,800 as opposed to a world average of US\$ 5,800. In common with other major labor exporters, therefore, the region has a smaller share of income than it has of global population.

Compared to some other developing regions, the Caribbean has a higher per capita GNI (Figure 4), but per capita GDP growth has been less impressive, and has slowed down over the past 25 years. Although growth has been greater and more stable than the Latin America and MENA region (Figure 5; World Bank 2007a), it has remained below that of East Asia and South Asia throughout the 1980–2006 period. In 1980 GNI per capita in East Asia was \$559, compared to \$2,626 in the Caribbean. By 2006, the GNI per capita in East Asia had increased to \$6,821 (a more than twelve-fold increase), while in the Caribbean it had risen to only \$7,999, a three-fold increase. When the GNI of the average Caribbean economy and the Canadian economy are compared, the gap in per capita income has been significantly widening over the past 25 years, reaching \$28,000 in PPP terms in 2006. This was a 125 percent increase in disparity since 1980 (Figure 4).

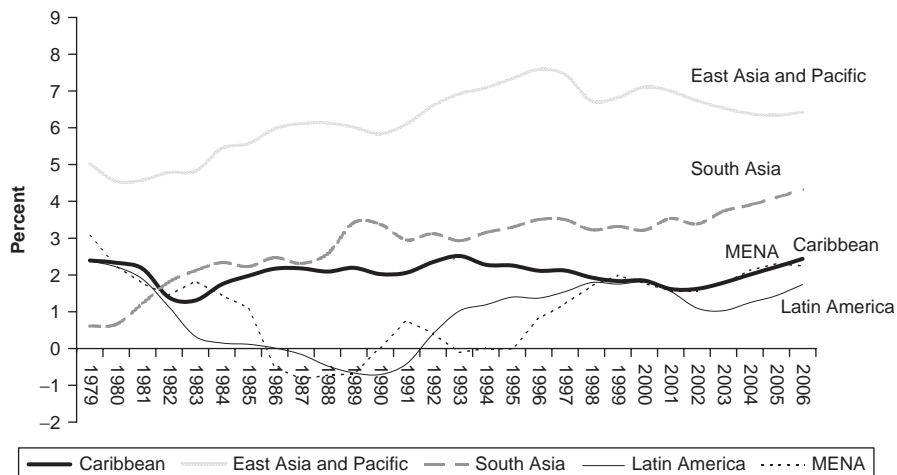
Poverty and income inequality have often been identified as push factors for international migration. A recent analysis (World Bank 2008c) emphasized that Latin America and the Caribbean—together with Sub Saharan Africa—have the world's most unequal income distribution. The richest 20 percent of the population account for 57 percent of income, while the poorest segment survives on less than 3 percent. With specific reference

6. Due to lack of data, GDP from the Barbados has not been included in this computation.

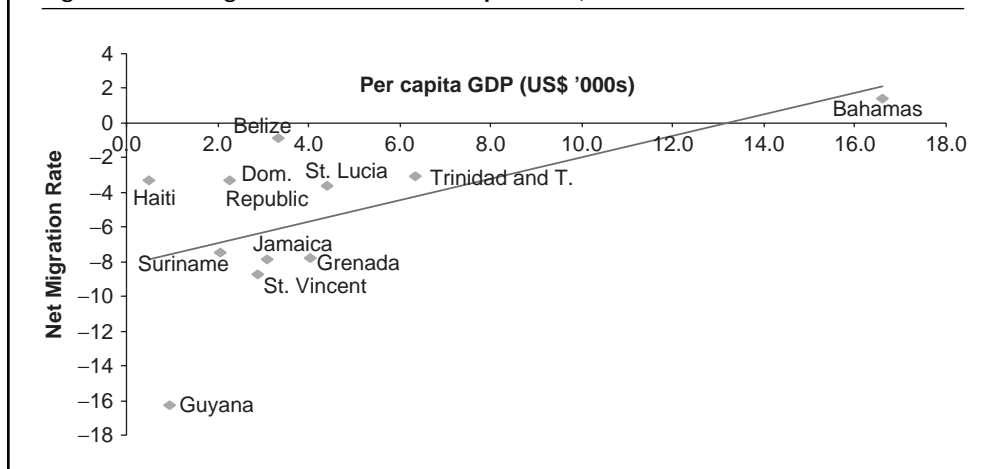
Figure 4. GNI Per Capita, By Region, 1980–2006 (current international PPP)

Source: Authors' representation based on World Bank (2007c).

to the Caribbean, GINI indexes in selected economies (Jamaica, Haiti, and Dominican Republic) still show very significant levels of inequality. In Haiti, the recorded index value for 2001 was 0.59. In 2004, in the Dominican Republic it was 0.51, and in Jamaica, 0.45. In the case of Jamaica, income inequality had increased compared with the 2000 level of 0.43.

Figure 5. Per Capita GDP Growth Rates, By Region, 1980–2006 (10-yr moving average)

Source: Authors' representation based on World Bank (2007c).

Figure 6. Net Migration Rate and Per Capita GDP, 2000

Source: Authors' representation based on UNDESA data; World Bank (2007c).

Poverty rates seem to be in decline in several Caribbean economies, although the lack of accurate and exhaustive historical series prevents a more thorough analysis. Jamaica, Guyana, and the Dominican Republic, thanks to recent increases in GDP growth, were able to reduce their poverty levels. On the other hand, Haiti saw a very high poverty rate of 76 percent (World Bank 2005; based on a \$2 PPP poverty line), compared to the rest of the region where the rates ranged from 12 percent (Antigua) to 35 percent (Guyana). In spite of some improvements, therefore, the issue of poverty remains central as a push-factor for migrant outflows from the region.

As shown in Figure 6, net labor exports are usually associated with poorer economies in the region, Guyana being an extreme case. Haiti's net migration rate is not as high as one might expect for its income level, though this may be because of the relatively larger size of the population. The Bahamas, with the highest average per capita GDP, is the only country in the group with a positive average net migration rate in 2000.

Another important push factor is unemployment, which is an especially serious issue in Haiti. In 2001 the unemployment rate in metropolitan areas was 48.8 percent. Among household heads it was 38.9 percent (Verner 2008). Despite migration, which would normally relieve pressure on the labor market by eliminating excessive supply, rates of unemployment remain persistently high across the region. This may to some extent reflect the lack of skills that are required in job markets, but it is probably also a consequence of over-all economic stagnation.

Youth unemployment⁷ has reached record levels in several countries in the Caribbean, with rates of 24 percent in the Bahamas (2003), 26 percent in Barbados (2003), 28 percent in Jamaica (2004), 40 percent in St. Lucia (2003), and 21.1 percent in Trinidad and Tobago (2002) (World Bank 2007c). Such youth unemployment is likely to fuel migration flows to

7. Male and female population between the age of 15 and 24.

richer economies outside the region, as young, fairly well-educated, aspiring workers leave their home countries to seek better opportunities abroad.

The Pull Factors

Migrant workers choose their destination based on “pull factors,” which may be economic, social, or geographical. From the economic perspective, wage differentials have powerful reinforcing effects on the existing push factors in source countries. In some cases, active recruitment of skilled labor from abroad (as seen in Canada) acts as a strong pull factor (see Chapter 2).

As for social factors, the presence of well-established communities in host countries has a strong effect in attracting further immigrants from the countries of origin, as with the concentration of Haitian and Jamaican migrants in selected Canadian urban areas. Familiarity with, and command of, the language in the host country is also an important influencing factor (as in the case of Quebec for Haitian migrants). In terms of geographical factors, the relative close proximity of two such large and developed countries as the United States and Canada is an important consideration in the choices of Caribbean migrants.

Impact on Originating Economies

Governments often see the outflow of skilled workers, or the so-called “brain drain,” as a reduction of the nation’s human capital. This is particularly true of Caribbean governments as they struggle to implement policies aimed at repatriating exported competencies. Jamaica, Guyana, Haiti, and Trinidad and Tobago are some of the main exporters of intellectual capital to OECD economies (Table 2; Greenidge 2007). Professional, technical, and related workers (PTRs), as well as young students, who tend to emigrate permanently rather than seasonally, exacerbate the problem (Pellegrino and Martinez 2001).

The Caribbean as a Remittance Recipient

Trends and Comparison to Other Regions

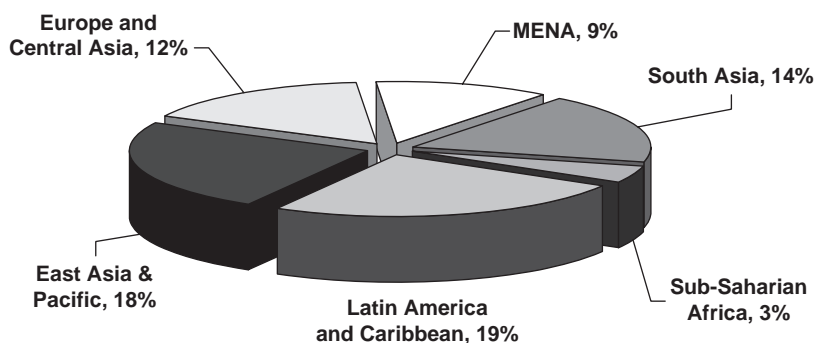
In 2007, Latin America and the Caribbean (LAC) as a whole received US\$60 billion in formal remittances, accounting for almost 19 percent of the world’s total of US\$317 billion (Ratha and Mohapatra 2007) and making the region the single largest recipient of remittance transfers among developing countries (Figure 7). The Caribbean region received more than one tenth of all LAC remittances, and more than 2 percent of global remittances. Even though inflows to LAC from 2006 to 2007 grew by 6 percent, this increase was considerably less than that seen in the previous few years, and especially between 2002 and 2003 when the increase was about 24 percent. This decline in the growth rate is largely attributed to the slowdown of the U.S. economy, which, together with Canada, accounted for 80 percent of remittance transfers to the region. It should be noted, however, that the

Table 2. Percentage of Total Expatriates, Highly-skilled Aged 15+

	Cohen and Soto (2001)	Highly Skilled Aged 15+	Barro and Lee (2000)	Highly Skilled Aged 15+
15 non-OECD countries with the <i>lowest</i> percentage of highly skilled 15+ expatriates in OECD countries	Brazil	1.7	Brazil	1.2
	Myanmar	1.7	Thailand	1.4
	Indonesia	1.9	Indonesia	1.5
	Thailand	1.9	Paraguay	1.8
	Bangladesh	2.0	Argentina	1.8
	Paraguay	2.0	China	2.4
	Nepal	2.1	Myanmar	2.4
	India	3.1	Peru	2.7
	Bolivia	3.1	Nepal	2.9
	China	3.2	Bangladesh	3.0
	Jordan	3.2	Bolivia	3.1
	Venezuela	3.3	India	3.4
	Costa Rica	4.0	Egypt	3.4
	Syria	4.3	Venezuela	3.5
	Egypt	4.4	Swaziland	3.5
15 non-OECD countries with the <i>highest</i> percentage of highly skilled 15+ expatriates in OECD countries	Guyana	83.0	Guyana	76.9
	Jamaica	81.9	Jamaica	72.6
	Haiti	78.5	Guinea-Bissau	70.3
	Trinidad and Tobago	76.0	Haiti	68.0
	Fiji	61.9	Trinidad and Tobago	66.1
	Angola	53.7	Mozambique	52.3
	Cyprus	53.3	Mauritius	50.1
	Mauritius	53.2	Barbados	47.1
	Mozambique	47.1	Fiji	42.9
	Ghana	45.1	Gambia	42.3
	United Rep. of Tanzania	41.7	Congo	33.7
	Uganda	36.4	Sierra Leone	32.4
	Kenya	35.9	Ghana	31.2
	Burundi	34.3	Kenya	27.8
	Sierra Leone	33.3	Cyprus	26.0

Source: Dumont and Lemaître 2004.

decline is more pronounced in Mexico. The Mexico-U.S. corridor alone was estimated to account for US\$20 billion in remittances in 2006 (Ratha and Shaw 2007). But various factors, including the debate over immigration policy, and particularly illegal immigrants in the United States, may have had a dampening effect on the use of formal channels for remittance transfers.

Figure 7. Regional Comparison: Breakdown of Global Inward Remittances, 2007

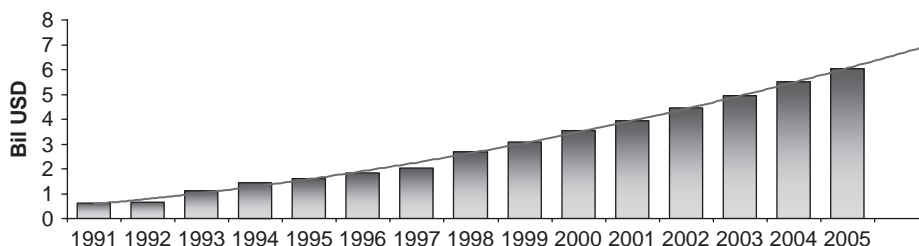
Source: Authors' calculation based on Ratha and Shaw (2007).

While the flow of remittances into Latin America is much bigger than that into the Caribbean, the Caribbean stands out in two areas: the rapid growth of remittance inflows throughout the last two decades, and the size of remittance inflows relative to other sources of external income (such as exports, ODA, and FDI) as a share of GDP. Despite the lack of precise knowledge about the size of informal remittance flows both within and to the Caribbean, the available official data does show the fast growth of formal remittances during the last decades. Between 1991 and 2006, the combined flows of workers' remittances, payment of employees and migrants' transfers reaching the Caribbean, have seen, on average, almost a 17 percent annual increase (Figure 8). More recent data indicate a growth of 53 percent between 2001 and 2005, with the total reaching US\$6 billion (IMF 2007). Remittance inflows, as a percentage of GDP, have been also growing, and have reached levels well above those of other regions (Figure 9).⁸ Indeed, in the Caribbean region as a whole, remittances can represent more than 10–20 percent of the GDPs of recipient economies, and they are a direct reflection of the high rate of emigration.

In 2006, the top 11 worldwide remittance recipients (in terms of GDP share) included 2 economies in the LAC region, 3 of which are in the Caribbean: Honduras ranked fifth with a 26% share of GDP, Guyana ranked seventh at 24.3 percent, Haiti ranked ninth with 21.6 percent, and Jamaica ranked eleventh with 18 percent (Figure 10; World Bank 2008b). As the lowest-income countries in the Caribbean, it is clear that remittances play a major role in sustaining their economies (see Figure 11 for the Caribbean countries).

Since the 1990s, both Jamaica and Haiti have recorded rapidly increasing remittance inflows both in absolute terms and as a share of GDP. The two countries are among the poorest in the region, showing the lowest and the second to lowest gross national income per capita in PPP terms in 2006 (US\$1,490 and US\$4,030 respectively). Both economies

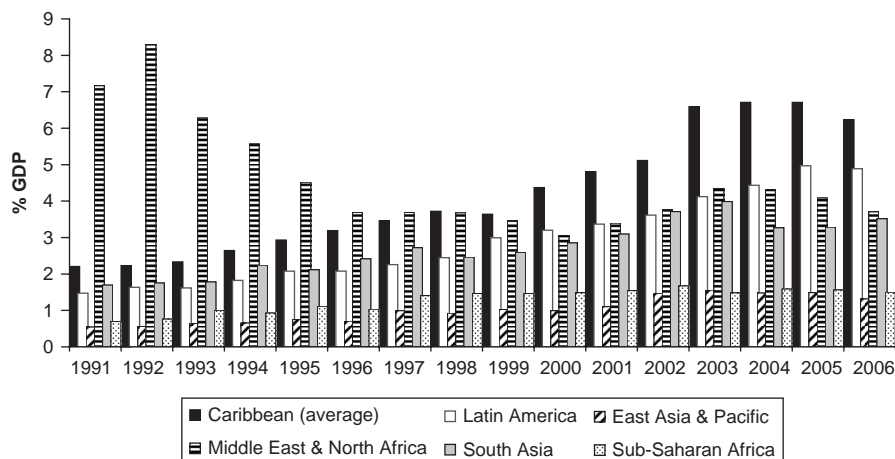
8. Data for the Bahamas missing across the entire series. Data for Suriname missing between 1994–97 and 2000–01, data for Barbados missing for 2006.

Figure 8. Caribbean: Remittance Inflow, 1991–2005

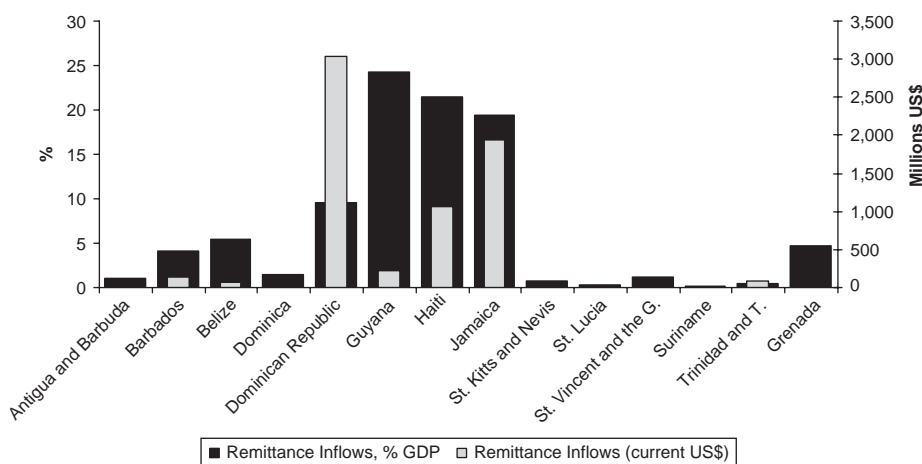
Source: Authors' representation based upon IMF (2007).

also had the highest remittance/GDP ratio in the region until 2004, although, in LAC, Guyana started to record similar remittance/GDP ratios and later succeeded in passing both Haiti and Jamaica (World Bank 2007c). Haiti and Jamaica, however, are still highly dependent on remittances as a source of external financing. More importantly, since the mid-1990s (and even earlier in the case of the former), the remittance share of GDP in those countries has surpassed that of other traditional sources of external financing such as FDI and ODA (Figure 12). A similar trend can be observed in the overall region (Figure 13).

Within the region, FDI flows increased two-fold between 1995 and 2005, reaching almost US\$4 billion. Among the individual countries in the region, however, the inflows are not even. The top five recipients, namely, St. Kitts and Nevis, Antigua and Barbuda, Grenada, St. Lucia, and St. Vincent and the Grenadines, are all high income or higher

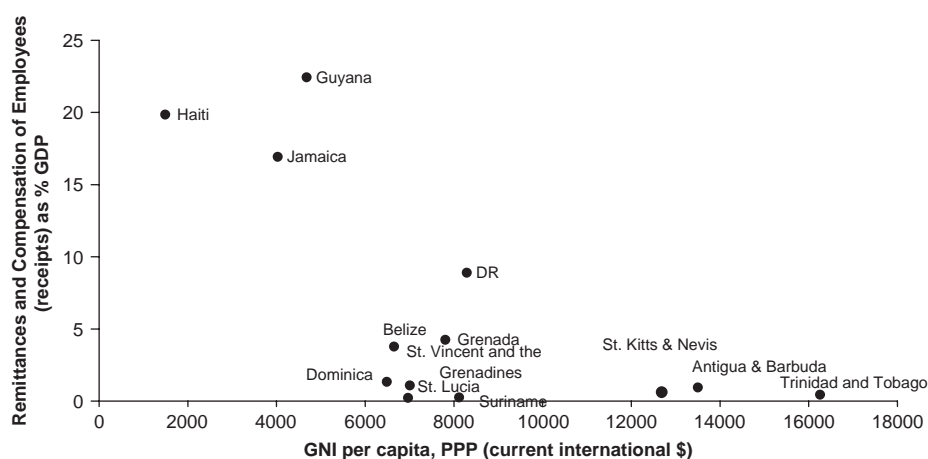
Figure 9. Regional Comparison: Remittances as a Percent of GDP, 1991–2006

Source: Authors' representation based on World Bank (2007c).

Figure 10. Caribbean (Selected Economies): Remittance Inflows, 2006

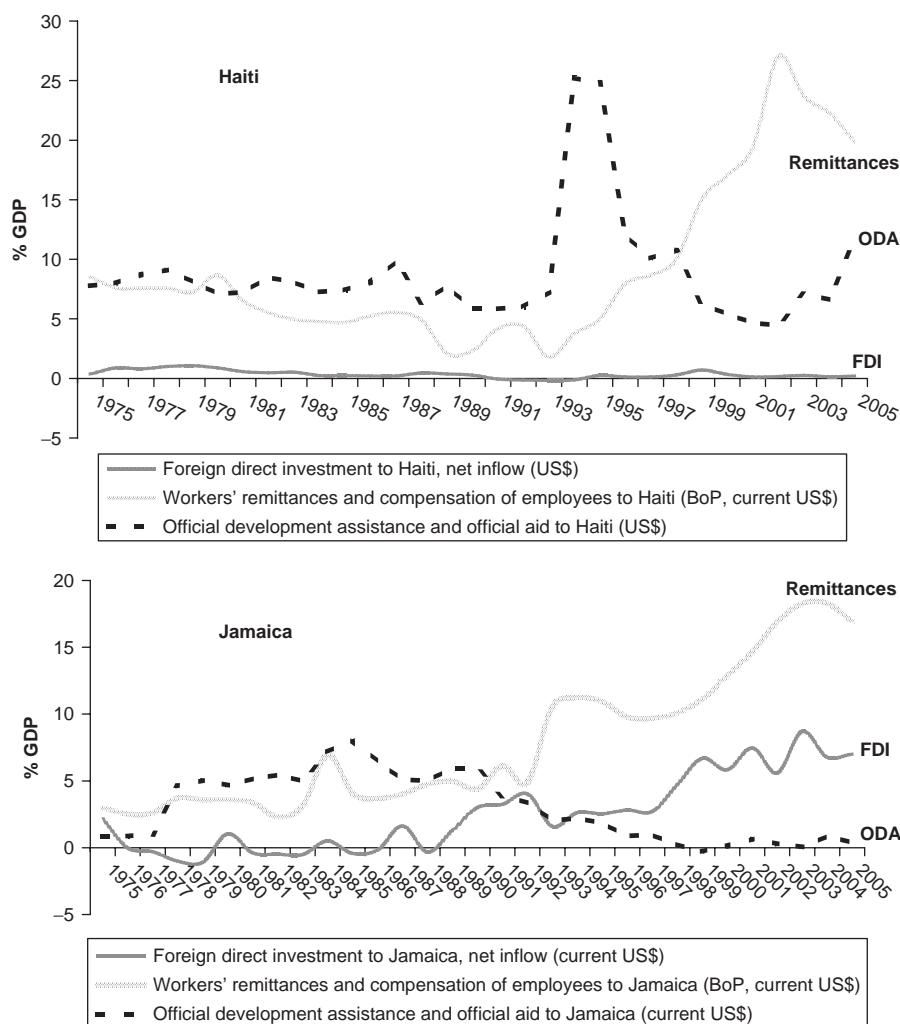
Source: Authors' representation based on World Bank (2007c).

middle-income economies, but foreign investment into Haiti has been negligible during the period of reference (World Bank 2007c). Tourism and resource extraction are the two sectors that attract most of the FDI, but these sectors are at or near maturity, and this could militate against attracting more FDI to the region (World Bank 2005). On the other hand, large and growing remittance inflows could play a significant role in improving the balance of payment picture for many Caribbean countries.

Figure 11. Per Capita GNI and Remittances (2006)

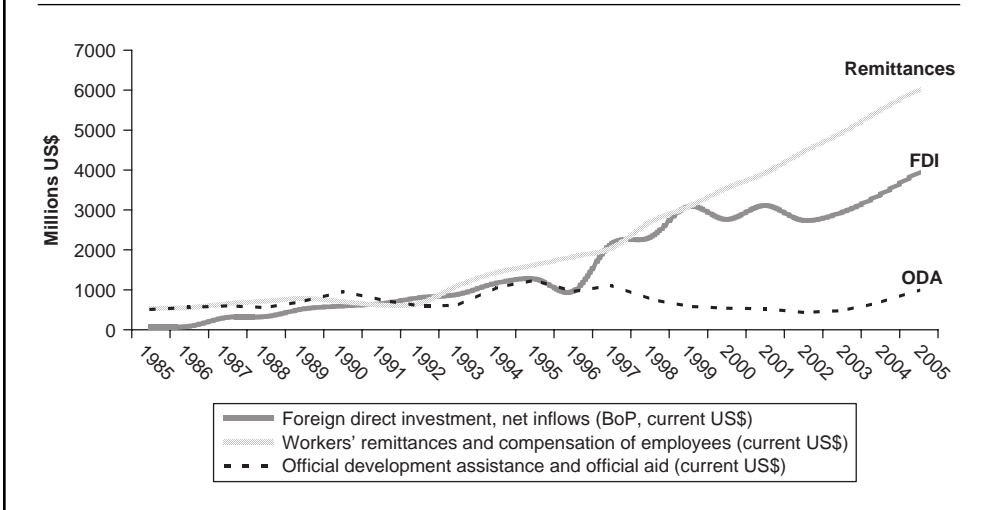
Source: Authors' representation based on World Bank (2007c).

Figure 12. Haiti and Jamaica: Official Development Assistance, FDI, and Remittances (as a percent of GDP)



Impact of the Remittance Flow

The surge of remittance inflows to the Caribbean throughout the 1990s particularly benefitted rural households in lower income recipient economies (FOCAL 2006). It is estimated that, in 2006, more than 45 percent of Jamaican households received “significant financial support” from remittance senders (JSLC 2006). Remittances can be seen as injections into a Keynesian circular income flow. They increase aggregate expenditure through the additional income received by consumers, and they improve the condition of the lives of recipients by bringing about higher consumption patterns, better educational opportunities, and better physical and social environments (ECLAC

Figure 13. Caribbean: Official Development Aid, FDI, and Remittances, 1980–2005

Source: Authors' representation based on World Bank (2007c).

1998). Across the country, the evidence shows that remittances can reduce poverty, even when the measured impact on inequality appears to be limited (World Bank 2006b). Reductions of 11 percentage points in the poverty headcount ratio in Uganda, 6 percentage points in Bangladesh, and 5 percentage points in Ghana have all been linked to remittance flows (Adams 2005). Higher disposable income for recipients can lead to savings and to small-scale investment patterns in local business.

In a region like the Caribbean that experiences frequent natural disasters, remittances that can be mobilized, literally, in a matter of hours help mitigate the impact of such events both at macroeconomic and household levels, thus displaying the “insurance role” of remittance flows. Migrants, for example, were able to respond to hurricane damage sustained in Jamaica with each additional dollar of hurricane damage leading to 0.25 dollars in additional remittances.

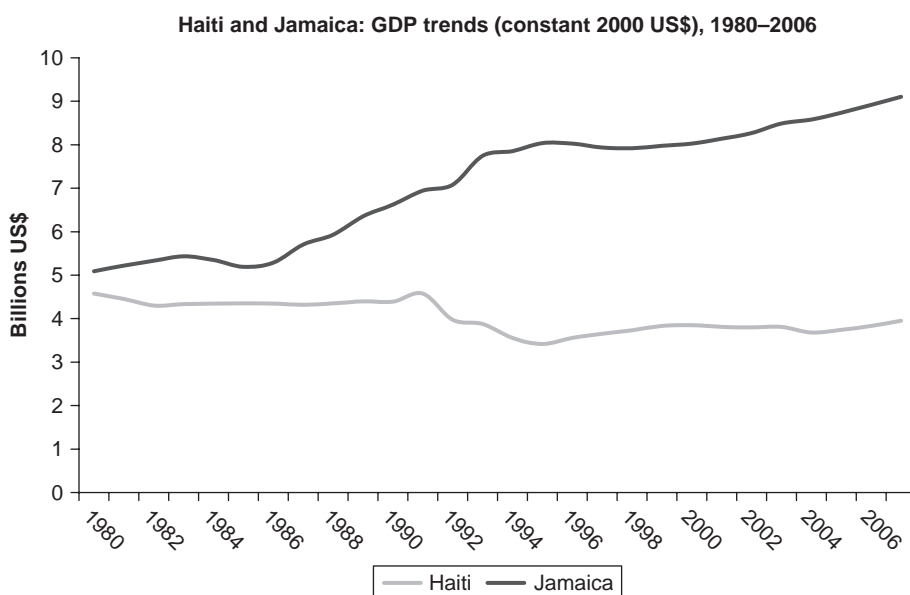
Remittances, however, may also have potentially adverse aspects. Increased dependency on external income can be a disincentive to work (FOCAL 2006). In addition, in countries such as Haiti, which, because of extremely low domestic output, is characterized by heavily negative trade imbalances, remittances may actually lead to further decline in the trade balance. This is because more goods are imported and inflationary pressure is created. Indeed, recent World Bank studies focusing on the Caribbean show that the last decade's rise in consumption was the main contributor to GDP growth in the region. This was evidenced by increased imports of consumable goods, which, unfortunately, may not contribute to sound, long-term economic growth. Remittances, furthermore, may foster the “culture of migration” that dominates the Caribbean landscape, and which favors new outflows of human capital (World Bank 2005). Finally, it has been argued that, for most countries in the Caribbean, the overall losses resulting from skilled migration outflows outweigh corresponding gains from remittances (World Bank 2006a).

Box 1: Focus: Haiti and Jamaica

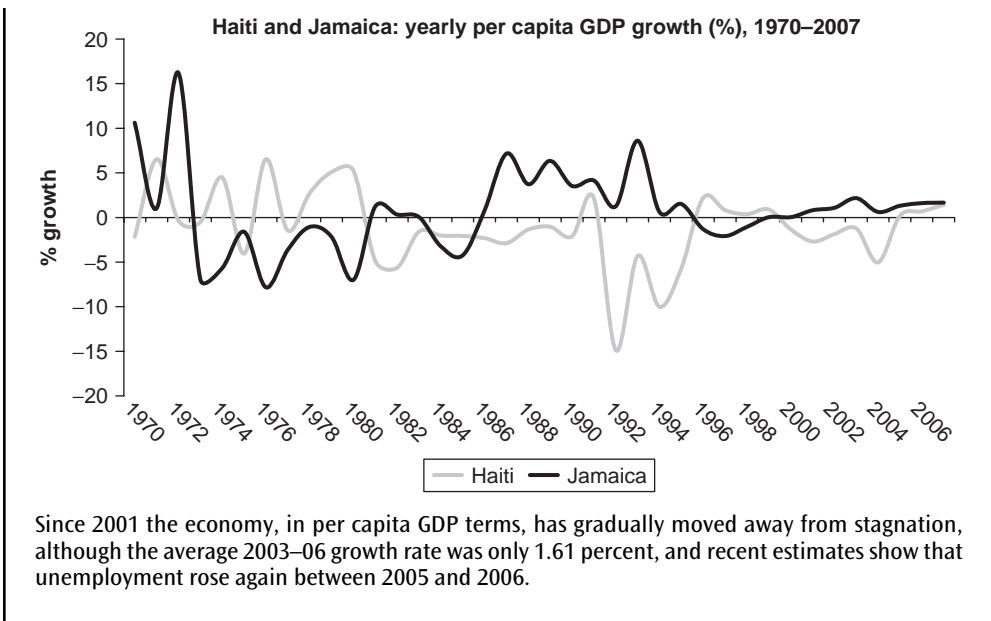
Haiti and Jamaica—the two countries on which this analysis will focus—experienced a challenging path towards development. The Haitian economy, during the last 40 years, has been experiencing a long slump. Apart from brief periods of positive per capita growth in the 1970s and late 1990s, Haiti saw its real per capita GDP fall by 1 percent on average each year between 1961 and 2000, for a total decline of 45 percent.

Chronic political instability, institutional weakness, perceived high levels of corruption, and the economic handicaps posed by outward migration, natural disasters, and lack of basic infrastructure are some factors that could explain Haiti's decline of the last four decades. It has recently experienced some growth, despite the high unemployment rates. The growth flows partly from increased consumption, and this highlights the role of remittances inflows, which, in recent years, have been the main source of domestic, consumption-driven growth.

Jamaica, too, has experienced a challenging growth pattern. The 1950s and 1960s were marked by economic growth averaging 4.5 percent, thanks to a booming bauxite industry. The 1973 oil crisis, however, brought a fourfold increase in oil prices. The resulting surge of 172 percent in the national oil bill threw the economy into recession for seven consecutive years during 1973–80. With continued economic deterioration until the mid-1980s and the decline in tourism, skilled labor left the island. During this period, there was double-digit inflation and chronic unemployment, which averaged 25 percent between 1975 and 1985.



The structural adjustment undergone by Jamaica in the second half of the 1980s, efforts to liberalize and open the economy, and a significant increase in international aid and assistance, all helped to improve economic performance. The improvement, however, was short lived. The average real GDP growth of 4.8 percent between 1986 and 1991 came down to 0.9 percent (1992–96) and 0 percent (1997–2001).



Heavy reliance on remittance inflows is not a panacea for resolving poverty and, to maximize the potential benefits, remittances should be viewed in a broader developmental framework. First, remittance inflows can provide better investment opportunities among the families of migrant workers. Secondly, remittance inflows can be used more effectively to promote the role of hometown associations (HTAs) and similar organizations, with the result that the link between remitters and qualified development projects is strengthened. Thirdly, increasing remittance flows could create an incentive for authorities to develop an effective regulatory framework that could contribute to the development of a competitive remittance market.

Main Points

The main points from this chapter that are carried forward into subsequent chapters are:

- The Caribbean has seen long-term economic growth decline across the last three decades, and, in the future, still faces challenges to rapid growth.
- Economic and political push factors and pull factors in host countries have made migration a deeply embedded element in the history and culture of the Caribbean region, which has one of the world's highest net emigration rates.
- During the last two decades, remittance inflows into the Caribbean have been growing rapidly and, in 2005, reached US\$6 billion. They accounted for almost one fifth of domestic GDP in several Caribbean economies, and had a significant impact both on household finances, and the balance of payments.

Canada as a Country of Remitters

This chapter analyzes Canada as a remittance-sending country, and focuses on the following three aspects:

- Canada's role, by virtue of its geographic proximity and relatively open immigration policy, as a host of international migration, especially from the Caribbean.
- Canada's role as a remittance sending country.
- The regulatory framework for remittance service providers (RSPs) in Canada, and its impact on the local remittance market, which is currently dominated by money transfer operators (MTOs).

Migrating to Canada

Historical Immigration Patterns

The largest inflow of immigrants to Canada occurred in the twentieth century. A changing immigration policy, however, has led to changes in migration trends. The notable changes are:

- The progressive shift away from Canada's pursuit of short-term economic goals towards broader, long-term population growth objectives;
- A shift towards acceptance of more diversified nationalities, in contrast to the "preferred" and "non-preferred" nationalities and races policy followed prior to 1962; and
- The progressive evolution towards younger, more educated migrants.

Table 3. Point System Evolution, 1967–2003

	1967	1974	1978	1986	1993	1997	2003
Education	20	20	12	12	16	16	25
Experience	—	—	8	8	8	8	21
Specific Vocational Preparation	10	10	15	15	18	18	—
Occupational Demand	15	15	15	10	10	10	—
Age	10	10	10	10	10	10	10
Arranged Employment/ designated occupation	10	10	10	10	10	10	10
Language	10	10	10	15	15	15	24
Personal Adaptability	15	15	10	10	10	10	10
Levels adjustment	—	—	—	5	8	10	—
Resident Relative	5	5	5	—	—	—	**—
Destination	5	5	5	—	—	—	—
Kinship Bonus	—	—	—	10/15	5	5	—
Total	100	100	100	95–105/110	105–110	107–112	100
Pass Mark	50	50	50	70	70	70	67

⁺ Points awarded depend on relationship to sponsor.

^{**} Included in the Adaptability score

Source: Green and Green 1999, 2006; CIC Website.

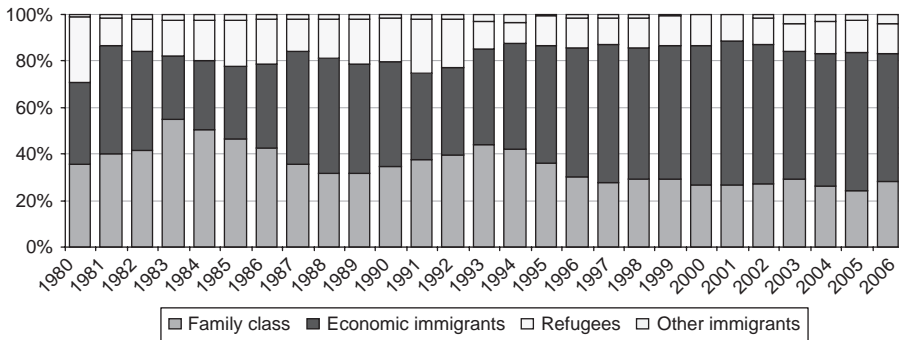
In the mid-1960s, migration from non-European countries began to reach significant levels, and Canadian authorities began to make substantial changes to Canada's immigration policies. In 1962, Canada repealed its provisions on immigrant selection, which had previously been discriminatory and race-based. While the selective approach to immigration was maintained, its focus was shifted towards individual skills and experience.⁹

With the relaxation of such immigration restrictions by Canadian authorities, immigrant flows to Canada from non-traditional countries of origin rapidly increased, beginning in the late 1960s, and these included immigrants from Latin America and the Caribbean. Up to 1966, the combined inflow to Canada of individuals from Jamaica and Haiti, for example, was fewer than 1,500. In contrast, by 1969, the combined inflow was more than 4,400 and, by 1973, the number exceeded 11,500.¹⁰

The shift from a “nation based” to a “skill-based” selection process, however, required a specific mechanism to assess the suitability of unsponsored applicants to the Canadian economy and society, and, in 1967, Canadian authorities created a point system (Green and Green 1995). The new system reviewed the array of skills and characteristics for each immigrant (Table 3) and assigned points up to a specified maximum. Unsponsored

9. See the Appendix A for a detailed account of Canadian immigration patterns and policy up to 1962.

10. Citizenship and Immigration Canada (CIC) records, as of March 2008.

Figure 14. Canada: Composition of Permanent Immigration, 1980–2006

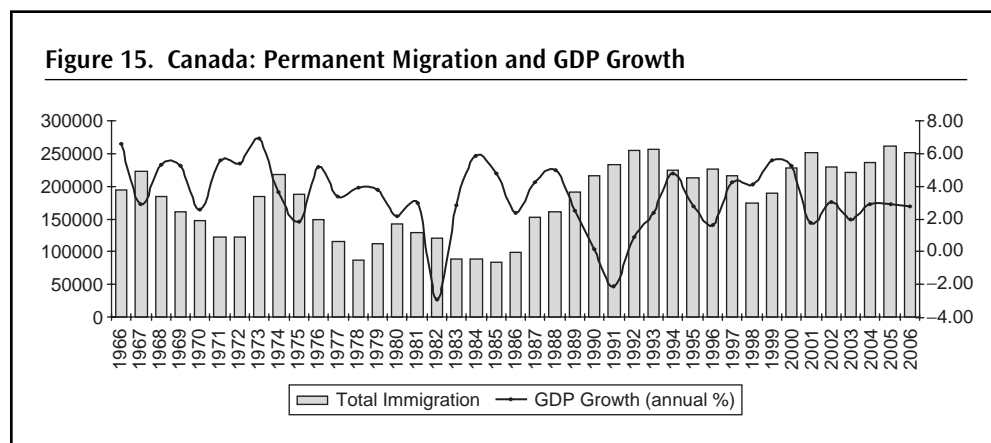
Source: Authors' representation based on CIC (2006).

“independents” and relatives of Canadian residents (not belonging to the “dependant” category, which included immediate relatives) were assessed, and were admitted only after reaching a designated score.

The idea underlying the point system was to avoid undue discrimination when granting landing rights. At the same time, through adjustments of weights and pass marks, the system provided sufficient flexibility to influence the composition of both the inflow and the level of skills of the average migrant. In practice, the following three decades provided several opportunities to test the new regime and its flexibility.

Until the Immigration Act of 1978, the immigration policy did not have a specific category for refugees and humanitarian migrants. The new Act redefined the priorities of national immigration policy, giving top processing priority to family reunification while setting a specific yearly intake of refugees. Assessed migrants (both principals and dependants), sponsored close relatives, and refugees, still constitute the three classes of permanent migrant landings in Canada. They are currently classified as economic class entries, family class entries, and humanitarian class entries (Figure 14).

The world recession of the early 1970s prompted Canadian authorities to limit immigration, and the selection of assessed migrants became more stringent (Green and Green 1995). After 1974, to avoid automatic rejection, immigrants had to score at least one point in terms of “occupational demand,” and a 10-point penalty was applied to those applying without pre-arranged employment (Green and Green 1996). The next major recession brought about a similar response. From 1982, immigration levels were substantially reduced, with annual flows between 1980 and 1985 plunging from 143,000 to 83,000 (Figure 15). Non-sponsored migrants had to have pre-arranged employment to enter the country until 1986, a policy that substantially limited immigrant numbers. After 1986, immigration increased again until 1992, stayed relatively high afterwards, and currently corresponds to the 1992 level. The total number of immigrants lags behind the growth in Canada’s GDP, and this is because immigration policies do not change as frequently and rapidly as does the GDP. The relationship between GDP growth and migration is more



Source: Authors' representation based on CIC (2006); World Bank (2007c).

obvious when it comes to the exporting of labor. When economic growth declines, emigration increases (see Chapters 3 and 4).

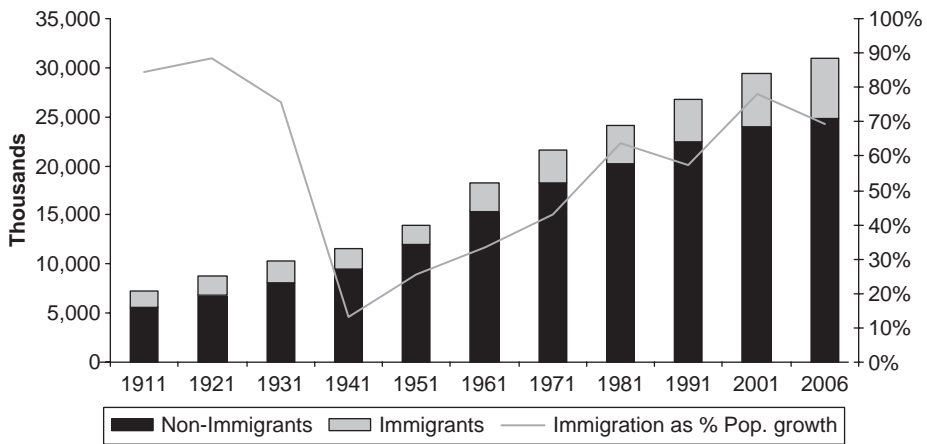
During the 1990s, Canada's immigration policy underwent two significant modifications. First, the government, in order to respond to the scarcity of skilled labor in the early 1990s (Green and Green 1996), put more focus on the economic component of the inflow and, starting in 1993, the relative weight of the family class component declined. The point system was progressively modified toward a "human capital" model that placed more focus on skills (Beach, Green, and others 2006). Second, the declining Canadian birth rate prompted the government to sustain its population growth by maintaining a steady yearly influx of migrants. In consequence, between 1997 and 2006, the average annual migrant inflow corresponded to more than 0.7 percent of the population, and there was a lower standard deviation among annual flows than in the previous three decades (Table 4).

From the mid-1990s to the present, migrant inflows, as a percentage of population, have been more or less consistent. This situation has cumulatively resulted in annual landings of almost 242,000 permanent residents across 2001–2006. These landings contributed to about 70 percent of all population growth in Canada during the same period (Figure 16).

Table 4. Canada: Immigration as Percent of Population, 1967–2006

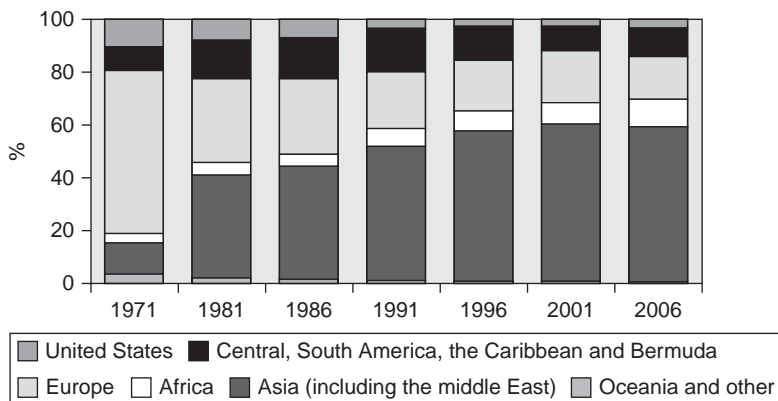
	Average Inflow (as % of population)	Standard Deviation
1997–2006	0.72	0.07
1987–1996	0.75	0.11
1977–1986	0.43	0.09
1967–1976	0.78	0.17

Source: CIC (2006); World Bank (2007c).

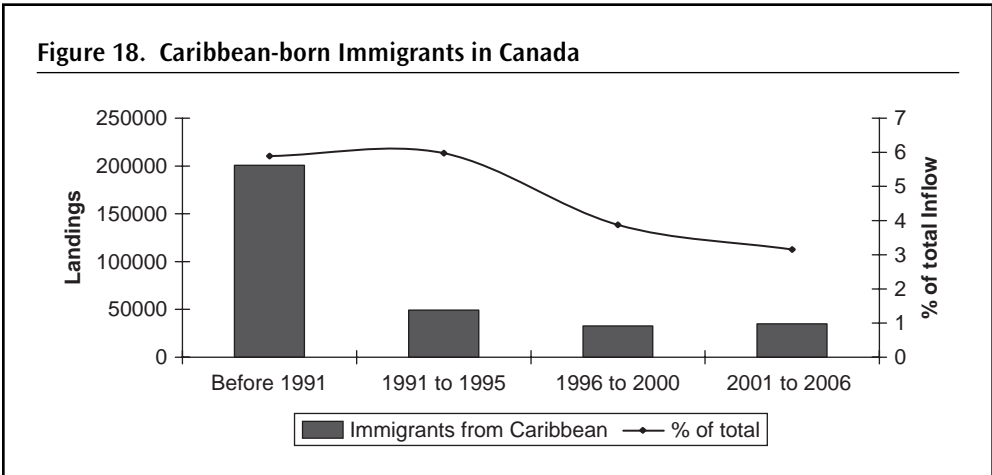
Figure 16. Canada: Composition of Population, 1911–2006

Source: Authors' calculations based on data from Statistics Canada, 2007.

Since the removal of the “preferred nationalities” policies, Canada has gradually attracted immigrants from all over the world. More than 50 percent of migrants now come from Asia, which replaced Europe as the main area of origin in 1971 (Figure 17). In the last two decades, migration from the Caribbean has also declined. The number of migrants declined from 5.9 percent in the period preceding 1995 to 3.8 percent between 1996–2000

Figure 17. Region of Origin of Recent Immigrants to Canada, 1971–2006

Source: Authors' calculations based on data from Statistics Canada, 2007.



Source: Authors' calculations based on data from Statistics Canada, 2007.

and to 3.1 percent in the last 5 years (Figure 18). The actual numbers of the inflow from the region, however, slightly increased in the last 5 years.¹¹

Since the early 1980s and in particular after the mid-1990s, the point system led to a substantial increase in the average education level of new immigrants. Between 1980 and 2000, particularly in the 1990s, the percentage of migrants holding an undergraduate or graduate university degree soared from 5.8 and 1.8 percent to 25.1 and 9 percent respectively. Correspondingly, the percentage of immigrants having only secondary education diplomas declined from 59 percent in 1980 to 35 percent in 2000 (Beach 2006).

Canada also attracts temporary residents. These are foreign workers, students, and those applicants for refugee status who are waiting for a decision by Canadian authorities. While they are an integral part of Canadian annual migration inflows, it is difficult to monitor their dynamics because of a lack of consistent data on the outflow of these migrants. Based on available data, between 1980 and 2006 the inflow of temporary residents has been increasing significantly, although not necessarily steadily. In 2006, there were 268,000 arrivals, a 55 percent increase from 1980 (CIC 2006).

This category generally shows two significant differences from the permanent resident population, over and beyond the limitation imposed on their length of stay. First, to apply for entry, temporary foreign workers must have a job offer from Canada. Secondly, because of the short-term horizon on which their economic activity is based,¹² they usually engage in more intense remitting activity. Of Caribbean countries, only Jamaica, with 6,500 landings in 2006, is among the top 10 countries of origin of foreign temporary workers. As with permanent migrants, however, the trend is in decline. In the last 10 years, Jamaica's rank for providing temporary workers to Canada shifted from number 5 to number 10 among countries of origin, accounting for only 3.9 percent of arrivals in 2006, as opposed to 7.9 percent in 1980 (CIC 2006). According to Bank of Jamaica estimates (see Chapter 4),

11. Statistics Canada 2006 Census of Population.

12. Interview with FOCAL analyst.

Box 2: Immigration to Quebec

There is an interesting interplay between the federal government of Canada and individual provinces concerning immigration. The 1976 Immigration Act allows the federal government to enter into agreements with individual provinces to coordinate the planning and implementation of immigration policy (CIC 1977).

Francophone Quebec, which retains the greatest autonomy in immigration policy, is particularly relevant for migrants from French-speaking Haiti, and has traditionally been their major recipient. The Couture-Cullen Agreement (1978), as well as a new agreement signed in 1991, allows Quebec to select its own immigrants, according to a self-defined point system, which was reformed in 1996. As a result, young, educated, francophone immigrants are admitted according to the priorities set by the provincial authorities (Boudarbat and Boulet 2007).

The 1996 reform may explain the sudden increase in the flow of Haitian economic class migrants (previously accounting for a lower share of overall Haitian immigration), which began in 1997 (See Chapter 3). Compared to Ontario, however, the emphasis on French language skills in Quebec has led to a relatively smaller increase in the share of immigrant with university degree holders. Therefore, the immigrant experience across Canada may not always reflect the patterns for Quebec.

remittance inflows from seasonal workers have accounted for 10 percent of total remittance flows.

2001–06: A Snapshot of the Foreign Population in Canada

There are five major features of the foreign population in Canada.

First, according to the 2006 Census, 19.8 percent of the Canadian population is composed of foreign-born residents, who number almost 6.2 million. Not only does this share represent one of the highest on the globe for the same year (only Australia, with 22.2 percent, exceeded it), it is also the highest level reached by Canada since 1931. Between 2001 and 2006, the foreign-born population of Canada grew by 13.6 percent, while the Canadian-born population increased only by 3.3 percent in the same period (Chui, Tran and others 2007).

Second, the composition of the foreign-born population is dominated by Asia. In Canada in 2001, the top 5 providers of foreign labor came from Asia and, in 2006, four out of the top five came from Asia (Table 5). Asian immigrants (including those from the Middle East) accounted for a little less than 60 percent of the total foreign-born population. Europe continued to lose ground, and Latin America and the Caribbean (LAC), gained some slight relative weight.

Third, three provinces, Ontario, Quebec and British Columbia account for 86.8 percent of the foreign-born population, and for 85.8 percent of migrant arrivals since 2001. Among these, Quebec saw the fastest increase in foreign-born residents since 2001 (20.5 percent, as opposed to 13.6 percent in the country as a whole). Toronto, Montreal and Vancouver, Canada's three largest metropolitan centers, were the final destination of most new arrivals between 2001–2006. Almost 69 percent of the inflow, 765,000 out of 1,110,000 newcomers, settled in these areas. Toronto captured the largest share (447,900) followed by Montreal (165,300) and then Vancouver (151,700). According to the last Longitudinal Survey of Immigrants (Statistics Canada 2003b), 75 percent of respondents cited the existence of

Table 5. Top 10 Country of Origin of Recent Immigrants, 2001–06

Order	2006 Census	2001 Census
1	People's Republic of China	People's Republic of China
2	India	India
3	Philippines	Philippines
4	Pakistan	Pakistan
5	United States of America	Hong Kong
6	South Korea	Iran
7	Romania	Taiwan
8	Iran	United States of America
9	United Kingdom	South Korea
10	Colombia	Sri Lanka

Source: Statistics Canada.

diaspora support networks in the three cities as the main factor for their choice of destination (Statistics Canada 2003b, 2007).

Fourth, recent immigrants are relatively younger than the Canadian-born population. In 2006, 57.3 percent of immigrants landed since 2001 were aged between 25 and 54, compared with 42.3 percent among Canadian-born residents (Statistics Canada 2007).

Fifth, the majority of recent immigrants have a university degree. Of those who immigrated between 2001 and 2006, 51 percent had a university degree, compared with only 20 percent of Canadian-born residents. Before 2001, only 28 percent of immigrants had university degrees (Statistics Canada 2008).

These features would suggest relatively promising opportunities for recent migrants. Recent trends, however, have highlighted growing challenges faced by foreign workers attempting to integrate into Canada's economic life.

Recent Issues in Migrants' Economic Assimilation

The issue of new immigrant integration is now a priority among Canada's immigration policy. Difficulties of integration in Canada include the growing underutilization of immigrant skills and, for migrants, this translates into lower incomes and comparative disadvantages in the job market. These are likely to have a significant impact on migrant workers' ability to send remittances home.

Despite the increase in the average level of education in the last 15 years, the success of previous immigrants in the Canadian job market exceeded that which is currently experienced. This pattern is puzzling because there is an acute shortage of skilled labor in Canada, and authorities have progressively altered the immigration points system so as to recruit more skilled immigrants. In fact, of those emigrants who have immigrated between 2001 and 2006, approximately 51 percent had a university degree. This contrasts with the overall Canadian population, where the proportion of degree holders is approximated at only 20 percent. In addition, this figure also reflects a significant increase from the educational

attainment of previous immigrants, as approximately 28 percent of immigrants arriving in Canada prior to 2001 possessed a university degree (Statistics Canada 2006).

The higher educational attainment among recent Canadian immigrants has generally not translated into higher overall wages. In fact, recent immigrant men employed on a full-year, full-time basis saw their real earnings fall by 7 percent on average from 1980–2000. During the same period, however, real earnings of Canadian born men went up by 7 percent (Statistics Canada 2006). To provide a more realistic perspective, the study found that in 1980, immigrant workers arriving in Canada from 1975 to 1979 and who were working full time earned a real wage of approximately Can\$40,600 in 1980, but their similar immigrant male counterparts arriving during 1995–99 received an approximate real wage of Can\$37,900 in 2000. Relative to the overall Canadian population, this meant that male immigrants in 1980 received on average earnings 17 percent lower than their Canadian born counterparts; by 2000, this gap had more than doubled to 40 percent (Statistics Canada 2003a). Previous analyses has attributed the recession of the early 1980s and the reduced skill level of immigrants as potential factors in the gradual increase of the wage gap between immigrants and the overall Canadian population. There are, however, other likely factors.

One likely factor could be that professional skills brought by immigrants are often not recognized by the Canadian job markets unless their skills and credentials (educations, training, and so forth) have been obtained either in Canada or in other countries that are recognized. This concerns government and immigrant communities alike. Hence, measures to foster and improve the recognition of foreign credentials and experience have already been put in place by Canadian authorities, and certainly need to be encouraged further. In fact, a few of these ongoing programs will be elaborated further in the last section of this report.

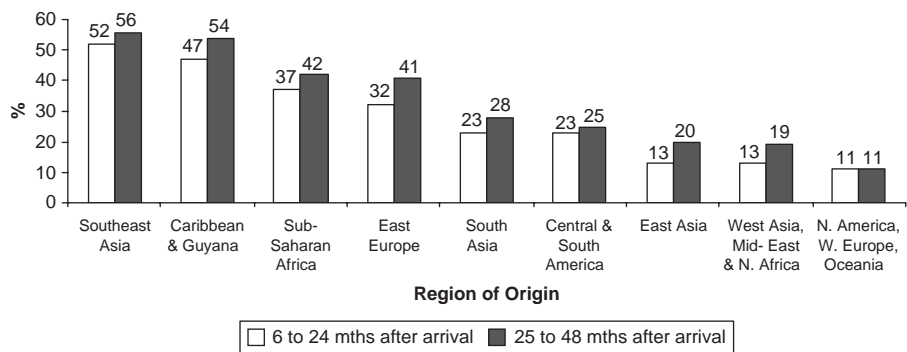
Remitting from Canada

While sending remittances is an ongoing practice among foreign residents in Canada, Canada has not been measuring this phenomenon as a distinctive source of information. In fact, Canada's balance of payments has blank entries for this information in *Workers' Remittances, Compensation of Employees and Migrants' Transfers*. This section presents the findings of recent survey-based research on remitting practices among recent immigrants, as well as on several estimates of annual remittance outflows from Canada.

Remitting Practices among Recent Immigrants

The latest Longitudinal Survey of Immigrants to Canada (LSIC) does shed a light on migrant remittance practices. In 2008, Houle and Schellenberg extracted and analyzed LSIC data, which included surveys of a sample of immigrants who: first, arrived in Canada between October 1, 2000 and September 30, 2001; second, were aged 15 or more at the time of landing; and, third, landed from abroad and had applied for entry through a Canadian Mission Abroad. Overall, 7,700 immigrants were interviewed three times: after six months, again after a period of two years, and again after four years as Canadian residents. The survey asked respondents if they had remitted money since their last interviews, and the size of the average amounts remitted (Houle and Schellenberg 2008).

Figure 19. Canada: Percent of Recent Immigrants Remitting

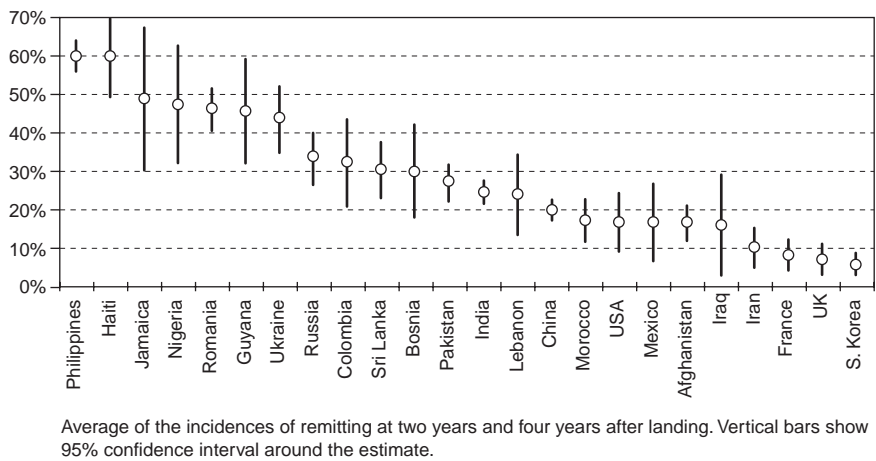


Source: Authors' representation based on Houle and Schellenberg (2008).

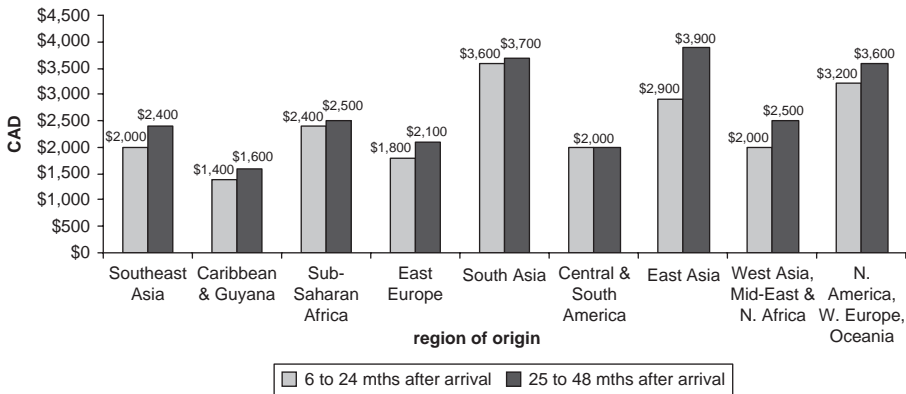
In general, less than half the sample (41 percent) claimed to have made a remittance in the first 4 years of residence. By splitting the time horizon into two parts (0.5–2 years and 2–4 years), there was a general upward trend of remittances (Figure 19). With the notable exception of the most developed regions (North America, Western Europe and Oceania), the share of migrants remitting money increased in the second period (Houle and Schellenberg 2008).

In both periods, Southeast Asia and the Caribbean seem to be the regions with the highest proportion of remitting migrants, 52 percent and 56 percent, and 47 percent and 54 percent respectively. Migrants from the less affluent regions tend to have a larger remitter community than those from the richer economies (Figure 20). Haiti, Jamaica and Guyana records show that Caribbean migrants are more likely to remit than other communities

Figure 20. Percentage of Respondents who Remitted, By Selected Countries of Birth



Source: Houle and Schellenberg (2008).

Figure 21. Canada: Average Annual Amount Remitted by Recent Migrants

Source: Authors' representation based on Houle and Schellenberg (2008).

(see, for example Haiti, which leads the rankings along with the Philippines) (Houle and Schellenberg 2008).

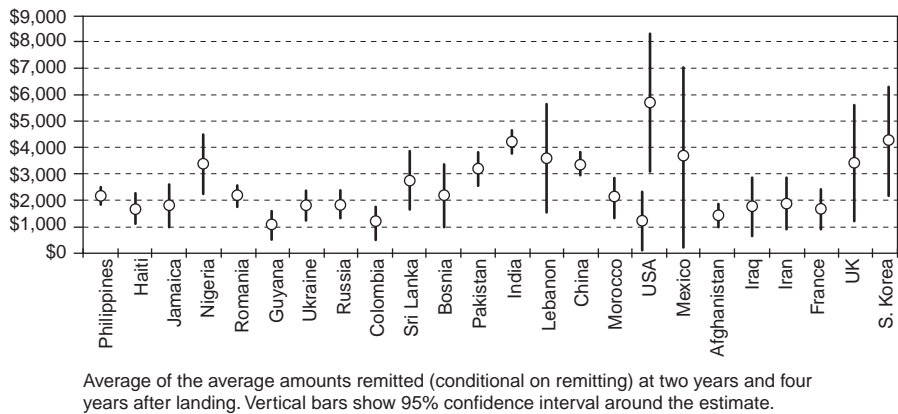
The ranking, however, changes substantially when average annual amounts sent by remitters are taken into consideration (Figure 21). In this case, South Asia and East Asia emerge as major remitters, together with Western Europe, the United States, and Oceania. The Caribbean is among the senders with the lowest average remitted amounts (Can\$1,400 to 1,600 annually), a figure that is consistent with similar estimates in community-specific surveys of Caribbean migrants from Haiti and Jamaica (see Chapter 3 and 4).

As a general principle, the average annual transactions by remitters are low for countries having a high propensity to remit, and high for countries having a low propensity to remit (Figure 22). In the latter case, it may be that smaller but more frequent remittance transactions are more suitable for those recipients who rely on remittances.

Both the proportion of remitters and the average amount remitted tend to grow with time. This suggests that, as settlement conditions improve and as recent migrants find a relatively stable source of income, they are more likely to remit. A multivariate regression analysis confirms this pattern. The probability of remitting rises similarly across family income categories, and grows from 10 percent in families with incomes below Can\$10,000 to 36 percent in families with incomes exceeding Can\$70,000 (Houle and Schellenberg 2008). As well, full time workers were more likely to remit than were part-time workers.

LSIC data shows that remittance practices by permanent immigrants, namely those who are economic, family-class and refugee migrants, are equally distributed across different categories: 29 percent of economic migrants and family-class immigrants remitted in the second period of reference, and were closely followed by 31 percent of refugees. The average annual transaction, however, shows that economic immigrants, who are likely to earn higher incomes, remit a greater annual average amount (Can\$3,000) than do the other classes (Can\$2,700 and Can\$1,900 respectively) (Figure 23). Almost half of the refugee remitters performed average annual transactions of less than Can\$500, as opposed to 33 percent of family-class migrants and only 21 percent of economic migrants.

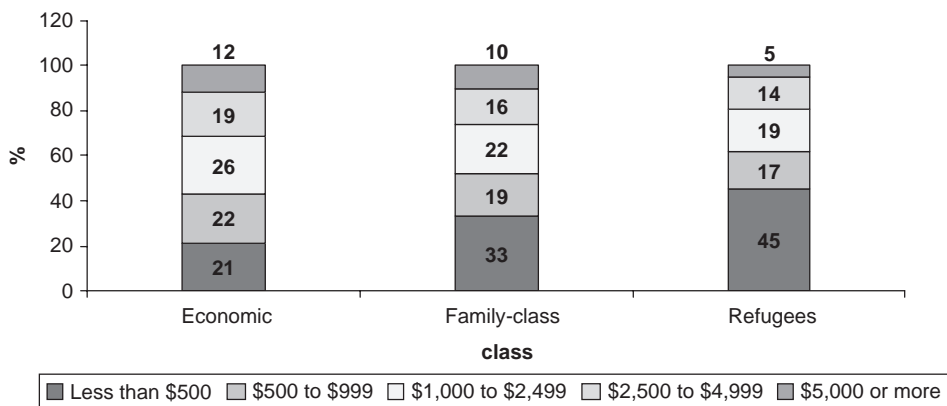
Figure 22. Average Annual Amount Sent by Respondents who Remitted, By Selected Countries of Birth



Source: Houle and Schellenberg (2008).

Table 6 shows that the average amount remitted annually as a share of family income is similar across different immigrant classes whether 2nd year after arrival or 4th year after arrival—that is, ranging 3.1 to 3.5 percent and 2.8 to 3 percent of income in the respective time. Family-class immigrants characteristically have a higher incidence of average transactions on personal income (more than 10 percent) than the refugees (8.1 percent) who have a higher incidence than the economic class (6.7 percent) (Houle and Schellenberg 2008).

Figure 23. Canada: Breakdown of Senders, By Amount Sent Annually (percent)



Source: Authors' calculations based on data from Statistics Canada, 2007.

Table 6. Remittances and Immigrant Categories

	Total	Economic	Family	Refugees
<i>2nd year after arrival</i>				
<i>Of those who remitted</i>				
Average total personal income	\$22,200	\$27,200	\$14,100	\$12,500
Average amount remitted as % of average total personal income	7.5%	6.7%	10.4%	8.1%
Average total family income	\$48,700	\$51,00	\$47,400	\$28,300
Average amount remitted as % of average total family income	3.4%	3.5%	3.1%	3.6%
<i>4th year after arrival</i>				
<i>Of those who remitted</i>				
Average total personal income	\$28,200	\$33,600	\$17,500	\$16,400
Average amount remitted as % of average total personal income	5.9%	5.4%	8.4%	6.1%
Average total family income	\$57,200	\$61,100	\$52,600	\$36,100
Average amount remitted as % of average total family income	2.9%	3.0%	2.8%	2.8%

Source: Houle and Schellenberg (2008).

Even though the data produce interesting stories, the exercise has many limitations. The focus on individual-level responses may lead to an underestimation or overestimation of family level remittance practices. Furthermore, the survey's time horizon of a maximum of four years after arrival does not make a projection of remittance patterns beyond that time. Temporary residents were not included in the sample (Houle and Schellenberg 2008). As well, the natural reluctance of remitters to disclose the nature and size of their transactions may also have had a distorting effect. The study's findings, however, do offer interesting indications on how remittance patterns can vary across time, different regions and countries of origins, and different migrants' classes.

The Canadian Remittance Service Market: Targeting the Caribbean

Canada's market for migrant workers' remittances is dominated by Money Transfer Operators (MTOs). Banks are not in the picture although a very few banks have entered the market by having MTOs as partners. Some credit unions, especially in the province of Quebec, already offer remittance services, either alone or in partnership with MTOs.

In Canada, the majority of interviewed MTOs that target the Caribbean market entered the remittance business in the 1990s or 2000s. A few players came into the market as early as the 1970s or 1980s, but many opened their businesses when they saw the growth of the remittance market and, with it, business opportunities. There are, broadly speaking, two types of MTOs. The first consists of large multinational enterprises such as Western Union and Moneygram. The second type comprises smaller MTOs that usually target migrant workers, and focus on a few corridors. This latter type of MTOs tends to originate

in migrant-sending countries. MTOs whose headquarters are actually in Canada are rare but, when they exist, they seem to have been established by immigrants or by those who otherwise have strong ties to ethnic communities.

In both cases, MTOs, whether they are financial institutions or small business owners in migrant communities, seek to increase their reach through agents. In the Haitian corridors, MTOs are concentrated in the Montreal area because of its large Haitian population. In the Jamaican corridors, MTOs are concentrated in the Toronto metropolitan areas because there is a large Jamaican population there.

According to the MTOs, competition has been increasing for several years because of new market entrants. In both Jamaica and Haiti, it is now common to find MTOs that are subsidiaries of local or regional banks. The new entrants are ethnic operators who appeal to local communities as being national companies of the countries of origin, and they tend to offer more competitive prices than those offered by the multinational companies. In both Jamaica and Haiti, the transfer fees have come down, more significantly for Jamaica than for Haiti (see Chapter 3 and 4).

Exclusivity Agreements. Fortunately, Canadian anti-competition law makes exclusivity agreements unenforceable. Often, where this is not the case, multinational MTOs demand that their local agents sign an exclusivity agreement preventing them from entering into other agreements with competing companies. In Canada, however, an agent may offer remittance services through different companies, allowing customers to compare services and fees on the spot, and to select a preferred company. Clearly, for customers, the more options there are, the better. Service providers, on the other hand, are obliged to attract customers either by offering lower fees, different and unique services, or perhaps simply more convenience.

Banks' Interest in Remittance Services. The world market for remittances has grown rapidly over the past decade, and banks around the world soon realized that there were opportunities for profit. Traditional and costly wire-transfers in banks, in fact, may not be suitable for small transactions. Because of this, remittance services offered by MTOs could compete effectively with banks, by providing speedy, reliable, and accessible services using a message system and a wide network of agents. Banks, on the other hand, may be able to partner with MTOs to offer remittance services. This is mutually beneficial. Banks can benefit from new customers who would not normally use the conventional banking system, and they benefit from the appearance of "busy shop" resulting from more customers walking in and out of the banks. Benefits for the MTOs are that they do not have to worry about liquidity and settlement issues, or about security, since banks have their own security systems. Neither do they need to train staff from scratch, because bank staff are already conversant with the issues.

On the other hand, some banks are hesitant to enter the market because of the perceived risk that the costs will outweigh the benefits. The business cost of providing remittance services is high because an average transaction is usually no more than one or two hundred dollars, and a high volume of transactions is needed if the bank is to break even. Banks also consider the remittance business to be a high-risk enterprise, not because of financial risk, but because of the risk of money laundering and terrorist financing. To manage such a risk, banks incur the cost of instituting counter measures that are adequate and effectively implemented. These include the creation of customer profiles: for example, clients who use remittance services tend to be walk-in customers, which makes the customer

profiling more challenging. Banks today seldom accept walk-in customers who are there for a single transaction.

Canadian banks, partly for the above reasons, have been slow to respond to this growing remittance market, although, as noted, a very few have started offering services in partnership with MTOs. Other banks do not believe that there is a profitable market there, partly because they believe that bankarization is high in Canada thanks to the government policy to increase access to financial services for the low-income population and thus there is only a limited opportunity to increase a new client base.

In-Kind Remittances. One of the key distinctive features of the remittance transfers to the Caribbean region is the tradition of sending barrels and foods. While cash is most popular, barrels and foods are still sent to families, especially on special occasions such as holidays, birthdays, anniversaries, weddings, and so forth. One can buy a big barrel and fill it in with clothes, shoes, toys, or any other necessities and gifts for the family. The fees for sending a barrel are high because goods are being shipped. In addition, the recipient has to collect the barrel at customs, and may have to pay some taxes or fees. For foods, many MTOs that target Caribbean markets offer a dispatch service. They provide the customer with a menu that includes such items as rice, sugar, and oil and then deliver the selected items to the family.

Measuring Canadian Remittances: The Challenge

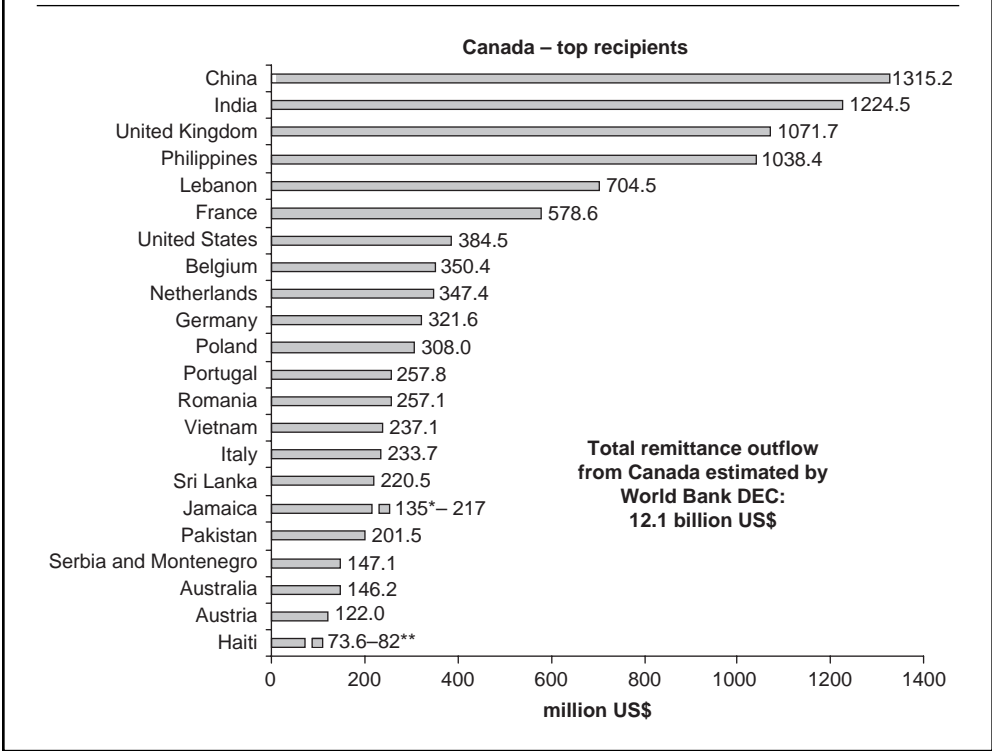
Measuring the exact scale of workers' remittances is a challenging task. The macro-based approach, which relies on official data submitted by financial institutions and MTOs, only captures formal transfers, and it only captures them provided that remittance service providers (RSPs) are making the required regular and accurate reports to the authorities. Informal transfers around the world, however, are believed to be sizeable. A micro approach using surveys that target migrant workers can be useful in understanding them, though they may not always be accurate because senders and receivers are often hesitant to share information about money matters.

Many countries record the official amount of workers' remittances in the annual Balance of Payment (BoP) statistics in the "Workers Remittances" category or "Compensation of Employees" category. In Canada, the records are included in "Other private transfers" (Ralhan and Caron 2007). "Other private transfers" includes more than workers' remittances, and this creates problems in identifying the exact official record of the workers' remittances. Currently there is an on-going debate to improve the recording of migrant workers' remittances in the BoP. As yet, however, BoP statistics are not a reliable source to determine the size of the remittance outflows from Canada.

Subject data available from Citizenship and Immigration Canada (CIC) and the Survey of Household Spending may be subjected to further analysis, although in most cases these sources focus on inflows rather than the outflows in which this study is more interested. As well, there is frequently a very low response rate to the surveys.

Statistics Canada recently studied the overall size of remittance flows out of Canada. This, as far as the authors are aware, was the first attempt by a Canadian governmental agency to estimate the scale of outward remittances. The estimate was based on the inflow

Figure 24. Bilateral Remittance Estimates using Migrant Stocks, Host Country Incomes, and Origin Country Incomes



*For Jamaica, the lower end refers to Bank of Jamaica estimates for 2007.

**For Haiti, the higher end refers to author's estimate based on 2006 Statistics Canada Census of Population, CERLAC 2005 survey of Haitian population in Canada (see chapter 3).

Source: World Bank estimates, Bank of Jamaica.

pattern of migrants into Canada, their duration of stay, their remitting behavior, the average income earned across time, and the estimated share of income allocated to remittances. The study model used was a modified version of the U.S. Bureau of Economic Analysis (BEA) Methodology for Remittance Flow Projections. Based on this methodology, the estimated total remittance outflow from Canada was about Can\$17 billion.

The data available from the World Bank Development Economics (DEC) Group, however, estimates that the overall remittance outflow for Canada in 2006 was approximately US\$12 billion, corresponding to about 0.96 percent of Canadian GDP. The gap between the two estimates seems to be the result of the different methodologies used, but the difference is not extreme enough to invalidate either of the estimates. The DEC group's estimate is based on the following three main factors: the migrants' stock in sender and recipient, migrant incomes abroad (migrant stocks multiplied by per capita income in destination economies), and income levels in source-countries (Ratha and Shaw 2007). Aggregating the size of each corridor with Canada, the overall outflows from Canada are derived (Figure 24).

According to the Bank of Jamaica (BOJ), remittance flows from Canada to Jamaica amounted to US\$135.5 million in 2007, accounting for 7 percent of the overall remittance inflow reaching Jamaica during the same year. The DEC estimate for the same corridor is much higher (US\$217 million). Again, the latter study captures both formal and informal flows, while the former is based on reported data from financial institutions and remittance companies strictly based on the formal flows. Informal flows may not account for the difference between the two figures, but it could certainly be one of the factors.

For Haiti, the World Bank T4 estimates stand at US\$73.6 million. There is no official comparative Haitian data, but there are some research-based estimates. For example, Orozco (2006) estimates that the bilateral remittance flow between Canada and Haiti is somewhere between US\$65–75 million. In Canada, however, the 2006 Census data and the 2005 CERLAC survey of the Haitian population suggest that the flow exceeds Can\$82 million (see Chapter 3). These estimates are based on surveys, and on income and migrant stocks. While they have some variances, when compared to available official recorded data they can provide a useful benchmark for understanding potential size of informal flows.

While these estimates and figures can provide ideas about the potential size of remittance flows, a caution should be exercised in reading these figures.

Informal Flows. Because remittance flows through RSPs are not recorded, it is equally challenging to estimate the size of informal flows out of Canada. The result is that survey-based estimates of remittances, which often capture both formal and informal flows, cannot be compared against official data. In addition, in Canada, RSPs were only recently brought under the registration scheme (June 2008) and thus it is still too early to assess whether there are still significant unregistered RSPs operating. This is certainly an area where further data collection and research are needed.

Legal and Regulatory Framework for Remittance Service Providers in Canada

In Canada, Money Transfer Operators (MTOs) and their agents are regulated under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*. Canada's Financial Intelligence Unit (FIU), the Financial Transactions Reports Analysis Centre (FINTRAC), was created to detect and deter money laundering and terrorist financing by providing information to support the investigation or prosecution of money laundering offences. FINTRAC is responsible for administering and supervising compliance with the PCMLTFA requirements for financial entities, which, include MTOs, defined in the PCMLTFA as money service businesses (MSBs).

Money service business is a broad term that covers:

- Foreign exchange dealing;
- Remittance and transmission of funds by any means or through any individual, entity or electronic funds transfer network, including alternative remittance systems; and
- Issuance or redemption of money orders, traveler's checks or other similar negotiable instruments.

Apart from FINTRAC, neither MTOs nor their agents have a primary regulator. MTOs that are banks, federally incorporated trust companies and federally incorporated loan companies are supervised by the Office of the Superintendent of Financial Institutions (OSFI). As stated, banks did not, until recently, consider remittance services to be a viable business product because of the small size of the transactions. Remittance services are offered mainly by MTOs and their agents. The agents are usually small business owners, but often operate as part of a bigger network such as Western Union or Moneygram. MTOs are not restricted in their ability to offer foreign exchange services.

The international standards on AML/CFT, and in particular Special Recommendation VI of the Financial Action Task Force (FATF) 40 + 9 Recommendations, require countries to register or license money transfer services and apply particular oversight, reporting and other requirements as set out in the FATF Methodology.

The traditional remittance services offered by Canadian banks, namely wire-transfers through the SWIFT system, fall under regular bank services and, hence, are supervised by banking supervisors. Wire-transfer service by banks, however, is not a popular method of remitting small amounts of money because banks normally charge a fixed price for wire transfers, and this is higher than the fees charged by MTOs.

Money Laundering and Terrorist Financing Risk Posed to RSPs

Canada, as a country that plays production, consumption, and transit roles in the global drug trade, has a large potential for dirty money inflows and outflows. The aggregate drug market is estimated at around US\$15–43 billion.¹³ The Lower Mainland in British Columbia is particularly known as a marijuana growing area, and the disposition of this illegal crop contributes to the risk of money laundering schemes both in the immediate region and in Canada as a whole.

At any single time in 2006, in Quebec alone, there was US\$7 million in earnings from the cocaine trade ready to be laundered and sent back to the Caribbean.¹⁴

Drug production and trafficking are not, of course, the only sources of proceeds. These are generated by many other serious crimes. In Canada, money laundering is estimated at US\$43–62 billion,¹⁵ and not only RSPs are exposed to these threats. Theoretically, both RSPs and banks are equally attractive for money launderers and terrorist financiers. In practice, given the relatively higher regulatory pressure put on banks, Canadian authorities are more concerned about the vulnerability of MSBs including RSPs. In addition, one of the regulator's key objectives is to assure a level playing field for all actors in the market.

On the other hand, some research institutes believe that the average money launderer considers the use of RSPs for money laundering too cumbersome and probably not cost-effective, as it is difficult to send a large sum at once. In reality, the lack of proper coordination and joint action by RSPs and MSBs in Canada has not helped change the perception that they are vulnerable to money laundering.

While, in terms of terrorist financing, Canada faces some general risk, it is thought to be a rather limited one in respect of funds transferred to and from the Caribbean region.

13. Interview with Royal Canadian Mounted Police (RCMP).

14. Interview with Royal Canadian Mounted Police (RCMP).

15. Interview with Royal Canadian Mounted Police (RCMP).

Box 3: Money Laundering Threat to RSPs for Funds Going to/from the Caribbean

RSPs face a high money laundering risk. Jamaica and Haiti are two of the preferred transit routes for drug trafficking. Jamaica is in fact a major drug transit country and the Caribbean's largest producer of marijuana and its derivatives (U.S. Department of State 2008). The country ranked 6th between 2004 and 2006 among main source countries of cannabis resin, and accounted for 7 percent of global cannabis oil seizures in 2006 (UNODC 2008). Trafficking in cannabis resin between Jamaica and Canada is also particularly intense.

Both countries have also been reportedly involved in cocaine trafficking as transit avenues. Cocaine, which is a multi-billion dollar business, originates in Central and South America, and is sent both to the United States and Canada. Cocaine from Colombia via Venezuela is shipped either to Haiti or to the Dominican Republic and then to North America. In both Jamaica and Haiti, difficult coastline patrolling and the presence of unmonitored airstrips provide opportunity for drug trafficking and smuggling in general (U.S. Department of State 2008). Significant numbers of flights reach Haiti from Venezuela every day, and each carries 500 and 700 kilograms of drugs (World Bank 2007a). In 2007, suspect drug flights from Venezuela increased by 38 percent compared to the previous year, and 29 clandestine airstrips were identified in Haiti (U.S. Department of State 2008). In the same country, the presence of significant embezzlement, smuggling, counterfeiting, human trafficking and tax fraud also provides potential sources for illicit proceeds (World Bank 2007a). The high level of corruption, which unfortunately characterizes Haiti at all levels of law enforcement, adds another risk factor.

On the Canadian side, there have been a few incidents of younger Haitians living in Quebec involved in criminal activity, after being exposed to crime in Haiti and faced with the opportunity to make as much as Can\$5,000–8,000 a week, by getting involved in prostitution or drug dealing. Unemployment and very low income often increase the appeal of such illicit activities. Frequent high-value remittance transfers (more than Can\$500 per transaction) made by Haitians may possibly result from flows of illicit proceeds.

In addition, the presence of MSBs in low-income and high crime area in large cities in Canada presents a risk. In fact, previous undercover operations have shown MSBs to be directly involved in money laundering.

Despite these concerns, collaboration among the Jamaican, Haitian, and Canadian FIUs and law enforcement authorities continue to remain weak.

Source: Interview with Royal Canadian Mounted Police (RCMP); World Bank research.

Applicable Laws and Regulations

At the federal level, MTOs and their agents are regulated by the PCMLTFA. The Department of Finance is responsible for regulatory policy, which means making proposals for laws to be approved by the responsible bodies, undertaking risk assessments, and coordinating implementation of the regulatory framework and other AML/CFT related efforts. FINTRAC, while an independent agency, reports to the Minister of Finance, and is responsible for ensuring compliance with the PCMLTFA.

The AML/CFT regulatory framework was set in place in November 2001 after anti-terrorist financing amendments were added to the existing anti-money laundering legislation. The result was the Proceeds of Crime (Money Laundering) and Terrorist Financing Act. This was the first attempt to regulate MSBs. Some provisions were immediately enforced, while others required the addition of specific regulations. One of the weaknesses of this early legislation was that FINTRAC did not have sufficient enforcement and sanctioning power, and in 2006, the law was amended. The amendments provided FINTRAC

with additional sanctioning power, and subjected MSBs to increased obligations in line with international standards. In addition, the new regulations changed the definition of MSBs and made the following two changes: first, agents solely acting as agents of another MSB are exempted from the registration obligation separately from the principal MSBs; and second, informal service providers such as Hawaladars are brought under the orbit of the AML law and regulation.

In Canada, there is no formal association for the MSB industry. In order to raise awareness, and to deal with questions, FINTRAC conducted an outreach program for MSBs through its regional offices.

The amendments to the PCMLTF Regulations pertaining to MSBs came into force in June 2008. Key elements of the amendments are explained below.

Registration/Licensing. Canada created a federal registration regime, which came into force on June 23, 2008. Individuals and entities engaged in remittance services are now required (at no cost) to register with FINTRAC.

The Department of Finance decided to require registration rather than licensing because licensing regimes normally fall within the sphere of provincial governments. No province has yet established a licensing regime for MSBs, although the idea is currently being considered in Quebec (Box 4).

The industry has welcomed the registration regime because it creates more credibility for MSBs. Banks thought MSBs were a high-risk business partly because the sector was not subject to a registration or licensing regime as required by international standards. However, MSBs were subject to the anti-money laundering and anti-terrorist financing requirements. Any unregistered MSBs are now subject to a criminal charge under the PCMLTFA.

Agents who act solely as agents of another MSB are exempt from registration. This is because the MTOs are responsible for submitting a complete list of their agents when registering with FINTRAC. This arrangement puts the burden and responsibility on the MTOs, who can be expected to have close contacts with their agents, and can be relied on to exercise great care in selecting them. MTOs also train their agents in AML/CFT requirements and, on behalf of their agents, must report STRs to the authorities. By making the MTOs responsible for their agents, the authorities do not themselves have to supervise and monitor them directly. FINTRAC does, however, visit the premises of individual agents to conduct on-site inspections.

The MTO pays no fee for registration. To register, a MTO must provide a list of agents, and information about the activities of applicants and their businesses. If the applicant is not an individual but a group, the MTO must provide specific information about its controlling interests. Once FINTRAC has accepted the applicant, the registrations are valid for two years and must be renewed (again without cost) before the expiry date.

Through its outreach programs, FINTRAC has identified more than 700 MSBs with 3,000 locations across Canada. Many are operating on a small scale, perhaps with 1–2 locations, and most of them are based in the major cities of Toronto, Montreal, and Vancouver. The smaller operators usually operate as independent or as agents of another company. After the registration period closed in June 2008, 669 MSBs, of which 444 are remittance service providers, have registered with FINTRAC as separate legal entities as

Box 4: Regulating RSPs at the Provincial Level

Currently no provincial authorities are involved in regulating RSPs, although the province of Quebec is currently considering a license regime for MSBs that would include RSPs.

In Quebec, a subcommittee on MSBs was created in 2004 in order to coordinate the activities of several authorities at the provincial level. These authorities are from the areas of tax and revenue, the financial markets, public security, and justice administration. Two main objectives of the initiative were to prevent both tax fraud/evasion and money laundering activities, and to take corrective actions against them. The subcommittee's first mandate was to profile crimes relating to the proceeds of crime legislation and to tax revenues. As well, they looked at several money laundering/tax fraud schemes that involved the use of MSBs.

To date, the committee has three major achievements to its credit. It has amended part of the regulatory framework for provincially regulated financial institutions. It has conducted large-scale investigations, and it has carried out research work on MSBs. The investigations have identified two main schemes of money laundering: false invoice schemes within the construction sector, in which MSBs were used to transfer money to the US; and money laundering activities using MSBs (mainly *bureaux de change*). One third of the bureaux de change in Montreal was found to be involved in criminal activities.

The use of MSBs for criminal purposes seems to be a recurring trend. At times, criminal organizations own these entities in order to launder money. Exchange bureaus and white label ATMs, of which there are more than 35,000 across Canada, seem to be the new vehicle chosen by criminals. Quebec has investigated about ten major cases involving these. As there is no confidentiality requirement on ATMs, there is a risk that information can be stolen.

Given the above situation, there is regulatory room for the Government of Quebec to step in and create a legal framework. The government of Quebec is considering establishing its own licensing regime, modeled on the Uniform Money Services Act. Currently, efforts are being undertaken to pinpoint target sectors, to determine the appropriate level of oversight, and to identify the responsible regulatory organization.

The requirements to obtain the license are likely to include:

- An applicant's ID
- A demonstration of source of financing
- A submission of transaction statements.

For the province of Quebec, RSPs are not high on the priority list because the number of cases that involve remittance companies or agents is minimal, compared with those involving the use of other MSBs. In addition, given the international nature of transactions, regulation at the federal level is more effective. On present evidence, authorities in Quebec do not currently believe that MTOs are subject to a high ML/TF or other criminal risk. Neither does Quebec wish to duplicate federal requirements at the provincial level, since the province already enjoys a strong working relationship with FINTRAC, with whom it exchanges information on a regular basis.

Source: Interview with Interagency Regulatory Committee on MSBs, Quebec (Finances Quebec, Public Security Department, Financial Markets Authority, Justice Department).

of October 9, 2008.¹⁶ While many are operating on a small scale, some entities have a few to several thousand agents under one single legal entity, making the total agent locations of more than 10,000.¹⁷ The fact that the actual number of currently registered MSBs is so close to the estimate coming from FINTRAC's outreach program underlines the success of the initiative.

16. See FINTRAC's MSB registration information site: http://www10.fintrac-canafe.gc.ca/msb-esm/s/f.action?request_locale=en_CA

17. Information by FINTRAC as of September 2, 2008.

Apart from the Canada Post which has more than 7,000 locations in Canada, Western Union is the largest remittance company with about 4,500 locations. However, the remittance market in Canada is largely segmented, with a few big players and a far larger number of small operators.

FINTRAC has pursued a cooperative approach to MSBs. FINTRAC provides each MSB with a welcome package, which explains the obligations under the Act and regulations, and FINTRAC also monitors their compliance with the regulations. The result is a relatively successful compliance level among the MSBs (see statistics below).

FINTRAC holds the records of registered MSBs. The registration was implemented over a period of one year prior to the regime coming into force in June 2008. This gave FINTRAC sufficient time to reach out, and for MSBs to prepare themselves for registration. FINTRAC also has the power to deny registration applications and to revoke registration should the MSB not meet the legal requirements for registration.

Requirements for RSPs Concerning AML/CFT Measures. Current requirements of AML measures relevant to RSPs are:¹⁸

- Reporting
 - Suspicious Transactions
 - Terrorist Property
 - Large Cash Transactions
 - Electronic Funds Transfers
- Record Keeping
- Ascertaining Identity¹⁹
- Politically Exposed Foreign Person
- Third Party Determination
- Compliance Regime

According to the Jamaican High Commission, while the diaspora has generally complained about the level of remittance fees, it has not complained about the regulations that affect senders of remittances, such as the requirement to present identification.

Reporting. RSPs are required to report:

- Suspicious transactions when there are reasonable grounds to suspect that a transaction or an attempted transaction is related to the commission, or attempted commission, of a money laundering offence or a terrorist activity financing offence
- Terrorist Property when in possession or control of a terrorist or a terrorist group or their financiers

18. More information about these requirements can be found on the FINTRAC website, <http://www.fintrac-canafe.gc.ca/re-ed/msb-eng.asp>

19. When confirming the existence of an entity, the MSB is required to take reasonable measures to obtain a record of beneficial ownership and to keep the record if it is obtained.

Table 7. Summary of STRs Received by FINTRAC

	MSB	Total Reporting Entities	% of Total
Number of reporting entities	About 700	Over 300,000	0.2
Suspicious Transaction Reports	33,426	102,835	33
Large Cash Transaction Reports	214,247	15,800,939	1.4
Electronic Fund Transfer Reports	96,790	29,328,058	0.3

Source: Joint FATF/APG Mutual Evaluation Report on Canada, FATF and APG, February 2008.

- Large Cash Transactions of amounts Can\$10,000 or more received in cash
- Electronic Funds Transfers of Can\$10,000 or more.

Since 2001, MSBs have generated more STRs than banks, with almost one third of all STRs received by FINTRAC coming from this sector (Table 7). These STRs, however, usually came from a small number of large MSBs.

Generally speaking, the head offices of MTOs report STRs to FINTRAC based on transaction data. In the case of Western Union, they require agent locations to refer suspicious activity that happens face-to-face at the point of sale. Thus, reports arising out of suspicious behavior of clients are sent by agents to the Western Union's AML compliance office in Denver. After further analysis by the AML compliance office, suspicious transaction or activity reports are sent to FINTRAC. In Western Union, this is how face-to-face suspicious activity and suspicious attempted transactions are identified and reported to FINTRAC since agents (who are not the principals registered with FINTRAC) cannot report directly to them.

Record Keeping. RSPs are required to keep records for at least five years of all transactions over Can\$1,000, as well as copies of suspicious transactions and client information.

Ascertaining Identity. RSPs are required to identify and verify any customer who is remitting Can\$1,000 or more (the threshold before June 2008 was Can\$3000). As well, MSBs entering into an ongoing funds remittance service agreement with an entity must keep a client information record for it along with certain other identifying information about those acting on behalf of the entity.

Prior to June 23, 2008, however, many RSPs had already self-imposed the lower threshold of Can\$1,000 or even less. Often, transactions above Can\$1,000 had required customers to provide additional information including their occupations and sources of funds. In case of one RSP, they have implemented an internal scrutiny program which requires the MTO head office to make a decision on whether to allow the transaction to proceed, should it exceed Can\$7,500. Prior to making the decision, usually an interview is conducted to gain further information about the sender and the funds, asking for example, source of funds, a copy of invoices if payments, among others.

Another RSP stated that all of their new customers must register with them, no matter how big or small the transaction amount. The information is then stored in the database, and retrieved as needed during the transactions. The system itself does not allow transactions exceeding the threshold to be executed without a copy of valid ID stored in the database.

Many RSPs also have an information system that catches multiple transactions made by one customer, whether at the same or at different locations, and checks whether the aggregate value goes beyond the ID requirement threshold.

Politically-exposed Foreign Persons. The regulations require MSBs to take reasonable measures, within 14 days of an electronic funds transfer of Can\$100,000 or more, to determine whether the initiator or beneficiary of the transaction is a politically exposed foreign person. Where it is determined that the individual is a politically exposed foreign person, the MSB must then:

- Take reasonable measures to establish the source of funds used by the initiator for the transaction
- Within 14 days after the transaction occurred, get a member of senior management to review the transaction.

Third Party Determination. When an MSB is required to keep a large cash transaction record as well as client information it must take reasonable measures to determine whether the individual is acting on behalf of a third party.

Compliance Regime. RSPs must develop an internal control program that includes:

- Appointing a compliance officer who is to be responsible for the implementation of the compliance program
- Developing and applying written compliance policies and procedures
- Assessing and documenting risks of money laundering and terrorist financing taking into consideration the client and business relationships, the products and delivery channels, the geographic location of the activities of the person or entity, and any other relevant factor
- Developing written policy and procedures on measures to mitigate high risks
- Developing, implementing and documenting an ongoing compliance training program
- Reviewing the effectiveness of policies and procedures, training program and risk assessment.

According to MSB responses to the compliance questionnaire, 75 percent of MSBs already have designated compliance officers, 91 percent have implemented compliance policies and procedures, and 71 percent have ongoing compliance training.²⁰

It is clear that some RSPs find the requirements for training agents onerous. In one case, the MTO requires their agents to sign an agreement consenting to receive training annually.

20. Source: FINTRAC.

Table 8. Canada: On-site Visits to MSBs by FINTRAC

Sector	2004–05	2005–06	2006–07	Total (by sector)
			(As of end 09/06)	
MSB	164	56	43	263
All other financial institutions	12	64	40	116
Total	176	120	83	379

Source: Joint FATF/APG Mutual Evaluation Report on Canada, FATF and APG, February 2008.

Enforcement of the Law/Regulation and Supervision

In the past three years, FINTRAC has focused its compliance examination most heavily on MSBs. During 2004–2005, FINTRAC undertook 164 examinations of MSBs as opposed to only 12 for other financial institutions (Table 8).

FINTRAC has three regional offices respectively located in Vancouver, Toronto and Montreal, and each regional office has a unit working on MSBs. About 50 percent of MSBs operate from Toronto and 25 percent each from Montreal and Vancouver. The approach to compliance examinations is risk-based, and part of the risk assessment itself is based on the compliance questionnaire completed by MSBs.

FINTRAC confirms that, in general, MSBs have a good understanding of basic compliance obligations, and are willing to cooperate and to comply with the regulations. There are still challenges, however, when it comes to the details of implementation. For example:

- ID requirements are not always enforced in a consistent manner, and, at times, MSBs are willing to accept documentation that is non-government issued, such as gym memberships. Initially, it was not easy for MSBs to implement the ID requirement where they had already established relationships with their customers. This problem was alleviated when FINTRAC issued a document specifying that the new regulation required ID.
- Unwritten compliance policy (mandatory from June 2008)
- Weak employee training
- Periodic review of internal compliance policy.

Sanctions. As of December 2008 FINTRAC will be able to impose civil sanctions for non-compliance. This is critical. FINTRAC did not previously have this power, and staff were unable to take further action when they observed non-compliance.

The AML/CFT requirements for RSPs in Canada are summarized below (Table 9).

Other Issues

Selection of Agents. MTOs are particularly careful when they select agents because agents are vital to their operations, acting as points of sale. They must strike a good balance between their need to expand the number of agents and the need to select them carefully. It is not uncommon for a high volume of applicants to be rejected. At one MTO, almost

Table 9. Summary of AML/CFT and Other Requirements for RSPs in Canada

Licensing or Registration Regime	Registration with a renewal every 2 years
Competent Authority responsible for RSPs	FINTRAC (Canada's FIU)
Capital/guarantee requirement	None
Required legal structure of MTOs	None
Fit and proper test	Not performed
Experience required of applicants	Not required
Criminal records of applicants	Checked—for certain convictions
AML Requirements	CDD; reporting requirements (suspicious transactions, terrorist property, large cash transactions, electronic funds transfers); record keeping; ascertaining identity; politically exposed foreign person; third party and beneficial ownership determination; compliance regime
Onsite visits	FINTRAC
CDD Requirement Threshold (Kick-in)	Can\$1,000
Transaction limit	None
Suspicious transactions reports	Suspicious transaction reports are expected to be filed regardless of amount.
Thresholds transaction reports	Large cash transactions and electronic funds transfers of Can\$10,000 or more.
Record keeping requirement	Five years
Sanctions	Civil and criminal sanctions for non-compliance, criminal charge for operating without registration.
Fees on entry/Annual Fees	None

80 percent of applicants were turned away because the evidence suggested that there may be security risks.

To be accepted as an MSB agent, applicants must typically undergo investigation of:

- Criminal background
- Credit history
- Financial performance
- Personal income guarantee (not always required)
- 1–2 year history of previous business operations.

MSBs and Banks. Canadian banks have tended to view MTOs and their agents as higher risk clients, especially in the past several years, and banks are anxious to avoid reputational risk.

In practice, the growing burden of AML/CFT compliance already pushes banks to do business only with those MTO clients who have already established themselves as bank customers, and/or charge higher fees to maintain existing accounts. Banks take the action on the basis that the AML/CFT standards of MTOs are not compatible with banking policies.

While Canadian regulators are aware of the problems arising from de-banking MTOs, it is their view that they should not intervene, since it is entirely the decision of a bank to bank or de-bank a particular client.²¹

Some MTOs have complained to the authorities about the de-banking issue. However, this was done on an individual basis because, as already noted, MTOs in Canada do not have an industry association to represent members in a concerted fashion. In the case of the United States, the complaints by the MTO industry have led to some intervention by the regulatory authorities, which have made clear to banks in the United States that even though some clients may be high-risk, not all business relationships with them need be terminated. Interestingly in Canada, seeing the challenges faced by Canadian MTOs, Credit Unions have, in several cases, stepped in to offer them account services.

Remitting Money or Deposit Taking? In 2003, OSFI ruled that it is a deposit taking activity when RSPs take cash from a client to remit the money to the same client's overseas bank account. Prior to this, one MTO, a Jamaican company, was in the habit of sending clients to a specific bank to make the remittance deposits in the MTO's account in that bank. Then the MTO transferred the money to the depositor's bank account in Jamaica. This was cheaper than using a direct wire-transfer service because the MTO was itself a subsidiary of a Jamaican bank, and was sending money directly from a Canadian bank to a Jamaican bank. Once the activity was deemed to be deposit taking, however, the practice had to be terminated.

Bill payment services are popular at RSPs because clients may pay bills in their home countries. Technically, though, the transaction goes directly, say, to a utility company or to another creditor.

Informal Transfers (Cash Couriers). It is common for returning migrant workers to carry cash back to the Caribbean, as well as to other regions. Cash carrying ("pocket transfer"), however, is less common for returning migrant workers who are leaving Canada, at least if they are returning to the Caribbean region. In Haiti, in 2005, only 17 percent of households reported receiving money through pocket transfers (Simmons, Plaza, and others 2005).

The Canadian Border Services Agency (CBSA) requires the declaration of cash (in any currency) or other items of monetary value of Can\$10,000 or above.

Transparency of Remittance Transfers to Jamaica and Haiti. RSPs in Canada are subject only to regulations issued following the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, and they are not subject to other regulatory requirements that might be in place on the recipient side. There is no requirement for MTOs in Canada to report transaction volumes regularly for statistical purposes. RSPs are not required to display information on fees and commissions, or to provide clients with copies of transactions. In the absence of these obligations, MTOs tend to follow the practices required in their home country. Jamaican MTOs, for example, tend to be more transparent about fees and commissions because this practice is required in Jamaica. On the other hand, Haitian MTOs are less transparent because this requirement is not strictly enforced in Haiti.

21. Interview with Finances Canada and OSFI.

Main Points

The main points in this chapter are:

- Starting in 1962 after the shift away from a race-based immigration policy in Canada, immigration from the Caribbean has grown fairly rapidly, peaking in the mid-1970s, and then declined both in intensity and relative weight compared to other regions, such as Asia and the Pacific.
- Remittance practices in Canada are widespread among migrants from less endowed economies (especially from the Caribbean).
- Estimating the size of remittance flows from Canada with precision remains a challenge: recent estimates have put overall Canadian remittances between Can\$12 billion and Can\$17 billion.
- The Canadian remittance market is currently dominated by MTOs, (now subject to registration and to full AML/CFT requirements) with banks perceiving MTO business as high risk and less profitable because of high compliance costs.

The Canada-Haiti Remittance Corridor

This chapter examines the remittance corridor between Canada and Haiti, with a specific focus upon:

- The Haitian diaspora in Canada;
- The characteristics of the remittance market and remittance transfers and how they affect both the remittance sender (in Canada) and remittance recipient (in Haiti); and
- The legal and regulatory framework for remittance transfers in Haiti.

Haiti deserves special attention because of the great extent to which the Haitian economy depends on remittances. In 2006, for example, remittances accounted for 21 percent of Haiti's GDP. An additional consideration is that Haiti, as a French-speaking country, has a unique tie with Canada, and particularly with the province of Quebec.

Haitians in Canada

Haitian Migration Trends in the 20th Century

During the first half of the 20th Century, economic factors played a major role in encouraging Haitians to emigrate, and they migrated mainly to other Caribbean countries in need of seasonal or non-seasonal agricultural workers. The Dominican Republic was a popular destination because it is an important sugar producer, and has a close proximity to Haiti, from which it is separated by a highly-porous land border, and with which it shares the island of Hispaniola. Between the 1920s and the 1950s, Cuba, the Dominican Republic,

and French Guyana were the main destinations chosen by Haitian migrants in search of employment as seasonal/temporary field workers.

Between the 1950s and 1980s, economic incentives combined with human rights and political factors became the main driving forces behind migration from Haiti. In the initial phase, intellectuals and the highly educated made up the dominant portion of emigrants. Later on, however, the emigrant population became more heterogeneous, and included many less skilled workers and others belonging to the more disadvantaged segments of Haitian society (Orozco 2006a).

In the 1980s, as living conditions began to deteriorate seriously in Haiti, an increasing number of emigrants began to settle in the Dominican Republic. The Haitian community there grew quickly, reaching some 600,000 by 2005, and becoming an important participant in all sectors of the Dominican Republic's economy (Orozco 2006a).

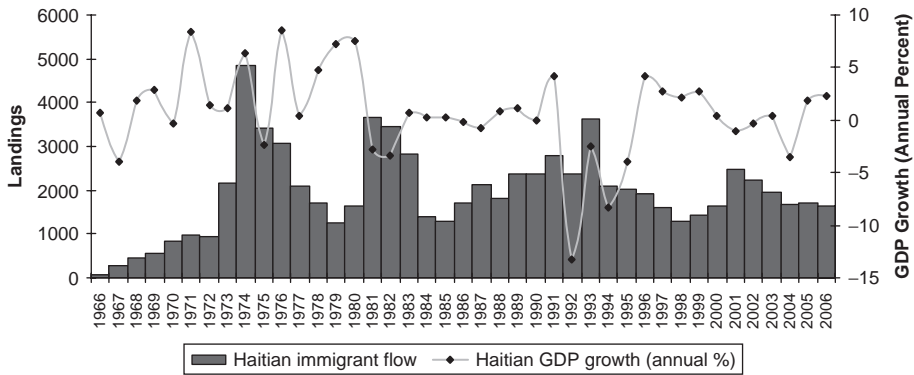
Migration to Canada

It was during this period that Canada began to become one of the main destinations of Haitian emigration outside the Caribbean. A variety of factors contributed to this phenomenon. They included Canada's relative proximity to the Caribbean, its increasingly liberal immigration policy, its bilingualism, and its need for external sources of labor. During the second half of the twentieth century, therefore, migration trends from Haiti to Canada have been the combined result of powerful push factors—the deteriorating economic and political situation in Haiti—and equally powerful pull factors, namely, Canada's evolving stance on immigration and the demands of its labor market.

By 1965, 2,000 Haitians had already settled in Canada, French-speaking Quebec being the preferred destination because its linguistic environment was favorable to integration. The elimination of racial discrimination from Canadian immigration policies in 1962 also played a major role in attracting significant flows of migrants from Haiti (see Chapter 2). In the early 1970s, Canada saw a large influx of Haitians who came because of Haiti's worsening political environment, and between 1973 and 1976, an average of about 3,400 Haitians were admitted annually into Canada as permanent residents. Admissions peaked at 4,857 (Figure 25) in 1974 and, by 1986, around 45,000 Haitians had already settled in Canada.

Figure 25 demonstrates the negative correlation between economic growth in Haiti and the number of permanent immigrants to Canada. Both the significant economic recession of the early 1990s, which showed an average of minus 7 percent annual GDP growth in Haiti between 1992 and 1995, and the slowdown recorded in the early part of the previous decade, in which annual growth averaged minus 1.3 percent between 1981 and 1984, corresponded to significant peaks in emigration to Canada. The 1990s, in particular, saw a renewed flow of professionals from Haiti to Quebec, and this accounted for more than 50 percent of growth in the Haitian population between 1991 and 1996 in Canada (Statistics Canada 2007). The two peaks in flows since 1980 occurred in 1981 and 1993. In these years, 3,663 and 3,630 permanent residents respectively were admitted.

Haitian migration to the United States grew much faster during the same period. From the 1960s, when approximately 2,900 migrants entered the country every year on

Figure 25. Canada: Admitted Permanent Immigrants from Haiti, 1966–2006

Source: Authors' calculation based on CIC (2006); World Bank (2007c).

a permanent basis, the number grew to 5,500 migrants a year during the 1970s, and soared to double digits in the 1980s and the following years, finally peaking in 2001 at more than 27,000 landings. After a significant slowdown between 2002 and 2005 (down 28 percent), Haitian migration increased, passing 22,000 in 2006 (Table 10). In the same year, the Haitian population in the United States was estimated at 220,000.

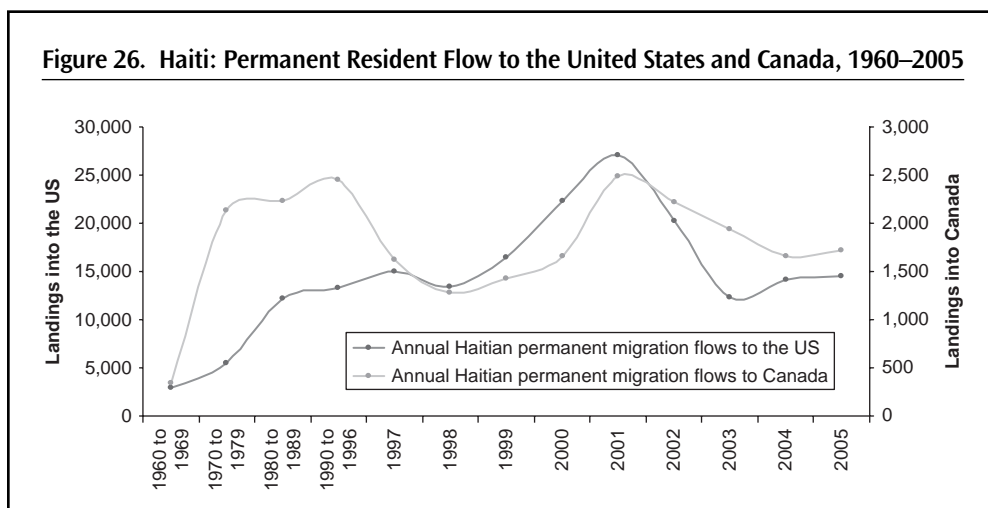
While the magnitude of the respective flows is different (hardly surprising given the larger size of the U.S. economy), it is interesting to note that migration patterns are quite similar in both countries (Figure 26).

Among the different categories of Haitian immigrants to Canada—economic, family class (or family reunification) and refugees—the family class has been predominant (Figure 27). Between 1985 and 2000, family class permanent residents formed an average of more than 81 percent of the total Haitian permanent residents, which is equivalent to an annual average of 1,662 family class immigrants. This pattern arose when

Table 10. Haiti: Legal Permanent Resident Flow to the United States

Average Annual flows									
1960 to 1969			1970 to 1979		1980 to 1989			1990 to 1996	
2,899.20			5,516.60		12,140.60			13,244.00	
Recorded Annual flow									
1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
15,053	13,434	16,514	22,337	27,031	20,213	12,293	14,191	14,529	22,228

Source: DHS Office of Immigration Statistics.

Figure 26. Haiti: Permanent Resident Flow to the United States and Canada, 1960–2005

Source: Authors' representation based on data from DHS; CIC Facts and Figures.

immigrants who had arrived in Canada during the 1970s began to invite their families to join them.²²

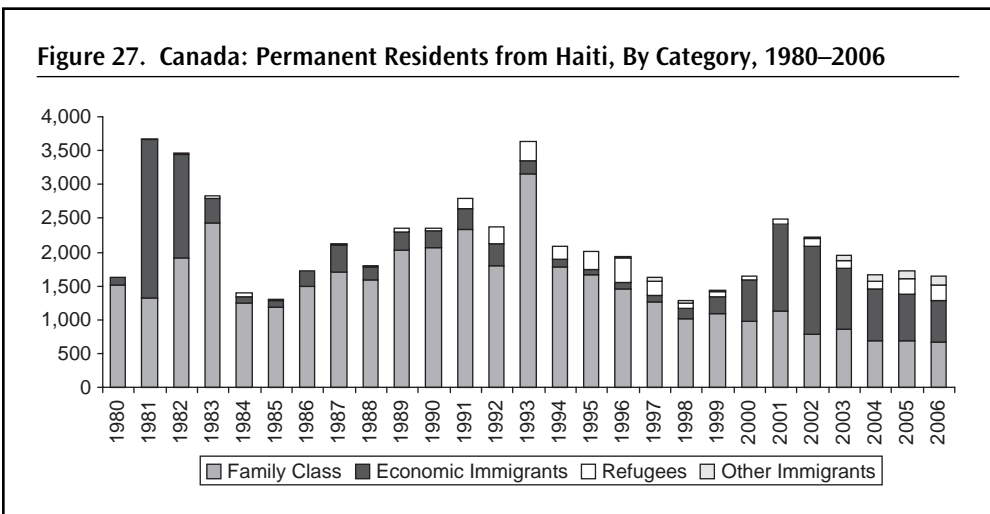
Since 2000, the number of migrants in the economic class has increased rapidly, and they now represent almost 50 percent of permanent Haitian residents. This trend flows from both Canada's general policy shift, which favors skilled economic class immigrants and from the reformed point system implemented in 1996 by Quebec (where almost 90 percent of Haitian residents live), which aims to attract skilled, French-speaking immigrants to the province (Parent and Worswick 2004). Further supporting this trend has been the high acceptance rate of economic class visa applicants, which ranged from 83 to 95 percent between 2000 and 2008. The rate is higher than for Jamaican economic class candidates and for family-class visa applicants (Table 11).

The rapid increase in the numbers of economic class migrants, however, does not automatically translate into employment in high-end professional sectors. Since 2002, direct sponsorship of economic class visas by Canadian employers has not been required. This means that, once immigrants have landed in Canada, there is no guarantee of placement, nor that they will be employed according to their skill sets or education.²³

Refugees and other immigrants remain a small percentage of total immigration from Haiti. In comparative terms, however, Haiti ranked ninth for refugee claimant landings in Canada, and had 582 claimants in 2006. Although the absolute annual number of individuals entering Canada as refugees has seldom exceeded three hundred people in the last 20 years, the Haitian share in the overall number increased from 4 percent in 2000 to 14 percent in 2006 (CIC 2006). This troubling situation can be attributed to the recent deterioration of living conditions in Haiti, which was the result both of particularly severe hurricanes in 2005, and of the renewed violence and political turmoil in the past few years. In addition, some Haitians seem to cross the border from the United States to Canada hoping that

22. Interview with Canadian immigration officer in Haiti.

23. Interview with Canadian immigration officer in Haiti.

Figure 27. Canada: Permanent Residents from Haiti, By Category, 1980–2006

Source: Authors' representation based on CIC (2006).

Canada will recognize their claims for refugee status, because the Canadian government has placed Haiti on the list of countries for a temporary suspension of the application of the Safe Third Country Agreement.²⁴

The trend analysis of permanent resident numbers from Haiti, relative to the total number of permanent residents in Canada, shows that the proportion of Haitian immigrants (and Caribbean immigrants as a whole) decreased in the last three decades compared with the rapidly growing immigration numbers from other regions. In 1997, immigrants from the Asia and Pacific region accounted for 54 percent of total landings, and by 2006 they accounted for more than 60 percent of total entries. This proportion is six times that of immigrants from South and Central America, for example, whose share decreased from 17 percent in 1980 to 10 percent in 2006 (CIC 2006). In general, annually since 1983, Asia has been the primary region of origin for immigrants.

Between 1980 and 2006, Haitian migration accounted for an average of 1.3 percent of total permanent resident landings. The ratio peaked in 1983 at 2,826 entries, equal to 3.16 percent of the overall inflow, but started decreasing very rapidly after the mid-1980s, and in 2006 had come to represent only 0.6 percent of total landings (Figure 28). Nevertheless, in the last 10 years Haiti has always been among the top five source countries for permanent immigrants into Canada from the Caribbean/Central/South America.

Canada also has some undocumented Haitian immigrants. While it is difficult to determine exact numbers, several government officials suggest²⁵ that the percentage of undocumented Haitians in Canada is likely to be similar to that in the US, and that an estimate for Canada could be made on that basis.²⁶

24. Interview with Canadian immigration officers in Haiti and Border Services Agency officials in Canada.

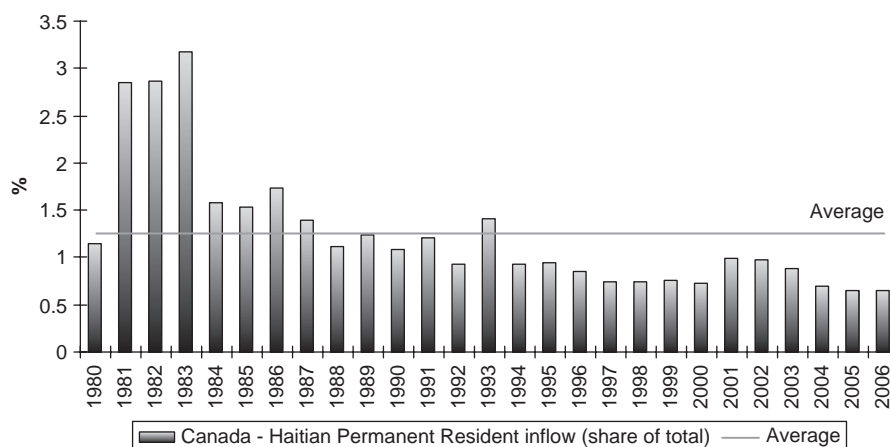
25. Interview with Canadian Border Services Agency officials.

26. According to Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000, unauthorized residents of Haitian origin numbered 67,000 in 1990 and 76,000 in 2000, representing respectively 1.9 percent and 1.1 percent of the total illegal immigrant population in the United States in those years (Office of Policy and Planning U.S. Immigration and Naturalization Service, January 2003).

Table 11. Canada: Permanent Resident Applications from Haiti**Haiti: Permanent Resident–Applications Finalized (Cases)**

Year	Economic	Approval Rate	Family	Approval Rate	Refugees	Approval Rate	All Categories	Approval Rate
2000	365	94%	1,107	79%	34	68%	1,506	82%
2001	567	93%	1,324	74%	20	55%	1,911	80%
2002	528	95%	1,000	71%	13	92%	1,541	79%
2003	393	92%	1,247	65%	35	94%	1,679	72%
2004	338	86%	1,036	70%	24	96%	1,409	74%
2005	363	83%	1,013	70%	51	96%	1,439	74%
2006	264	80%	899	74%	61	84%	1,234	76%
2007	495	94%	964	69%	58	81%	1,543	78%
2008*	313	92%	320	53%	10	50%	648	72%

Source: Citizenship and Immigration Canada.

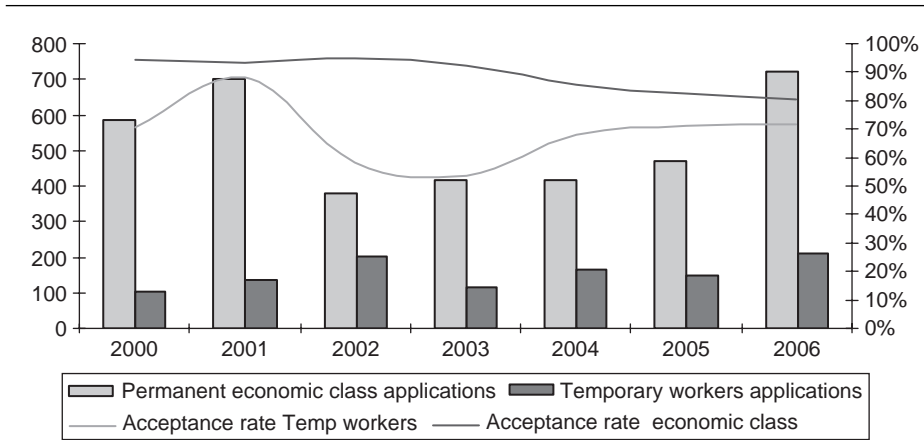
Figure 28. Canada: Permanent Resident Inflow from Haiti, 1980–2006 (share of total)

Source: Authors' representation based on CIC (2006).

Temporary Migration from Haiti

The number of temporary migrants from Haiti to Canada is rather small. This is partly because Haiti does not have a bilateral seasonal worker program agreement with Canada, unlike Jamaica, Barbados, Trinidad and Tobago, and the members of the Organisation of Eastern Caribbean States (OECS), all of which do.

Figure 29. Canada: Temporary Workers and Permanent Economic Visa Applications from Haitian Nationals, 2000–06



Source: Authors' representation based on data from Citizenship and Immigration Canada.

The precise numbers of temporary migrants admitted from Haiti are not readily available, but the size of this group can be estimated from statistics collected on visa applicants in this category. Figure 29 shows the number of visa applicants for both permanent residence in the economic category and for temporary worker status,²⁷ and it is clear that the number of temporary worker applications is much smaller. Interestingly, the approval rate for permanent visa applications is higher than the rate for temporary visa applications. The difference from the situation with Jamaica is also striking (see Chapter 4).

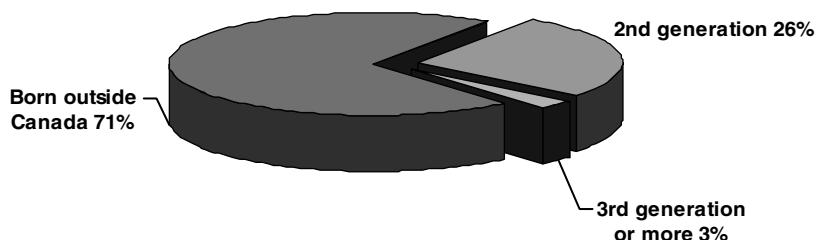
Profile of the Haitian Community in Canada

More than thirty years of migration from Haiti have resulted in the growth of a community that, in 2006, numbered more than 102,000 and represented 0.3 percent of Canada's total population (Lindsay 2007). The majority of the adult population (fifteen years and over) was born in Haiti (71 percent, or 52,000; see Figure 30). Canada's International Development Agency (CIDA), however, differs with this number, and estimates the size of the Haitian presence as about 150,000, while the Haitian Consulate in Montreal puts the number at around 120,000.²⁸

The Haitian community, as a group, is tightly connected, and has traditionally concentrated overwhelmingly in the province of Quebec. According to official statistics, almost

27. Three categories of temporary migrants are: temporary residents, students, and temporary workers. The analysis here focuses only on the temporary workers, that is, the category more likely to be involved in remitting activity.

28. Interview with Haitian diplomatic representatives in Montreal.

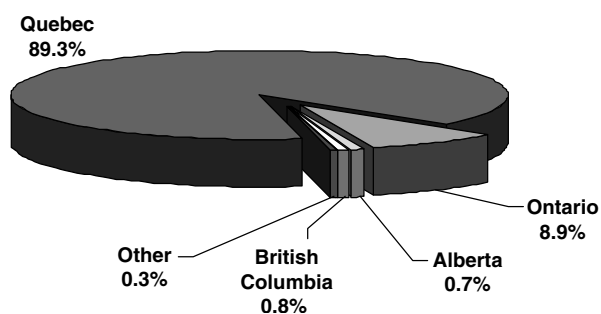
Figure 30. Canada: Composition of the Haitian Community, 2006**Canada: Selected Ethnic Groups, 2006**

	Total Responses	Single Responses	Multiple Responses	% of Total Population	Rank
Scottish	4,719,850	568,515	4,151,340	15.1%	3
Irish	4,354,155	491,030	3,863,125	13.9%	4
German	3,179,425	670,640	2,508,785	10.2%	5
Italian	1,445,335	741,045	704,285	4.6%	6
Chinese	1,346,510	1,135,365	211,145	4.3%	7
Ukrainian	1,209,085	300,590	908,495	3.9%	9
Dutch	1,035,965	303,400	732,560	3.3%	10
Polish	984,565	269,375	715,190	3.2%	11
East Indian	962,665	780,175	182,495	3.1%	12
Russian	500,600	98,245	402,355	1.6%	13
Haitian	102,430	80,920	21,505	0.3%	42

Source: Authors' representation based on Statistics Canada, 2006 Census of Population.

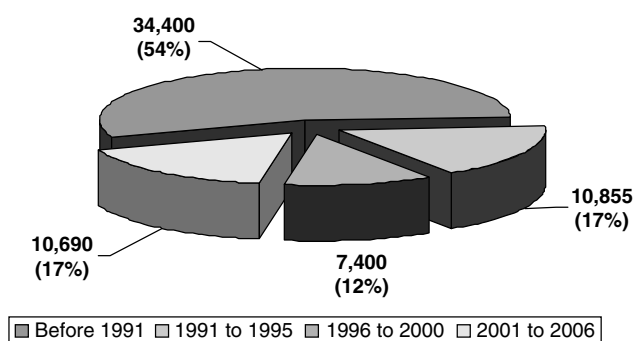
90 percent of permanent residents of Haitian origin, approximately 91,000 individuals, were living in Quebec in 2006 (Figure 31). After Montreal, Toronto and Vancouver are the main metropolitan areas where Haitian migrants have tended to settle.

According to the 2001 national survey, 96 percent of Haitian-born respondents reached Canada between 1971 and 2000, while only 5 percent had immigrated before 1970. The majority of respondents fell more or less evenly into three main immigration waves: 33 percent had arrived in Canada during the 1970s, 30 percent in the following decade, and 33 percent between 1990 and 2000 (Lindsay 2007). The 2006 population census offers a similar view of the composition of the Haitian diaspora in Canada: almost 35,000 Haitian immigrants (more than a half of Haitian-born residents) entered Canada before 1991, while another 29,000, or about 46 percent, arrived in the 15 years since. On the other hand, the late 1990s saw a decline in the contribution that immigration made to Haitian population growth (Figure 32).

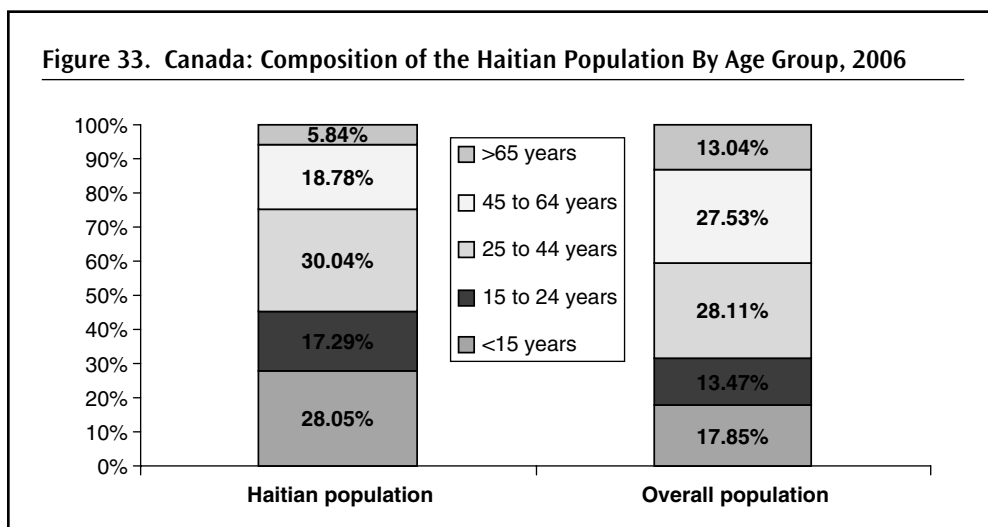
Figure 31. Breakdown of Haitian Population in Canada, By Main Provinces, 2006**Haitian Population by Province (2006)**

	Total	% of Haitian population
Newfoundland and Labrador	10	0.0%
Nova Scotia	40	0.0%
New Brunswick	110	0.1%
Quebec	91,430	89.3%
Ontario	9,100	8.9%
Manitoba	120	0.1%
Saskatchewan	45	0.0%
Alberta	755	0.7%
British Columbia	800	0.8%
Northwest Territories	10	0.0%
Nunavut	10	0.0%
CANADA	102430	100

Source: Authors' representation based on Statistics Canada, 2006 Census of Population.

Figure 32. Canada: Composition of the Haitian Diaspora, By Period of Entry

Source: Authors' representation based on Statistics Canada, 2006 Census of Population.

Figure 33. Canada: Composition of the Haitian Population By Age Group, 2006

Source: Authors' representation based on Statistics Canada, 2006 Census of Population.

The Haitian community is distinguished in a number of ways from the overall Canadian population. First, they are younger than Canadians generally, having an average age of 30 years versus 39 for the general population. The proportion of children under the age of 15 is larger than in the overall Canadian population (28 percent versus 17.9 percent, while the proportion of Haitians over 65 is significantly smaller (5.8 percent versus 13 percent) (Figure 33).

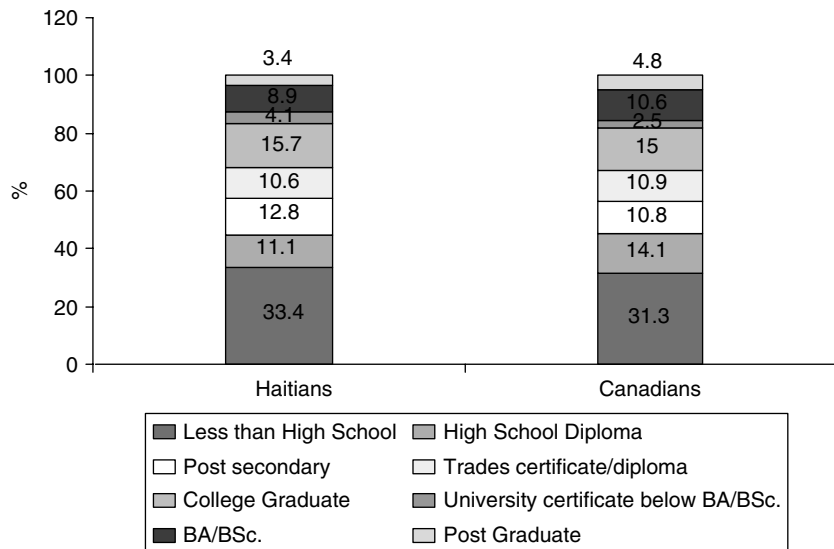
Secondly, the Haitian community has, on average, a slightly lower educational level than the total Canadian population. They are less likely to have university or postgraduate degrees (Figure 34), and the number of Haitians holding degrees in highly technical fields (engineering, applied sciences), in fact, is much smaller than in the overall population. On the other hand, other than college or university training, a greater proportion of Haitians appear to have completed some post-secondary education, especially, according to 2001 census data, in the fields of health and related technologies, and in the social sciences (Lindsay 2007). The BRCA mission to Haiti also confirmed that post-secondary programs are often chosen as the educational path of Haitian migrants.

More than two thirds of Haitians in Canada do hold at least a high school diploma, but they seem to face greater challenges in finding employment than others with the same level of education, and in earning a comparable income when they do. These facts, as well as available data, suggest that there is considerable room for improvement in the economic integration of Haitians into the country at large. Concerns about this situation are reflected in Canada's placing the economic integration of immigrants as one of the top priorities of the immigration policy agenda.²⁹

In 2001, the unemployment rate among Canadians of Haitian origin was more than twice the national average (16.4 percent, versus 7.4 percent). In the same year, 57 percent

29. Interview with Canadian federal government officials.

Figure 34. Canada: Composition of the Haitian Population, By Education Profile (highest degree attained)



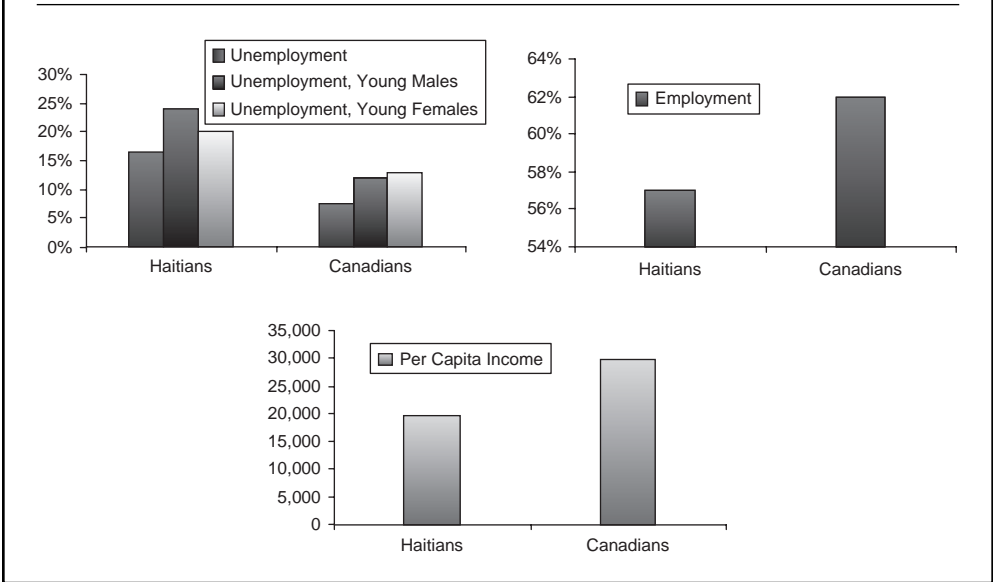
Source: Authors' representation based on Statistics Canada, 2001 Census of Population.

of the members of the Haitian community aged 15 or over were employed, compared with 62 percent of the overall Canadian population in the same age group. The gap was greatest among young males aged 15–24, and was generally greater among males than females (Figure 35; Lindsay 2007).

Also in 2001, the average annual income of Haitian Canadians was slightly less than Can\$20,000, almost 1/3 lower than the average for all Canadians, and clearly placed them in a low-income category. Indeed, figures for 2000 show that 39 percent of Haitian Canadians fell into the low-income category as opposed to only 16 percent of the overall Canadian population. The situation was particularly severe among seniors living alone, where 81 percent of unattached individuals over 65 lived below the low-income threshold and, when the unattached seniors are female, the figure rises to 99 percent. Similarly, in the Haitian community, almost 50 percent of children under 15 lived in households below the low-income line (Lindsay 2007).

The higher unemployment rates and lower per capita income levels found among Haitian Canadians may, at least in part, be due to their not having the skills to meet the needs of the labor market. Haitian diplomatic officials in Quebec share this view, and if it is a correct one, the problem is unlikely to be resolved in the near future. Current Canadian immigration policy, while it requires applicants to demonstrate a minimum level of education, professional skills, and experience, does not require economic class permanent immigrants to have an employer's confirmed sponsorship when they arrive in Canada. There is no guarantee, therefore, that they will find employment that matches their skill sets.

Figure 35. Haitian Community: Selected Economic Indicators Comparison



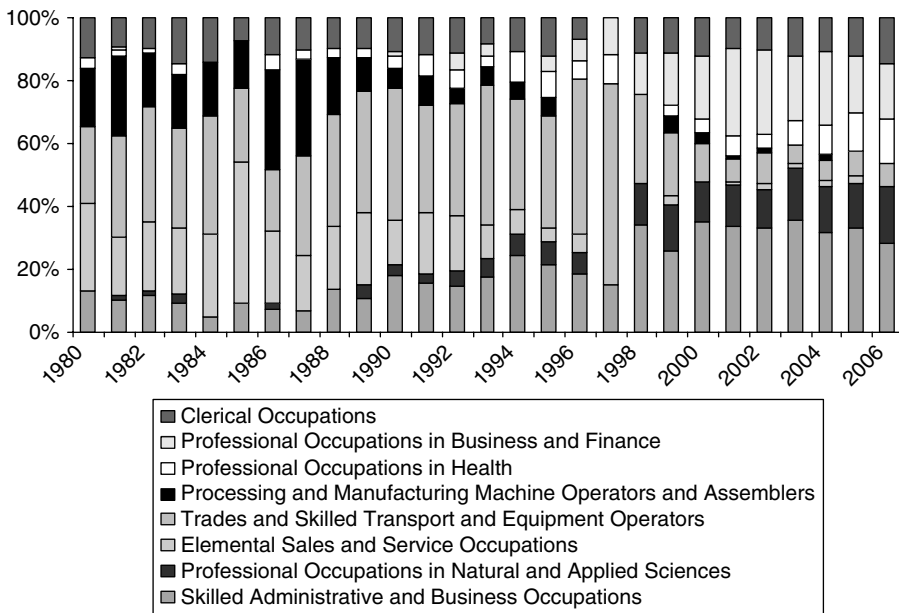
Source: Authors' representation based on Statistics Canada, 2001 Census of Population.

Proportionately twice as many Haitian Canadians (19 percent) were employed in the manufacturing sector as were the general population (7 percent). Some 13 percent were employed in the health-care sector, as compared to 5 percent among Canadians at large. This is an area that has traditionally attracted Caribbean immigrants, especially in the early post-WW II years. By contrast, self-employment appeared to be much more widespread in the Canadian population as a whole than in the Haitian community (12 percent versus 5 percent) (Lindsay 2007).

The evolution of the professional profile of Haitian permanent residents in the last three decades is particularly interesting. Although a very small sample was used for the analysis (in many cases less than 15 percent of entrants disclosed their occupation to Citizenship and Immigration Canada), what data are available do offer considerable insight. For the almost 20 years from the early 1980s to the late 1990s, most respondents were employed in the “trades and skilled transport and equipment operators” sector. The numbers in this category peaked in 1998, however, and then rapidly decreased as more Haitian-born Canadians began to enter other professions. In the last ten years, four sectors have attracted an increasing share of Haitian immigrants: administration and business, natural and applied sciences, business and finance and, to a much lesser extent, the traditional one of health services (Figure 36; CIC 2006).

What remains to be seen is whether these trends will help close the long-standing gap in per capita income between the overall Canadian population and members of the Haitian community. If so, this might well be reflected in an increase in remittance flows from Canada to Haiti.

Issues surrounding the integration and wages of immigrants, as noted, have become a priority. In Quebec, where most Haitian immigrants live, salaries have decreased more

Figure 36. Canada: Permanent Residents from Haiti by Occupation, 1980–2006

Source: Authors' representation based on CIC (2006).

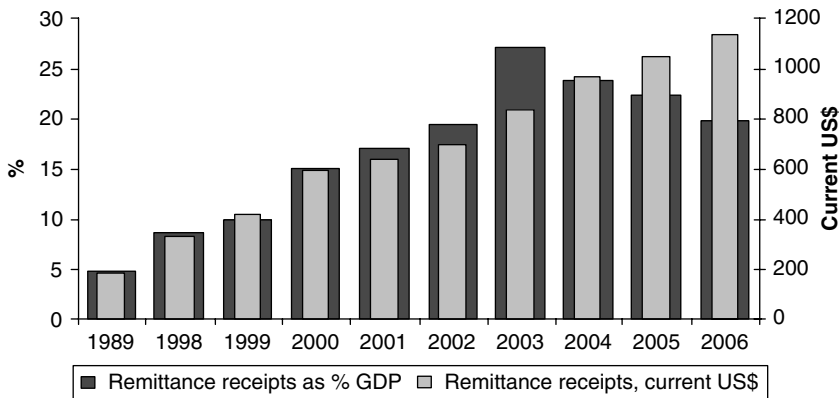
sharply, by 15.4 percent, than in other regions such as British Columbia or Ontario (10 percent and 6.8 percent respectively) (Boudarbat and Boulet 2007). Haitian immigrants, during the first eighteen months after their arrival, are heavily disadvantaged in entering the labor market, especially when compared to European immigrants or those from other parts of the Americas (Renaud, Piché, and others 2001). The impact of nationality on professional success decreases significantly as time passes, but average Haitian immigrants, nevertheless, face considerable challenges. It is important to note, however, that, leaving aside the personal livelihood of migrants, the size and frequency of the remittance flows between Canada and Haiti are closely connected with whether migrants are employed and how much they are paid.

Remittance Transfers

Estimate of Flows Involved

Sending money home is a widespread practice within the Haitian community in Canada, and recent studies and field research conducted by the BRCA mission to Canada and Haiti confirm this finding. Remittances are not only important to the individuals who receive them, but they also have a crucial impact on the overall Haitian economy. In 2006, remittance flows to Haiti accounted for more than 21 percent of the Haiti's GDP (IMF, 2007), slightly

Figure 37. Haiti: Remittance Flows



Source: Authors' representation based on World Bank (2007c).

exceeding US\$1 billion according to balance of payment figures, and an even larger inflow of US\$1.6 billion according to an IADB study estimate (IADB 2007a). Remittance flows rapidly increased in the 1990s after economic sanctions were lifted³⁰ and, in the one decade between 1989 and 1998, the combined flow of workers' remittances and compensation of employees grew by 75 percent from US\$186 to 327 million. Between 1998 and 2006, this amount almost tripled (Figure 37; World Bank 2007c).

Estimating the Size of the Canada-Haiti Remittances Corridor

There is no official estimate at either end of the corridor about the size of formal remittance flows reaching Haiti from Canada, and estimates generally rely on the data provided by migrant surveys and the size of Haitian community in Canada. Orozco (2006) gives two different estimates for the bilateral flows (Table 12): US\$65,520,000, which is based on an adult Haitian population of 52,000, and US\$75,600,000, based on an adult Haitian population of 60,000. World Bank estimates (see Chapter 2) are based on overall remittance inflows, migrant populations and income in both receiving and sending countries, and similarly place the bilateral flows at US\$74,000,000. Using the adult Haitian population numbers from the 2006 Canadian census (73,700), and increasing the share of remitters to 80 percent (based on the CERLAC survey with reference to 2004), the estimate becomes almost Can\$82,780,000, and accounts for approximately 7 percent of the total of the 2006 formally recorded inflow.

A recent study by the Inter-American Development Bank (2007b), however, based on a sample of 1,724 individuals in Haiti, found that 14 percent of respondents had received

30. Interview with Banque de la Republique d'Haiti (BRH) officials.

Table 12. Canada-Haiti: Bilateral Remittance Flow Size Estimates

	Estimated Bilateral Flow	Method
Orozco (2006)	US\$65,520,000	70% of adult population remitting, 52,000 Haitian adults, US\$150 average monthly transfer.
Orozco (2006)	US\$75,600,000	70% of adult population remitting, 60,000 Haitian adults, US\$150 average monthly transfer.
World Bank T4 Estimate (2006)	US\$74,000,000	Breakdown of overall remittance inflow into Haiti based on migrant stocks, income in sending and receiving countries.
Based on Simmons, Plaza et al. (2005) and 2006 Statistics Canada Census	Can\$82,780,000	80% adult Haitian population remitting, 73,695 adult Haitian residents, Can\$1,407 median yearly remittance in 2004.

remittance transfers from Canada, and estimated that in 2006, the total flow of remittances into Haiti approximated US\$1.65 billion.

According to the 2001 Haiti population census, more than 20 percent of local households were receiving money from abroad in the form of remittances.³¹ Since, for security and other reasons, Haitians are traditionally reluctant to disclose financial information, the figure probably underestimates the actual number of recipient households.

The United States, Canada, France and the Dominican Republic are believed to be the main sources of remittances, given the size of their Haitian communities. Estimates for 2001 put the number of Haitians in the US at about 800,000, in the Dominican Republic at 600,000, and in Canada at 102,000. Of Haitians abroad, about 6 percent had already been estimated to be living in Canada.³² Remittance volumes and means of transfer obviously vary from one source country to another. Both Canada and the US generate higher than average transfer amounts, and make relatively greater use of formal transfer channels. In the Dominican Republic, informal channels seem to be the favored choice, for reasons that are both geographical and cultural.

According to a 2005 survey involving 150 Haitian households in Montreal, remittances remain a widespread practice in the local Haitian community, with almost 88 percent of respondents having made remittance transfers at least once between 2000 and 2005. More than 84 percent of respondents had sent cash to Haiti at least once between 2004 and early 2005 (Simmons, Plaza, and others 2005). Both the survey, and information subsequently collected by BRCA in Canada and Haiti, estimates the typical transfer amount to be approximately Can\$150–180. It is worth noting that this average amount is smaller than the average remittance amounts sent by migrants to other Caribbean countries, which are estimated to be in the range of Can\$280–300.³³ Occasionally, much larger amounts are

31. 2001 Haiti Household census.

32. 2001 Haiti Household census.

33. Interview with Western Union representatives, Toronto.

Table 13. Amounts Transferred to Haiti, 2004 (disclosed formal volumes from Canada)

Company	Number of Transactions Per Month	Average Amount Per Transaction	Number of Transactions Per Month, Peak Season	Average Amount Per Transaction Per Month, Peak Season	No. of Transactions Per Year	Amount Serviced Per Year
CAM Transfert	4,000	\$150	8,000	\$300	38,400	\$12,600,000
UNITRANSFER	1,000	\$150	2,000	\$300	20,000	\$10,000,000
Bobby Express	500	\$150	1,000	\$300	7,500	\$1,575,000
SOCA Transfert	250	\$75	400	\$150	3,450	\$348,750
Meli Melo Transfert	300	\$150	500	\$200	4,200	\$705,000
					73,550	\$25,228,750

Note: Peak seasons are December, Easter and August and figures are in Can\$.

Source: Monzón (2004).

transferred to Haiti, and these can often be explained by the migrant's desire to acquire a house there before returning home.

Frequency of payments varies considerably from household to household, but on average Haitians tend to make one transfer a month, unless sudden emergencies arise. Typically, transaction peaks are registered for religious or other holidays such as Christmas and Mother's Day, or at other times of the year when households in the destination country typically incur extra expenses. These times might be at the beginning of the academic year, or when leases are renewed, also early in the year (Table 13).

Three main factors seem to have an impact on the frequency and size of remittance transfers to Haiti:

- *Migrant/resident's profile and time spent abroad:* Whether migrants are temporary/seasonal workers or permanent residents seems to have an impact on remittance habits and their gradual evolution. Seasonal workers tend to make more frequent remittances during their stay than do permanent residents. Permanent residents tend to make fewer and fewer remittances as their ties to Haiti diminish, as their recipients die or move, and as they establish new families and relationships in their host country.³⁴
- *Income:* There seems to be a positive correlation between the sending household's income and the amount/frequency of remittance transfers up to a certain income level. The 2005 household survey found that the amount remitted annually increase for household incomes up to Can\$60,000, corresponding to the financial capacity of the household to send more remittances. However, beyond that level the amount

34. Interview with Ministry of Haitians Living Abroad officials, Port-au-Prince.

drops, probably suggesting that higher-income Haitian households in Canada are linked to relatively affluent members of the Haitian population (Simmons, Plaza, and others 2005).

- *New/previous migrant generation dynamics:* Age is also a factor in determining remittance flows. An opinion shared both by MTO industry players and members of the Haitian diaspora is that younger generations tend to be less involved in remittance transfers as senders. Similarly, the 2005 household survey shows that the mean amount of remittances most recently sent increased with the age of the senders, peaking at Can\$309 for those in the over-50 category (Simmons, Plaza, and others 2005).

Remittance Channels

The Haitian community uses three principal means of transferring remittances to Haiti: Money Transfer Operators (or as they are called in Haiti, *maisons de transfert*), “pocket transfers” (the transportation of cash across borders by hand), and in-kind transfers (sending remittances in the form of goods, especially food, but this is becoming less common). According to the 2005 household survey, almost 70 percent of respondents claimed to have used *maisons de transfert* for their latest transfer, while 17 percent used pocket transfers (Simmons, Plaza, and others 2005). In transferring remittances to Haiti, it appears that commercial banks have not played as significant of a role in Canada relative to the aforementioned transfer mechanisms. Nevertheless, there appears to be growing interest on the part of commercial banks to provide remittance services to Haiti.³⁵

Maisons de Transfert

Maisons de transfert are the preferred channel for remittances because they offer speed, security and accessibility at both ends of the corridor. Senders are often prepared to pay the extra fees charged for security and accessibility.

The financial needs of most remittance recipients in Haiti often require payments to be made rapidly, and *maisons de transfert* can generally ensure that payments are made in a matter of hours or even less. It is not uncommon to meet Haitian remittance senders in Canada actually performing the transfer while connected to the recipient by phone, waiting in real time for its successful completion.

In a country where rural areas do not have a financial infrastructure, and where transportation to urban areas can be both cumbersome and expensive, accessibility is particularly important. ATM outlets in the major city of Port-au-Prince, for example, are few, and frequently out of service. To repair them, specialized technicians usually are brought from the Dominican Republic at great cost.³⁶ Security is also an important consideration, given Haiti’s high crime rate. Remittance recipients leaving banks or *maisons de transfert* are often easy targets for robbers, and many customers, therefore, prefer to use those *maisons de transfert* that provide home delivery for cash payments.

35. According to the Worldwide Remittance Price Database <<http://remittanceprices.worldbank.org/>>, there are five banks sending remittances from Canada to Haiti.

36. Interview with Scotiabank executives in Haiti, September 2007.

Table 14. Canada-Haiti: Main MTOs Fee Structure, March 2008

Originator (Canada)	FEES (Can\$)				
Amount sent (Can\$)	50	100	200	300	500
CAM*	8.4	12.5	12.5	20	35
MONEYGRAM	10	10	15	15	20
SOCATRANSFER	7.5	15	20	25	n/a
UNITRANSFER	8.4	12.5	12.5	20	35
VIGOCAPITAL TRANSFERT	n/a	7	14	n/a	n/a
WU	12	13	20	20	30
Avg.	9.3	11.7	15.7	20.0	30.0
FEE STRUCTURE (% share of transfer paid in fees)					
CAM*	17	12.5	6.25	6.7	7
MONEYGRAM	20	10	8	5	4
SOCATRANSFER	15	15	10	8.3	n/a
UNITRANSFER	17	12.5	6.25	6.7	7
VIGOCAPITAL TRANSFERT	n/a	7	7	n/a	n/a
WU	24	13	10	6.7	6
Avg.	18.4	11.7	7.8	6.7	6.0

Source: Interviews with local agents.

*Can\$4 flat fee for payments in gourdes.

These factors underlie the apparent difference between the transfer fees charged in other countries and those charged in Haiti, which range from 6 to 10 percent when a Can\$200 transfer is paid out in U.S. dollars in Haiti (Table 14). On the other hand, the Canada-Jamaica corridor has seen a reasonably consistent reduction in fees, with some MTOs offering a highly competitive fee structure (in two cases a flat fee of Can\$5–7 for transfers below Can\$1,000). Transfer fees to Haiti did decrease between 2000 and 2005 (Orozco 2006b), but the fact remains that Haitian *maisons de transfert* continue to incur higher costs than elsewhere. The high costs are due to cash transportation expenses, to a lack of widespread outlets, and to an underdeveloped financial infrastructure, and they are, as one would expect, passed on to the customer.

In addition, there still seems to be limited transparency in the remittance service market along the Canada-Haiti corridor. While minimum fees are often advertised, it is not yet a widespread practice for operators, especially those based in the Caribbean, to disclose the full fee structure to the average customer. Attempts to find out fees for different remittance amounts (Can\$50–500) have, in several cases, aroused suspicion, as operators are afraid that they might actually be disclosing information to competitors rather than clients. In Montreal, the BRCA team met an agent who explicitly acknowledged that the Haitian MTO industry sees the lack of transparency as a competitive advantage. If customers are to make informed decisions based on value for money, much remains to be done to educate them, and to improve the transparency of operators. Operators should not only be

Box 5: Role of the Exchange Rate in Overall Remittance Transfer Costs

“A remittance transfer will usually involve a foreign exchange transaction—typically conversion from the currency of the sending country to the currency of the receiving country. To know the total price of the transfer, the sender needs to know the exchange rate that will be used since different RSPs are likely to use different exchange rates, which vary from day to day. In practice, RSPs typically charge senders an exchange rate that includes a margin above the current interbank or wholesale market rate. In part, the margin may reflect the uncertainty the RSP faces. Many RSPs trade only relatively small amounts of foreign currency and have to ask a bank or other foreign exchange intermediary to obtain the currency on their behalf. Therefore, the RSP may not know the exchange rate it will face when it forwards the funds, and a margin gives it some protection if exchange rates move adversely. However, this protection could come from an explicit fee rather than a margin. So the margin is essentially another form of fee—one which is not easily visible to the sender (who is unlikely to know what the current interbank market rate is).”

Source: General Principle for International Remittance Services, January 2007.

required to disclose their service fee structure, but should also give information on daily exchange rates.³⁷ As remittance recipients in Haiti are required to receive disbursements in Haitian currency,³⁸ RSPs can potentially gain profit from the foreign exchange conversion. Typically, RSPs charge senders a margin that is above the current interbank or wholesale market exchange rate. The decision to determine how high the margin will be remains under the RSP’s discretion (see Box 5).

Currently available information does not precisely reveal what share of the Haitian remittance market is held by *maisons de transfert*. Some idea can be gained, however, from the transfers performed by each MTO during the period from October 2006–July 2007.³⁹ The three main *maisons de transfert*, Western Union (operating in tandem with Sogebank), Caribbean Air Mail Transfert (CAM) and Unitransfert (Figure 38), together process more than 80 percent of recorded MTO-processed transactions reaching Haiti. Though there is evidence of rising competition, CAM, the major locally-based MTO, still dominates the market. CAM, having begun as an international mail delivery company, soon became one of the main channels for remittance transfers into the island, and is still the preferred agent for low-value transactions.⁴⁰ Exclusivity and non-competition clauses, which are imposed by multinational companies on their local partners, also inhibit competition.

Maisons de transfert operating in Haiti follow one of two business models. The first group comprises of those *maisons de transfert* that are stand-alone entities, and the second

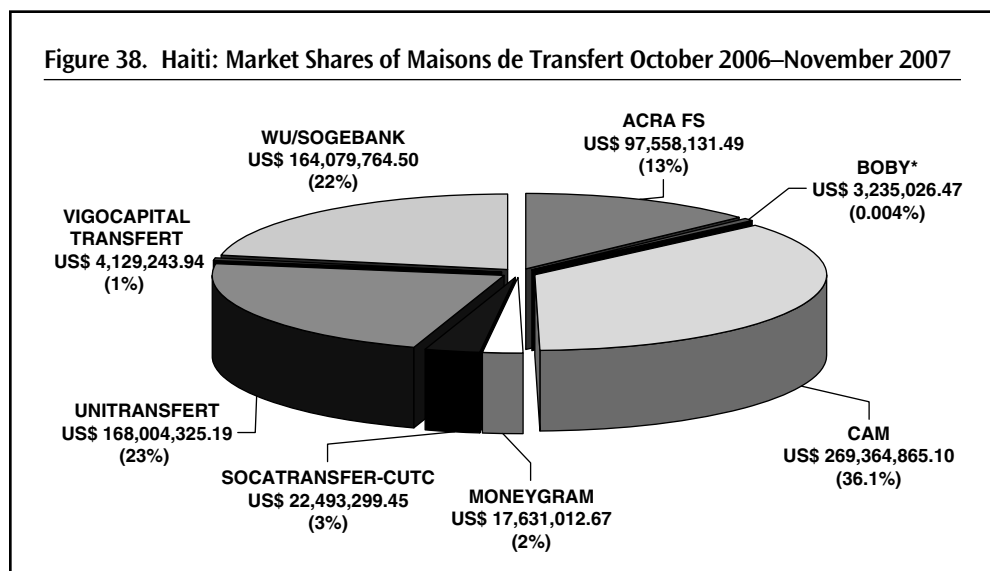
37. The Worldwide Remittance Price Database <<http://remittanceprices.worldbank.org/>> discloses such fees, including exchange rate margins, to provide a more comprehensive assessment of overall remittance transfer costs by different MTOs including the Canada-Haiti remittance corridor. It is also important to note that their selection of institutions might differ from the list of service providers in Table 14.

38. Although this practice is required by the decree on Maisons de Transfert (1989), the survey undertaken by the BRCA team suggests that it is not always followed.

39. This information is based on reported transaction volumes to the Central Bank of Haiti (BRH). Only 8 out of the 14 active *Maisons de transfert* have been consistently reporting their transaction volumes over the 2006–07 period.

40. Interviews with CAM managers in Port-au-Prince.

Figure 38. Haiti: Market Shares of Maisons de Transfert October 2006–November 2007



*Not operating as of July 2007.

Source: Authors' calculations based on data from Banque de la République d'Haïti (BRH).

group consists of subsidiary businesses owned or controlled by local banks. For the latter, some Haitian banks offer remittance services through their subsidiaries. For example, SogeExpress is a subsidiary of SogeBank and Unitransfer is a subsidiary of Unibank. This latter model, considered to be unique to the Caribbean region, is probably the most viable currently, since it enables *maisons de transfert* to benefit from the expertise of their parent banks in such matters as settlement, liquidity management, security, AML measures and training. On the other hand, foreign banks operating in Haiti have been reluctant to enter the remittance market. Their view is that the low value of average remittance transactions and the correspondingly low fees, are poor compensation for the high costs of implementing rigorous internal AML/CFT policies.⁴¹

Various ways have been proposed to provide remittance market customers with additional, and perhaps lower cost, options. One of these is the increased use of card-based instruments, but the poor state of Haiti's ATM network makes this option impractical, at least for the present. Microfinance institutions (MFIs), another possibility, have already established a network throughout Haiti, and some are already active in the remittance market. The difficulty is that MFIs are not currently governed by any legal framework, and though the urgent need for it is recognized, efforts to bring in appropriate legislation have not progressed beyond the discussion stage.

Other Channels

Pocket transfers, which simply involve the carrying of cash from Canada into Haiti, as already noted are still used. A long-standing tradition in Haiti, the *facteurs* are individuals

41. Interview with Scotiabank managers in Port-au-Prince.

collecting funds from senders within a specific community abroad, and later deliver them door-to-door to the designated recipients. Recently, however, the rapid expansion of *maisons de transfert* branch networks has challenged *facteurs* by providing secure door-to-door delivery even in remote areas.

Remittances in kind, as alternatives to cash, usually take two forms. In one, the sender buys one or more empty barrels. These are available at corner shops in ethnic areas (with prices ranging from Can\$15 to 50 depending on size), or at the shipping company chosen to handle the delivery. The sender then fills the barrel with goods and ships it to Haiti for an average cost of Can\$100.⁴² In the other, *maisons de transfert* offer a selection of items (ranging from food to mobile phones and airtime) that may be purchased for the recipients.

The service offered by *maisons de transfert* either transfers the money paid by the sender directly to the supplier of the goods in Haiti (as in the case of Unitransfer's service), or draws the goods (as in the case of CAM transfer) from stockpiles of goods in local warehouses. This practice, however, usually accounts for only a limited part of the company's overall transaction volume (20 percent, for instance, in the case of CAM transfers). This is because, as a result of the appreciation of the Canadian dollar at the end of 2006, it became relatively less economical to purchase goods in Canada, and sending barrel shipments became more expensive.

Recipients' Profile and Use of Remittances

Thanks to the Canadian family reunification program, many immigrants from Haiti eventually bring their spouses and children to join them. Parents, siblings and other close relatives then become the main recipients of remittance transfers in Haiti.⁴³ In the 2005 CERLAC household survey, 27.5 percent of Haitian respondents claimed to send remittances to parents, and 18.1 percent to multiple family members (Simmons, Plaza, and others 2005).

In Haiti, 50 percent of recipients are young women under thirty, and most Haitian recipients have a low income or no income at all. A 2006 survey showed that 54.8 percent of recipient respondents claimed to have no income, while 27.3 percent received a yearly income of only about US\$ 475 (Orozco 2006a). These figures highlight the significance of the average remittance (Can\$/US\$ 150) to the average Haitian recipient.

Canada-Haiti corridor recipients use the funds they receive in similar ways to recipients in other corridors. They spend on food, clothing, housing, education and health care. Some 75 percent of respondents to the 2005 survey claimed that, in the previous five years, they had sent remittances to buy food, while 62 percent sent funds to be applied to housing and rent and 59 percent sent funds for health care purposes (Simmons, Plaza, and others 2005). BRCA focus groups both in Haiti and Canada support these findings. In addition, some portion of remittances is probably earmarked for saving purposes, given that previous studies have observed a high saving propensity among recipients. More specifically, according to Orozco (2006a) Haiti's saving propensity is among the highest within the LAC region, though this feature is often overlooked in discussions of Caribbean remittance patterns.

42. Interviews with local Haitian diaspora members, and monitoring of advertisements by shipping companies on ethnic newspapers.

43. BRCA mission findings, among others.

Legal and Regulatory Framework Applicable to Maisons de Transfert in Haiti

Maisons de transfert in Haiti are subject to the decree governing non-bank remittance services as well as to AML law, while the Bank of the Republic of Haiti (BRH) is responsible for supervising them. The BRH has recently created a small, dedicated unit to analyze the remittance market. Its purpose is to enhance its understanding of the workings of the market, and to strengthen the supervision of *maisons de transfert*.

Money Laundering and Terrorist Financing Risk Posed to Maisons de Transfert

Haiti is regarded as a major transshipment point for drugs en route to North America and Europe. While the exact volume of trafficking is not known, it is thought to be generating substantial sums of money, which must then be laundered. Though no specific evidence of this has yet been found,⁴⁴ one cannot rule out the possibility that some proceeds of trafficking are going to support terrorism.

Corruption, embezzlement, smuggling, counterfeiting, illegal emigration, tax fraud, and kidnapping (which has become a particularly lucrative business), are also widespread in Haiti. All these activities also generate proceeds that require laundering.

In such an environment, it is clear that Haitian *maisons de transfert* are extremely vulnerable to money laundering, and the *Unité Centrale de Renseignements Financiers* (UCREF), which is Haiti's Financial Intelligence Unit, has analyzed a number of cases of potential money laundering involving remittance channels.⁴⁵

Applicable Laws and Regulations

The July 1989 Decree on Non-bank Remittance Services. The decree of July 1989 sets out the legal basis for *maisons de transfert* and was issued in response to the rapid increase in remittance services offered by service providers other than banks. Some of its key provisions are:

- a) *Maisons de transfert* are required to obtain a license to operate through the Ministry of Economy and Finance (MEF). The BRH conducts background checks of applicants and relays their decision to MEF within 30 days. *Maisons de transfert* also have to register with the Ministry of Commerce and Industry.
- b) *Maisons de transfert* are required to make a deposit of 250,000 gourdes (US\$6,916) to the BRH at the time of application, along with required documents. Those documents should include: name and nationality of the applicant; name of the company, if applicable; address of business; legal documents relating to operations abroad, such as bank certificates, insurance policy; and information about board members and senior executives.
- c) The decree authorizes BRH to conduct background checks of applicants in order to ensure that applicants have the capacity to operate and to meet the needs of clients.

44. Haiti is yet to adopt a legal framework to counter the financing of terrorism.

45. Interview with an UCREF official.

Box 6: Drug Trafficking in Haiti

Haiti is a transit hub for drug trafficking from Latin America to North America and Europe. Small aircraft drop shipments of drugs at clandestine landing strips throughout the country. In 2006, some forty flights carrying drugs from Venezuela were detected. Speedboats also bring in other drug shipments.

Recently, authorities detected a substantial drug trafficking operation between Haiti and Canada. The operation was managed directly by Haitian expatriates, and the proceeds were laundered by means of real estate investments in Port-au-Prince.

While authorities do not know the exact scale of the drug trafficking, it is estimated to involve several tons of cocaine per year. Haiti, and possibly its informal economy, is thought to play a significant role in laundering the money associated with this trafficking. Anecdotal information indicates that large flows of cash come into Haiti by air and by sea.

Sources: World Bank (2008a); Caribbean Financial Action Task Force (CFATF), "Country Risk Profile for Haiti," available at <http://www.cfatf.org/profiles/profiles.asp>; and interview with authorities.

- d) *Maisons de transfert* are required to maintain at all times a minimum deposit of 100,000 gourdes (US\$2,766) or no less than 25 percent of monthly transaction volume (if monthly transaction volume is above 100,000 gourdes) with an account maintained by the BRH. Failure to do so will result in loss of license.
- e) *Maisons de transfert* are required to submit to BRH a monthly financial statement and a weekly operations report within 5 days. Failure to do so is punishable by a fine of no more than 500 gourdes (US\$13.83) per day.
- f) *Maisons de transfert* should display the license (an authorization for business operation) in a place visible to customers.
- g) BRH has the authority to conduct a spot inspection of a *maison de transfert* without warning when deemed necessary. *Maisons de transfert* must provide all required information to the inspector.
- h) *Maisons de transfert* cannot engage in other business without obtaining separate authorizations or licenses to do so. In other words, the license to operate a *maison de transfert* is restricted to the money transfer business.
- i) MEF has authority to revoke a license with recommendations from the BRH.
- j) Operating a money transfer business without a license is punishable by a fine of 25,000 gourdes (US\$691.56) or a term of imprisonment of three months to one year.
- k) When a compliance failure is found, *maisons de transfert* have one month to rectify the deficiency.

Several BRH circulars have been issued governing *maisons de transfert* since 1989,⁴⁶ interpreting and clarifying specific provisions of the decree. They relate, among other things, to reinforcing the requirement to submit weekly or monthly reports using specific reporting forms or other means.

46. In April 1991, September, 1994, September 1994, August, 2000, March 2005, and June 2007.

The Licensing Requirement. The 1989 licensing requirement for *maisons de transfert* is one of the core elements in the government's effort to regulate the sector. The licensing process involves three agencies: the MEF, the BRH, and the Ministry of Commerce and Industry. The MEF can refuse licenses when applicants have criminal records, or are involved in judicial processes at the time of application, or when granting such a license would create a monopolistic situation. The decree does not specify requirements relating to agents of *maison de transfert*: whether, for example, the agents should also obtain a license from or be registered with the authority.

By September 2007, fourteen money transfer companies were authorized to operate in Haiti.⁴⁷ Some had been created as subsidiaries of their parent banks to offer specialized remittance services. Some are themselves banks or local money transfer companies, but work as principal agents of international money transfer companies. Some are regional or Haitian money transfer companies.

The BRH is in the process of trying to determine how many *maisons de transfert* are currently operating in the country. A 1997 study by the U.S. embassy in Haiti estimated that there were then about 40 smaller *maisons de transfert* in addition to the eight major ones. BRH does not regulate Western Union and Moneygram directly, but does regulate the local *maisons de transfert* who act as their principal agents.

Payment in U.S. Dollars or in Gourdes? There was confusion among *maisons de transfert* on whether payments can be made both in gourdes and U.S. dollars, or in only one or the other currency. Some thought remittances should be paid only in gourdes, while others thought they should be paid only in U.S. dollars. One operator mentioned that in 1998 a circular by the BRH prescribed the use of U.S. dollars only for payments, but that under President Aristide it was changed.

According to circular #37, issued on September 2, 1994, however, and subsequently confirmed by BRH officials, *maisons de transfert* are required to pay transfers to their customers *only* in gourdes and at the daily exchange rate published by the BRH.

Because of the continuing confusion, it appears that *maisons de transfert* are not strictly following the requirement to pay out in gourdes. Some even offer an option of direct deposit into a U.S. dollar-denominated account of the affiliated bank. In recent years, though, recipients seem to be requesting payout in gourdes, which now has a relatively stable exchange rate against the U.S. dollar.

Remittance Service and Foreign Currency Exchange. Use of foreign currencies, especially U.S. dollars, is still common in Haiti. Similarly, remittances, whether being received or paid out, often seem to involve foreign currencies. The *bureau de change* license is separate from the *maison de transfert* license, and it seems that where the *maison de transfert* does not itself have a *bureau de change* license, it is a common practice to have *bureau de change* agents operating on the same premises.

As of August 2007, there are 19 authorized foreign exchange dealers (*bureaux de change*) in Haiti.⁴⁸ The authorities are aware that a substantial share of foreign exchange activity also takes place in the informal sector, where it is sometimes combined with money

47. Interview with BRH officials and a list of licensed *maison de transfert*.

48. Interview with BRH officials.

transfer activities. They also believe that the informal sector is not structured and that there are no large-scale informal operators.

Regular Reporting Requirement. The BRH's efforts to collect accurate data on remittance transaction volume from *maisons de transfert* have not been entirely successful. First, only some of the operators are actually submitting data. Secondly, although the BRH has issued specific instructions, some *maisons de transfert* lack sufficient discipline to follow them exactly, and they submit data at incorrect times, and using different formats. BRH officials were contemplating changes to the report's format, and also whether to require more detailed information, perhaps including source and destination countries for the remittances.

Implementation of the Decree. All the interviewed *maisons de transfert* understood that they needed licenses to operate, and all had acquired them, though one *maison de transfert* had not individually applied for its license as the decree requires, but had bought it from a former operator. There is, however, some confusion on the part of *maisons de transfert* as to what exactly the regulations require them to do. As mentioned earlier, they are not sure whether or not they are required to pay out only in gourdes. They are also unsure about the requirements for capital, nor are they clear on their AML-related obligations. It is clear that the *maisons de transfert* are not ignoring the decree; in fact, many have implemented measures based on their understanding of it. There have been wide discrepancies, nonetheless, in both the interpretation and application of a number of its provisions.

It would be useful if the BRH provided the *maisons de transfert* with further clarification. In addition, as it contains provisions that are no longer applicable, the decree clearly needs to be updated.

Informal Operators. While the BRH has made appreciable progress in licensing *maisons de transfert*, especially the major players, there are still informal operators without licenses. The mission team was told that informal *maisons de transfert* can often be found in Haiti. One, for example, was found operating from a cybercafé who receives payment orders through emails and pays out, but is not registered as *maison de transfert*. It seems that many of the informal transfers come from the Dominican Republic and from St. Martin.

While still operating, informal *maisons de transfert* are facing market shares that have been rapidly shrinking in the last decade, for at least two reasons. First, registered *maisons de transfert* generally ensure transactions security which is highly valued by users in a high-risk security environment like Haiti. Secondly, many informal operators or agents became part of formal MTOs through rising competition and thus market consolidation. This is certainly helping informal players to shift to formal players.

Banking with the BRH. The BRH has an agreement with CAM Transfers by which the central bank grants CAM up to US\$500,000 every day. The money is deposited in a BRH account to provide for its liquidity needs. The BRH also provides liquidity to two *bureaux de change*. All other licensed *maisons de transfert* are either affiliated with banks or use bank accounts to manage their liquidity.

2001 Anti-Money Laundering Law. *Maisons de transfert* are subject to the Anti-Money Laundering Law of 2001. This law defines the due diligence and preventive measures to be followed by the financial sector, which includes *maisons de transfert*. While the law

is occasionally not clear whether certain provisions apply to *maisons de transfert* or not, the main provisions relating to the sector are as follows.

Identification and Verification of Customers. Although not as explicit as it should be, the AML law requires *maisons de transfert* to identify a customer when:

- The customer opens an account or membership;
- The customer's transactions, whether single or multiple, and whether occurring in a day or over a certain time set by the AML committee, amount to 200,000 or more gourdes (US\$ 5,532.50), or the equivalent in foreign currency; or
- The source of funds is not known to be legitimate.

The requirements do not fully meet international standards. They set too high a threshold for ID requirements for electronic transfers, and client identification does not extend to forms of remittance other than cash (World Bank 2008a). There is no requirement to obtain information on beneficial ownership for occasional transactions, nor for the necessary stringent precautionary measures that must be taken in suspicious cases.

Nevertheless, *maisons de transfert* are instituting more stringent practices than those required by the law. This is partly because of the requirements that international remittance companies impose on those Haitian companies partnering with them or acting as their agents. As well, in a business environment where fraud is rampant, *maisons de transfert* are concerned with making sure that the right beneficiaries receive the disbursements.

The law specifies that a customer's identification should be verified by "an original, official document that is currently valid and includes a photograph," and the BRH guidelines specify the documents that are acceptable, such as a passport or a driver's license. The address given by the customer must not be a P.O. box, and must be verified by an invoice from a reliable service enterprise such as a water or telephone company.⁴⁹ In practice, customers wanting to withdraw and receive money, or to conduct other operations, must present two ID documents, such as driver's licenses, national identification cards (CIN), passports, or bank ID.

The lack of a reliable government-issued ID in Haiti is, however, a difficulty for *maisons de transfert* undertaking customer identification and verification. Not everyone has a birth certificate, passport, driver's license, tax identification number, or proof of address, etc. Customers are sometimes compelled to use expired tax identification numbers because the local Tax Office stopped issuing new ones. There is widespread use of fraudulent ID. That is why *maisons de transfert* find it advisable to ask for at least two identification documents.

Record Keeping. The law requires that all records relating to customer identifications, transactions, and reports submitted to the authorities, be kept for a minimum of five years.

Reporting Requirements under the AML Law. The AML law requires:

- a) The reporting of suspicious transactions to the financial intelligence unit (UCREF); and

49. Recommendation 1 of the guidelines [Guidelines issued by BRH on AML]. Also see World Bank (2008a).

- b) The reporting of all transactions of 200,000 gourdes or above, or its foreign currency equivalent, to UCREF. This obligation was issued in 2000 by the BRH circular 95.

The financial intelligence unit (FIU) of Haiti, created in 2003, is the *Unité Centrale de Renseignements Financiers* (UCREF). The UCREF is responsible for receiving and analyzing reports submitted in accordance with the law, and for disseminating cases to law enforcement authorities for further action. The UCREF has approximately 42 employees, 25 of whom are investigators. Any transaction involving funds that appear to be derived from a crime, as well as those exceeding 200,000 gourdes (US\$5,532.50), must be reported to the UCREF. Failure to report such transactions is punishable by more than three years' imprisonment and a fine of 20 million gourdes (US\$553,250).

Compared to the tens of thousands of reports of currency transactions submitted by all of the Haitian reporting entities to UCREF, fewer than ten suspicious transaction reports (STRs) have been filed (World Bank 2008a).

Internal AML Compliance Program. The AML law requires *maisons de transfert* to develop internal compliance programs and to designate compliance officers. Branches and subsidiaries outside Haiti, however, are not covered by these provisions (World Bank 2008a).

Maisons de transfert vary widely in their level of commitment to the implementation of AML requirements. Those *maisons de transfert* that are affiliated with banks tend to be able to draw upon the resources of their parent banks, which have group-wide compliance units, and they have internal policies and procedures that tend to correspond to the requirements for banking services. Those *maisons de transfert* that are not affiliated with parent banks, but are agents of international *maisons de transfert*, follow the policy and procedures imposed by international *maisons de transfert*, and again tend to have a strict system. By contrast, the local *maisons de transfert*, who lack any supporting organization, appear to be weak in their compliance. One *maison de transfert*, instead of having a dedicated compliance officer, assigns the responsibility for AML/CFT to an internal auditing employee. At the same time, this *maison de transfert* does have internal AML/CFT compliance officers in its offices in sender countries where this is required by regulation.

Prohibition of Payment or Transfer in Cash or Cash Equivalent above a Certain Threshold. The AML law prohibits the cross-border transportation of cash or cash equivalents of 200,000 gourdes (US\$5,532.50) or more. Transfers of funds above 200,000 gourdes must be undertaken through formal financial system.

While this prohibition ought to encourage the use of electronic transfers through the formal financial system, it is very inadequately enforced. Enforcement challenges are exacerbated by the country's predominantly cash-based economy, where people either lack trust in the banking system, or find it difficult to obtain a bank account.

The strict reading of the law makes impossible for *maisons de transfert* to transfer funds that are above 200,000 gourdes (World Bank 2008a). In practice, many *maisons de transfert* already have a maximum transaction threshold. However, this is usually above 200,000 gourdes or equivalent in foreign currency. One *maison de transfert*, for example, limits daily transactions to US\$7,500 per person, and another to US\$10,000.

The prohibition of cross-border transportation of cash above the threshold is not based on either declaration or disclosure system as the international standards call for

(see, FATF Special Recommendation IX). While probably well intended, the present system may not fit the realities of the Haitian economy. Haiti has many migrant workers abroad and, despite some security concerns, it is still quite common, particularly for those working in the Caribbean region, to bring money home in the form of cash. In the Caribbean itself, the network of remittance channels is less established than in some other destination countries. Some migrant workers, called “mules” in Haiti, use pocket transfers to carry amounts over 200,000 gourdes (US\$5,532.50). Although this may well be legitimate money, the portion that exceeds the limit can be confiscated by the authorities. There have been cases, mainly at the airport in Port-au-Prince, where funds seized by customs and border police were subsequently found to be of lawful origin and, after the court procedure, were returned to the owner. These cases suggest that changing the current provision to one based on declarations and/or disclosure might work more efficiently and still respect the provision’s intent.

Enforcement of the Law/Regulation and Supervision

It was only in 2007 that the specialized unit created under the banking supervision unit in 2004 became reasonably active (World Bank 2008a). The presence of this dedicated unit, albeit a small office, is a welcome sign. The unit first focused on understanding the Haitian remittance market, relying on data received from reporting institutions, on existing information and on studies done by international or regional organizations such as the World Bank and the Inter-American Development Bank.

Currently two supervisors are in charge of the supervision of *maisons de transfert*. Because the number of skilled supervisors is small, and because of resource constraints, they have conducted only a limited number of on site inspections of *maisons de transfert* to date. These inspections took money laundering concerns only partly into account. According to the supervision department of the BRH, the AML inspections were conducted in November 2006. The general findings, similar to those of the mission team, were that there was an uneven understanding of AML obligations, and that agents of international *maisons de transfert* usually had a better grasp of them than did local *maisons de transfert*. The BRH recognizes the need to issue guidelines so that all *maisons de transfert*, including local ones, have a better understanding of AML requirements.

Apart from the inspection of licensed *maisons de transfert*, the unit also undertakes operations to seek out *maisons de transfert* that are operating outside the legal framework. There is a gray area because remittance services provided by microfinance institutions have yet to be regulated by the BRH. These institutions provide valid services to the poor in rural areas where other *maisons de transfert* have a smaller presence, and it is urgent that the BRH provide a legal framework for them.

To date, BRH has taken no measures to deal with non-compliance with the 1989 decree by the *maisons de transfert*. Although the BRH is charged with identifying and monitoring non-compliant *maisons de transfert*, the 1989 decree gives the power to levy sanctions to the Ministry of Finance, based on the recommendation of the BRH. These sanctions can involve the revocation of the license of the *maison de transfert’s* license. In short, the BRH does not have the power to close a non-compliant *maison de transfert* without going through the local tax authorities. When it comes to non-compliance with the AML law, the Haitian authorities have a range of sanctioning powers provided by the law.

Despite BRH's rather weak supervision and enforcement of the law and regulations, *maisons de transfert* exhibit reasonable knowledge of, and commitment to, the regulatory requirements, especially those related to AML measures. This, however, does not always translate into adequate responses. Most of the major market players have appointed compliance officers, largely in response to pressure to put AML compliance programs in place. The pressure comes from multinational *maisons de transfert*, foreign banks and their overseas branches. By contrast, the local or regional *maisons de transfert* seem to lack both knowledge of, and commitment to, regulatory requirements. Those *maisons de transfert* that partner with multinational *maisons de transfert* or are affiliated with local banks have a better understanding of their internal business policies, because these are usually written by their headquarters abroad or by their parent companies (such as a bank). *Maisons de transfert* still seem to have an inconsistent understanding of their obligations under the 2001 AML law, or under other applicable domestic laws and regulations—in particular the 1989 Decree on *maisons de transfert* and subsequent BRH circulars.

AML/CFT and other requirements for *maisons de transfert* in Haiti are summarized in Table 15.

Table 15. Summary of AML/CFT and Other Requirements for *Maisons de Transfert* in Haiti

Licensing or Registration Regime	One-time licensing Requirement
Competent Authority responsible for RSPs	BRH—direct supervision MEF—grant a license based on the recommendation of BRH Ministry of Commerce and Industry – registration as a business entity
Capital/guarantee requirement	Initial deposit: 250,000 gourdes at the time of application. Capital requirement: a minimum of 100,000 gourdes or no less than 25% of monthly transaction volume.
Required legal structure of MTOs	Registered business with Ministry of Commerce and Industry
Fit and proper test	Performed by BRH
Experience required of applicants	Not required
Criminal records of applicants	Checked
AML Requirements	CDD; reporting requirements (suspicious transactions, large currency transactions); record keeping; compliance regime
Onsite visits	BRH
CDD Requirement Threshold (Kick-in)	200,000 gourdes or above or its foreign currency equivalent; or when legitimate source of funds is not known
Transaction limit	200,000 gourdes
Suspicious transactions reports	Suspicious transaction reports are expected to be filed regardless of amount
Thresholds transaction reports	Large currency transactions of 200,000 gourdes or above
Record keeping requirement	Five years
Sanctions	Failure to comply with relevant requirements could expose to administrative and civil sanctions under the 1989 Decree and the AML Act
Fees on entry/Annual Fees	None

Main Points

The main points from this chapter are the following:

- Haitians constitute the second largest Caribbean community in Canada, but Haitian migrants face challenges in integrating into the Canadian economy.
- Remitting is a widespread practice among Haitians in Canada, who send home typically Can\$100–200 per month to Haiti (to be spent on basic needs such as food, health care, and education), generally via *maisons de transfert*, which are preferred for their lower fees, faster transfers, and better access on the island.
- For the same reasons, informal transfers (cash couriers) and in-kind remittances are still used, but are less preferred options.
- While increasing competition has lowered transfer fees between Canada and Haiti, underdeveloped financial infrastructure and security issues, together with limited transparency among operators, make costs higher than other Caribbean corridors.
- The remittance market in Haiti faces regulatory challenges due to weak supervision and enforcement of regulations, coupled with weak ID system for customer due diligence.

The Canada-Jamaica Remittance Corridor

This chapter examines the remittance corridor between Canada and Jamaica, and specifically focuses on:

- The Jamaican Diaspora in Canada;
- The characteristics of the remittance market and remittance transfers on both the remittance sender (in Canada) and remittance recipient (in Jamaica) side; and
- The legal and regulatory framework for remittance transfers in Jamaica.

There are three reasons for the specific focus on Jamaica within the larger context of the Canada-Caribbean remittance corridor. First, per capita, the country receives among the highest flows of remittances in the Latin American and Caribbean region (PIOJ/STATIN 2006; World Bank 2006b). Second, it ranks among the top emigration countries in the world (as a percentage of its population) in 2005 (World Bank 2008b). Third, it sends more emigrants/foreign workers to Canada than any other Caribbean country. In fact, of the entire Latin American and Caribbean region, Jamaica after Mexico contributes the largest inflow of foreign workers to Canada.⁵⁰

Jamaicans in Canada

Migration Trends of Permanent Residents

In the Caribbean region and, indeed, throughout the world, migration to Canada for permanent residence has been the result of a variety of “push” and “pull” factors. In Jamaica, the push factors have largely stemmed from economic and social conditions. In Canada,

50. Immigration Statistics, Citizenship and Immigration Canada.

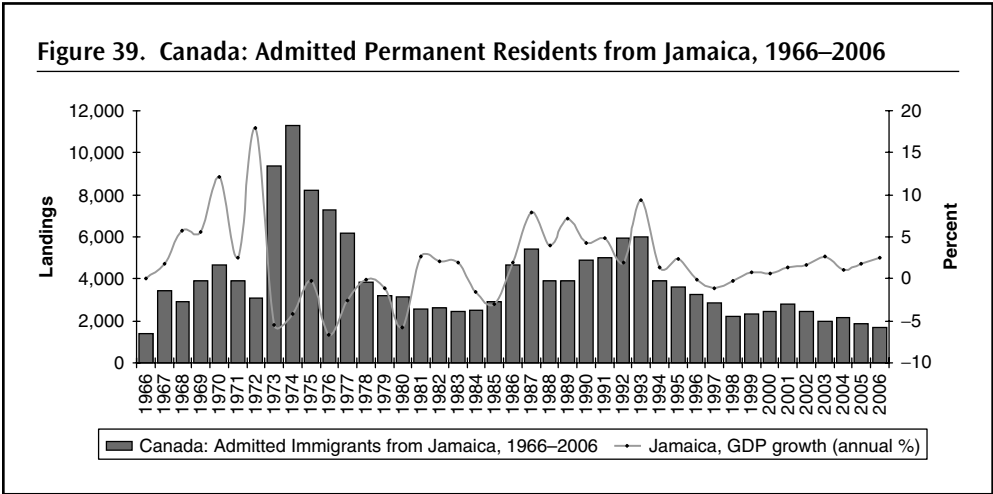
the “pull” factors largely emanate from changes in immigration policy and from relative geographic proximity. The changing range of employment possibilities, the shared language, and the many linkages to the many Jamaicans already living in Canada also play their part.

BRCA fieldwork in Jamaica suggests that Jamaicans have most frequently been attracted to good employment opportunities in Canada. Jamaicans arrived in the early eighteenth century to help build the Halifax Citadel. Jamaican women arrived in the early twentieth century largely to work as domestic workers, and Jamaican men arrived to work as railway porters and blacksmiths. In 1967, the newly-introduced immigration points system increased the scope, based on their occupational skills and education, for more Jamaicans to arrive in Canada bringing their immediate family members with them (Simmons, Plaza, and others 2005). In the decade after 1995, when a domestic worker employment scheme was launched in Canada, about 1,000 Jamaican women arrived as domestic workers.

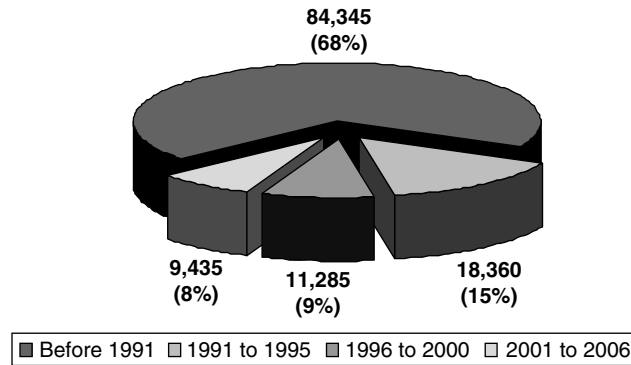
Chapter 2 describes why Jamaican immigration for permanent residency in Canada was extremely low before the mid sixties, partially because of restrictive Canadian immigration policies which favored immigrants of European origin. Once these immigration restrictions began to relax, however, Jamaican immigration to Canada rapidly rose, peaking to its maximum level in 1974. After some decline in 1980s, immigration to Canada partly recovered in the 1990s.

In the last 10 years there has been relatively low migration from Jamaica. Figure 39 shows a generally declining trend for the total number of Permanent Resident Visas for Jamaicans. In fact, approximately 68 percent of the Jamaican Diaspora arrived before 1991 (Figures 39 and 40).

Figure 39 also shows a negative correlation between the Jamaican immigration trend for permanent residents to Canada and the Jamaican GDP growth trend. In most of the years when Jamaican GDP was comparatively high, Jamaican migration to Canada was generally low, and this might reflect increased Jamaican employment opportunities in a growing economy. The incentives for Jamaicans to migrate abroad would be correspondingly



Source: Authors’ representation based on CIC (2006); World Bank (2007c).

Figure 40. Canada: Composition of the Jamaican Diaspora By Period of Entry

Source: Authors' representation based on data from Statistics Canada 2006 Census of Population.

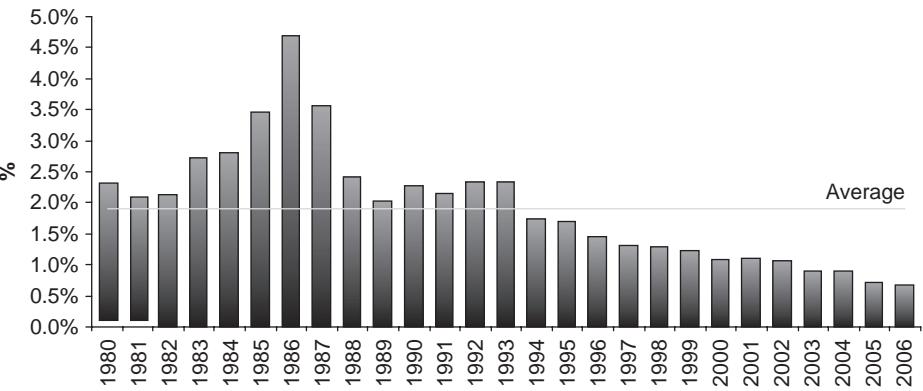
reduced. Other economic, social and political factors in both Canada and Jamaica certainly made a contribution to the migration numbers of Jamaicans to Canada.

Aside from negligible fluctuations arising from processing issues,⁵¹ the decline in the number of permanent visas issued to Jamaicans probably results from the increased number issued to citizens migrating from elsewhere. The proportion of Jamaicans in the immigrant inflow to Canada has, in fact, significantly declined over the years (Figure 41), as is also the case with Haitians. Jamaicans in Canada represented only 0.7 percent of the total immigrant population in 2006 while, on average, over the period 1980–2006, they represented 1.9 percent of the immigrant population. Again, as with Haitians, this situation cannot be entirely attributed to a decrease in absolute numbers of admitted Jamaican immigrants (as shown in Figure 39), but rather to a significant increase over the last three decades of immigrants other than Jamaicans. Asia, in particular, is now the primary labor exporter to Canada, and China and India are the two top Asian source countries of permanent resident inflows (CIC 2006).

Canadian immigration policy continues to be less restrictive for all permanent immigrant groups. Proposed changes, if implemented, would allow all immigrants to sponsor the entry of elderly and dependant parents more easily (Simmons, Plaza, and others 2005). The policy goals are broadly humanitarian, and they appeal directly to the concerns of Jamaican immigrants who are worried about the well being of their parents. Data shown in Figure 39, nevertheless, suggests that less restrictive immigration policies do not necessarily lead to a significant increase in the number of Jamaican permanent residents admitted.

51. The Canadian High Commission expects slight fluctuations based on processing issues, and these fluctuations are negligible as long as the general target range for visa issuance is met for Jamaica. Slight fluctuations can be expected depending upon competition from other Caribbean countries and the world for Canadian visas, logistical challenges required to process and assess applicants, and input from the Canadian private sector on their capacity to hire more workers and the type of worker desired.

**Figure 41. Canada: Permanent Resident Inflow from Jamaica, 1980–2006
(share of total inflow)**



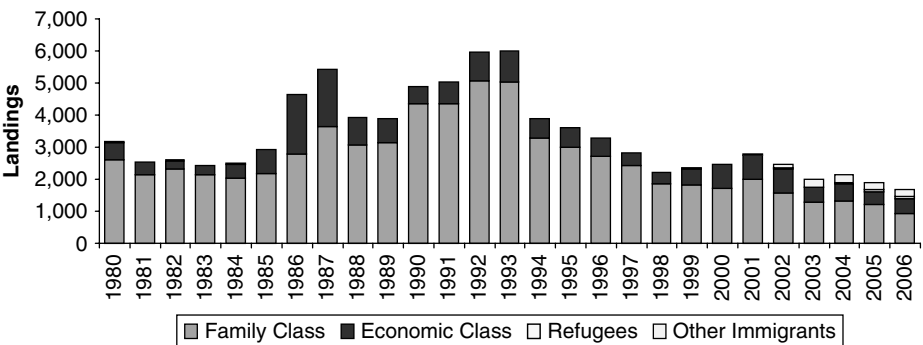
Source: Authors' representation based on CIC (2006).

Classification of Permanent Residents

Canadian authorities classify permanent residents as three major immigrant categories: migrants arriving for economic/independent reasons (economic class), migrants arriving for family reunification (family class), and refugees.

The majority of visas issued for Jamaicans (Figure 42) in the permanent resident category are for family reunification. Those issued for economic reasons are next, and the fewest are for immigrants with refugee status. In fact, on average, the family reunification category comprised approximately 77 percent of the total Jamaican immigrant population

Figure 42. Canada: Permanent Resident Inflow from Jamaica, By Category, 1980–2006



Source: Authors' representation based on Statistics Canada, Jamaican High Commission.

in the period 1980–2006. The economic class category comprised approximately 20 percent. Interviews with remittance recipients in Jamaica appear to support these statistics. A majority of those surveyed explained that the remittance sender migrated to Canada through some connection to a family member already living in Canada.

It may not be surprising that the largest share of immigrants arrive through the family class reunification category. In 2001, Jamaicans were the fourth largest non-European ethnic group in Canada and represented almost 1 percent of the total population. The 2006 census estimates that more than 231,000 people of Jamaican origin live in Canada, and that this community is growing considerably more quickly than is the overall Canadian population. The number of people who said they were of Jamaican origin grew by 12 percent between 1996 and 2001 whereas the overall Canadian population grew only by 4 percent (Lindsay 2001).

The number of permanent visas issued to Jamaicans in the refugee category has generally been minimal. This may well be because, compared with other parts of the Caribbean such as Haiti, the country's political atmosphere is relatively stable.⁵²

Recent years have seen a decline in issuance of visas for economic class. The reasons for this are unclear, but there are some possible explanations. First, the Canadian immigration points system has progressively required prospective immigrants to meet more and more stringent educational and professional standards, and it is possible that fewer Jamaicans are able to meet them. In addition, Jamaicans applying for visas are facing greater competition from immigrants from other parts of the world, such as South and East Asia (whose immigrants now receive the largest share of permanent visas from Canadian authorities).

Another factor might simply be that Jamaican immigrants are disinclined to apply for permanent visas. A permanent visa application takes two to three years to process, a situation that makes the job market in Canada very difficult to forecast. Due to these delays, many skilled Jamaican professionals, like other immigrant groups, become unemployed in Canada upon arrival. Current immigration rules do not demand that employment has already been secured, although the emigrant must have enough income for at least one year of reasonable living.⁵³ This latter reason might explain the significant reduction in the amount of applications received from Jamaicans (from 905 economic applicants in 2001 to a mere 276 in 2004). Applications for permanent resident visas for economic/employment reasons, however, did pick up again in 2005.⁵⁴

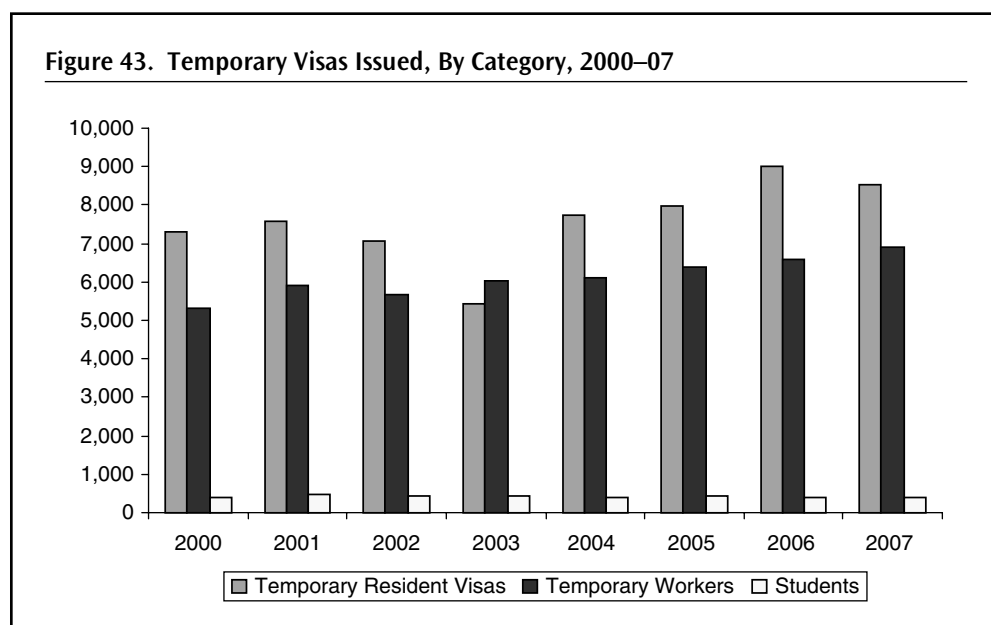
Migration Trends and Classification of Temporary Residents

Statistics from the Canadian High Commission in Jamaica show a generally upward trend of temporary resident and temporary worker visas issued between 2000 and 2007, while the issuance of student visas for Jamaicans has remained relatively constant (see Figure 43). Jamaicans who visit Canada for a certain period of time, to visit family or relatives for example, are issued with temporary resident visas.

52. Statistics, Canadian High Commission.

53. Officials from the Canadian High Commission.

54. Canadian High Commission Statistics.



Source: Authors' representation based on data from Statistics Canada, Jamaican High Commission.

Temporary worker visas, on the other hand, are primarily issued to workers involved in the Canadian Seasonal Agricultural Workers Program (CSAWP), which provides generally low skilled seasonal jobs. Temporary worker visas can also be issued under a new Canadian scheme introduced in 2007 as political move to cater to Canadian businesses. In this scheme, Canadian authorities come to Jamaica to interview applicants, and grant work permits for specific jobs, such as hotel workers, building cleaners, and so forth. The main objective of this scheme is to cater to Canadian businesses during a period when the Canadian economy was creating more jobs than could be filled by the existing labor force.⁵⁵

Under the CSAWP, Jamaican migrant workers usually arrive in Canada for two-year terms. They work in Canadian agricultural areas, such as tobacco, vegetable, and fruit farms, and their principal responsibilities are to harvest the crops. Typically, these temporary migrant workers send a sizeable portion of their earnings back to Jamaica. The Jamaican Ministry of Labor estimates that, in 2006/07, these farm workers remitted Can\$10,755,053, an increase from Can\$9,774,603 in 2005/06.⁵⁶ Given 6,132 temporary migrant workers in 2006/07, each of them sent home about Can\$1,754. In 2007, the total remittance flow to Jamaica was US\$135.5 million.⁵⁷

Visa Application and Approval Rates among Temporary and Permanent Residents

It is interesting to note that, in general, the number of permanent resident visas issued by Canada is more than twice that of the number issued to temporary workers. For Jamaicans,

55. Interviews with Canadian High Commission, Jamaica.

56. *Jamaica Ministry of Labor Annual Report 2006–2007*.

57. Bank of Jamaica statistics.

Box 7: Canadian Seasonal Agricultural Workers Program (CSAWP)

The CSAWP was established in 1966, when 264 Jamaican migrant agricultural workers were employed in the horticulture industry of Southern Ontario. In 1967, the program was expanded to include Barbados, and Trinidad and Tobago, as well as a further eight islands in the Caribbean. This program employed some 7,919 Caribbean nationals in 2001 and 7,580 in 2002. According to the Jamaican Ministry of Labor, 6,132 Jamaicans alone were recruited for Canadian farms in 2006/07, an increase from 5,995 the previous year.

The program's main objectives are to improve the economic and commercial viability of Canada's horticulture industry through timely plantation and harvesting of crops, to enhance the efficiency of Canada's labor market through better reallocation of local labor resources, and to improve the economic welfare of migrant agricultural workers by providing access to better paid seasonal jobs in Canada's agricultural industry.

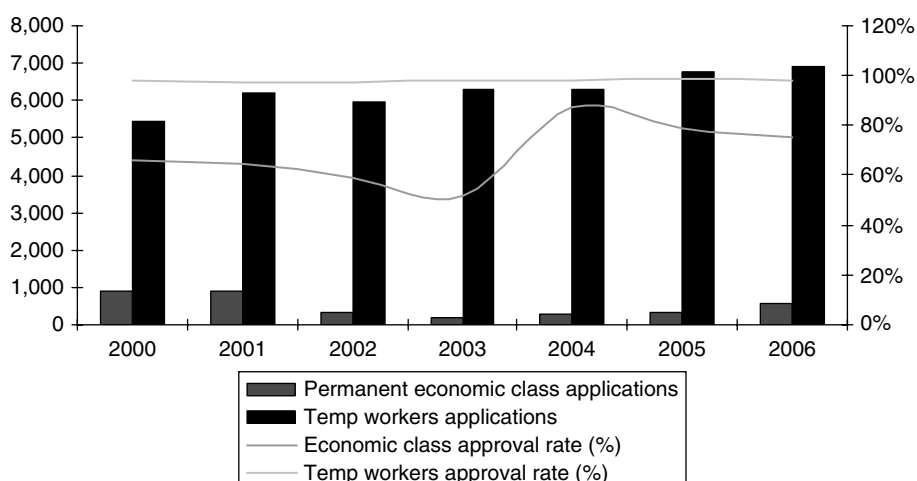
Most migrant workers are males aged 25 to 40 who have only a primary level education. They are paid an hourly wage of approximately Can\$7.25 gross (as of June 2002) and they work between 9–14 hours a day, often including Sundays.

The majority of migrants from the Organization of Eastern Caribbean States (OECS) remitted funds home, primarily to their mothers or spouses, and usually through Western Union. These remittances were used mainly to pay off debts, to build or repair their houses in the Caribbean, and to educate their children.

Source: *Canadian Migrant Agricultural Workers Program (CMAWP)*, The North-South Institute, Ottawa Canada, June 2002; and *Jamaica Ministry of Labor Annual Report 2006–2007*.

however, applications for temporary visas far exceed applications for permanent visas (Figure 44). Heavy recruitment from Jamaica for the CSAWP may be a significant reason. Another may be that some applicants for permanent economic class visas are not able to meet the qualification requirements, as stated earlier. Since 2000, the number of applications

Figure 44. Visa Applications and Acceptance Rate Comparison, Jamaica



Source: Authors' representation based on data from CIC Canada.

for temporary workers has steadily increased while applications for permanent visas have varied for Jamaica. The situation is the reverse for Haiti, where the approval rating for permanent visa applications far exceeds that of temporary visa applications.

Illegal Immigration from Jamaica to Canada

According to the Canadian High Commission in Jamaica, illegal Jamaican immigration has decreased in the last five years, partly because airline staff are trained to increase their vigilance in pre-boarding assessments, and partly because immigration authorities in Canada are now better able to detect illegal immigrants.⁵⁸ Canadian authorities also work with Jamaican law enforcement agencies to address the issue of Jamaican-issued forged passports.

In addition, Canadian authorities have a safe third country agreement with the United States, which helps curb illegal immigration. Under this provision, illegal immigrants in the United States cannot make a refugee claim in Canada if they migrate to Canada through U.S. soil. This provision is waived if the immigrant has family in Canada but no family in the United States.⁵⁹

Despite these efforts, there are multiple instances in which temporary migrant workers from Jamaica drop out of the CSAWP and remain in Canada. The deportation rate for Jamaicans is relatively high although the reason for deportations range from simple overstay to the commission of serious criminal activities. According to interviews with the Canadian High Commission in Jamaica, there are some estimates that, in the Toronto area, 60–70 percent of Jamaicans are involved in criminal activities either as the perpetrators or as the victims (this is an issue in which minorities in Canada have traditionally been more vulnerable).⁶⁰

Profile of the Jamaican Community in Canada

Just over 231,000 people of Jamaican origin live in Canada, comprising almost 1 percent of the total population (Table 16) (Lindsay 2001). Of this number, the number of Jamaican born immigrants is estimated at 122,000 (Simmons, Plaza, and others 2005). Jamaicans form the largest ethnic group from the Caribbean region and the twenty-sixth largest ethnic group in Canada.

The Jamaican community in Canada grew considerably more quickly, at 12 percent growth, than the overall Canadian population, at 4 percent growth in the years between 1996–2001 (Canadian Census data), and the number is expected to continue rising.

The majority of the Jamaican diaspora currently living in Canada are first generation immigrants (Figure 45). Sixty-six percent of Canadians of Jamaican origin were born

58. Interviews with Canadian High Commission, Jamaica

59. Ibid.

60. Interviews with Canadian High Commission, Jamaica

Table 16. Selected Ethnic Groups in Canada, 2006

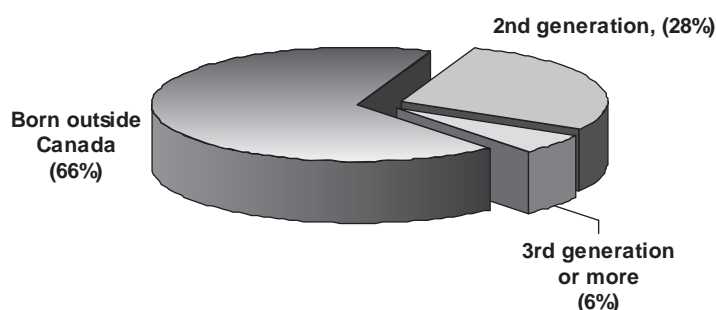
	Total Responses	Single Responses	Multiple Responses	% of Total Population	Rank
Scottish	4,719,850	568,515	4,151,340	15.1%	9
Irish	4,354,155	491,030	3,863,125	13.9%	10
German	3,179,425	670,640	2,508,785	10.2%	11
Italian	1,445,335	741,045	704,285	4.6%	12
Chinese	1,346,510	1,135,365	211,145	4.3%	13
Ukrainian	1,209,085	300,590	908,495	3.9%	15
Dutch (Netherlands)	1,035,965	303,400	732,560	3.3%	16
Polish	984,565	269,375	715,190	3.2%	17
East Indian	962,665	780,175	182,495	3.1%	18
Russian	500,600	98,245	402,355	1.6%	19
Jamaican	231,110	134,320	96,785	0.7%	26

Note: This table does not suggest that Jamaicans are in the top 26 ethnic groups present in Canada; rather, the table is simply a random sampling of a variety of ethnic groups existing in Canada.

Source: 2006 Census of Population, Statistics Canada.

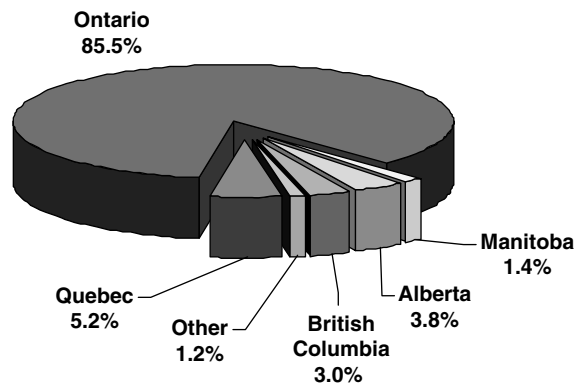
outside Canada compared with 18 percent in the population as a whole. Ninety-four percent of Canadians of Jamaican origin born outside Canada, were born in the Caribbean area (Lindsay 2001).

Most Jamaicans (about 75 percent) live in Toronto, Ontario, and form about 3 percent of the total metropolitan population (Lindsay 2001). The 2006 census figures show that about 85 percent of the country's population with Jamaican ethnic roots lives in the province of Ontario (Figure 46).

Figure 45. Canada: Composition of the Jamaican Community, 2006

Source: Authors' calculation based on data from Statistics Canada, 2006 Census of Canada.

Figure 46. Breakdown of the Jamaican Population in Canada, By Province, 2006



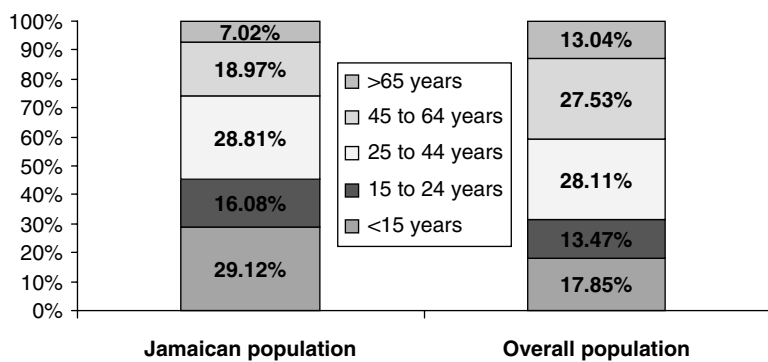
Source: Authors' calculation based on data from Statistics Canada, 2006 Census of Canada.

Basic Demographics of the Jamaican Diaspora in Canada

Compared with the total population, the Jamaican population in Canada is relatively young. About 29 percent of the Jamaican community is children under the age of 15, compared with only 17.85 percent in the larger population. About 16 percent of the Jamaican population is aged 15–24, versus 13 percent in the overall population. Senior citizens (aged 65 and over) comprised only 7.02 percent of the Jamaican community, compared with 13.04 percent for all Canadians (Lindsay 2001; see Figure 47).

In addition, 54.3 percent of the Jamaican community was female in 2001 compared to 50.9 percent in the Canadian population as a whole (Lindsay 2001).

Figure 47. Canada: Composition of Jamaican Population, By Age Group, 2006



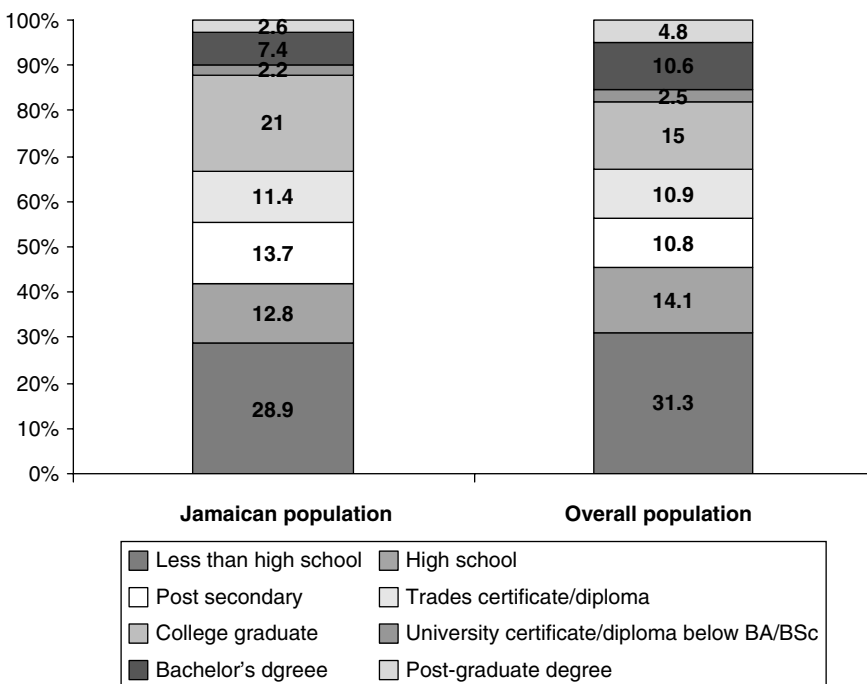
Source: Authors' calculation based on data from Statistics Canada, 2006 Census of Canada.

Canadians of Jamaican origin are less likely than other Canadians to be married, a not unlikely situation, given that the majority of Jamaicans are from a younger relative age demographic. Only 34 percent of people of Jamaican origin aged 15 and over were married, compared with about 50 percent for the overall population in the same age group. Canadians of Jamaican origin are also more likely to be single parents (2001 Canadian census). Sixteen percent of the Jamaican population are single parents compared with 6 percent in the general population. Of Jamaican single parents, women represent an astounding 89 percent (Lindsay 2001).

Finally, in terms of education, Canadians of Jamaican origins are less likely than the rest of the Canadian population to have university degrees (Figure 48). The 2006 Canadian census finds that 7.4 percent of Canadians of Jamaican origin aged 15 and over had either a bachelors or post graduate degree, compared with 10.6 percent for the overall adult population. Nevertheless, Canadians of Jamaican origin are more likely than the rest of the population to complete a Community College program. In 2001, 21 percent of people of Jamaican origin aged 15 and over were community college graduates compared with 15 percent in the overall population (Lindsay 2001).

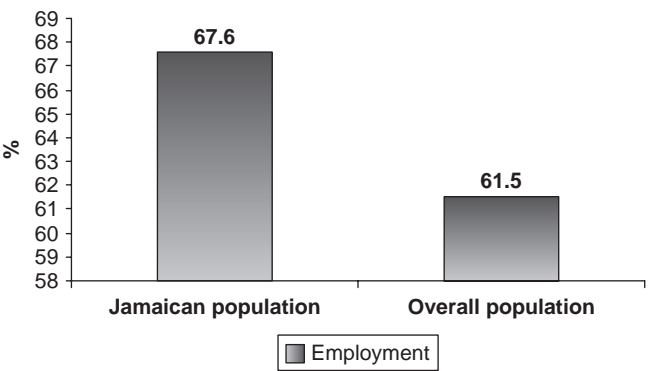
Women of Jamaican origin tend to have more education than their male counterparts, with 10.6 percent having a university degree in 2006, compared with 9.2 percent for males.

Figure 48. Composition of the Jamaican Population, By Education Profile, 2006



Source: Authors' calculation based on data from Statistics Canada, 2001.

Figure 49. Percentage of Jamaicans Employed in Canada Relative to Overall Population



Source: Statistics Canada, 2001 Census of Canada.

In addition, young women are more likely to be enrolled in a full time educational program. The 2001 Canadian census finds that 61 percent of young women of Jamaican origin aged 15–24 attended school full-time, compared with 58 percent of men (Lindsay 2001).

Employment and Income of the Jamaican Diaspora

Canadians of Jamaican origin are more likely to be employed than other Canadians (Figure 49 and Table 17). Of Canadians of Jamaican origin aged 15 and over, 67.6 percent were employed, compared with 61.5 percent of adults in the overall population. Of the working Jamaican population, 69.8 percent of Jamaican men aged 15 and over were part of the paid

Table 17. Percentage of Population Employed, By Gender and Age, 2001

	Jamaican Community			Total Canadian Population		
	Men	Women	Total	Men	Women	Total
Age Group	Percentage					
15 to 24	47.2	51.6	49.4	56.1	55.6	55.9
25 to 44	85.5	78.9	81.8	85.6	75.2	80.3
45 to 64	81.2	75.0	77.5	74.8	60.8	67.7
65 and over	15.2	7.4	10.4	13.0	4.8	8.4
Total	69.8	65.9	67.6	67.2	56.1	61.5

Source: Statistics Canada, 2001 Census of Canada.

workforce, compared with 65.9 percent of women of Jamaican origin. Nevertheless, there are more Jamaican women in the Canadian workforce relative to the overall population, as 65.9 percent of Jamaican women aged 15 and over are employed, compared with 56.1 percent of all adult women in Canada. Men of Jamaican descent are also more likely to be in the Canadian workforce relative to the overall population, and the gap in labor force participation rates among males is not nearly as high as females; 69.8 percent of Jamaican men are part of the Canadian labor force compared to 67.2 percent of men in the overall Canadian population (Lindsay 2001).

Potentially, however, labor force participants of Jamaican origin are slightly more likely to be unemployed than Canadians in the general population. This is because, on average, there is a smaller percentage of Jamaicans in schools. In the 2001 Canadian census, 8.6 percent of the Jamaican labor force was unemployed compared with 7.4 percent for the overall population, but this figure was driven by the younger Jamaican demographic. Both young males and females were more likely to be unemployed than older Jamaicans, and also were more likely to be unemployed than all young male and female Canadians in this age category (Lindsay 2001).

The largest percentage of Canadians of Jamaican origin appears to be employed in health and manufacturing related jobs. In 2001, about 9 percent of workers of Jamaican origin were employed in health and a further 9 percent in manufacturing, as compared with 5 and 7 percent, respectively, for the overall population. The National Training

Box 8: Addressing Unemployment among Jamaicans at Home and Abroad: The HEART Trust/ National Training Agency (NTA) of Jamaica

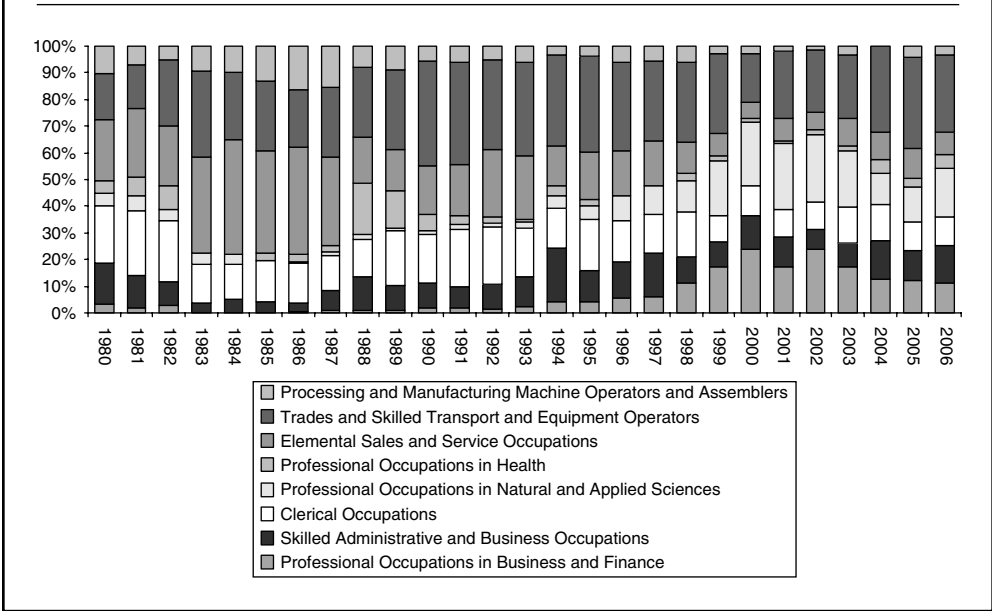
The HEART (acronym: Human Employment and Resource Training) Trust/National Training Agency (NTA) of Jamaica was created in 1982 in response to high youth unemployment among the Jamaican population. It is now the official training entity for the Jamaican workforce, and operates under the Jamaican Ministry of Education, Youth and Culture. Its major objective is to increase employment generation among Jamaicans by providing access to training, competence assessment and certification to all working age Jamaicans and by offering career development and employment facilitation services throughout the island. HEART is financed through a compulsory 3 percent payroll deduction on qualified private sector firms, which is supplemented by assistance from various international donors; such financing allows these Jamaican firms to have their workforce trained and certified through the organization.

The HEART Trust/NTA currently has an agreement with the Canadian embassy that allows the HEART qualification (specifically known as the NVQJ qualification or the National Vocational Qualification of Jamaica) to be accepted in Canada to certify the skill level of Jamaican migrants. In fact, the NVQJ is often a prerequisite for obtaining the Red Seal Certificate by the Industrial Training Authority of Canada. Many Canadian employers, as well as Canadian unions, tend to require immigrants, including Jamaicans, to have this red seal certificate. Without it, migrants are usually paid as apprentices in Canada, but with it, they are paid the appropriate skilled worker market rate similar to non-immigrant Canadians.

Given the importance of the red seal certificate in the workforce, the Industrial Training Authority of Canada is considering certifying Jamaicans with the red seal in Jamaica before they immigrate. This would allow the processing time for employment in Canada to be reduced, to only about five days rather than the present 26 weeks, and would potentially facilitate an increase in the numbers of Jamaican migrants able to send remittances home.

Source: The HEART Trust/NTA website, interviews with officials from Heart Trust/NTA.

Figure 50. Canada—Permanent Residents from Jamaica by Stated Occupation



Source: Authors' calculation based on data from Citizenship and Immigration Canada.

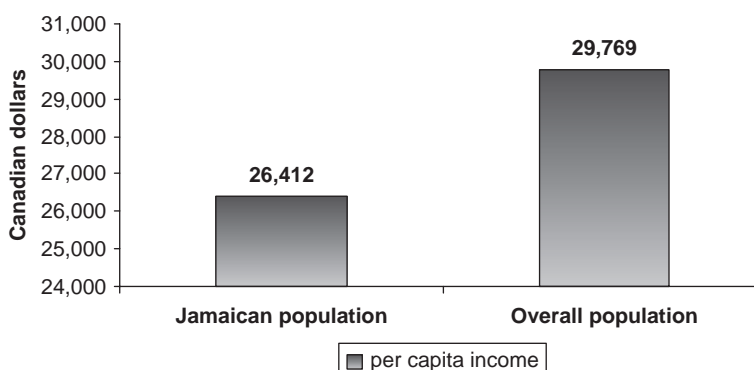
Agency of Jamaica (The Heart Trust/National Training Agency) seems to support these findings, observing that Jamaicans leaving for Canada have traditionally been certified in building and construction, healthcare, and hospitality professions.⁶¹ Since 1994, however, a significant increase has been observed in the number of Jamaican-born permanent residents engaged in professional occupations in natural and applied sciences, as well as in business and finance (Figure 50).⁶²

Despite this changing professional landscape, a relatively low proportion of people of Jamaican origin are employed in management positions. They are also less likely to be self-employed than people in the larger Canadian population (Lindsay 2001).

Perhaps partly as a result of the professional categories in which Jamaicans are primarily employed, Canada-based Jamaicans have incomes lower than Canadians generally. In fact, in 2000, Canadians of Jamaican origin earned almost Can\$3,500 less. The average national figure was Can\$26,412 for those aged 15 and over of Canadians of Jamaican origin, and was Can\$29,769 for the overall population (Figure 51). As well, women of Jamaican origin tend to have incomes that are also about Can\$6,500 lower than their male Jamaican counterparts, whose incomes average Can\$23,575. Seniors of Jamaican origin, both male and female, also have lower average incomes, just over Can\$21,000, than those in the general population, which are about Can\$3,000 more (Table 18) (Lindsay 2001).

61. Officials from the HEART trust/NTA, Kingston, Jamaica.

62. The results of Figure 50 should be treated with caution because in many cases, less than 15 percent of entrants disclosed their occupation to Citizenship and Immigration Canada.

Figure 51. Per Capita Income Levels of Jamaicans and the Overall Canadian Population

Source: Authors' representation based on Statistics Canada, 2001 Census of Canada.

It is also important to note that Canadians of Jamaican origin are more likely than other Canadians to have incomes lower than Statistics Canada's Low Income Cut-offs. Specifically, 26 percent of Canadians of Jamaican origin lived in Low Income Cut-off Households, as opposed to 16 percent of the total Canadian population. Relative to the population at large, and to other Canadians of Jamaican origin, Jamaican children, unmarried adults and seniors living alone are more likely to live in a low income household (Lindsay 2001).

Jamaicans in Canada, as indicated in Table 19, appear to have, on average, lower education, income levels, and higher unemployment rates than the overall Canadian population. There are also illegal immigration problems associated with Jamaican immigrants and, in the Toronto area, there are violent incidents, with Jamaicans either as the perpetrators or the victims of the crime. It may not be surprising, therefore, that more than half

Table 18. Average Income Level of Jamaican and Canadian Population, By Age, 2000

	Jamaican Community			Total Canadian Population		
	Men	Women	Average	Men	Women	Average
Age Group	Dollars					
15 to 24	9,279	9,366	9,325	11,273	9,046	10,182
25 to 44	34,311	27,180	30,353	40,450	26,306	33,308
45 to 64	39,277	28,033	32,672	46,955	26,767	37,026
65 and over	25,640	18,230	21,129	30,775	19,461	24,437
Average	30,087	23,575	26,412	36,865	22,885	29,769

Source: Statistics Canada, 2001 Census of Canada.

Table 19. Education, Employment and Income Statistics, Jamaicans vs. Overall Canadian Population, 2001

	People of Jamaican Origin			Total Canadian Population		
	Men	Women	Average	Men	Women	Average
Education, employment and income						
Percentage with university degree ¹	9.2	10.6	10.0	16.0	14.9	15.4
Percentage employed ¹	69.8	65.9	67.6	67.2	56.1	61.5
Unemployment rate	8.7	8.5	8.6	7.6	7.2	7.4
Percentage with low income	23.9	28.1	26.2	14.7	17.7	16.2

Source: Statistics Canada, 2001 Census of Canada.

of all Canadians of Jamaican origin reported that, during the previous five years, or since they had arrived in Canada, they had experienced discrimination or unfair treatment based on their ethnicity, race, religion, language or accent. Most Jamaicans who reported they have experienced discrimination (69 percent) stated that it had occurred either in the workplace or when they were applying for jobs (Lindsay 2001).

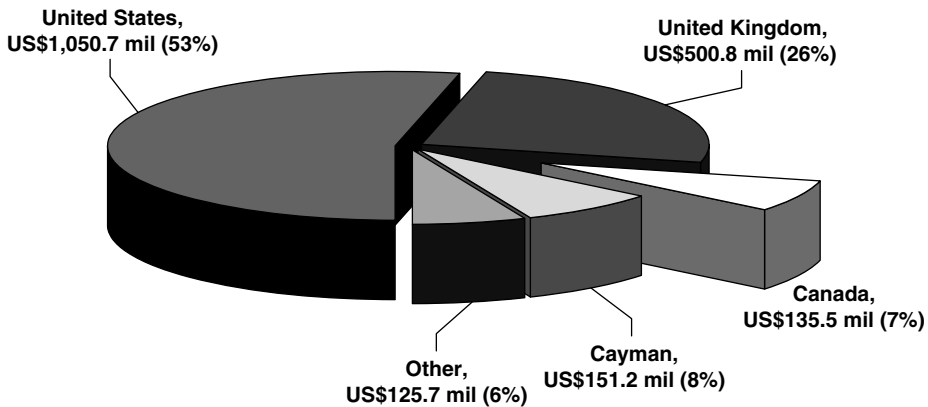
Concerted efforts are needed to help the Jamaican Diaspora reach higher education and income levels, and lower unemployment rates if these immigrants are to integrate more fully into Canadian economy and society. Jamaican females should be the specific focus, because both their labor force participation rates and their incomes are lower than their male Jamaican counterparts. Efforts are also needed to enhance cultural understanding and awareness between the general population and Jamaican societies. It is also vital to curb the disproportionate amount of Jamaican associated violence in the greater Toronto area. Jamaican based agencies such as the HEART Trust (see Box 8) may be of help in this area. Along with improving their situation in Canada, greater earning potential among the Jamaican diaspora could increase the number and value of remittances going back to Jamaica.

Remittance Transfers

Remittance Inflows to Jamaica

Estimated Bilateral Flows Between Canada and Jamaica. In 2007, the Bank of Jamaica (BOJ) recorded formal remittance inflows into Jamaica of US\$1.96 billion, which is an 11 percent increase from the previous year and a more than 200 percent increase compared to the figure recorded in 1997. As in other countries, the monthly breakdown of transactions shows a sharp inflow increase in December because of the coming of holidays.

BOJ data in 2007 shows that remittances from the United States accounted for the largest share (53 percent of total inflows) and reached US\$1.05 billion (Figure 52). Remittance inflows from the United Kingdom, the second main target of Jamaican emigration,

Figure 52. Jamaica: Breakdown of Remittance Inflows, By Country of Origin, 2007

Source: Authors' calculations based on data from Bank of Jamaica.

are recorded as half a billion U.S. dollars. Canada ranked as the fourth individual originator of remittances to Jamaica, sending US\$135.5 million in 2007, equivalent to about 7 percent of total Jamaican inflows. Interestingly enough, the Canadian share grew between 2006 and 2007—from 6.3 to 6.9 percent, which is a 21 percent increase in absolute bilateral flows (from US\$111 million to US\$135 million).

Remittance Distribution via Gender, Location, and Income Levels

In 2006, the Jamaica Survey of Living Conditions (JSLC)⁶³ included a special module on remittances, which showed that approximately 45.3 percent of households in Jamaica had received remittances during the previous 12 months preceding the interview period (May–August 2006). This was an increase of 6.6 percent relative to 2005 and 9.5 percent relative to 2001 (Table 20). It is interesting to note that the percentage growth of remittances is faster in the Kingston Metropolitan Area, increasing from 28.7 percent of households in 2001, to 50.4 percent in 2006. Rural areas, however, showed the highest percentage of households receiving remittances in 2001 (41.6 percent) compared to 34.2 percent in towns other than Kingston. This trend reversed in 2006, and the percentage in rural areas was only 45.3 percent compared to 50.4 percent in the Kingston Metropolitan Area and 45.0 percent in the other towns. These trends suggest that more and more urban households in Jamaica are receiving remittance inflows.

A greater proportion of these remittance recipients tend to be parents, siblings and extended family members (Simmons, Plaza, and others 2005), rather than immediate family

63. *The Jamaica Survey of Living Conditions (JSLC)* is a joint effort of the Planning Institute of Jamaica (PIOJ) and the Statistical Institute of Jamaica (STATIN). It is an annual survey targeting 1 percent of sample households, administered using face-to-face interviews. The JSCL 2006 was administered during the period May to August 2006.

Table 20. Households Receiving Remittances, By Region, 2001–06 (percent)

Region	2001	2002	2003	2004	2005	2006
KMA	28.7	22.2	27.9	30.2	38.4	50.4
Other Towns	34.2	27.9	32.7	38.9	43.3	45.0
Rural Areas	41.6	28.9	33.0	32.1	36.9	42.3
Jamaica	35.8	26.6	31.5	32.9	38.7	45.3

Source: The Jamaica Survey of Living Conditions (PIOJ/STATIN 2006).

members, such as spouses or children. This should not be surprising given that the largest proportion of visas issued by the Canadian embassy are through the “family reunification” category, which eventually allows remittance senders to bring their immediate family members to Canada. In addition, from all types of remittance-senders, a greater percentage of female-headed households receive remittances than do male-headed households (PIOJ/STATIN 2006).

In breaking down the average income range of the Jamaican population into income quintiles, the JLSC finds that all quintiles showed an increase in total remittance inflows in 2006 from 2005. The greatest percentage increase was in the poorest income segment, and showed an increase of 9.2 percent (Table 21). The wealthier segments of the Jamaican population, however, appear to receive a proportionally larger percentage of total remittance inflows than do the poorer segments of the population.

Mean per capita remittances appear to follow this pattern as well, with a greater proportion of mean per capita remittances going towards the higher income segments of the Jamaican population (Table 22).

For all income groups, remittance supplements contribute a relatively small percentage to the recipient’s total expenditures. For the poorest income quintile, that is about 10 percent (Table 23). Higher income segments tend to receive marginally more, and remittances contribute about 12.9 percent of total expenditures to the wealthiest income quintile. While these findings seem to suggest that Jamaican remittance recipients are less heavily dependent on remittances than previously thought, they nevertheless are puzzling, and may benefit from further analysis.

Table 21. Households Receiving Remittances, By Quintile, 2001–06 (percent)

Quintile	2001	2002	2003	2004	2005	2006
Poorest	26.0	19.8	20.6	22.5	21.2	30.4
2	35.3	25.9	28.1	29.6	38.8	40.3
3	44.0	28.4	35.7	34.7	38.9	41.5
4	35.8	29.9	37.0	35.2	42.1	47.4
5	35.0	26.4	32.1	35.7	43.4	54.9
Jamaica	35.8	26.6	31.6	32.9	38.7	45.3

Source: The Jamaica Survey of Living Conditions (PIOJ/STATIN 2006).

Table 22. Per Capita Remittances by Quintile, 2006 (in Jamaican Dollars with US\$ equivalent in parenthesis)

Quintile	N	Money Only	Goods Only
Poorest	111	J\$15,221 (US\$212)	J\$8,518 (US\$119)
2	161	J\$18,943 (US\$264)	J\$9,978 (US\$139)
3	195	J\$28,205 (US\$393)	J\$13,529 (US\$189)
4	268	J\$27,123 (US\$378)	J\$13,759 (US\$192)
5	474	J\$75,124 (US\$1047)	J\$22,967 (US\$320)
All Quintiles (average)	1,209	J\$42,663 (US\$595)	J\$16,580 (US\$231)

Source: The Jamaica Survey of Living Conditions (PIOJ/STATIN 2006).

Frequency, Type, and Use of Remittances Received

Evidence from BRCA survey work and past research suggests that remittance recipients generally receive money each month,⁶⁴ and also for special occasions such as weddings, birthdays, and emergencies. Goods, however, are most often sent annually, when gifts, clothes, shoes, and books may be among the items. Some did receive goods weekly or monthly, but such goods would generally be for daily needs and include foods such as rice, beans, oils, and sugar.

Remittance recipients receiving barrels must generally travel to the Kingston docks to collect them. It is inconvenient and costly for them, because there is usually a charge. There is no charge to the recipient to collect money sent via MTOs. This is why remittances sent in monetary form are preferable to in-kind remittances,⁶⁵ and probably helps explain why remittances in the form of goods are now sent far less frequently, and to relatively fewer remittance recipients.

The amount of monetary remittances received varies widely among Jamaican remittance recipients and with the season. Past research suggests that the median amount per transaction is about Can\$200, with the mean being higher at Can\$395 (Simmons, Plaza, and others 2005). A 2005 FOCAL survey finds that remittance recipients do not generally receive more than US\$250 on each occasion, and that most receive about US\$100–161.

Survey work by the study team and also past research suggest that recipients, of all income segments, use remittances for education, health, housing, purchase of farm equipment,

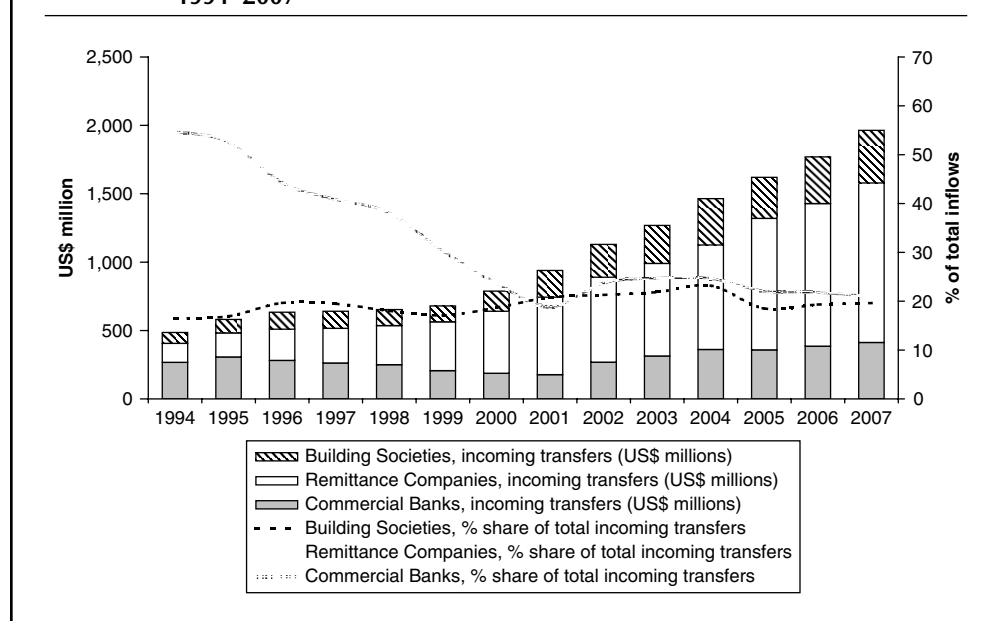
Table 23. Remittances as a Share of Adult Equivalent Expenditure, By Quintile, 2006

Quintile	N	Remittance as a Share of AE Expenditure
Poorest	1,247	10
2	1,257	9.8
3	1,257	11.1
4	1,256	13.6
5	1,283	12.9
Jamaica	6,300	12

Source: The Jamaica Survey of Living Conditions (PIOJ/STATIN 2006).

64. Simmons; Dade; JSLC 2006; study team's interviews with remittance recipients.

65. BRCA Interviews with remittance recipients.

Figure 53. Jamaica: Breakdown of Formal Remittance Inflows, By Channel Type, 1994–2007

Source: Authors' calculations based on data from Bank of Jamaica.

and land. However, they tend to primarily apply remittances to household or normal day-to-day expenses, such as food, clothing, and other daily essentials, and then to education expenditures. As these items consume the bulk of remittances received, only a marginal proportion is available for investing in land, housing, or financial instruments (PIO)/STATIN 2006). A 2005 FOCAL survey also found that only 15 percent of its respondents earmarked some of their remittance for savings.

The reason that remittances may not be specifically earmarked for savings or investments may be that they are generally considered by the recipients to be only income supplements.⁶⁶ As Table 23 shows, remittances contribute only about 10 percent to the average expenditures of the poorest income quintile of Jamaicans. Hence, to understand the Jamaican savings culture and develop appropriate policies based on it, it is necessary to look at the overall Jamaican savings inclinations, and include income received, not only from remittances, but also from all potential sources.

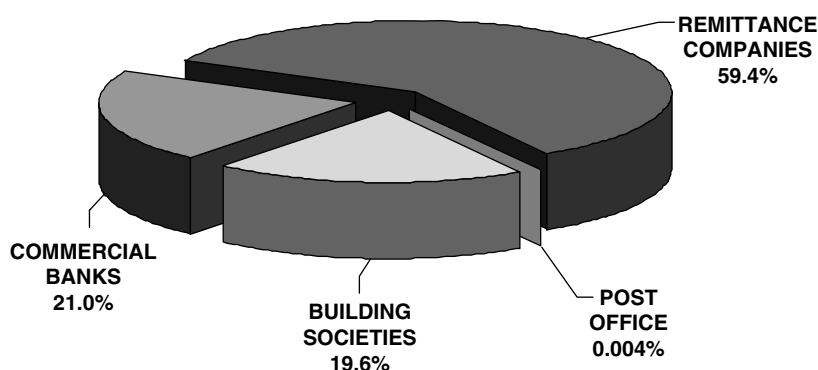
Characteristics of Remittance Market and Transfers

The Jamaican remittance market has become increasingly competitive over recent years, and this has led to a significant reduction of average transfer fees accompanied by better service, such as transmission with greater speed and reliability, and the use of technology.

As data recorded by BOJ makes clear, MTOs, during the last decade, have replaced commercial banks as the preferred channel for Jamaican remittances. In 1994, 54 percent of recorded formal remittance inflows reached Jamaica through commercial banks, almost

66. Interviews with remittance recipients, BRCA team.

Figure 54. Jamaica: Breakdown of Formal Remittance Inflows, By Channel Type, 2007



Source: Authors' calculation based on data from Bank of Jamaica.

twice as much as the 28 percent of the flows managed by MTOs (see Figure 53). By 1999, however, 43 percent of the flows came through MTOs, compared with 38 percent of the flows through commercial banks. By 2007, MTOs accounted for almost 60 percent of total remittance inflows, for a value close to US\$ 1.2 billion (Figure 54), which was three times the amount funneled through commercial banks.

Between 1994 and 2007, total formal remittance flows saw a fourfold increase in which the amount passing through MTOs grew by 740 percent and commercial banks by only 54 percent. Across the same period, local building societies managed between 16 percent and 19 percent of inflows, while transfer options offered by the Postal Service, which had generally attracted a small clientele, faced a decline from 0.2 percent of flows in 1994, to 0.004 percent ten years later.

Experts suggest that the Jamaican MTO market is especially vibrant and competitive in comparison with other countries of the Caribbean. Only a few years ago, it cost about 10–15 percent of the transfer amount to send a typical remittance transfer (Can\$100–200) to Jamaica, but increased competition has now brought the cost down to as low as 2.5 to 5 percent of the transfer amount (Table 24). Many Jamaican remittance companies indicate that it is high volume of transactions, rather than high prices, that bring the profits.⁶⁷

Despite the aggregate reductions in remittance transfer costs over the years, Jamaican RSPs could still charge remittance senders additional costs and obtain additional profit related to the foreign exchange conversion (as discussed in Box 5 in previous chapter). The reason is that remittance recipients in Jamaica typically receive disbursements in Jamaican currency (although this practice is not required by the BOJ).

67. The Worldwide Remittance Price Database <<http://remittanceprices.worldbank.org/>> discloses such fees, including exchange rate margins, to provide a more comprehensive assessment of overall remittance transfer costs by different MTOs including the Canada-Jamaica remittance corridor. It is also important to note that their selection of institutions in the Worldwide Remittance Price database might differ from the list of service providers in Table 24.

Table 24. Canada-Jamaica: Main MTOs Fee Structure, July 2008

Originator (Canada)	TRANSFER FEES (Can\$)				
Amount Sent (Can\$)	50	100	200	300	500
Western Union	9.99	10.99	14.99	16.99	26.99
MoneyGram	10	10	15	15	20
JN Money Transfer	5	5	9	9	10
Rapid Remittance	5	5	10	10	10
Senvia	5	5	5	5	5
VM Money Transfer	7	7	7	7	7
Average	7.0	7.2	10.2	10.5	13.2
Structure (% Share of Transfer paid in fees)					
Western Union	19.98	10.99	7.5	5.7	5.4
MoneyGram	20	10	7.5	5	4
J Money Transfer	10	5	4.5	3	2
Rapid Remittance	10	5	5	3.3	2
Senvia	10	5	2.5	1.7	1
VM Money Transfer	14	7	3.5	2.3	1.4
Average	14.0	7.2	5.1	3.5	2.6

Source: Interviews with MTO Operators, Canada, MTO web pages.

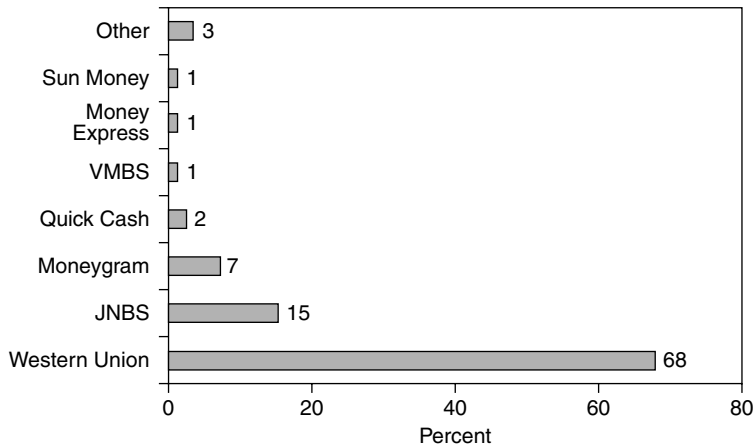
Generally speaking, remittance recipients are satisfied with the remittance service businesses operating in Jamaica. In a survey conducted in 2005, about 50 percent of respondents⁶⁸ reported being satisfied, and 37.2 percent very satisfied, with their usual remittance companies. About 12.7 percent were somewhat satisfied, and only 1 percent of the sample was not satisfied at all.

Because of the increasingly competitive formal remittance market, which is expanding at both the Canadian and Jamaican ends, and because of improved data collection, the BOJ judges that, relative to formal transfers, and to the situation in other parts of the Caribbean, the number of informal transfers from Canada is falling. This view is not based on the number and size of informal transfers, but on the widespread presence of MTOs in Jamaica and the comparatively high bankarization rates (70 percent)⁶⁹ of the population.

The BOJ attributes the diminishing scale of informal transfers to the fact that MTOs are now regulated, and are in increasingly common use for remittance transfers. Recent surveys find that MTOs are the most commonly used medium to transfer money. A CERLAC survey (2005) found that more than 80 percent of respondents used a money transfer agency, and that roughly two thirds of respondents had used it for their most recent transfer of funds. A FOCAL survey (also 2005) found that no more than 4 percent of respondents depended on informal mechanisms, such as incoming friends and relatives,

68. FOCAL Survey, August 2006.

69. Interviews with senior officials, BOJ.

Figure 55. Remittance Company Typically Used by Jamaicans

Source: Survey, Canadian Foundation for the Americas (FOCAL).

to deliver their money to them, and that, of the remainder, only 16 percent picked it up from a bank or similar financial institution, while 77 percent received their remittances through an MTO.

Major Money Transfers Operators

The 2005 FOCAL survey also found that 68 percent of the sample used Western Union, 15 percent used the Jamaican National Building Society (JNBS), and 7 percent used MoneyGram to collect remittances. The same survey noted that 37.2 percent of Western Union customers were very satisfied with its services (Figure 55).⁷⁰

MTOs themselves clearly cannot exactly estimate the market share of others and, therefore, cannot be quite certain of their own. Given the increased competition in the past few years, Western Union estimates that it still has about 45 percent of market share,⁷¹ although the perception of its competitors is that it is much larger than that. JN Money Services (the subsidiary of JNBS, specializing on remittance services) believes that its own market share, in dollar value, is 23–24 percent.

The BOJ, on the other hand, has information on the exact market share for each remittance company, but is prohibited from making this information public. The study team was, therefore, unable to rank MTOs operating in Jamaica based on their market share, profits, and revenue growth. The assumption that Western Union dominates the market is based upon previous surveys, as well as on the present survey of remittance recipients and interviews with senior officials from remittance companies and government agencies.

70. Carlo Dade, FOCAL Survey.

71. Interviews with Grace Kennedy Remittance (exclusive agent of Western Union of Jamaica).

It is clear, however, that Western Union is facing fierce competition and as a result, may be losing its market share.

Western Union has the longest tradition, history and experience in providing remittance services in Jamaica. Other MTOs, especially the local MTOs, are relatively new. Some have been operating for the last decade or so (as subsidiaries of a Jamaican bank or Building Society), while others started their businesses even more recently. The new players have appeal as home-based companies and also because of the lower fee structure.

Western Union has also been successful in branding its product among the Jamaican population, particularly by its extensive network. It has the second largest number of locations (after MoneyGram) distributed throughout the island. An added advantage is that Western Union opens many of its branches on weekends, including Sundays, and emphasizes customer service. It also has a strong focus on corporate social responsibility, and makes the largest community investment in the country, organizing 9 major activities in 14 different parishes.⁷² In partnership with Hilo Supermarket, Western Union also offers a loyalty card, which allows its customers to gain points the more often they use the company. The additional points provide them with various discounts in supermarkets and on phone cards.

Again based upon past surveys and the BRCA's own fieldwork, MoneyGram appears to be Western Union's closest competitor.⁷³ In Jamaica, Western Union is represented by one agent, Grace Kennedy Remittance. MoneyGram has five agents: Lasco Remittances, Supreme Ventures, Jamaica National Building Society, National Commercial Bank of Jamaica (SENVIA), and Alliance Investments.

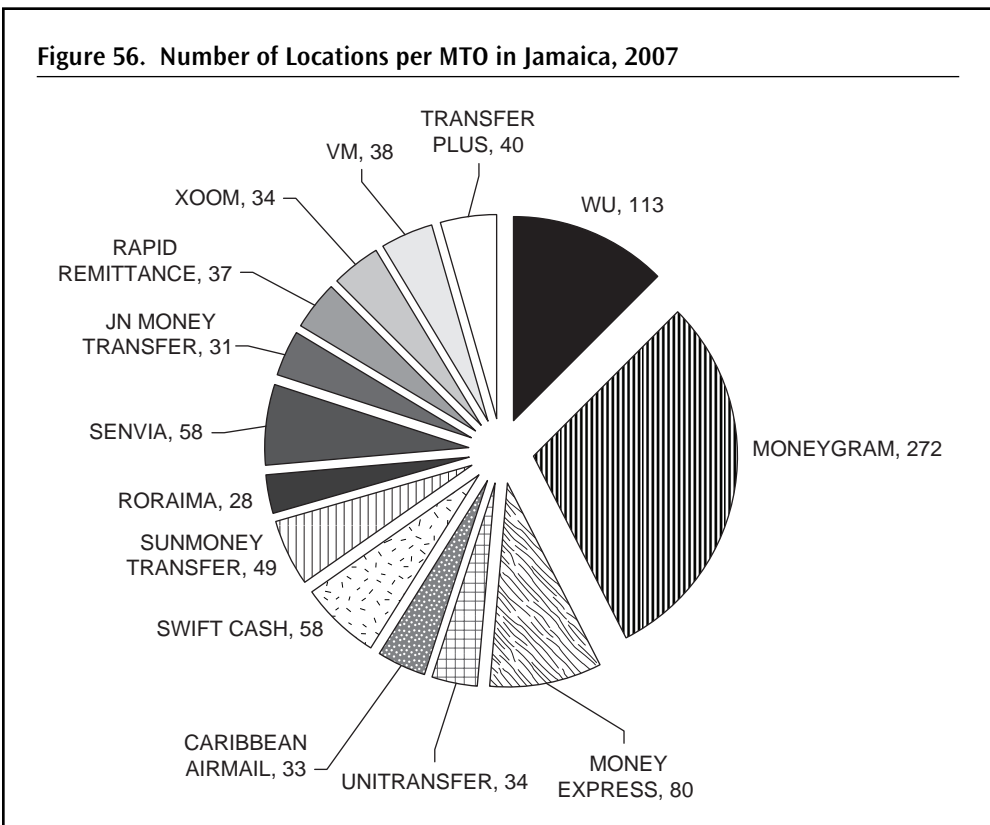
Even so, despite the large number of their agents, (Figure 56 and 57), MoneyGram's market share is believed to be much smaller. Though, by number of transactions, it is growing at 30–35 percent per annum,⁷⁴ it cannot compete with the volume of Western Union's transaction. However, since the cost of transferring money through MoneyGram is generally cheaper, MoneyGram may be more attractive to lower income customers transferring funds of smaller value.

Given its five different agents there, MoneyGram has probably not seen the growth in Jamaica that it either expected or hoped to achieve. The mission team learned from the Moneygram agents that they tend to compete amongst each other rather than working together to compete with MoneyGram's rivals. In fact, there are several disincentives to cooperate. Individual agents are generally disinclined to spend money on marketing because all agents can benefit if one of them increases marketing expenditures. As well, in spite of the competitiveness of MoneyGram agents with each other, they cannot set their own individual remittance transaction prices (thus undercutting their fellow

72. Ibid.

73. Again, as market share data cannot publicly be disclosed by BOJ, it is not possible to know for certainty who the next largest competitor might be. Our own survey work and interviews with remittance operators seems to suggest that MoneyGram is the next largest competitor to Western Union, although one survey, the 2005 FOCAL survey of a sample of remittance recipients, indicated that Western Union was the most commonly used service provider, followed by JN MoneyServices (15 percent of the sample) and then MoneyGram (7 percent of the sample).

74. Based upon interviews with officials at Lasco Remittances in Jamaica; the figure is also based upon the rough estimates of these officials.

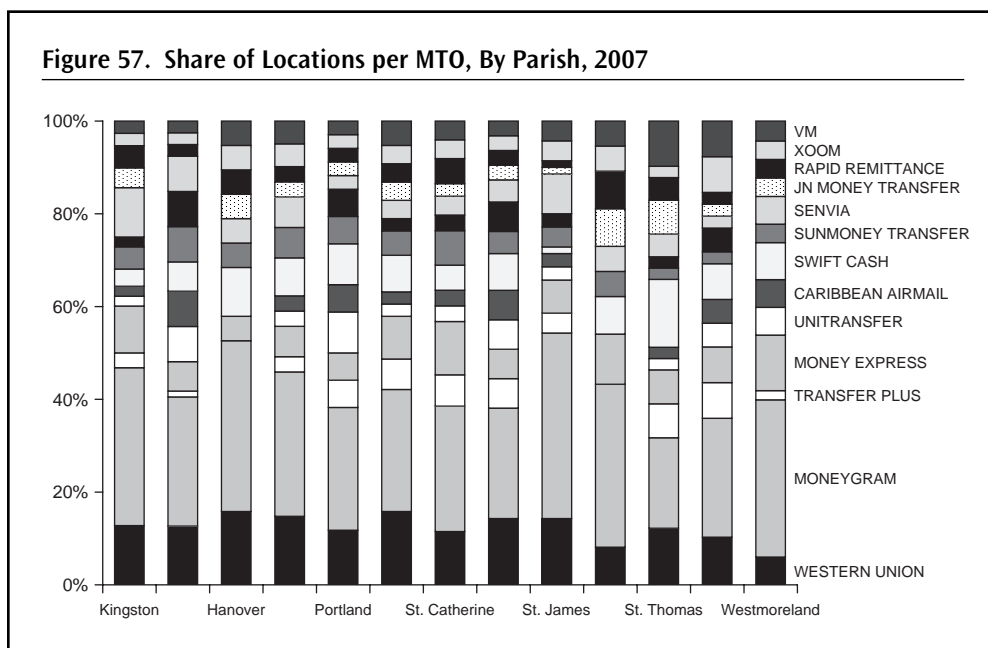
Figure 56. Number of Locations per MTO in Jamaica, 2007

Source: Authors' calculations based on data from Bank of Jamaica.

agents), and lowering transmission costs for consumers. MoneyGram requires all Jamaican, remittance transaction fees to be uniform. As a result of such thinking, MoneyGram's whole marketing strategy is less robust, and the company has a reduced involvement in the community activities and corporate social responsibility that Western Union takes so seriously.⁷⁵

At the same time, some of MoneyGram's agents in Jamaica also have their own remittance services. JNBS, an agent of MoneyGram, also offers JN money services, which competes, and to a certain extent collaborates, with MoneyGram. Customers of Jamaica National Building Society might, for example, choose JN Money Services for UK and Canadian markets because they are more prevalent in those countries, but would choose MoneyGram for outbound remittances to other worldwide markets. JNBS is an agent of both remittance businesses, and offers its services based on the two respective fee structures.

75. Interviews with officials from LascoRemittance, one of the primary agents of MoneyGram in Jamaica.

Figure 57. Share of Locations per MTO, By Parish, 2007

Source: Authors' calculations based on data from Bank of Jamaica.

Since its creation in 2004, JN MoneyServices has been another major remittance player, and is comparatively strong in remittance transfers between Jamaica and the UK and USA. Of their more than 200 agents globally, more than 50 percent of them are in the UK market. Recently, JN Money Services has increasingly focused on Canada given the increasing flows of temporary migrant workers. These migrant workers, who are traditionally from lower income segments of the Jamaican population,⁷⁶ send a large portion of remittances back to Jamaica.

JN Money Services, unlike other MTOs in Jamaica, introduced a JN Debit Card in 2002, and this allows remittance recipients to pick up remittances in any amount from any ATM in the country. Transfers to this debit card now comprise 30 percent of JN's total Jamaican remittance transactions. The remittances are first deposited into a JNBS account from the sender's side, and the remittance recipient can then sign an agreement (which can subsequently be changed) to receive cash immediately without the need to hold a JNBS bank account, or to make a direct deposit arrangement. A JN Debit Card does not need to be approved by the remittance sender and recipients are typically notified of remittance arrivals through text messages sent to their cell phones.⁷⁷

Today, many remittance companies offer bill payment services, for an additional charge, allowing customers to pay specific household bills (such as electricity and water) through them. CAMBIO, a money bureau, is also often conveniently located on the same premises as remittance company agents.

76. Interviews with officials from JN Money Services.

77. Ibid.

Banks, Building Societies, and Credit Unions in Jamaica

Banks, as already discussed, are not the most common medium through which Jamaicans receive overseas remittances today. BOJ data estimate that banks handle less than 21 percent of total volume (Figure 52) and, according to the FOCAL sample, fewer than 10 percent of recipients. Among the banks, however, those most commonly used for remittance purposes are: the National Commercial Bank of Jamaica, Scotiabank, Capital and Credit Merchant Bank, and the Royal Bank of Trinidad and Tobago.⁷⁸ Scotiabank currently has an agreement to collaborate with Western Union in a Far East pilot project, and is not sure how this will affect its Jamaican operations. It is considering the feasibility of partnering with Western Union in Jamaica, but Western Union already has an exclusivity agreement with Grace Kennedy Remittance currently in place (see later section of this chapter). First Financial Caribbean Bank has also been approached by two or three unidentified MTOs to discuss possible viable remittance partnerships.⁷⁹ Because the Jamaicans surveyed generally have favorable attitudes towards banks,⁸⁰ there is great potential for banks to expand into the Jamaican remittance business through forming partnership with MTOs.

Well-established building societies are already in remittance services often through remittance subsidiaries. JN Money Services, for example, is a remittance subsidiary of the Jamaican National Building Society, and Victoria Mutual Money Transfer is a remittance subsidiary of the Victoria Mutual Building Society. These remittance companies tend to have well-resourced compliance units thanks to group compliance with the parent building society.⁸¹

Jamaican credit unions also engage in the remittance business, although they are far less involved in international remittance transactions. Remittances have not traditionally been their core strategic focus and competency, which have been savings and loans. The remittance arm of credit unions therefore has been less a proactive strategic initiative to grow the credit union's revenue,⁸² than the direct result of demand from within the membership.

Nevertheless, Jamaica's largest credit union, the City of Kingston Cooperative Credit Union, is determining ways to expand its remittance arm, and is currently exploring the prospects of establishing new alliances with Canadian credit unions. The decision, however, depends upon whether the Jamaican migrant (and hence remittance) market is growing in Canada and whether their business would be sustainable and profitable there. At the time of interviewing, they had reached no decision.

Like established MTOs such as Western Union, all Jamaican credit unions in Jamaica are emphasizing a shared collective effort to market and promote their remittance services

78. FOCAL Survey.

79. Interviews with officials, First Financial Caribbean.

80. Along with the study team's survey work, the 2005 FOCAL Survey (Dade) finds that 69.3 percent of its sample had a positive attitude towards banks, and only 2.6 percent reported having a bad feeling about banks. According to the same survey, bank charges, which are described as being too high, are the most common reason for a bad or indifferent opinion among remittance customers, although this represents only 6.3 percent of the total sample.

81. Study Team interviews with banks and the BOJ.

82. Interviews with executives from City of Kingston Cooperative Credit Union.

aggressively. While this might well be an excellent primary way for credit unions to compete effectively with dominant players,⁸³ these efforts have currently not been mobilized entirely.

Exclusivity Agreement

In Jamaica, Western Union has an exclusive contract with Grace Kennedy Remittance Services that prohibits Grace Kennedy from engaging in remittance businesses through any other remittance company. Multinational MTOs frequently impose such agreements on local MTOs. However in the case of Grace Kennedy, the exclusivity clause is mutual, and similarly prohibits Western Union from engaging with other local MTOs to offer services. This type of *mutual* exclusivity clause is extremely rare, and may be unique.

Grace Kennedy Remittances is an established Jamaican company of over 80 years old, and is only one subsidiary of 53 other subsidiaries in the GK group. GK was chosen by WU because it was such an established and reputable company. Remittances under their agreement began in 1990.

Western Union pays a commission per transaction to Grace Kennedy, and the company has also recently bought a 25 percent share of Grace Kennedy.⁸⁴ Grace Kennedy has now also opened its first bank, the FirstGlobal Bank.

The exclusivity agreement appears to have created oligopolistic conditions for the limited number of international MTOs and has stifled greater competition in the market⁸⁵. Authors' fieldwork in Jamaica also suggests that it has helped discourage more international MTOs from entering the Jamaican remittance market landscape.

Legal and Regulatory Framework Applicable to Remittance Companies and Agents in Jamaica

Remittance companies in Jamaica are regulated under the Bank of Jamaica Act, are highly supervised, and are also subject to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures. Such supervision may be advisable given that remittance companies in Jamaica have traditionally operated in an environment characterized by relatively high crime rates.

Given the reported involvement of elements in the Jamaican diaspora in criminal activities in Canada and the relatively high incidences of crime in Jamaica, RSPs operating in the Canada-Jamaica corridor potentially face a high risk of money laundering. On the other hand, there has been no evidence of terrorist financing threat to Jamaica.

Money Laundering and Terrorist Financing Risk Posed to RSPs

The major types of crime generating proceeds are drug and arms trafficking.⁸⁶ Jamaica is a drug trafficking route both to North America and to Europe (especially the UK).

83. Ibid.

84. Interviews with executives from Grace Kennedy Remittances, Kingston, Jamaica.

85. Based upon authors' research and fieldwork.

86. Mutual Evaluation Report of Jamaica, CFATF, October 2005.

Jamaican authorities have seen evidence, for example, that drug traffickers try to legitimize their proceeds by establishing commercial enterprises, and by attempting to launder funds through the formal financial sector.⁸⁷ Jamaica's Financial Intelligence Unit (FIU) has also recently encountered a case where courier services such as Fedex were used.

Applicable Laws and Regulations

RSPs in Jamaica are subject to the Bank of Jamaica Act (as amended in 2004) and the Proceeds of Crime Act (2005), which came into force on May 30, 2007. The POCA makes all serious crimes predicate offenses to money laundering, and designates the Financial Investigation Division (FID) of the Ministry of Finance as the responsible authority. Jamaica's Financial Intelligence Unit (FIU) receives suspicious transaction reports (STRs) and threshold transaction reports (TTRs) and is one of FID's seven units.

The Financial Regulation Division (FRD) of the Ministry of Finance & Planning is responsible for developing the AML policy. After reviewing best practices and conducting extensive research, the FRD makes recommendations to the Minister, and also acts as coordinator of joint AML initiatives between the financial supervisors and the law enforcement agencies. The supervisory agencies are responsible for the supervision and monitoring of covered institutions.

The BOJ is the designated authority regulating and supervising remittance companies. In February 2004, the BOJ Act was amended to establish the regulatory regime for money transfers, as well as for remittance agents and companies.

The Ministry of Finance has a great deal of confidence in the BOJ. It is equally confident that, currently, remittance agents are adequately monitored, and that there is no immediate need for more regulation.

Registration/licensing. The authorities decided that a licensing regime is better suited to the Jamaican environment, and in 2004, the remittance companies were brought under a licensing regime to engage in the business of remittance and money transfer, which came into force in July 2005. The Bank of Jamaica has been granted the power of approval, acting on behalf of the Minister of Finance and Planning, and is responsible for regulating all such companies.

Before the amendments to the BOJ Act came into effect, there were 12 remittance companies with a total of over 400 outlets.⁸⁸ According to BOJ's in-house remittance master list, there were, at the end of January 2005, sixteen primary agents offering remittance services through 557 subagent locations. By July 2008, 12 remittance companies had been licensed and 479 subagents have been approved.⁸⁹ The BOJ has not revoked any license from the remittance companies.

The remittance companies, as primary agents, are required to obtain operating licenses from the BOJ, but their subagents do not independently need to do so. The subagents must,

87. Ibid.

88. Interview with BOJ officials.

89. Current list of licensed remittance companies and approved subagents are available at the BOJ website: http://www.boj.org.jm/supervised_remittance.php.

Box 9: Obtaining a License

In Jamaica, the primary agent must obtain a license to operate remittance services and the sub-agent should be approved based on each location.

Requirements for Primary Agent's License to Operate

The primary agents have to submit the following to the BOJ:

1. Application Form.
2. Completed Fit and Proper Assessment questionnaire (provided by the BOJ) for each Director, significant Shareholder (shareholding of 10 percent or more) and Manager(s) of the remittance location.
3. Copy of Certificate of Incorporation (license will be issued only to companies registered to do business in Jamaica).
4. Copy of Certificate of Registration of Business Name (where applicable).
5. Memorandum and Articles of Association of the Company.
6. Audited financial statements of the company for the preceding two (2) years. If the company has been in operation for less than two years, the financial statement(s) of the principal shareholder(s) must be presented.
7. Copy of acknowledgement from the Commissioner of Income Taxes evidencing the filing of income tax returns for the preceding two (2) years.
8. Proof of Business arrangement with the International Remittance Company which the company represents—a copy of the agency agreement between the overseas principal and the applicant as local agent.
9. Evidence from the affiliated international remittance company that such entity:
 - a) is authorized/licensed by an approved supervisory/regulatory body in that foreign country;
 - b) has been operating overseas in the remittance business for a minimum of three (3) years .
10. The company must have a minimum net worth of US\$10,000 or its equivalent in Jamaican dollars.
11. Applicants must have the capacity to report electronically to the BOJ.

Requirements for Subagent's Approval to Operate

A separate form must be completed for each remittance service location.

The primary agents have to submit the following to the BOJ on behalf of the subagent:

1. Application Form.
2. Completed Fit and Proper Assessment questionnaire (provided by the BOJ) for each Director, significant Shareholder (shareholding of 10 percent or more) and Manager(s) of the remittance location.
3. Copy of Certificate of Incorporation (license will be issued only to companies registered to do business in Jamaica).
4. Copy of Certificate of Registration of Business Name (where applicable).
5. Memorandum and Articles of Association of the Company.
6. Audited financial statements of the company for the preceding two (2) years. If the company has been in operation for less than two years, the financial statement(s) of the principal shareholder(s) must be presented.
7. Copy of acknowledgement from the Commissioner of Income Taxes evidencing the filing of income tax returns for the preceding two (2) years.
8. A copy of the Agency agreement between the applicant and any subagent which performs money transfer/ remittance services on its behalf (when applying for license for a subagency).

Fit and Proper Test

The BOJ undertakes the fit and proper test, and background check of applicant and directors to establish whether they have any criminal records. The BOJ contacts FID for financial criminal records and the police for other criminal records. The FID's due diligence unit within the FIU performs the part of fit and proper test for the BOJ. Each applicant is thoroughly checked to establish whether for example, the applicant has been involved in tax evasion or other financial crimes, and if required, remittance agents are interviewed in the field. Currently the unit faces a challenge because there is a backlog in the processing of applications. Due diligence may currently take a month or even longer, but the unit plans to hire more staff.

Application and Annual License Fee

The current fee structure is as follows:

- Application Fee (per Company): US\$5,000
- Location Fee (applicable to each location): US\$200

Licenses have to be renewed annually and pay:

- Renewal Fee (per Company): US\$4,500
- Location Fee (applicable to each location): US\$200

Fees are payable in United States dollars or in the Jamaica Dollar equivalent.

This fee structure is relatively high when compared to that of other countries. Many countries decided not to charge fees to remittance companies, especially when it is a registration system. If they do, they charge nominal processing fees. A licensing regime is more costly and when regulators charge fees, they are usually less than US\$1,000. Some countries choose not to charge fees even in a licensing regime.

According to the BOJ, however, the license fees do not cover the cost of the rigorous screening and the related expenses, such as traveling to all parts of the island.

The BOJ believes, nonetheless, that remittance companies prefer the current system to being required to undertake even more thorough screening of subagents themselves. In addition, because the BOJ has better access to information about subagents, it is easier for the BOJ to screen subagents than it would be for the remittance companies.

however, be approved by the BOJ, which subjects them to suitable tests before granting approvals. As the approval of subagents is location specific, agents need new approvals if they change business locations. The rationale for making approvals location specific is: to avoid subagents changing business locations and failing to report; to ensure that subagents are not concentrated in one place, and, to ensure that subagents do not operate in high crime areas. In Jamaica's small open economy, the BOJ feels that stronger checks are essential to mitigate risk. It also believes that the public feels more at ease if a license approved by the BOJ is displayed in agent locations.

The BOJ's licensing regime is rigorous in its efforts to ensure that criminals do not use the remittance companies to commit illegal acts. At the same time, it aims to ensure that remittance companies provide good services to the Jamaican population, many of whom depend on remittances.

The remittance companies understand the need for licensing and they recognize the fact that the BOJ undertakes the screening of subagents to filter out riskier agents, and to avert legal complications if one of their subagents were involved in an illegal activity. At the same time, the primary agents carry out their own on-site checks of subagents to establish that they are able to comply with the requirements, and have the required business skills.

The regime may disadvantage some smaller players, because it can be difficult for them to absorb the costs of meeting the regulatory requirements.

One unanimous concern of the sector was the delay in receiving licenses or the approval of subagents. Currently either can take from six weeks to six months.

One local financial institution thought that the BOJ should pay more attention to fostering the growth of local remittance companies.

RSPs Requirements Concerning AML/CFT Measures. Money transfer and remittance agents and agencies are considered financial institutions in Jamaica and are subject to the full AML/CFT regime. The BOJ issued AML/CFT Guidance Notes⁹⁰ to provide guidance to financial institutions subject to AML requirements. The Guidance Notes were updated most recently in March 2008, and contain a section specifically providing guidance for remittance companies.

Breach of compliance with this guidance note exposes the financial institutions to prosecution as well as to regulatory action by the BOJ, which may include the suspension or revocation of a license to operate.

Customer Due Diligence. While the POCA regulation provides exemption of Customer Due Diligence (CDD) requirements for transactions up to and below US\$250 or the equivalent in any other currency, this exemption does not apply to remittance transactions. This exclusion is because remittance companies and their subagents generally handle small transactions, and because remittance companies are perceived as of higher risk.

The section IV.B. of the BOJ Guidance Notes provides additional guidance on the identification procedures that remittance companies and exchange bureaus are required to undertake before they proceed with transactions or establish business relationships. The BOJ recognizes that customer profiles for these companies are different from other financial institutions, because they are characterized by one-off transactions, by customers who are foreign visitors or foreign workers, and by some repeat customers who use them more than once in a three month period. The definition of repeat customers in the BOJ guidance notes concerns only remittance transactions that are outbound.

Remittance companies are required to check client's identification based on:

- True name and names used
- Correct permanent address, including a postal address if that is different from the permanent address
- Date and place of birth.

The BOJ guidance notes state that verification of identity should be based on a valid passport, driver's license or national identification card. Recognizing, however, that not all clients using remittance companies or exchange bureaus have these documents, the BOJ guidance notes add:

If an applicant for business has none of these forms of identification with him/her, then the Cambio or remittance company may, in addition to the customer's TRN, and with the exception of (c), accept:

90. 2004 (Revised 2008) Guidance Notes for the Prevention and Detection of Money Laundering and Terrorist Financing Activities.

(a) a customer's worker's identification (with a picture) from a known employer; or a birth certificate accompanied by a Declaration of Identification and a photograph both of which (i.e. the Declaration and the photograph) must be signed by a Justice of the Peace (JP), a Minister of Religion or an Attorney-at-Law confirming the identity of the customer; or

(b) a customer's client card (where the client card was issued to that customer by the specific cambio or remittance company itself). Where however client cards are the sole source of identification relied on, the cambio's records or the records of the remittance company must contain a photocopy of the customer's official identification as well as corroboration of the customer's address and source of funds and these records will need to be updated from time to time (see paragraph 46 above).

(c) In the case of Remittance Companies, when conducting inbound transactions only, a valid school ID where the student is enrolled in a secondary or tertiary institution may be accepted where the student identified as the recipient, is maintained through remittances sent by overseas parents or guardians responsible for him/her. The ID must have the following features:

- A photograph of the student
- Signature of ID holder (student)
- ID Number
- Expiry date of ID
- Name of the relevant academic institution (high/secondary school or tertiary institution)
- Signature of principal/bursar/vice-principal of the relevant academic institution.

The foregoing is applicable only to individuals under the age of 18 years as persons over 18 years of age will have attained the age of majority and will have achieved the age limit to qualify for obtaining other forms of identification i.e. Driver's License, Voters ID etc. Additionally, the point must be made that this paragraph is meant to facilitate the specific circumstances of remittances from persons (parents/guardians) living overseas to their children/dependants (between the ages of 10 and 17 years of age) in Jamaica for school and living expenses.

Similarly, the BOJ guidance notes recognize that remittance companies and cambios may not be able to apply the same verification process as other financial institutions are required to do, and it suggests alternative verification processes more suited to their operations, including:

- Checking the signature of the applicant
- Ensuring that identifications tendered are current and do not appear to be forged
- Checking that the appearance of the customer is consistent with the picture in the identification material
- Questioning the customer for confirmation details.

When the client is a corporate customer, and/or when the transaction is above US\$1,000 or the equivalent, remittance companies are required to apply further due diligence.

Customer identification and verification is an important process not just because of international requirements but also because remittances are important part of family financial support in Jamaica. There have been cases, sometimes involving employees of remittance companies or their subagents, where fraudulent ID has been used to claim the remittance of another person.

Reporting. The POCA requires all financial institutions to make the threshold for reporting at US\$15,000 or an equivalent amount in any other currency, except for exchange

bureaus whose reporting level is US\$8,000 or equivalent, and remittance companies who are required to report US\$5,000 or equivalent.

Remittance companies began reporting STRs in 2004. According to the FIU, 95 percent of STRs currently come from remittance companies, and most come from big players. Frequency, value, and collection location are factors in determining if a transaction is suspicious. The FID believes that this higher percentage of STR reporting by remittance companies is connected with their difficulty in determining original sources of funds. This is because the fund sources for RSPs are in the sender side, and this makes it more difficult for Jamaican RSPs to gauge the risk of remittance transactions.

If the FID suspects a particular client, then it has the power to require remittance companies either to continue the transactions with the client or to reject the transaction. The FID has seven days to deliberate on such an issue, a legally provided time lag that the Jamaica Bankers Association finds frustrating.

Record Keeping. Remittance companies are required to maintain records of client identification and transactions for five years.

Compliance Regime. The POCA requires that a compliance officer should be appointed at the senior management level and must have explicit and ultimate responsibility for AML/FT compliance program.

The BOJ Guidance Notes delineates that the internal compliance program would at a minimum include:

- Establishment of an adequately resourced unit responsible for day to day consideration and monitoring of compliance.
- Establishment of a strong compliance plan that is approved by the Board of Directors of the institution and that provides for ongoing independent review and testing of staff's compliance with AML and CFT requirements.
- Proactive follow-up of exceptions to ensure that timely corrective actions are taken.
- Regular reporting of compliance levels, including exception reporting to senior management. Senior management should also be made aware of any corrective measures being implemented.
- Regular consultation with the Designated Authority to ensure that the institution is carrying out its obligations under the law.

In addition, the POCA requires that financial institutions should be subject to independent audits of their AML/CFT programs, and suggests that comprehensive reviews of the AML/CFT program be undertaken periodically, using both the internal and external auditors.

All the interviewed financial institutions, including remittance companies, were committed to meeting the AML/CFT requirements. Those remittance companies affiliated with parent banks tended to have a group-wide compliance unit, and access to resources that banks are able to afford. Other remittance companies that are primary agents of international remittance companies followed company policies and procedures.

Remittance companies do make on-site visits to their subagents and conduct training for them.

Compliance Cost. Remittance service providers who are small players or unaffiliated with banks are adversely affected by the high compliance costs, and tend to feel that the strict requirements even for subagents make survival difficult in the competitive remittance market.

Negotiation with Authorities. Currently, Jamaican remittance companies have no professional association. It is likely, however, that one will be formed in order to represent common interests. About fourteen companies are committed to such a move.

Enforcement of the Law/Regulation and Supervision

As the agency responsible for supervising remittance companies, the BOJ has comprehensive powers of enforcement and sanctions, including the power to issue, suspend or revoke licenses. While the BOJ has declined to approve some subagents, it has not yet revoked any license. The FID provides some help with specific AML/CFT instances, but all the monitoring and supervision is done by the BOJ, which undertakes semi-annual site inspections, and has six inspectors dedicated to remittance companies.

The FID has been providing training for remittance companies, which, at present, have a compliance rate of about 75 percent.

Table 25 summarizes AML/CFT requirements, as well as other requirements for remittance companies and their agents.

Other Issues

Relationship between Remittance Companies and Banks. At least some Jamaican banks consider remittance companies to be high-risk customers, and have stated that they would partner with them only if the risks can be managed effectively. On the other hand, many remittance companies are already affiliated with building societies or with banks as parent companies. In reality, therefore, remittance companies in Jamaica do not seem to face a major problem with banking.

Remittance Transfer and Foreign Currency Exchange. The approval to operate remittance services does not extend to the buying and selling of foreign exchange, for which separate approval is required. Exemptions⁹¹ have been granted by the BOJ when remittance companies are engaged in the following activities:

- The disbursement of Jamaica dollars to the beneficiary of an inbound remittance in respect of which foreign currency was received by the overseas provider
- The acceptance and use of Jamaica dollars to acquire foreign currency, or foreign currency instruments, to make an outbound remittance.

Remittance outflows need not be exclusively in Jamaican dollars, and remittance companies, themselves make the decisions whether to accept Jamaican dollars or a foreign currency. Remittance disbursements in Jamaica, however, must be made in local currency.

91. See http://www.boj.org.jm/pdf/remittance_guidelines.pdf

Table 25. Summary of AML/CFT and Other Requirements for Remittance Companies in Jamaica

Licensing or Registration Regime	Licensing requirement with an annual renewal
Competent Authority responsible for RSPs	Bank of Jamaica
Capital/guarantee requirement	The company must have a minimum net worth of US\$10,000 or its equivalent in Jamaican dollars.
Required legal structure of MTOs	Registered Company (certificate of incorporation)
Fit and proper test	Performed by the BOJ with the FID
Experience required of applicants	Not mandatory
Criminal records of applicants	Checked
AML Requirements	CDD; reporting requirements (suspicious transactions, threshold reporting); record keeping; compliance regime
Onsite visits	Bank of Jamaica
CDD Requirement Threshold (Kick-in)	None
Transaction limit	None
Suspicious transactions reports	Suspicious transaction reports are expected to be filed regardless of amount.
Thresholds transaction reports	Threshold of US\$5,000 or equivalent in any foreign currency
Record keeping requirement	Five years
Sanctions	Failure to comply with relevant requirements could expose to prosecution under the POCA, the POCA (Money Laundering Prevention) Regulations, 2007 or to prosecution under the Terrorism Prevention Act as well as to regulatory action by the Bank of Jamaica.
Fees on entry/Annual Fees	First Application <ul style="list-style-type: none"> ■ Application Fee (per Company) US\$5,000 ■ Location Fee (applicable to each location) US\$200 Renewal of the license <ul style="list-style-type: none"> ■ Renewal Fee (per Company) US\$4,500 ■ Location Fee (applicable to each location) US\$200

Restricted Operations. The BOJ prohibits⁹² remittance companies from effecting transfers conducted by:

- Card based transfers (in respect of inbound remittance disbursements)
- Stored value cards for inbound remittance disbursements, that is, where the sender purchases value and the account balance is stored on the card, which can then be used for withdrawals at Automated Teller Machines or for payments at Point of Sale terminals

92. Ibid.

- By hand via international or local courier companies
- By account to account wire transfers.

Stored Value Cards. As stated above, the approval to operate remittance services does not extend to sale or issue of instruments of stored value. Instead, the BOJ allows a direct deposit into a bank account. These two methods tend to have the same effect when remittance companies are affiliated with the banking business, because remittance companies can ask clients to open a bank account at their affiliated bank. While this banking practice is common in Jamaica,⁹³ some respondents indicated that the process of opening a bank account is complicated because it requires two references, proof of address, and so forth. Some remittance companies believe that where the stored value card has a limit on the amount that it can store, the money laundering and terrorist financing risk would be mitigated.

The BOJ, however, does not foresee any regulatory changes that would promote stored value cards so as to distinguish remittance business from deposit taking business. The bank believes that such cards might be used for money laundering, especially because the stored value card issuer would not be as equipped as banks to develop an AML/CFT program. The BOJ is currently only allowing direct deposit to banks and use of bank cards.

Remittance companies are, however, allowed to send outbound remittances conducted by the sender with debit cards or credit cards. They may also make cash disbursements for inbound remittances, including disbursement by the Operator, to the stated bank account of the person indicated in the transaction instruction. The Operator must have the written permission of the intended recipient to deposit them in the recipient's bank account, and must ensure that the bank account indicated in the transaction instruction is held by the intended recipient.

New Technologies: Mobile Phone Remittance Services. The BOJ prohibits remittance services offered through mobile phones, and does not consider the prohibition a contentious issue at this point. At the same time, mobile phone remittance services are now spreading quickly around the world. It became clear, however, that some Jamaican remittance companies and financial institutions are considering whether to enter the market, or have been approached by a mobile phone service provider hoping to partner with them to start remittance services.

Informal Transfers. The BOJ believes that, because of Jamaica's extensive and widespread remittance market, the extent of transfer flows through informal channels is not significant. The remittance market has become more competitive and is expanding at both the sender and recipient ends and, until recently, the increase in the average remittance amount corresponded to the economic growth in sender countries. While the BOJ does not have concrete evidence of this, they can deduce that informal flows have fallen by the large number of remittance sub-agents present in Jamaica and the 70 percent bankarization rate of the population.

93. For example, a Focal study pointed that 86 percent of population have bank accounts. However, it should be noted that this survey was conducted in Manchester and St. Catherine which are higher income parishes.

Due to the rigorous supervision of the sector by the BOJ, and the widespread network of remittance companies, unlicensed remittance transfer operations are thought to be minimal. Migrant workers may, of course, bring money home when they come back to Jamaica or may ask friends to do so on their behalf (pocket transfer). Some remittance companies believe that there are many pocket transfers, and there are likely to be more such transfers when the source countries do not have strong remittance markets, as in other Caribbean countries where Jamaicans might be working.

In 2004, the Government imposed a compulsory measure requiring that movement of monetary instruments of US\$10,000 or equivalent or more be declared at the border. A number of seizures were made when passengers could not demonstrate the source of funds. Most dubious cases involved the transfer of excess money (over US\$10,000) to friends and relatives. To date, there have been four court cases regarding unexplained fund sources. The Jamaican Customs authority would prefer more stringent customs procedures to be required at the embarkation stage on the other side, and that individuals should declare assets before embarking.

Transparency of Remittance Transfers. The BOJ believes that ensuring transparency has helped the Jamaican remittance market become more competitive. Displayed at any subagent location, people can see the operating license, and a list of applicable fees and charges, and they can make choices by comparing them with the fees and charges of other companies. When they receive a copy of the transfer, it contains the information on fees and other charges. This requirement has certainly helped MTOs to consider their own fee structures vis-à-vis that of their competitors. Interestingly, Jamaican markets tend to see a similar fee structure shared by a few MTOs as an indication of open competition.

Main Points

The main points from this chapter are the following:

- In Canada, Jamaicans constitute the largest Caribbean community, but skilled Jamaican immigrants still face challenges in integrating into the local economy.
- Thanks to a bilateral agreement between Jamaica and Canada, Jamaica sends three to four times more temporary workers than permanent residents.
- A growing number of households in Jamaica receive remittances (averaging Can\$100-200), especially in urban areas and within the lowest income segment.
- Thanks to a vibrant and transparent remittance service market, MTOs are dominating the corridor, with fees falling in response to growing competition.
- Rigorous regulation of RSPs is enforced in Jamaica because of ML risks connected to drug trafficking and often to high urban crime. Reportedly, however, the licensing requirement is costly for smaller players.
- Looking ahead, restrictions on card-based and mobile financial products may hinder access to financial services and to further competition in the local Jamaican remittance market.

Findings and Policy Considerations

Haitian, Jamaican, and Canadian authorities have all taken significant action aimed at fostering sound migration policies, as well as remittance markets that are competitive, transparent, and of high integrity. The fees in the mature remittance markets in both Haiti and Jamaica, for example, have recently fallen to levels similar to other competitive markets around the world. The new entrants in the market have intensified the competition, and both countries have an extensive network of remittance agents that reach rural areas. In the capital cities, the concentration of service providers is so high that, on busy streets, agents can be found on every corner. In the Jamaican market, competition is even greater because of the high transparency required of transactions. Remittance companies in Haiti and Jamaica are often subsidiaries of formal financial institutions such as banks and building societies, and this allows the remittance companies to benefit from their parent groups. With their access to larger organizations, the remittance companies can enhance their knowledge of such matters as settlement, liquidity management, security, and AML measures and benefit from training available for the group-wide employees.

Informal transfers through the use of unlicensed remittance companies are considered to be low in Jamaica. In addition, the number of informal transfers originating in Canada, and delivered by pocket transfers/cash couriers, is believed to be low for both Haitian and Jamaican migrant workers compared with those from other Caribbean countries.

In all three countries, remittance service providers are subject to AML measures. In Haiti and Jamaica, remittance service providers are subject to capital requirements and must regularly report remittance volumes to their central banks. Both also require licensing for remittance service providers and, in Jamaica, for subagents as well. The Bank of Jamaica also provides a comprehensive guidance note for remittance service providers to

Box 10: Excerpts of the General Principles for International Remittance Services

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

“... Transparency of prices and service features is crucial to the ability of consumers to make informed choices between different services and to the creation of a competitive market. RSPs should therefore be encouraged to provide such information in easily accessible and understandable forms. As far as possible, such information should include the total price (ie. fees at both ends, foreign exchange rates including the margins applied to them, and other costs to the user), the time it will take the funds to reach the receiver, and the locations of the RSP's access points in both sending and receiving countries. It should also be clear to the sender if the price or other aspects of the service vary according to, for example, how the receiver is paid (eg in cash or by crediting an account) or the ability of the sender to provide information about the receiver (eg the relevant account number and bank identifier). . . .”

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

“... To be well founded, the legal and regulatory framework should be sound, predictable, non-discriminatory and proportionate. A *sound* framework that is well understood helps minimise the risks faced by both RSPs and their customers. A *predictable* framework is one in which it is clear which laws and regulations are relevant, where they do not change with excessive frequency and where they are enforced by the authorities, including the courts, in a consistent manner. Predictability is a key component in creating a climate that favours private sector investment. This is crucial in order to increase competition in, and improve the quality of, remittance services . . .”

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

“... The efficiency of remittance services depends on there being a competitive business environment. Competitive markets can help limit monopolistic practices and lead to lower prices and improved service levels. In some places, or for certain remittance corridors, the demand for remittance services may be insufficient to support multiple RSPs but even here, provided the market is contestable—ie with only low barriers to entry—the benefits of competition should be felt. Competition can be assisted by discouraging RSPs from imposing exclusivity conditions on agents. This is important in both sending and receiving countries, but it is particularly important in receiving countries if a local market such as a small village has only one potential agent (eg the local shop) so that there is only remittance service available if an exclusivity condition is imposed . . .”

Source: “The General Principles for International Remittance Services,” Bank for International Settlements and The World Bank, January 2007.

help them understand their regulatory obligations. In Canada, remittance service providers are required to register with FINTRAC, the Canadian FIU.

In spite of the significant advances, the study team notes that there remains room for progress and, to this end, has tailored policy recommendations for the national authorities of Haiti, Jamaica and Canada to consider. Relevant aspects of these policy recommendations have been guided by the General Principles for International Remittance Services, developed by the World Bank and Bank for International Settlements,⁹⁴ particularly in the areas of transparency and consumer protection, legal and regulatory environment, and market structure and competition (see Box 10 above).

94. The General Principles for International Remittance Services are aimed at the public policy objectives of achieving safe and efficient international remittance services.

Box 11: The Creation of Migration and Remittances “Working Groups”

An efficient migration and remittance transfer process requires coordinated and well-balanced efforts among all relevant agencies, so that knowledge can be easily accessed and shared. A good understanding of migration and remittances is also important to develop well-designed regulatory framework which meets international standards and recommendations, but also reflects local conditions. Hence, the study team proposes the creation of a “working group” or a committee comprising of relevant agencies in each respective country. This working group could meet on a regular basis each year to discuss policy issues, challenges in implementing each respective agency’s mandate and work programs, and to share up-to-date ideas and information with other institutions in the working group.

The organizations participating in Haiti’s working group could include:

1. Ministry of Economics and Finances (MEF)
2. Banque de la République d’Haïti (BRH)
3. Unite Centrale de Renseignements Financiers (UCREF)
4. Ministry of Haitians Abroad
5. Institut Haïtien de Statistique et d’Informatique (IHSI)
6. Administration Generale des Douanes (AGD)
7. Haitian National Police (HNP)

The organizations participating in Jamaica’s working group could include:

1. Ministry of Finance and Planning
2. Bank of Jamaica
3. Financial Investigations Division (Financial Intelligence Unit)
4. Jamaica Customs
5. Statistical Institute of Jamaica (STATIN)
6. Planning Institute of Jamaica
7. Ministry of Foreign Affairs and Foreign Trade (Jamaicans Overseas Department)
8. HEART/National Training Agency

The organizations participating in Canada’s working group could include:

1. Department of Finance Canada
2. Citizenship and Immigration Canada
3. Human Resources and Social Development Canada
4. FINTRAC
5. Royal Canadian Mounted Police
6. Canadian Border Services Agency (CBSA)
7. Statistics Canada
8. Canadian International Development Agency (CIDA)

In addition to the government agencies, the working group may include representatives of other stakeholders such as representatives of the remittance service providers (both remittance companies and banks) and representatives of the research institutes.

Source: Author’s fieldwork and research.

In order for these policy recommendations to be most effective, the study team advocates a cooperative and well-coordinated effort among authorities in all three countries to enhance the efficiency, safety and soundness of the remittance transfer process (see Box 11). A cooperative approach can be also extended across borders to address the issue of common interests. For example, a well-coordinated approach would prevent any scope of regulatory arbitrage between countries.

In this report, the policy recommendations have been clustered around the following objectives:

- Enhancing knowledge of remittance flows and their size for the purpose of designing policy.
- Strengthening the regulatory framework that governs remittances.
- Ensuring effective implementation of regulatory requirements.
- Fostering competition and transparency in the remittance markets.
- Promoting sound policies for migration and migrant integration.

Haiti: Policy Recommendations

1. Enhancing knowledge of remittance flows and their size for the purpose of designing policy

Collection of Remittance Data and its Quality

Finding. Haiti is currently collecting remittance data submitted by licensed *maisons de transfert*. Because of the many revisions to the reporting templates, however, the reporting agencies are not using them. The result is that, while BRH can produce the aggregated volume of total monthly remittance transactions, it cannot consistently capture other information of interest such as, for example, the remittance totals from different migrant destination countries. The reports are also submitted at different time intervals, which can possibly damage the consistency of data collection, and perhaps create more data organization work for the BRH. Further, in order to collect remittance data at a household level, in 2000 the National Statistics Bureau carried out a survey on household consumption, which included questions on remittances. But, because of budgetary restraints, they have not been able to undertake a new survey.

Recommendations.

- Clarify the transaction reporting templates, and help the reporting entities to use them, thus allowing the collection of consistent data.
- Ensure that the reporting agencies know how often reports should be submitted.
- Undertake a new household survey, and use the outcome to estimate the size of informal transfers.
- Collaborate with the BRH, the National Statistics Bureau, and the Ministry of Economy and Finance (MEF) to improve the data collection effort.
- Collaborate with authorities in the remittance sending country to match its reported transaction volumes with those received in Haiti.

Rationale. Remittances play a substantial role in the Haitian economy. In 2006, the BRH recorded that licensed *maisons de transfert* reported an official remittance inflow of US\$812 million. Because 40 percent is thought to be the size of informal flows, BRH adds this percentage to the official figure. The 40 percent estimate, however, comes from a decade-old study, and a viable and useful alternative would be for the BRH—in collaboration with the National Statistics Bureau and the MEF—to undertake another household

survey whose outcome can be used to estimate the present size of informal transfers more accurately.

2. Strengthening the regulatory framework that governs remittances

Legal and Regulatory Requirements on maisons de transfert

Finding. The 1989 decree on *maisons de transfert* is the governing law on money transfer services in Haiti. Although articles 9 and 10 are no longer applicable, the law has not been amended since then. With a recommendation from the BRH, the MEF can revoke a license, but neither the BRH nor the MEF can directly impose sanctions on informal *maisons de transfert* operating without a license. The tax authority must make a complaint to the government commissioner who will file a case to the court. The same procedures apply to licensed *maisons de transfert* who are also involved in other business activities.

Recommendations.

- Remove the obsolete provisions in the 1989 decree on *maisons de transfert*, namely articles 9 and 10.
- Consider providing the power to MEF or BRH has recommended, to penalize those *maisons de transfert* operating without a license, as well as *maisons de transfert* operating with a license but undertaking business activities other than remittance services.
- Issue one comprehensive document consolidating and explaining all the regulatory obligations of remittance service providers. These guidelines should delineate all the applicable laws and regulations, such as the requirements for licensing and reporting, for AML/CFT and for the currency of disbursement.

Rationale. Because MEF, with a recommendation from BRH, is the authority issuing licenses to *maisons de transfert*, and because it is BRH that supervises identifies *maisons de transfert* operating without a license, the process could be more streamlined and effective. MEF or BRH could be given the authority to sanction directly both *maisons de transfert* operating without a license, and *maisons de transfert* operating with a license but undertaking business activities other than remittance services.

BRH has issued six circulars to the *maisons de transfert*. Most of these circulars aim to amend or clarify the existing decree, and/or to reinforce the requirement to submit monthly or weekly reports using specific reporting forms. It would be helpful to compile all this information into one document as a comprehensive guideline for *maisons de transfert*.

Clarification of laws and regulations is important in achieving effective implementation of the laws and regulations, and it also promotes fairer competition in the remittance market.

Transaction Threshold for CDD and CDD Requirement for Non-cash Remittances

Finding. Currently the AML law requires customers to be identified when transactions, whether single or multiple, whether executed in a day or during a certain time set by the AML committee, reach 200,000 gourdes (equivalent to US\$5,532.50) or the same value in foreign currency, and when the source of funds is unknown. To meet international

requirements, this threshold can be brought down to an amount equivalent to US\$1,000. The AML law does not explicitly state whether non-currency remittances (namely goods) are subject to the same requirement.

Recommendations.

- Lower the customer identification threshold for wire transfers to US\$1,000.
- Introduce CDD requirement for non-cash form of remittances.

Rationale. Lowering the transaction threshold for CDD requirements to US\$1,000 or equivalent conforms to international requirements (FATF Special Recommendation VII). Given that a migrant worker's average transaction amount is US\$/Can\$100-200, the lowering of this threshold should not inhibit the flow of remittances. In addition, many *maisons de transfert* are already undertaking CDD for transactions lower than US\$1,000 whether the remittances are in the form of cash or goods.

Microfinance Institutions

Finding. While some microfinance institutions (MFIs) are providing remittance services in rural areas, MFIs are currently not regulated by competent authorities and are self-governed only through two Haitian microfinance associations. The MFIs and the BRH are discussing introducing regulations, but the process has already taken several years and is not complete.

Recommendations.

- Speed up the work to bring the MFIs under the regulatory regime.
- Ensure that the same remittance service obligations apply to MFIs as apply to *maisons de transfert* once MFIs are brought into the regulatory regime. Where the same obligations as *maisons de transfert* are not feasible or are not relevant, then tailor the obligations to MFIs so as not to constrain access to finance.

Rationale. The industry itself agrees that it is important for MFIs to be brought under the regulatory framework as soon as possible. This would minimize opportunities for criminals to exploit regulatory loopholes and would also enable MFIs to provide a variety of services prudently and safely.

Physical Cross-Border Cash Transportation

Finding. Currently AML law prohibits cross-border transportation of cash (or cash equivalent) of 200,000 gourdes or more (US\$5,532.50) or its foreign currency equivalent.

Recommendations.

- Consider removing the ban on physical cross-border cash transportation higher than 200,000 gourdes.
- Instead, introduce a currency declaration or disclosure system at the border.

Rationale. While the concern of the authorities to install a mechanism to detect illicit flows of funds across borders is a welcome one, a declaration or disclosure system should

provide such a mechanism. Because of a limited or expensive banking system, cross-border cash transportation is a common practice for many Haitians wanting to transfer funds in and out of Haiti. Haitian diasporas abroad often send money home through friends and family who are traveling back to Haiti. This being the case, the shift to a declaration or disclosure system would not penalize Haitian citizens, or other travelers carrying legitimate funds. A thorough review of the current system would be useful in deciding future direction.

3. Ensuring effective implementation of regulatory requirements

Education of maisons de transfert

Finding. *Maisons de transfert* have an uneven understanding of all the applicable laws and regulations. Some think that they are simply making business decisions when what they are doing is required by law and regulation. Others think that certain business practices are required when they are not (payouts in US dollars, for example). As well, knowledge and understanding of the requirements seem to vary from one company to another.

Recommendation.

- Educate *maisons de transfert* on all applicable legal and regulatory requirements by conducting meetings with senior management and compliance officers, and organizing seminars and training.

Rationale. Clarify the legal and regulatory requirements, and communicate them to the *maisons de transfert*. Educational outreach should then be organized.

Implementation of AML/CFT Measures by maisons de transfert

Finding. *Maisons de transfert* are required to develop and implement internal AML policies and procedures. While most of the *maisons de transfert* have developed such policies and procedures, the degree of effort committed to implementing them seems to vary widely among *maisons de transfert*.

Recommendations.

- Provide senior management and compliance officers with training on AML requirements and how to strengthen their implementation of AML requirements.
- Strengthen on-site inspection of AML compliance.
- Consider applying sanctions to non-compliant *maisons de transfert*.

Rationale. It is critical that *maisons de transfert* bring their AML/CFT measures into conformity with FATF standards. Otherwise, they will find it difficult to operate or find partners in sending countries.

Supervision of the maisons de transfert

Finding. While the BRH's recent effort to create a new supervisory unit for *maisons de transfert* is a first step toward improvement, continued and even enhanced efforts are necessary. To date, because of resource constraints and a limited number of skilled staff, only

a limited number of *maisons de transfert* have been subject to on-site inspections, which were conducted in November 2006. The general finding of the onsite inspection was that AML obligations were unevenly understood, and that, usually, international MTO agents have a better understanding of them than do local *maisons de transfert*. The BRCA mission team's findings support those of the BRH.

Recommendations.

- Increase the number of supervisors as required.
- Ensure an adequate budget for the supervision of the *maisons de transfert*.
- Enhance supervisory skills and knowledge, through training in Haiti and abroad, for both on-site inspections and off-site monitoring.
- Require feedback from UCREF about the filing and quality of *maisons de transferts*' STRs and about their threshold reporting requirements.

Rationale. To assess their compliance with relevant laws and regulations, *maisons de transfert* should be subject to regular on-site inspections, and the BRH should not hesitate to sanction those that do not comply with laws and regulations. In addition, BRH should be able to sanction unlicensed *maisons de transfert* as discussed previously.

Implementation of CDD with Identification Document

Finding. *Maisons de transfert* are required to identify and verify clients by an original, official document that is currently valid and that includes a photograph. Presenting reliable and valid government ID is, however, a challenge for many Haitians who often do not have birth certificates, passports, driver's licenses, tax identification numbers, or even proof of address. To complicate matters, Haitian IDs, where they exist, are sometimes fraudulent.

Recommendation.

- Provide guidance to *maisons de transfert* about acceptable identification when clients cannot provide the prescribed identification documents.

Rationale. While *maisons de transfert* are currently undertaking customer identification and verification, and often ask for at least two types of identification documents, not all Haitians have reliable and valid government ID. Therefore, it would be practical for *maisons de transfert* to allow other forms of identification or alternative methods of customer due diligence as an interim solution. Some clients are presenting such items as expired voters' cards, student ID cards, or bank ATM cards. This situation compromises the effectiveness of the customer identification mechanism.

4. Fostering competition and transparency in the remittance markets

Removing Barriers to Entry to the Remittance Market

Finding. It is the practice in Haiti, as well as other countries, for international MTOs to impose exclusivity and non-competition clauses on their partners in local transfer

companies. Exclusivity agreements prohibit those local transfer companies from acting as primary agents of other money transfer companies. Non-competition clauses prohibit local transfer companies, at least in the first few years of signing the agreement, from offering their own remittance services.

Recommendation.

- Consider a regulatory requirement to prohibit exclusivity agreements and non-competition clauses.

Rationale. The exclusivity agreement tends to create monopolistic/oligarchic conditions for a limited number of MTOs, and stifles competition in the market. It also prevents new MTOs, whether international or local, from entering the remittance market.

Transparency of Remittance Transfers

Finding. *Maisons de Transfert* in Haiti do not have a uniform practice in disclosing applicable remittance fees charged to clients. Some voluntarily exhibit the information at store front while others do not.

Recommendation.

- Consider requiring all *Maisons de Transfert* to disclose information on applicable fees and charges to clients and provide them with a copy of the information

Rationale. Greater information disclosure will improve the transparency of the remittance business and create a better environment for clients. Often, such practices have led to reductions in overall remittance transfer costs (see Box 12).

5. Promoting sound policies for migration and migrant integration

Sound Pre-Departure Programs for Haitian Migrants

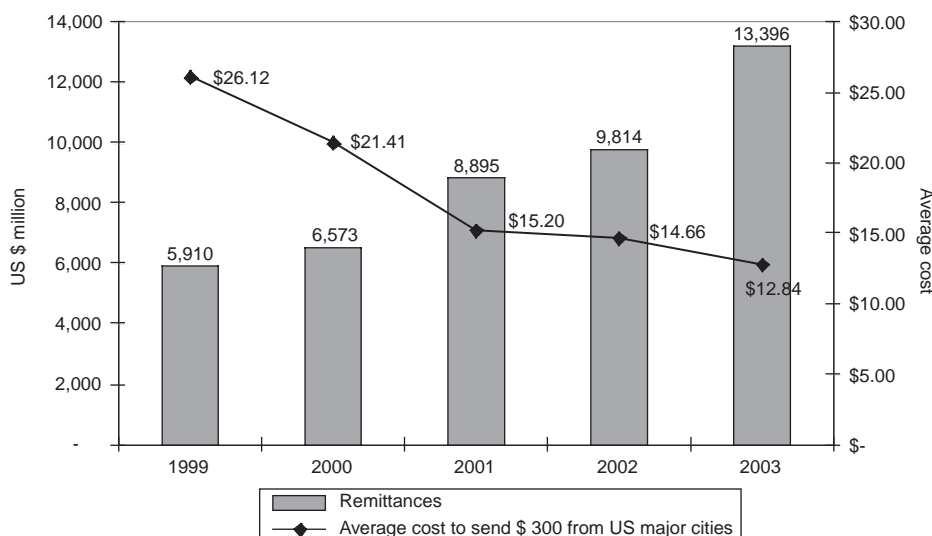
Finding. The Ministry of Haitians Living Abroad was created in 1995 to address growing migration issues, including the repatriation of skilled Haitian workers. At present, the ministry is neither facilitating the migration process for Haitian workers, nor providing them with necessary support before departure. The migration and migrant workers program can be improved to increase the probability that Haitians will be employed abroad as soon as possible upon arrival.

Recommendations.

- Provide necessary support to migrant workers before departure, such as orientation on working overseas and other educational and training programs.
- Ensure safe migration or temporary working arrangements abroad through negotiation with host countries.

Box 12: Relationship between Transparency and Reduction in Remittance Transfer Costs: Case of Mexico

Procuraduría Federal del Consumidor (PROFECO), a Mexican government agency, has been working through Mexican consulates in the United States and through its website to distribute information on remittance costs. This information is based on averages voluntarily sent by some of the biggest remittance companies. Although this way of organizing and presenting information represents an advancement in the field, the information needs to be confirmed and the average price is not a reliable indicator of cost for the sender since actual price fluctuates according to the number of competitors in each location. Nevertheless, the PROFECO policy for transparent pricing structures has significantly benefited the Mexican consumer and spurred competition within the remittance industry. This increase in remittance market competition may have helped contribute to average reductions in remittance transfer costs for remittances to Mexico from US between 1996–2003.



Source: PROFECO, BANXICO.

Rationale. Government facilitated migration programs typically provide assistance to vulnerable migrant workers in destination countries (see Box 13 for an Indonesian example). Another example is Jamaica's training agency (HEART/NTA), which educates and trains workers (see Box 8).

Jamaica: Policy Recommendations

1. Enhancing knowledge of remittance flows and their size for the purpose of designing policy

Collection of Remittance Data and its Quality

Finding. The BOJ captures formal remittance flows based on the monthly reporting of remittance data by licensed remittance companies. In 2007, the BOJ recorded US\$1.96 billion of remittance inflows, and believes that the prevalence of formal flows

Box 13: Indonesia: Official Policies and Programs to Regulate Indonesian Worker Migration

The Indonesian Government is putting in place an institutional and policy framework for the placement and protection of migrant workers. A national task force headed by the National Planning and Development Agency (*BAPPENAS*) and Coordinating Ministry for Economy and Investment (*MenKoEkuin*) is formulating the policy, while the National Agency for the Placement and Protection of Migrant Workers implements the policies and monitors migration. The Ministry of Manpower and Transmigration directs training programs targeted to the country of destination and focuses on increasing the skills of migrant workers. The steps taken by the Indonesian Government to regulate migrations include:

- Bilateral agreements on, *inter alia*, recruitment requirements and procedures, as well as labor contracts with some destination countries such as the Republic of Korea and Malaysia (with the Ministries of Labor), Taipei (Economic and Trade Office), the State of Kuwait, the Hashemite Kingdom of Jordan, and Japan
- An establishment of training programs and awareness-raising about the conditions and steps involved in the migration process
- Creation of inter-agency cooperation and coordination mechanism within Indonesia to discuss and resolve the problems faced by Indonesian workers abroad, and to monitor health-related issues
- Issuing a law governing the placement and protection of Indonesian Overseas Workers
- Establishment of the National Agency for Placement and Protection of Indonesian Overseas Workers, which is composed of various government agencies through Presidential Decree No.81/2006.

Source: Hernandez-Coss and others (2008).

through licensed remittance companies is the result of the widespread presence of remittance services, and the comparatively high bankarization rate of 70 percent. The BOJ has not attempted to estimate the informal transfer market in Jamaica because it believes the market is small. Some remittance companies, however, believe that there are a large number of pocket transfers from some source countries where there are few remittance companies. While the Jamaica Survey of Living Conditions (JSLC) in 2006 included a special module on remittances, and its data analysis provides some insight into remittances at the household level, there has, as yet, been no attempt to estimate the total size of remittance inflows to Jamaica.

Recommendations.

- Using the available data, especially the JSLC survey data, undertake further analysis to estimate the overall size of remittance inflows.
- Estimate the general volume of informal transfers by comparing overall flow estimates with the reported formal figure.
- Make necessary policy decisions based on the probable size and type of informal transfers. Do they arrive, for example, through pocket transfers or through unknown and unlicensed remittance service providers?
- Collaborate with authorities in matching the transaction volumes reported in the sending country with those in Jamaica.

Rationale. Remittances play a substantial role in the Jamaican economy, and understanding this phenomenon is critical to developing sound and effective policies. If properly designed and implemented, these policies can enhance the efficiency and integrity of the remittance market and improve the regulatory framework.

2. Strengthening the regulatory framework that governs remittances

License Application, Processing Time and Cost

Finding. The BOJ's licensing regime is rigorous, and the BOJ undertakes rigorous assessments of applicants. Jamaica's licensing regime also extends to each subagent. Remittance companies understand both the need to license subagents, and the need for the stringent tests to which they and their subagents are subjected. The industry, however, was overwhelmingly concerned about the time required to process and approve licenses, which can take six weeks to six months. In addition, the rigorous assessment program, while commendable, has resulted in relatively high licensing fees. If a remittance company has 200 subagents in Jamaica, for example, a license for the company and its sub agents would cost US\$45,000 to operate in the first year, and US\$44,500 in subsequent years, given the same number of subagents.

Recommendations.

- Identify the source of the backlog, whether in the BOJ or other government agencies.
- If it is within BOJ, consider increasing the number of staff, or review the process to increase its time efficiency.
- If outside the BOJ, discuss possible solutions with the agency(ies), such as agreeing on a strict turn around time.
- Set a timeframe within which applicants should be informed of the result of their applications.
- Reconsider the cost structure for licensing fees and annual renewal fees.
- Assess how the rigorous standards can be maintained at the same time that the fees may be lowered.

Rationale. The long application process time affects remittance companies because it could result in lost business opportunities. The costs of obtaining and renewing a license are high when compared to other countries, and this poses a particular challenge for new entrants, especially small operators, many of whom find it difficult to enter the market because of the difficulty of absorbing the costs. According to the BOJ, the industry was consulted before the licensing fee structure was determined.

3. Ensuring effective implementation of regulatory requirements

STR Reporting by Remittance Companies

Finding. According to the FIU, currently 95 percent of STRs come from remittance companies, and most of these come from one or two big players who are affiliated with international remittance companies. This figure suggests that local remittance companies

may not completely understand what an STR is, and when to file one. The local remittance companies should not, of course, be expected to file an equally large number of STRs, but they should file an STR when it is appropriate to do so. If STRs are over reported, this can also cause a problem for the FIU, because the remittance companies could be merely practicing defensive filing. Defensive filing occurs whenever reporting entities file STRs based on minor red flags to defend themselves from possible regulatory actions that an STR was not filed when an actual criminal case arose.

Recommendations.

- Provide training to compliance officers of remittance companies.
- Develop typologies studies of money laundering/terrorist financing cases involving remittance transfers and remittance companies.
- Assess how remittance companies are reporting STRs during the on-site inspections.
- Provide FIU feedback to the remittance companies on STR reporting.

Rationale. Improving the quality and quantity of STRs is key to building a strong AML/CFT regime. Industry can also exhibit its cooperation with the authorities, and its commitment to AML/CFT efforts. The FIU and BOJ should continue to provide training to the industry, while the FIU should prepare itself to analyze a greater number of STR reports and provide feedback to reporting entities.

4. Fostering competition and transparency in the remittance markets

Barriers to Entry to the Remittance Market

Finding. In Jamaica, there are two types of barriers for new entrants to the remittance market. The first is the existence of exclusivity agreements between international and local money transfer companies. The second, already addressed in an above recommendation, is the high cost of license applications and of similarly high annual renewal fees.

Recommendation.

- Consider a regulatory requirement to prohibit exclusivity agreements.

Rationale. The exclusivity agreement tends to create monopolistic/oligarchic conditions for a limited number of remittance companies, stifling competition in the existing market, and preventing new international and local remittance companies from entering the market.

Provision of Broader Financial Services Linked to Remittances

Finding. While mobile-phone remittance services are spreading quickly around the world, the BOJ has thus far prohibited them because of a concern about possible abuse. The BOJ also prohibits remittances sent to stored value cards. Again, this is because BOJ is concerned that this product is vulnerable to financial abuse, especially because the stored

value card issuer is not as well equipped as a bank to develop an AML/CFT program. On the other hand, the BOJ does allow direct deposit of remittances into a bank account.

Recommendations.

- Consider expanding the provision of broader financial services through mobile phone remittance services and the use of stored value cards.
- Study how other countries have addressed the aforementioned issue.
- Undertake a risk assessment of mobile phone remittance services and stored value card vis-à-vis money laundering and terrorist financing risk.

If it is decided to allow these services:

- Apply a maximum threshold for transactions or the value that can be stored.
- Require service providers to register clients using full due diligence, and allow only registered clients to have access to these services.

Rationale. Mobile phone remittance services have huge potential to provide low-cost, high-speed remittance services with high security and reliability. These are the same reasons that migrant workers prefer to use remittance service providers rather than banks. At the same time, mobile phone remittance services do pose a risk, as do other remittance channels. The recent World Bank study on *Integrity in Mobile Phone Financial Services* recognizes this, and suggests mitigation measures to counter both perceived and real risks (Chatain and others 2008).

The use of the stored value cards for remittance services allows remittances to be kept in a stored value card rather than in cash, and this is particularly useful when the recipient does not have a bank account. It also fosters a culture of keeping money electronically.

Canada: Policy Recommendations

1. Enhancing knowledge of remittance flows and their size for the purpose of designing policy

Collection of Remittance Data and its Quality

Finding. Remittances are common among foreign residents in Canada. Given the size of the foreign born population in Canada, the sums are sufficiently large to warrant more attention. While the Longitudinal Survey of Immigrants to Canada (LSIC) describes the remittance habits of immigrants, remittance data at the macro level has not been distinctively captured. The authorities do not require MTOs, largely used by immigrants to remit money, to report transaction volumes. However, Statistics Canada has recently carried out an exploratory study and has estimated the total remittance outflow at about Can\$17 billion.

Recommendations.

- Consider requiring MTOs to report transaction volumes of remittances to Canadian authorities.
- Draw upon global best practices to estimate the size of overall remittance flows (both formal and informal).

- Collaborate with authorities in receiving countries to compare transaction volumes in both countries.

Rationale. Understanding the scale of remittances is important to the development of appropriate policies. It increases knowledge of the market, of the service providers and of their users, and it leads to a better understanding of the possible size of the informal transfer market. Interlinked with this information is the recognition that there are many undocumented workers who tend to use informal transfers because of the stringent requirements that licensed MTOs must impose on their clients.

2. Fostering competition and transparency in the remittance markets

Banking Services to MTOs

Finding. Canadian banks generally view both MTOs and their agents as high-risk clients, and in some cases they debank those same clients. They take this action on the grounds that the AML/CFT standards of MTOs are not compatible with banks' policies. Credit unions are now stepping in to fill the void and are offering account services to MTOs. MTOs, however, are now regulated by FINTRAC, and are subject to supervision and on-site inspections.

Recommendations.

- Attempt to assess the real risk stemming from the provision of banking services to the now regulated MTOs, rather than the perceived risk.
- Propose potential risk mitigation measures to Canadian banks.

Rationale. While the decision to accept MTO clients or not is the bank's decision to make, Canadian banks may well find that the actual risk of providing them and their agents with banking services is considerably less than they may have thought.

Remittance Services by Banks

Finding. Canadian banks are hesitant to enter the remittance market. For example, they do not develop tailored remittance products or partner with MTOs because the costs seem to outweigh the benefits. The cost of providing remittance services is considered to be relatively high because the average transaction is small, usually one or two hundred dollars, and banks need to process a large volume of transactions to make a profit. Banks also consider that engaging in a remittance business partnership with MTOs is a high-risk enterprise, particularly with respect to money laundering and terrorist financing. They are required to meet compliance standards to counter these risks, and they must institute measures that are deemed to be both adequate and effectively implemented, but which are costly. Banks consider that the measures needed in the remittance market are relatively more stringent because many clients utilizing remittance services tend, for example, to be walk-in customers, for whom it is difficult to create an effective customer profile.

Recommendation.

- Ensure that Canadian banks understand the real risk as opposed to the perceived risk involved in entering the market: for example, through providing tailored remittance services or through partnering with MTOs in the remittance service industry.

Rationale. Regulators can explain and modify the concerns surrounding the integrity risks arising from forming remittance industry partnerships with MTOs, and the increased costs in meeting AML/CFT requirements arising from such partnerships. An understanding of the real risks that actually stem from these associations may lead some banks to reconsider their business decisions. The aim is ultimately to provide more convenience for clients and to increase market competition.

Transparency of Remittance Transfers

Finding. Because MTOs in Canada are regulated only under the AML/CFT requirements, they are not subject to the other regulatory requirements in place at the recipient end, such as the disclosure of fee and commission information to clients. Currently, if such information is disclosed by MTOs in Canada, the disclosure is driven entirely by market interests, and it often reflects practices in the recipient countries. Jamaican MTOs tend to be more transparent on fees and commissions, because this is required in Jamaica. Haitian MTOs, on the other hand, are less so because, in Haiti, the practice is not strictly enforced.

Recommendation.

- Consider requiring all MTOs based in Canada to disclose information on applicable fees and charges to clients and provide them with a copy of the information

Rationale. Greater information disclosure will improve the transparency of the remittance business and create a better environment for clients. The non-existence of a primary regulator for MTOs in Canada, however, could mean that implementation of this recommendation will require further deliberation.

3. Promoting sound policies for migration and migrant integration

Integration of Immigrants into the Labor Market

Finding. Canada has launched and sustained several important initiatives to help immigrants integrate more easily into the job market (Box 14). The opinions of immigrants themselves reinforce the importance of such initiatives. Their opinions also reinforce the importance of not only continuing the program, but also assessing whether further efforts are required to enhance the program's effectiveness.

Recommendations.

- Ensure that the relevant agencies continue to effectively implement and monitor these current initiatives, and create incentives geared towards establishing other relevant programs
- Regularly and vigorously evaluate these programs to determine strategies for their improvement

Rationale. This study highlights the challenges immigrants face in integrating into Canada's labor market. Despite the increasing skill level of economic migrants from both

Box 14: Canadian Programs to Implement Immigrants into the Labor Market

Immigrants account for one fifth of the Canada's population and form half the total population in Toronto. The country, therefore, depends heavily on the immigrant labor force, and in recent years, has launched several initiatives to address integration of immigrants into the job market. Human Resources and Social Development Canada and Citizenship and Immigration Canada launched the Foreign Credentials Recognition (FCR) program in May, 2007 which is one of the key components of the government's Internationally Trained Workers Initiative. Foreign credential recognition is the process of verifying that education and job experience obtained in another country is comparable to Canadian standards. The aim of this initiative is to remove the barriers to work encountered by internationally trained workers.

Another initiative is the Toronto-based Regional Immigration Employment Council (TRIEC), launched in 2003 to improve the access of skilled immigrants to the labor market. The council consists of government representatives, professional associations, educational institutions, and community organizations. TRIEC runs a number of different programs linking employers with immigrants through paid internship and mentoring programs. TRIEC also awards the Immigrant Success Awards to selected employers in recognition of their achievements in hiring and integrating skilled immigrants, thus contributing to their successful integration into the Canadian labor force.

Source: Author's research and fieldwork.

Jamaica and Haiti, these immigrants are more exposed than others to unemployment, social exclusion, and lower wages. This issue is not unique to Canada and some studies suggest, in fact, that Canada is rather better than some other countries in integrating immigrants into the labor market.

Concluding Remarks

Through the World Bank's detailed analysis of the remittance markets of Canada, Jamaica and Haiti, one underlying conclusion has emerged: a vibrant, competitive, and secure remittance market thrives where there is an effective regulatory environment. Authorities have the dual mandate to protect remittance markets from being abused by criminals and to provide incentives for the continued growth and competitiveness of the remittance industry, and these should reinforce and balance rather than compete with each other.

To help achieve this balance, authorities in all three countries have implemented effective regulatory, migration, and economic policies. Nevertheless, as the policy recommendations suggest, there is scope for continued improvement in each country's regime. All potential changes should be carefully crafted and monitored so as not to constrain the current accelerating competition and innovation in these remittance markets.

Regulatory alterations should not be so cumbersome that they discourage the increasing numbers of Canadian immigrants from sending remittances to their families back home through formal channels. If the remittance market environment were to be stifled because of unnecessarily burdensome regulations, millions of low-income families in and from Caribbean countries would turn to informal transfer channels. If this were to happen, it could jeopardize the integrity of financial flows, and might well work against the safe delivery of critically needed funds.

Appendixes

The Caribbean: Main Historical Features and Migrant Destinations

Throughout the last century, migration patterns in the Caribbean were both intraregional and extraregional, but over time extraregional migration, that is, to countries outside the Caribbean, became increasingly prevalent and the destination countries became more diverse (ECLAC 2006b). At the beginning of the 20th century, intraregional movements were mainly from English-speaking Caribbean islands to the Hispanic Caribbean and Netherlands Antilles. Over the next half century, flows became more varied, with the English-speaking islands being both countries of origin and destinations, and with significant movements occurring from Haiti to the Bahamas and the Dominican Republic. Such flows were usually linked to specific development projects or to peak periods of economic growth connected to a specific industry needing qualified labor (oil and gas, tourism, agricultural cycles). Predictably, movements tended to follow foreign direct investment patterns, as European companies expanded their activities in the region (Thomas-Hope 2002).

Two main flows of Caribbean extraregional emigration have occurred in the last 50 years:

- 1) The first flows developed in the post-war period (1950s and 1960s), as reconstruction and the ensuing economic boom in Western economies acted as a powerful pull factor for emigration from the Caribbean (FOCAL 2004). Economic incentives seemed to dominate this period, as skilled and semi-skilled workers were brought in to meet the growing demand for labor in heavy industry, health care and transport. In the 1960s several parallel regulatory changes on both sides of the Atlantic brought about a decisive shift, which made the USA and Canada the first and second destinations of choice for skilled migrants from the Caribbean, and these two countries remained so in the following decades. The total inflow from the Caribbean

(including Cuba) into the United States, for example, more than tripled in the ten-year period from the 1950s to the 1960s, during which a total of 427,000 legal immigrants from that region was recorded (Office of Immigration Statistics 2007).

- 2) The second flows emerged in the late 1970s and continued throughout the 1990s, which was a time characterized by a greater variety of incentives for migrants. Economic factors remained central, as Caribbean countries experienced economic decline while a strong demand for service workers developed in North Atlantic countries (FOCAL 2004). Political turmoil in several Caribbean nations, including Haiti and Jamaica, played an important role as a “push factor” during this period. The United States and Canada have been major destinations for more highly educated migrants, who have been able to qualify for admission under those countries’ selection criteria. At the same time, more dependents and relatives have been allowed to immigrate under the heading of family reunification. In these cases, migrant profiles have tended to show more varied levels of skills and education. There is, interestingly, a reverse flow at work as well: Caribbean immigrants tend to return to their country of origin after retirement, despite spending most of their lives abroad as foreign residents, and in many cases acquiring a new citizenship.

Caribbean migration flows do not always go through formal channels. In fact, illegal migration has been growing, as many individuals who fail to qualify for admission under the destination country’s immigration policy try to circumvent the system.

Illegal migration in the region usually takes three forms: illegal land crossing (for example, between Haiti and the Dominican Republic), human trafficking by sea, and more conventional means of travel, such as by air to the United States, Canada, and Europe. In the last case, immigrants usually enter the destination countries legally and then overstay. Because of its clandestine nature, it is hard to measure accurately the scale of illegal immigration. In general, illegal flows tend to shadow legal movements; hence countries with higher rates of official emigration tend also to be the main sources for illegal flows.

Haitians made up the largest population of unauthorized residents from the Caribbean region in the United States up to 1990, when their numbers had reached some 67,000. In the next decade, the Haitian numbers were overtaken by those of illegal immigrants from the Dominican Republic, and by 2000 there were 91,000 unauthorized Dominicans compared to 76,000 Haitians living in the United States (INS 2001). The total unauthorized population from these two countries, plus Dominica, Barbados, Trinidad and Tobago and Belize was estimated to have grown by 36 percent over the same period, reaching almost 260,000 in 2000. According to the International Organization for Migration, the next decade will see Haiti and the Dominican Republic, together with Jamaica and Guyana, as the main sources of illegal human movements from the Caribbean (IMP 2001).

The relevance of illegal migration to the objectives of this study should not be understated for several reasons. First, illegal migration often involves high additional financial and emotional costs for both the migrants and those supporting and assisting them. Illegal immigrants often struggle to return the money lent to them by those, whether family members or otherwise, who supported their migration.

Second, in the case of human trafficking, illegal migration directly supports international crime organizations, while indirectly hindering development efforts in the countries

of origin. In addition, according to the International Labour Organization, illegal migrants are the category with the highest risk of being involved in modern slavery and labor trafficking (Plant 2007).

Third, the impossibility of accurately estimating illegal immigration flows is a serious impediment to the correct measurement of human and economic trends on which policy design is based. The inability to assess the full extent of phenomena like migration and remittance flows may cause governments to institute ill-conceived and badly targeted policies.

Because illegal aliens will automatically prefer to use informal intermediaries for their financial transfers (even though they may incur higher risks and costs), illegal migration may frustrate efforts to promote greater transparency in the remittance market, which would be achieved by persuading people to move from informal to formal channels for remittance transfers.

Historical Features of Early 20th Century Migration to Canada (1901–61)

The first half of the 20th century was marked by a constantly evolving Canadian immigration policy, whose twin goals were to increase the country's population and to foster its economic development. These two goals, in fact, reflected concerns that had been prominent throughout Canada's history.

The present report addresses what has happened in the wake of major changes to Canada's immigration policy in 1962, and specifically how these changes have affected remittance patterns from Canada to the Caribbean. Nevertheless, an examination of immigration patterns and the evolution of immigration policy in Canada during the preceding six decades provides valuable insights into the factors that have shaped current trends.

The history of Canadian immigration throughout the early 20th century can be roughly divided into four main periods.

1) Between the beginning of the twentieth century and 1920, Canada encouraged a steady influx of immigrants in the hope of populating a still largely empty country and, in particular, of spurring the economic growth of the Canadian west. For Canadian policy-makers the key to rapid development after the economic depression of 1873–96 lay in actively supporting the inflow of agricultural workers and entrepreneurs into the Prairies (CIC 1977), and of laborers to help build the country's transportation and industrial infrastructure.

A rapidly growing economy was reinvigorated by strong external demand for Canadian foodstuffs. In addition, the accelerating population growth in Europe, together with the decreasing availability of land in the United States, led to Canada's first great wave of immigration. Between 1900 and 1914, almost 3 million immigrants landed in Canada. The high water mark was in 1913, when some 400,000 arrived, a level that remains unsurpassed to this day. As a result, the population soared by 43 percent between 1901 and 1911. With 1.55

Table B1. Canada: Composition of Population Growth, 1901–2006

	Population (end of period)	Popul. Growth	Births	Deaths	Immigration	Emigration	Imm./pop. Growth
Thousands							
1901–1911	7,207	1,836	1,925	900	1,550	740	84.4%
1911–1921	8,788	1,581	2,340	1,070	1,400	1,089	88.6%
1921–1931	10,377	1,589	2,415	1,055	1,200	970	75.5%
1931–1941	11,507	1,130	2,294	1,072	149	241	13.2%
1941–1951	13,648	2,141	3,186	1,214	548	379	25.6%
1951–1961	18,238	4,590	4,468	1,320	1,543	463	33.6%
1961–1971	21,568	3,330	4,105	1,497	1,429	707	42.9%
1971–1981	24,820	2,859	3,580	1,667	1,824	636	63.8%
1981–1991	28,031	3,211	3,805	1,831	1,842	491	57.4%
1991–2001	31,021	2,990	3,641	2,113	2,335	714	78.1%
2001–2006		1,600			1,110		69.4%

Source: Statistics Canada, Census of Population 1901–2006.

million migrants landing in Canada, the percentage of foreign-born population living in the country exceeded 22 percent (CIC 1977).

From a policy standpoint, the distinctive feature of immigration before 1962 was the racially based selection of immigrants. Given that the stated objective was to meet the “requirements and climate of Canada” (Box B1), the search for farmers and farm workers focused on Britain, the United States (which provided more than 750,000 workers to Canada between 1901 and 1914) and Northern Europe (later followed, to a lesser extent, by Eastern and Central Europe) (Green and Gree 1999; Bouchard 2006). The beginning of World War I and the consequent revival of Canadian nationalist sentiments caused significant volatility in immigrant inflows, which fell to 36,665 in 1915, rose to 72,910 in 1917, dropped again to 41,845 the following year and then soared to almost 108,000 in 1918 (CIC 1977).

2) The ten years from 1920 to 1930 did not witness any major changes in the overall direction and objectives of Canadian immigration, but did see a significant formalization of

Box B1: Race and Immigration Policy

An excerpt from the 1910 Canadian Immigration Act, delineating the power of the Cabinet to restrict the entry of migrants of “unsuitable race”⁹⁵:

“The Governor in Council may prohibit for a stated period, or permanently the landing in Canada, or the landing at any specified port of entry in Canada, of immigrants belonging to any race deemed unsuited to the climate or requirements of Canada, or of immigrants of any specified class, occupation or character.”

—An Act respecting Immigration, May 1910

95. As cited in Green and Green (1996).

the foundations of immigration policy. In 1919, the new Immigration Act formally assigned the Government the authority to limit the number of immigrants admitted in a given period, and added nationality to race as a factor for migrants' selection. In addition, prospective nations of origin were formally subdivided into "preferred" countries (Britain, United States, Newfoundland, Irish Free State, Australia, New Zealand, South Africa), and "non-preferred" countries (Green and Green 1996). Northern and Western European migrants received a treatment roughly comparable to that of preferred nationals, while other migrants were subject to far stricter regulations (for example, a provision requiring sponsorship by a close relative who already legally lived in Canada). Predictably, because of the restrictive provisions, migration from the Caribbean to Canada during these years was basically nonexistent.

The same period saw the formal definition of the concept of "absorptive capacity," which defined the core of short-run Canadian immigration policy adjustments up to the mid-1990s (Bouchard 2006). According to this principle, the ideal immigration inflow would preserve the ability of the receiving economy to provide employment to the new entrants at the prevailing nominal wage (Green and Green 1996). This translated into the limitation of migrant inflows in periods of recession and rising unemployment, and the relaxation of restrictions in times of economic expansion.

3) The occasion for implementing this new approach was provided by the 1930s world recession, and the result was the sudden fall of migration flows into Canada to their historical minimum, a trend that was reversed only after the end of World War II. Economic catastrophe and soaring unemployment (standing at 11 percent by 1931; Green and Green 1996) eventually led Canadian authorities to pass *ad hoc* legislation to limit migration inflows, causing the average yearly immigration flow to collapse from 120,000 during the 1920s to a low of 14,900 in the 1930s, which meant that there was *de facto* net emigration during that decade.

4) The 15 years following WW II (1947-61) saw a substantial increase in migration inflows into Canada, thanks to a rapid economic expansion first spurred by massive wartime spending and later by an exploding demand for consumer goods (CIC 1977). The main focus of Canadian immigration policy until the early 1960s was spelled out by Prime Minister Mackenzie King in his famous 1947 statement (Box B2).

Box B2: Setting the Course: The Mackenzie King Statement (1947)

After a long slump in migrant inflows, Canada emerged from WW II with a rapidly-growing economy, ready to shift its primary base from agricultural to industrial production, and with a pressing need for renewed population growth. In response to several calls for a liberalization of immigration policy, Prime Minister Mackenzie King set the course of immigration management for the next 15 years with an oft-quoted statement:

The policy of the government is to foster the growth of the population of Canada by the encouragement of immigration. The government will seek legislation, regulation and vigorous administration, to ensure the careful selection and permanent settlement of such numbers of immigrants as can advantageously be absorbed in our national economy (. . .)

Canada is perfectly within her rights in selecting the persons whom we regard as desirable future citizens.

It is not a "fundamental human right" of any alien to enter Canada.

It is a privilege. It is a matter of domestic policy.

According to government plans, the aim of immigration policy was to combine population growth and economic development. At the same time, it had to continue to respect the principle of absorptive capacity, and to ensure the preservation of the cultural characteristics of the Canadian population (Green and Green 1996). In other words, the careful selection of prospective migrants, based on race, nationality and cultural differences, was to continue, although barriers to European migration were gradually lowered to address the urgent need for workers. Once again, however, the Caribbean had been left out of the group of “most favored” nations of origin. Nevertheless, the new search for foreign workers from favored nations brought the average annual inflow up to reach almost 55,000 during the 1940s and to exceed 154,000 across the 1950s (when immigration accounted for more than 40 percent of population growth).

Equally significant was the increasingly heterogeneous nature of the inflows, once largely dominated by British and American migrants, as the majority of new arrivals were coming from continental Europe (primarily Germany, Italy and the Netherlands) (CIC 1977). The expansion of the group of countries of origin, however, and the parallel expansion of sponsorship rights, began to encourage the inflow of an excessive supply of unskilled labor in the late 1950s (Green and Green 1996), and this was one of the factors leading to policy innovations brought forward in the 1960s.

The abandonment of race-based immigrant selection, and the parallel search for skilled labor did, in fact, lead to a new skill-based immigration policy open to all countries including, of course, the Caribbean. In addition, to allow for an objective selection of migrants, a new, skill-based “points system” would be introduced that would constitute the main basis for the immigration of permanent workers from the Caribbean.

Focus Group Discussion: Haiti

Port-au-Prince, September 2007

The meeting in Port-au-Prince, on the premises of Fonkoze (a local microfinance institution offering remittance services in cooperation with Moneygram), was attended by three remittance recipients with characteristics as follows:

Subject	Sex	Age	Occupation	Origin
A	Male	25–30	Unemployed	Outside Port-au-Prince
B	Female	30–35	Unemployed	Port-au-Prince
C	Male	14–15	Student	Port-au-Prince

Relationship with Sender(s)

Subject A. Senders include several relatives living in the United States, Canada, and St. Martin, including a brother, a sister, and several cousins. Some of them have a valid visa and travel to Haiti occasionally. The subject has not joined any of them because of the need for a visa and related travel expenses.

Subject B. Sender is a husband, living in the United States (Florida) for 10 years with a green card. Previously living in Canada, he later moved to the United States, as a naturalized Canadian, in search of employment. The subject's plan is to join him in the future when the paperwork for reunification is ready.

Subject C. Sender is a father living in Canada (Montreal) for three years, after working in a government position in Haiti. The subject's plan is to move to Canada after high school to study there.

Methods of Sending/Receiving Remittances

All three remittance recipients had used Fonkoze/Moneygram at least once as a channel for transfers.

Subject A. Initially using Western Union (chosen by the senders), he later directed the senders to Moneygram for several reasons:

- 1) Security (once robbed of US\$1,500, probably because of an inside job)
- 2) Accessibility (simplicity)
- 3) Speed of service
- 4) Customer care (treated well by Fonkoze).

It should be noted that for remittance transfers from the island of St. Martin, senders usually use an informal system (a *facteur* performing pocket transfers).

Subject B. Had used other maisons de transfert (MdTs) in the past.

- Unitransfer's customer service was unsatisfactory (often unable to perform payments for technical reasons).
- CAM home delivery service was used, but because the recipient was not home at the time of delivery, the cash had to be claimed later by an inconvenient process.
- Unibank was used at times in order to receive wire transfers to a personal account.

Moneygram/Fonkoze is preferred by the sender for the following reasons (in order of importance):

- 1) Speed
- 2) Security/reliability
- 3) Accessibility (due to Fonkoze's presence in rural areas)
- 4) Cost (less expensive for the sender).

Subject C. Rarely used Fonkoze/Moneygram, usually uses another Moneygram branch. Reasons for choosing Moneygram:

- 1) Cost
- 2) Accessibility (closer to his house).

Size/Frequency of Transfers

Subject A. Transfers are very irregular in frequency, usually around US\$200–300. Once a big transfer (US\$1500) was preformed to finance the construction of a house.

Subject B. Transfers are usually made on a weekly or biweekly basis, and the average amount is US\$250–300 .

Subject C. Transfers are usually made every two or three weeks, and the average amount is US\$300–500.

Requirement in Sending/Receiving the Remittance

All three participants are required to show one piece of identification in order to access their remittance funds. Subject C was able to use his student ID for this purpose.

Use of Remittances

All three participants indicated that remitted funds were used mainly to meet day-to-day living expenses. Education was named as the second purpose in two cases. Subject A once received a substantial amount to be invested in the construction of a house.

Focus Group Discussion: Haitian Diaspora

Montreal (Laval), Canada, November 17, 2007

The meeting in Montreal was attended on the premises of Caisse Populaire Desjardins (a local Canadian credit union involved in development projects in Haiti) by seven remittance senders with characteristics as follows:

Subject	Sex	Age	Education
A	Male	40–45	n/a
B	Male	50–60	College level
C	Male	40–45	High school
D	Female	30–35	High School
E	Female	30–35	High School
F	Female	60–70	n/a
G	Male	40–50	n/a

Relationship with Recipients

- One of the participants had college-level education (post high school, pre-university), while most of the other participants had an education level below college.
- Four of the participants had been living in Canada for more than 20 years, three for less than 10 years and one for less than 1 year.
- Most of the participants had close relatives in Haiti, ranging from parents to siblings. However, those who did not have close relatives in Haiti claim that they still send

money home with some regularity. One of the participants claimed that as closer relatives died, the amount of money sent to Haiti diminished significantly.

- In general, transfers were made to siblings or cousins, less frequently to parents. There was consensus among the older participants that the younger generation of Haitian immigrants to Canada seems to be less involved in remittances.

Methods of Sending/Receiving Remittance

- Most of the participants claimed to use Haitian *maisons de transfert* as channels for remittances, and indicated that the service had so far been satisfactory. A main determinant of the choice of operator seemed to be the ability of the company to deliver the money rapidly and to areas outside major cities, possibly to the home of the recipient in order to minimize security problems. Security and reliability were cited the most as factors in the choice of means for transfers. Cost came second, while one respondent cited accessibility and another mentioned other advantages. In most cases the sender chose the method for the transfers.
- One of the participants would have preferred that the *maison de transfert* had some kind of socially responsible involvement with the recipient community.
- Most participants claimed to be in favor of a transfer system that uses the Haitian *caisse populaire* network, so that recipients would be afforded the option of depositing part of the remittance, even if the operator was not able to offer home delivery services.
- However, two of the participants expressed a preference for a system that could offer home delivery to areas that were not so risky as Port-au-Prince. Another would have preferred to be able to choose a pickup location without being required to use a *caisse populaire*.
- One of the participants said that a major weakness of Western Union, as opposed to other local *maisons de transfert*, is that the company imposes the exchange rate and currency used to pay the recipient (generally local currency, as opposed to U.S. dollars). Other participants agreed with this observation. Another point raised was that Moneygram often pays by issuing a check, and charges a fee for that service.
- All participants agreed that Haitian *maisons de transfert* (CAM, Unitransfer, Meli Melo) are the least expensive option available for sending money home.
- One member of the group indicated having occasionally used barrels to send supplies to Haiti. The cost of the empty barrel is around Can\$15–20, while the shipment cost varied between Can\$100 and 250.
- Three of the participants indicated having used pocket transfers at least once, one personally, another using a trusted individual and the third indicating that the friend entrusted with the transfer was reportedly robbed following arrival in Haiti.

Size/Frequency of Transfers

- One participant reported having made some 15 transfers a year. In most cases, the sender had carried out transfers on a monthly basis. However, two of the respondents indicated that they sent money back to Haiti on an emergency or need basis, rather than as a matter of routine.

- None of the participants disclosed the average sum sent home.
- When asked about collective remittances, all participants claimed to have occasionally participated in collective fundraising for development projects in Haiti. Those involved in larger transactions (generally for the construction of a house on the island) acknowledged that they usually make remittances below US\$10,000 to avoid complications and lengthy procedures.

Requirement in Sending/Receiving the Remittance

- All participants were aware that in Haiti recipients must show ID, and know the transaction code in order to receive the money.
- Only two participants reported having been required to show ID to perform a transfer.

Knowledge of Market

One of the participants considered himself not well informed on the market, while two others claimed to be well informed.

Use of Remittances

- In most cases, remittances were sent to help meet day-to-day expenses, as well as for health care and education. In one case, most of the remittances had been sent home to finance the purchase/construction of a new house. One participant cited special purchases and another special events as the purpose of the transfers.
- Older participants pointed out that saving money to build a house in Haiti, and to go back for vacation or to retire was becoming a priority as time passed.
- According to one participant, Haitians tend to be conservative in terms of income management. They have a strong propensity to save and remittances may be a factor in supporting this.

Focus Group Discussion: Jamaica

Jamaica, Kingston, March 2008

Two face-to-face meetings were held in Kingston, Jamaica, with recipients of remittance transfers from Canada. A larger group of former Jamaican migrants and remittance recipients was also interviewed through a short questionnaire, whose findings are summarized in the Summary of Survey Results (see Table E1 at end of this Appendix).

The findings obtained from the oral interview are summarized below:

Subject	Sex	Age	Occupation	Area of Residence
A	Female	30–40	Secretary	Kingston
B	Female	60–70	Unemployed/retired	Kingston
C	Female	50	Teacher	Kingston
D	Female	n/a	Self-employed	Kingston
E	Female	n/a	Bartender	Kingston
F	Male	60	Retired	Kingston

Relationship with Sender(s)

Subject A. Senders were an aunt living in Canada since the 1990s, and cousins, who had joined her through family reunification.

Subject B. Sender is a son in Canada as a seasonal worker.

Subject C. Sender is a son in Toronto living in Canada since the early 1990s after joining the subject's husband.

Subject D. Senders are several close relatives living in Canada

Subject E. Sender is a sibling in Toronto.

Subject F: Sender is a sibling in Canada

Methods of Sending/Receiving Remittance

Subject A. Received both monetary remittances and in-kind remittances (via shipped barrels). In the first case, the sender chose Victoria Mutual over Western Union based on:

- 1) Convenience (lower fees)
- 2) Reliability and accessibility (disbursement on bank branch premises, perceived as more secure).

Remittances in kind are sent via a shipment company delivering barrels from Canada.

Subject B. One transfer, amount and method undisclosed.

Subject C. Usually received funds through Western Union; at times the sender chose other MTOs. The choice rested with the sender, the recipient having no preferences regarding the operator.

Subject D. Moneygram chosen over Western Union on the basis of convenience and accessibility to the sender.

Subject E. Western Union is the usual operator of choice. On one occasion the amount sent was collected by someone else through fraudulent means, but the company successfully resolved the issue.

Subject F. Moneygram was the usual operator of choice, but the subject switched to Western Union after the amount sent was collected by someone else through fraudulent means.

Size/Frequency of Transfers

Subject A. Transfers were performed every two months, and the yearly amount received was around Can\$1,000 (average of Can\$166 per transfer). Remittances in kind included food, clothes, and toiletries.

Subject B. No information.

Subject C. Receives Can\$200–300 on a monthly basis.

Subject D. Receives monthly fund transfers, amount undisclosed.

Subject E. Intermittent transfers usually clustered around the holiday season; amounts undisclosed.

Subject F. No information.

Fees

Subject A. For remittances in kind, the shipping company charged a small fee at delivery (J\$10 for a shipment worth J\$20,000).

Subject B. No information.

Subject C. No information.

Subject D. No information.

Subject E. No information.

Subject F. No information.

Usage of Remittances

Subject A. Funds are used mainly (95 percent) for daily consumption and health care.

Subject B. Essential expenses; remittances are the only available income.

Subject C. Shopping/non-essential expenses.

Subject D. No information.

Subject E. No information.

Subject F. No information.

Table E1. Summary of Survey Results: Jamaican Returnees and Remittance Recipients

	Question 1: In which conditions did the sender emigrate?	Question 2: How much money did they pay to migrate?	Question 3: Do you receive money from abroad?	Question 4: Means of transfer	Question 5: Who decides which means to use?	Question 6: What are the 3 most important reasons for choosing the means of transfer?	Question 7: Frequency of transfers	Question 8: Average sum sent	Question 9: ID requirements	Question 10: Satisfaction of service	Question 11: Use of remittances
Subject 1	n/a	n.a	Yes	Moneygram	Recipient	Speed ID requirements Personal contacts	Monthly	100–150 USD	Yes (Passport)	Yes	Daily needs/ education
Subject 2	Work Visa	n/a	Yes	MFI/Cash courier		Speed/ Security	Emergency (house repairs)	500 USD	Yes (driver's license)	No	House renovation
Subject 3	Tourist visa		Yes	MTO/cash courier	Sender	Speed Cost Cross- purchase	Weekly	9,000– 13,000 JMD	Yes (driver's license)	Yes	Daily consumption (50%) Education (20%) Health care (20%)
Subject 4	Temporary basis	n/a	Yes	Jamaican youth program		Good remote bill payment service					
Subject 5	Work Visa	£ 85	Yes	Bank MTO Cash courier Post Office Money Order		Speed/security/ Accessibility	Monthly	5,000 JMD			Yes

Subject 6	Refugee status		Yes	Western union Money order Post Office	Recipient	Speed	Weekly	400 USD	Yes (driver's license)	Yes	consumption Housing Health Care Investment
Subject 7	UK Passport holder	n/a	Yes	Check via mail	Recipient	Speed/ Security/ ID requirements	Monthly	£ 20	Yes	Yes	Education
Subject 8	n/a	n/a	Yes	Cash courier (friend) Money order Post office	Sender	Speed/ Security	Monthly	100–200 USD	Yes (driver's license)	Yes	Daily needs Education Health care Special occasions
Subject 9	n/a	n/a	Yes	JNBS (bank) WU Post office	Sender	Speed Cost Security	Twice a Month	n/a	Yes (Passport)	Yes	Daily needs Education Special Occasions
Subject 10	Permanent visa	n/a	No								
Subject 11	n/a	n/a	Yes	Bank Cash courier	Sender	Speed	Monthly	400 USD	Yes	n/a	Personal needs Special occasions
Subject 12	Permanent visa	n/a	Yes	Bank	Sender	Speed Cost Security	Monthly	800 USD	Yes (driver's license)	Yes	Daily needs Education

(continued)

Table E1. Summary of Survey Results: Jamaican Returnees and Remittance Recipients (*continued*)

	Question 1: In which conditions did the sender emigrate?	Question 2: How much money did they pay to migrate?	Question 3: Do you receive money from abroad?	Question 4: Means of transfer	Question 5: Who decides which means to use?	Question 6: What are the 3 most important reasons for choosing the means of transfer?	Question 7: Frequency of transfers	Question 8: Average sum sent	Question 9: ID requirements	Question 10: Satisfaction of service	Question 11: Use of remittances
Subject 13	Permanent visa	500 USD	Yes	WU	Sender	Convenience (limited choice)	When required	100 USD	No	Yes	Daily needs (50%) Education (25%) Health care (25%)
Subject 14	n/a		Yes	Victoria Mutual (bank)	Sender	Security	Monthly	n/a	n/a	Yes	n/a
Subject 15	Work Visa			Cash courier (friend) Money order Post office	Sender	Personal contacts	Monthly/ biweekly	n/a	Yes (Passport)	Yes	Daily needs Housing
Subject 16	n/a			Victoria Mutual (bank)	Sender	Security	Monthly		Yes	Yes	n/a
Subject 17	Work Visa		yes	JNBS (bank)	Sender		Monthly	£30	Yes (Passport)	Yes	Daily needs

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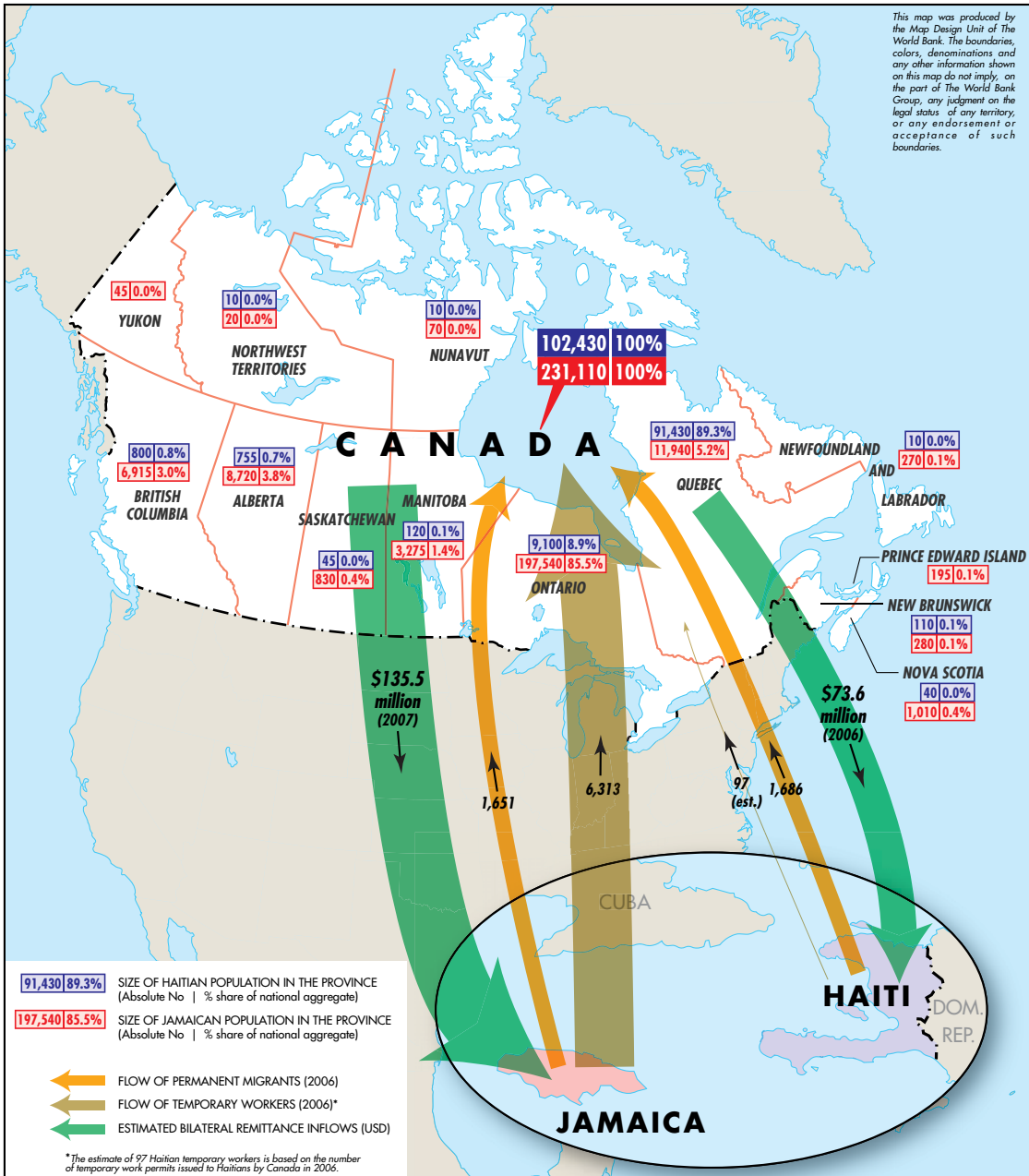
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CANADA/CARIBBEAN
HAITIAN AND JAMAICAN MIGRANT OUTFLOW TO CANADA
AND REMITTANCE INFLOWS (2006/2007)
JAMAICAN AND HAITIAN POPULATIONS DISAGGREGATED
VIA CANADIAN PROVINCES (2006)



The Canada-Caribbean Remittance Corridor is part of the World Bank Working Paper series. These papers are published to communicate the results of the Bank's ongoing research and to stimulate public discussion.

Several economies in the Caribbean region, especially from the lower-income group, are highly dependent on remittances. Between 1991 and 2006, the combined flows of total remittances reaching the Caribbean have averaged almost 17 percent annual growth, surpassing US\$6 billion in 2005 and overtaking the region's total ODA and FDI inflows. In addition, remittances represent more than 20 percent of the domestic gross domestic product (GDP) in some Caribbean countries and have played a significant role in lessening both balance of payment deficits and the impact of natural disasters to which the region is particularly vulnerable.

This study undertakes an analysis of the various dynamics underlying the Canada-Caribbean remittance corridor, including Caribbean migration issues and diaspora dynamics, remittance market landscapes, and regulatory frameworks. The study is intended to assist Canadian and Caribbean national authorities to sustain the continued growth and competitiveness of their remittance industries, while protecting them from being abused by criminals.

The study particularly emphasizes continued policy improvements in each country's regulatory framework as a primary mechanism to contribute to financial sector development and to enhance poverty reduction.

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ISBN 978-0-8213-7919-6



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SKU 17919