

# POLICY DIALOGUE ON SAFE MIGRATION AND REMITTANCES HELD ON 10 JUNE 2007

## Reform Agenda-1990 UN Convention on Migrants' Rights

**Mr. Mahfuz Anam, Editor, The Daily Star**

Thank you all for being present here this morning.

This policy dialogue is being jointly organised by the Daily Star and the Refugee and Migratory Movements Research Unit of Dhaka University with the support of the Manusher Jonno Foundation. This policy dialogue has great importance from the angle of promoting human rights of our own citizens and also from the point of view of the economic interest of the country. With no tax breaks, with no subsidies, with no bank's special facilities that is given to the garments sector, our expatriate workers send nearly \$6 billion to our country without any hope of investment from anybody. Nobody makes any investment on migration; they are on their own and take all the risks themselves. It is our moral and legal obligation that we must uphold their rights. Our migrant workers face terrible hurdles that start from the very beginning at the village level, afterwards they are exploited by the dalals, and a section of the recruitment agencies. The government officials and the airlines are sometimes also part of the exploitation process and finally the receiving authority and employers are also in the list. We have to address this issue not only with our head but also with our heart. Bangladesh is one of the signatory countries that has still not ratified the 1990 UN Convention. The current Caretaker Government has spoken a lot about eliminating corruption from our society. This area has a lot of corruption that needs to be addressed. There is no more important area of cleaning up than the issue of migrant labour force through which the country earns nearly \$6 billion in a year. Civil society also needs to raise their voice in favour of migrant workers, to give migrants migrant workers a voice. They also do not get adequate representation in the media either. So, the Government, civil society, media all of us need to work together from the perspective of progressive self-interest, from the perspectives of building a future for Bangladesh. If we can ensure a minimum level of human rights for them, reduce the exploitation, I think this is likely to increase the growth of Bangladesh. With this understanding in mind, The Daily Star and RMMRU have come together. We would like to continue this collaboration, particularly from The Daily Star we would like to highlight the issue continuously till the fundamental reforms are brought in. Policy is very popular jargon, let's not be only confined with the policy, let's do it for the economy and particularly for the migrant workers.



Extracts of Speech by Chief Guest, **Dr. Iftekhar Ahmed Chowdhury**, the Hon'ble Adviser for the Ministry of Foreign Affairs, Ministry of Expatriate Welfare & Overseas Employment and the CHT Affairs.



Migration of labour is an extremely important issue in Bangladesh. Official remittance follows into Bangladesh reached US\$ 4.8 billion in fiscal year 2005-06, representing approximately 7.6% of GDP. Last year, remittance transfers were approximately four times higher than net aid flows to Bangladesh and more than nine times larger than Foreign Direct Investment. As of June 2007, 4.55 million Bangladeshis are working as migrant workers abroad. This figure excludes the large Bangladeshi Diaspora in the United Kingdom and North America. However, we must remember that over 90% of our temporary labor migrants live in eight countries of the Middle East and South East Asia. Saudi Arabia alone accounts for 49.8% of all our labor forces working abroad.

Remittances can have significant positive impacts on households and communities in source countries for migration. We have, however, no reason to believe that remittance is cost-free.

In fact, the migrant workers and their families often pay a very large sum to secure an overseas employment opportunity. For them, the direct cost may involve giving up their current employment and incurring large upfront costs, in terms of agency fees, affairs etc, to secure the job. It often takes several months, if not years, to recoup their cost of overseas employment. The families of the migrant workers can face severe deprivation during the transition phase. Therefore safe and cost-effective migration is very important.

The market for migrant workers is highly imperfect, characterized by high transaction costs, pervasive information gaps and misplaced expectations. The market imperfections are often evident in based and unfair labor contracts. Recruiting agents often reap abnormal profits, largely at the expense of the migrant workers' interests. Language barriers and a lack of understanding of the country's legal system can make it difficult for migrant workers to seek legal remedies against unfair labor practices. The unhealthy competition among recruiting agencies from different developing countries often exacerbates the situation.

As you all know, Bangladesh is one of the first few countries to sign the 'International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families' as early as 1998 (7 October). Since then, 37 countries have ratified the Convention while 15 are Signatories to it. This is the most comprehensive instrument detailing the rights of migrant workers and their families.

I am fully aware that civil society organizations and various stakeholders are keen to see that Bangladesh also ratifies the Convention. Like many other important issues, the ratification issue also needs to be examined afresh. Let me assure you that this Government will definitely examine the issue of ratification of the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families' with an open mind. If need be, we will engage the civil society and relevant authorities to discuss all possible ramifications. Today's dialogue is a good beginning towards that end. There is no reason why we should not be able to pursue this issue given the amount of public interest.

We basically have to weigh the various pros and cons of ratification. As far as I recall, none of the middle-eastern countries and also countries like Malaysia and Republic of Korea are party to the Convention. The US and the Western European countries are not parties to it either. These are very important destination countries for Bangladeshi workers and migrants. None of our immediate neighbors are also parties to the Convention. There are very important budgetary and internal market determinants issues as well as global labor market dynamics that need to be addressed before accepting all the obligations arising out of the Convention. I want you to appreciate some of the complexities of the issue at hand.

This Government is essentially a responsible and responsive Government accountable to the people of this land. We would like to set high standards in all vital areas of public interest. We would like to set standards which are comparable with global ones and which are enshrined in the UN and other international bodies. To ensure sustainability and irreversibility of the process of reform and institution building we have to move cautiously so that our achievements or steps must be able to withstand the test of rationality by the governments that will follow.

**Prof Tasneem Siddiqui, RMMRU, University of Dhaka**

**Prof Tasneem Siddiqui, RMMRU, University of Dhaka, Presentation of Key Reform Agenda: Ratification of the 1990 Convention**

Almost all countries of the world now take part and benefit from migration as sending, receiving and transit countries. Over the last five years, on average, 300,000 people migrated from Bangladesh annually as short term contract workers. In 2006, the stock of short term contract migrants stood at 4.4 million; another 1 million more constitutes the Bangladeshi diaspora. In 2005-6 Bangladesh received US\$ 4.8 billion as remittance through the official channels. It is expected that this year the figure will exceed US\$ 6 billion. The importance of remittances to the Bangladesh economy cannot be overemphasised. Among the 70 developing countries who receive a sizeable portion of remittance, Bangladesh is the 7th largest; India being the second. Nonetheless, compared to India, per capita remittance earning of Bangladesh is 33% higher.

It is unfortunate that due to reasons operational both within Bangladesh and in receiving countries, Bangladeshi migrant workers have become one of the most vulnerable sections of our labour force. Migrants continue to face hardships at home and in destination countries. Unscrupulous recruitment



practices have led to high costs, fraudulent practices and pauperisation of a section of migrant workers. In destination countries, due to the arbitrariness of the employers and discriminatory policies of receiving states many migrants face exploitation and loss of rights in the form of low and irregular wages, bad working conditions and restrictions on their movements. Upon return the migrants' plight continues in the absence of institutional opportunities for economic reintegration.

The current caretaker government has initiated reforms in various sectors of the economy. With regard to migration of workers it has undertaken a series of measures to curb the irregularities in the recruitment industry and has increased market access and better terms and conditions of Bangladeshi labour in UAE, Malaysia and more recently in the Republic of Korea.

The 1990 UN Convention on 'The Protection of the Rights of All Migrant Workers and Their Families' is the most important international instrument concerning migrant workers. The Convention came into force in June 2005 with the ratification of 20 countries. For the first time this convention provides a comprehensive definition of migrant workers including those who are to be engaged, are engaged or have been engaged in a remunerative activity in a state of which they are not nationals. It recognizes the migrants as social beings rather than looking at them as economic entities. It recognizes women as migrant workers in their own right. It ensures full applicability of human rights to all workers, male and female as well as their family members.

As a labour sending country it is very much in the interest of Bangladesh to ratify the convention. In 1997 the Ministry of Law and Parliamentary Affairs forwarded the text of the 1990 Convention to the Law Commission of Bangladesh. The Law Commission scrutinized the document and observed that it has no provision that contradicts the legal system of Bangladesh, and therefore could be ratified. On the basis of the recommendation on 8th October, 1998 the Government of Bangladesh signed the Convention. Bangladesh was the 11th country to sign the convention and since then 51 countries have signed and 37 have already ratified the convention. Since signing no significant development has taken place. From 1999 various civil society organizations have conducted advocacy with different Government stakeholders for ratification. But not much progress has been made so far.

Over the years we have witnessed major labour sending countries, most notably Sri Lanka and the Philippines, Egypt, Syria ratifying the Convention. Senior functionaries of these states have stated that none of them have faced any adverse repercussions with regards to labour export. In the recent past substantial improvements have taken place in compliance of international labour standards in the case of apparel manufacturing and other export processing industries. Therefore it should not withhold the ratification based on the fear that similar rights will be demanded by our workers in Bangladesh.

India and Pakistan's dependence on remittance is not as high as in Bangladesh. Besides, if those countries do not want better protection of their migrant work force, Bangladesh does not need to follow. Rather, Bangladesh should follow the lead of Sri Lanka who has a similar dependency on labour export and remittances to Bangladesh.

The current government has taken major steps against corruption as well as streamlining the recruitment industry. This instrument provides with state of the art technique to ensure accountability of those recruiting agencies who commit fraud. At the same time it also suggest methods for rewarding recruiting agencies who are successful in negotiating job contracts on better terms for the workers.

It is in the above context we appeal to the government through our Honourable Advisor for the Ministry of Foreign Affairs and Expatriates' Welfare and Overseas Employment to ratify the 1990 UN Convention. The first meeting of the Global Forum on Migration set up by the UN will take place on 11-12 July 2007. A decision to ratify the instrument before that will be a major indication of the commitment of the current caretaker government to the adherence to UN standards on migrant rights.

### **Justice Dr. Syed Refaat Ahmed**, *Supreme Court of Bangladesh*

#### *Keynote address on the importance of the 1990 UN Convention*

The 1990 UN Convention owes its origins to UN General Assembly 34/172 of December 17, 1979 in which a Working Group open to all member states was established to elaborate an international convention on the protection of all migrant workers and their families. The underlying philosophy was to see to the development of a "wider point of view" on labor migration. More than ten years later that objective was reiterated in the General Assembly Resolution 45/158 of December 18, 1990, that, in adopting the Convention sated that *In spite of the existence of an already established body of principle and standards, there is a need to make further effort to improve the situation and ensure the human rights and dignity of all migrant workers and their families.*

The Convention is in fact a hybrid instrument that not only secures the human rights of migrant workers to an extent greater than ever before but also attempts at curbing undocumented migration. This is manifested clearly in the Part VI provisions of the Convention- which I see as the Convention's core provisions- pertaining to the promotion of sound, equitable, humane and lawful conditions of migration and which assert the importance of concerted action at state supervision of the entire gamut of the migratory process beginning with the dissemination of relevant information at the pre-migration stage, down to the availability of adequate consular services in the receiving state and orderly return to and effective reintegration in the states of origin. An all encompassing duty to "consult and co-operate" (Article 64) is imposed



which effectively grants states the latitude to adapt policies as are considered to be in the best interest of migrant workers. Therein lies the intrinsic worth of the convention.

There is no denying that the 1990 UN Convention is designed to play a pivotal and crucial role in the development of human rights standards and the rules of state conduct and responsibility. There are two facets to this role. The first is absolute in nature and stems from the fact that the Convention is now identified as an instrument that is "concerned with standard-setting", and as a consequence of its elaboration of human rights standards is considered to operate to protect migrant workers "even in States which are not Parties to the Convention.". The second is one manifested in the Convention itself and assigned in the context, for example, of the optional individual complaints procedure devised under Article 77 allowing for the Convention Committee to consider complaints from individuals alleging violations of their rights and for states to respond by "explanations or statements clarifying the matter and the remedy, if any, that may have been taken....." Either way, it is evident that human security gets assigned a primacy over and above state sovereignty and in that regards, the question we should be asking ourselves as to ratification is not merely "when?" but additionally "how best to be in effective compliance?" In that regard, we appear to have taken cautious and gradual steps in the right direction, and there is no reason why we cannot see that exercise to its desired conclusion for the benefit of many who continue to be exploited at all stages of the migration process.

**Ms. Shaheen Anam**, Executive Director, Manuser Jonno Foundation

We as citizens of Bangladesh would like to see the 1990 UN Convention is ratified without any further delay. I would like to say in dealing with this whole area in terms of numbers of how many billions are coming and how many workers are going out, the person has been lost, the situation of these workers has been lost. Our interest actually has been raised by some of the newspaper reports that we have been receiving in the last few month. The people who have gone the destination country came back because they have been defrauded not only in this country but when they went there they found that their contracts are false. Now, it's very difficult to understand why this is not followed up, who these people are who are defrauding these migrant workers. Why is there not anybody or any institution to monitor this problem?

I would like to state that while the migration sector is not ignored, the people who work in this sector *are* ignored and one of the reasons is that they don't have any bargaining capacity. Think what would happen if these people one day decided that they will not send money anymore. They are not aware enough, they are not mobilized enough, are not educated enough and even are not given the right information. In Bangladesh, migrants do not have a formal source of information about the international labour market, placement, recruiting procedure and about costs and benefits. That's why the aspirant migrant has to go to the informal sources that just abuse or exploit them. Why are they not black listed when a fraud is detected? They just have to pay some fine to the authorities and they again continue their business. How can they be made free just by given some fine? We need a very strong monitoring body or maybe a task force which will monitor all the different actions or policies and all the rules and regulations of the recruitment agencies

Now, I would like to point out the sufferings at the airport, when they come back. We have all seen the way they are treated at the airport. Why we cannot make separate facilities for them. When they come back two or three flights comes at a time, and they are treated badly. This is really a loss of dignity for them and we have to emphasise that we should be treating them as our crown.

I just want to quote a newspaper today that 35 thousand workers are waiting to go to Malaysia and they are not being able to go because airlines could not manage and the people have spent their money, all the papers are ready they can not go because the planes are not ready. Let us have a change in our attitude regarding the migrant workers. The media should play a role building their image and keep on telling everybody about their contribution to our society, to our economy as well as the pain and sufferings of their families and trauma that they face at the time of leaving their families behind. At the end of the day I would like to say that they are the citizens of our country making huge contributions and definitely they deserve better.

**Mr. Fayazuddin Ahmed**, Advocate, Manusher Jonno Foundation

I would like to start with a quote by Kofi Annan, UN Secretary General, "*It is time to take a more comprehensive look at the various dimensions of the migration issue, which now involves hundreds of millions of people and affects countries of origin, transit and destination. We need to understand better the causes of international flows of people and their complex interrelationship with development*".

The major objective of the International Convention on the Protection of the Rights of All Migrant Workers and Member's of their Families is to foster respect for migrants' human rights. Migrants are not only workers, they are also human beings. The convention aims at guaranteeing equality of treatment and the same working conditions for migrants and nationals. The major points of the charter are: prevention of inhumane living and working conditions, physical and sexual abuse; rights to freedom of thought, expression and religion; access to information on their rights; right to legal equality; equal access to educational and social services; the right to participate in trade unions; right to remain connected to their country of origin.

Different countries assign different reasons for not ratifying the convention. Some states maintain that their national legislation already protects migrant workers in a satisfactory way. This is notably the case with Western countries. They therefore argue that ratifying the Convention would be superfluous. Some states have only a small number of

migrants on their territory and do not therefore see the need to legislate on this topic. Others state that the Convention is not well-known and is therefore not high on the political agenda. Some states lack the necessary infrastructure to apply the Convention and are therefore reluctant to ratify it. Some states do not wish international agreements to interfere with their migration policies, which they view as a strictly national issue. However, these reasons should not apply to Bangladesh under the Constitution and the recent Overseas Employment Act 2006, which states that the Government of Bangladesh will ensure the universal human rights of all its migrant workers. I therefore believe we should sign the Convention as our commitment to uphold the rights of our workers abroad.

**Mr. Saiful Haque**, Chairman, WARBE

The international Convention for 'The Protection of all Migrant Workers and Member of their Families' is the most extended and comprehensive instrument to protect the rights of migrants and member of their families. The convention seeks to play a role in preventing and eliminating all forms of exploitation, discrimination, abuse and harassment of migrant workers in countries of origin, transit and destination.

Bangladesh was elected as a member of Human Rights Council last year with a huge vote and pledged to ratify the core conventions to protect the human rights and upheld the dignity of its peoples. Therefore, it is obligatory for Bangladesh to ratify the convention for the protection of the fundamental rights of migrants' workers and members of their families at home and abroad, including those with undocumented status.

At the United Nations High Level Dialogue on Migration and Development in New York, Bangladesh in their statement mentioned "efforts needed to fully eliminate exploitation and discrimination to ensure fair treatment, decent work, minimum wage & status recognition to migrants". In the next month, Bangladesh will be participating in the 'Global Forum on Migration & Development' in July 2007, which is the follow up meeting after the UN High Level Dialogue. Bangladesh should ratify the 1990 UN Convention before the GFMD to uphold their statement for the protection of the rights of their millions of migrants' working in different countries.

In South Asia, Bangladesh is the only country that adopted an Overseas Migration Policy. To implement this policy and streamlining the labour recruitment process with accountability and transparency and better governance of this vital sector for foreign currency earning, we need a comprehensive legal framework and the 1990 UN Convention would be an ideal instrument for formulation of the rights based legislations.

**Ms. Sheik Rumana**, Executive Director, BOMSA

Seven or eight years ago when I was a migrant worker, I did not know the rights of migrant workers. Today, I am aware of some rights of migrant workers that I have learnt over time. I feel that it is very important to have all the rights as a migrant worker. As a member of migrant workers' community, today the only one demand from us to the audiences and to the government is to ratify the 1990 UN Convention. Ratification of the Convention is one way of recognizing the contribution of migrant workers by the State. Therefore, there is an urgent need to ratify the 1990 Convention.

**Afsan Cowdhury**, Director of Advocacy and Human Rights, BRAC

To me, the ratification of the 1990 UN Convention is not a unidimensional issue, rather it is a multidimensional issue. Bangladesh as a State has signed and ratified a huge number of UN Conventions and treaties. But the question is whether just signing or ratifying them has a real impact. Seen in that perspective, I am skeptical whether the ratification of the 1990 UN Convention could bring any significant impact for our migrant workers. However, still I think that we should ratify the 1990 UN Convention. The most important issue of concern for me is that we are losing our labour market. Therefore, our migration policies should concentrate on how to improve the access to the labour markets of foreign countries and how our people could be turned into skilled labour force for the competition in the global labour market. Therefore, we should take consider how the UN Convention could be supportive for us in this respect.

**Nur Uddin Chowdhury**

This dialogue may recommend the constitution of a taskforce to analyze and make an assessment of the ways through which Bangladesh as a country sending migrants may benefit. I think that is a very serious concern for us. Ratification cannot be a unilateral decision by the Government. At the end of the day the migration issues would be benefited by the ratification of the Convention and it should be done as soon as possible.

**Mr. Siddique Rahman**, Islami Bank

We heard from Justice Refaat Ahmed that if we ratify the UN Convention, then as the signatory to the Convention, we have to check the irregular migration of our country. Many of our migrant workers go outside without any legal procedures. Therefore, if we ratify the Convention, I think that will have a negative impact on our manpower export and on the remittance.

**Mr. Anisur Rahman Khan**, WARBE

We have heard from the government officials since 1998 that if we ratify the convention, our migration would be

stopped. If we look at Sri Lanka, the Philippines, Syria and Egypt we would see that these countries have ratified the Convention, but their volume of migration has not declined.

**Mr. Shamsul Haque**, Director General, Ministry of Foreign Affairs

There are some instances and statistics which show that because of the ratification the labour market of Sri Lanka and the Philippines have been affected. So, there is a need for further study in this regard. The second issue is that the more developed the developed countries become, not only they need semi skilled and skilled workers, they also need unskilled workers where we have tremendous scope of sending our workers. So, we have to think deeply on the protection issue.

**Ms. Rokia Afzal Rahman**, former Advisor, Ministry of Labour, Caretaker Government 2001 and Chairman, Air links Ltd. *Special Keynote Address*



When I was in the government for a short-term period, the first issue that came to me was how the exploitation of migrant workers could be stopped. I had the good fortune of having people like Dr. Abrar and Dr. Tasneem with whom I undertook a study on how to streamline and support migrant workers going abroad. We conducted workshops where both workers and members of BAIRA took active part. The study that we left behind, the data base that we left behind, later the Minister for Expatriate Welfare told me that it was a very useful tool for him to implement some of the suggestions we had put forward. But I think the exploitation part still remains. I think of migration as a thrust sector. We must make it a win-win situation where our human resources go abroad and earn money and they send back the money and their families also benefit.

One other step I took was to form a committee in the ministry because we felt that labour and employment committee by itself could not work much as it needs the support from the Ministry of Home Affairs because at the airports migrants could be harassed at times. We also need support from the Ministry of Foreign Affairs because they have embassies abroad and migrant workers need the support from them. So, we formed the inter-ministerial committee.

When I was in the government my son was proposed that if I allowed a recruiting agency to establish an agency, he would give my son a lot of money. A gentleman whom I knew also proposed to me that if he could send workers abroad, I would get \$1800 for each. I was so shocked. He insisted that there is nothing wrong with this because I was helping a worker to go abroad. I told him that how he could think that I would take part of a poor man's earning. I think such practices should be stopped.

There is a migrant workers' welfare fund. It is a huge fund. And migrant workers do not get anything from that fund. But nobody wants to discuss it. I think this is a huge resource which should be tapped for the welfare of the migrant workers.

We have discussed the issue of the ratification of the 1990 UN Convention I definitely want to see the ratification. Although we heard that there may be some problems in ratifying the Convention, I think these would be of temporary feature. What is important is that the ratification would help our migrant workers.

*Extracts of the Speech by Chair of Working Session 1* **Mr. Md. Touhid Hossain**, Secretary-in-Charge, Ministry of Foreign Affairs

We all know the migrants are playing an extremely important role in our economy in two ways. It is not only a matter of the 5 to 6 billion dollars that are coming here, they are also taking themselves off from the employment market in our country. Just imagine 5 million extra people looking for a job here. I think it needs to be thought carefully with deep appreciation. There is no doubt about the fact that we need to protect their rights. Let us measure the gains that we get out from ratifying the agreement. I am sure there are some gains and the cost as well, for example, the obligations to enter into. Its look very odd saying after its 8 years of signing we have not ratified. We will look into it again with a very positive set of mind. But side by side, I think, there is some other things which we should also need to do from the parts of Government, civil society and also the think tank of our country. There are problems, there is exploitation, which apart from the ratification of Convention should also be looked it. It is time that we upgrade the skills our workers get so that they will get better paying jobs. There is the possibility of sending nurses, there is tremendous demand all over the world not only in a particular country. If we can produce qualified nurses to the world standard, the number of vacancies in the receiving countries that are going to remain unfulfilled in the coming years is tremendous. This can be one area where we can focus our efforts. The number we have available would require us to export to that market also but we look forward to the semi-skilled and high skilled market. And I think as an individual not as bureaucrat that this is the segment that has been exploited most. Here, I think it is possible to upgrade the situation if we can enforce even the existing rules and laws, its possible reducing the levels of exploitation. We had a debate within the official circles about the amount of money given for sending a worker to Malaysia. I think we need to look into these things and enforcement is quite important. It is said if we fix on this low amount of money then we will loss the market. This is not fully believable



because it is seen that the country that are sending this workers at a lower cost, they are more easily able to send workers. Now more than 8 thousand Nepalese are working in Malaysia. It is much smaller country with much smaller population that we have. I would not agree that we are going to lose the market if we regulate this thing so that workers are not exploited. Many other issues which the discussants have raised all of them have validity.

## Reform Agenda-Increasing Efficiency of Migrants' Remittances

*Extracts of Speech by Special Guest, Dr. Salehuddin Ahmed, Governor, Bangladesh Bank*  
Migrant workers of Bangladesh are our unsung heroes. Remittances from migrant workers constitute a major element supporting the balance of payments. The remittance receipts in FY 06 reached US\$ 4.8 billion and in eleven months of FY 07 it has reached as high as 5.5 billion. These remittances have substantially cushioned the economy from the severity of internal and external shocks, including the oil price shock. Consumption and investment would have been curtailed drastically because of the high import cost of oil and other items if we did not have continued healthy growth in remittances.



Given this importance of remittance for the economy, Bangladesh authorities have accorded high priority to improving remittance services for migrant workers, with initiatives towards: expanding access, bringing the services closer to their work places in host countries and closer to the recipients in Bangladesh; lowering costs for the remittance services; ensuring competitive exchange rate and providing convenient saving and investment options both in foreign and local currencies.

Expanding access to remittance services: to enable migrant workers to remit funds through intermediaries as close to their workplaces as possible, Bangladesh Bank has supported and encouraged establishment and expansion of drawing arrangements between banks in Bangladesh and remittance intermediaries in the source countries including banks and duly licensed and supervised money transferors/exchange houses. Banks in the source countries usually have only limited interest in handling small remittances of migrant workers without other more remunerative banking relationships; exchange houses/money transferors have therefore assumed prominent role in handling workers' remittances.

Besides the numerous drawing arrangements (exceeding 400), banks in Bangladesh have also set up subsidiaries/branches in the major host countries of Bangladeshi migrant workers (UK, USA, UAE, Kuwait, Singapore, Italy etc.) for mobilizing remittance.

At the receiving end in Bangladesh, several bank branches out of 6576 branches spread all over the country, are active in delivering remittances to recipients. The authorities have set 48 hour and 72 hour delivery time standards respectively for urban and rural areas; but the 72 hour delivery time standard for rural areas is often breached than complied with. To improve matters, banks are cooperating towards faster deliveries, using the services of each other's branch networks. Furthermore, some banks have engaged the extensive branch networks of microfinance institutions of mainly NGOs in delivery of remittances to recipients in the remoter rural locations.

Lowering cost of remittance services: Only about five percent of migrant workers from Bangladesh are well paid professionals, the large majority are low wage unskilled and semiskilled workers who send small amounts out of their earning at regular intervals for subsistence of their families in Bangladesh. The flat fees charged by banks and money transferors for these small sized remittances tend to be high relative to the amounts remitted. The high costs involved in transfers through the formal system result in a large volume of remittances of migrant workers being siphoned off by illegal informal channels ('hundi' or 'hawala' operators).

The main approach in efforts for lowering of remittance costs facing the migrant workers has been to increase competition amongst intermediaries in collecting the remittances in the host countries. The number of drawing arrangements of banks in Bangladesh with banks and licensed money transferors/exchange houses in host countries of migrant workers are continually being expanded, and information on all the available remittance options are being disseminated amongst the migrant workers and the remittance recipients in Bangladesh.

A 'challenge fund' in the recently undertaken 'Remittance and Payments Partnership Project (RPP) between the government of Bangladesh and the British DFID will provide grant support to banks and other remittance intermediaries for financing part of their implementation costs of innovative initiatives of improving delivery of remittances and other financial services to the unserved/underserved population segments in rural areas of Bangladesh. Automation of cheque clearing and modernization of the payment settlement arrangements to be implemented by Bangladesh Bank under the RPP will also contribute substantially towards higher efficiency and lower costs in remittance delivery.

Competitive exchange rate and convenient saving and investment options for migrant workers: Migrant Bangladeshi workers abroad are free to maintain non-resident accounts with banks in Bangladesh in US Dollar, Pound Sterling, Euro or Yen; balances in these accounts can earn interest and are freely transferable abroad. Savings options at attractive interest rates are available for them in 3 year US Dollar Bonds, in 5 year Taka Wage Earner Development Bonds and in 5 and 10 years Taka Treasury Bonds issued by the government, with free reparability of principal; interest earned is also freely repatriable from abroad on all these bonds except the wage Earner Development Bond.

Migrant workers abroad may also make portfolio investment through stock exchanges in Bangladesh, using non resident investor's Taka accounts maintained with banks. The transition from May 2003 to market based floating exchange rate for Taka has further facilitated remittance growth, protecting the remittance inflows from the adversity of inappropriate overvaluation of domestic currency.

*Extracts of Speech by the Chair of Working Session 2, Mr. Khandakar Muzharul Haque, Executive Director & RPP Project Director, Bangladesh Bank*

When we talk about the reforms of banking system for remittances perhaps we should discuss three things. One is legal. The second one is procedural and perhaps the third one is not related with reforms, but the investment opportunities.

At present Bangladesh Bank is scrutinizing some of the present laws. Our legal experts have put forward an important law which is called Migrant Workers Consumer Protection Law. Experts are also verifying other laws which are related to foreign exchange and one is very important which is related with payment system law. Mobile banking or mobile centric payment system has good scope in Bangladesh. You know how the mobile industry has been coming out. In last 10 years this industry could reach only 1 million people, but last three years they have been able to reach two billion people and next one year they would reach three billion people.

If we can link the financial sectors with the NGO sector, perhaps our delivery of remittance would be very much smooth. Incidentally, I am also the chief executive director of micro credit committee authority and recently we have received about 4000 application from micro credit institutions. So, there is an opportunity of linking micro finance institutions with the formal banks and the NGOs can deliver things easily. We have channeled a fund of about 4 million dollars which is small in amount but it is the first step forward. We have also received 39 proposals from the NGOs and private banks for the remittance transfer products. Also we have heard about the automated clearing houses which will be put in place by the beginning of the 2008.

On the regulatory side as much as the Central Bank keeps their hands away the better for the development of this sector. Banks will have to do their reforms by themselves. We can help them where necessary. Government banks are coming out and even some of the commercial banks have already completed their automation networking. We will be completing our automation network within two years.

I want to say something about the utilization of remittances which has not been discussed much. For example, I believe the possibility of the mutual funds for the migrant worker which has not been done and can be explored. Although there is portfolio investment in the market, but that has not been exhaustibly used by the banks. Some banks utilize the portfolio investment and earn a lot of profit from the expatriate army personnel. I also want to say about the mutual funds for the migrant workers. Mutual funds can be beneficial for the migrants themselves and for the economy a lot.



**Professor Tasneem Siddiqui**, RMMRU, University of Dhaka

In the past, the Bangladesh Bank has undertaken various steps to encourage quicker flow of remittances as outlined by Salehuddin Ahmed, the Bangladesh Bank Governor. However, more reforms need to be initiated in the following three areas.

### **Legal Reforms**

Bangladesh Bank has been providing able leadership in increasing the use of electronic transfer systems by most of the remittance transferring banks. It has initiated projects for the introduction of an automatic clearing house. However, rules need to be framed to govern these new technological changes i.e. Electronic Fund Transfer. Common software is required for fast transfer of remittance among EFT using Banks. A central guideline from Bangladesh Bank is required for that. Major resource has to be allocated for the development of infrastructure for the functioning of the automatic clearing house.

Currently there is no consumer protection law in operation with regard to migrants' remittances. To protect the right of the remittance receiver and sender we suggest that a law be made. Once the remitter and provider agree to undertake a transaction the provider should give the remitter reference number to track the transaction, as well as information on all charges, including the exchange rate.

Globally along with the money system; two other new technologies have come into force in remittance transfer, which have reduced the time and cost of transfer. These are computer networks and telecommunications. The Central Banks of India, the Philippines and Malaysia, all are implementing projects which have merged services of banks and telecommunication companies. Such joint transfer has reduced the time and cost. A general survey of the Bangladeshi scenario shows that all necessary conditions for the introduction of these new technologies of remittance transfer exists. Bangladesh has a large number of remitters. Among 70 developing countries who receive sizable remittance Bangladesh is the 7th largest. It has 2.5 crore mobile subscribers. These telephone networks have spread up to the remote villages. Less literate people also use this technology. Bangladesh Bank and Bangladesh Telecommunication Regulatory Commission (BTRC) may jointly explore and introduce such new methods. They should also develop guidelines for ensuring a level playing field as well as introduce a mechanism for customer protection.

### **A Need for Increased Tools for Investment**

Recent workshops with Bank officials organised by RMMRU, highlighted that in Bangladesh, increased inflow of remittances are not matched by investment opportunities floated for the remitters. Investment products offered by Bangladesh Bank mostly satisfies the need of long-term migrants or a section of relatively better-off short term migrants. Migrant families do not have many choices. Wage earner welfare bond is the only available product in a Taka account where they can invest. Diversified products are needed to match the demand of different age groups of remittance receivers as well as small remitters. Private Banks like Islami Bank Bangladesh Ltd. and BRAC Bank have introduced interesting products targeting short term migrant workers and their families. Public commercial banks are constrained by Bangladesh Bank regulations in creating targeted packages. Currently the Government of Bangladesh provides Commercially Important Person (CIP) award to those who remit more than Tk.10 lac. Unskilled migrant workers are usually small remitters. They remit almost all of their hard earned income at frequent intervals. They are not honoured. Contribution of unskilled migrants should be recognised and small but frequent remitters should also be honoured.

### **A Need for an Improvement of Services**

Most of the banks in the receiving countries are situated in the capital or a few major cities, however, workers are located in distant parts of the receiving countries. The banks require representatives or brokers to motivate migrants to use official transfer channels. The Central Bank of the Philippines has 16 representatives all over Saudi Arabia to motivate migrants to use banks and to help them with easy processing of banking services. Bank of Ceylon has 8 representatives. The private banks would like to send more representatives and they are ready to pay for the costs incurred. Exchange houses have agreed to pay for space and salary of representatives of public commercial banks. Bangladesh Bank needs to realise the importance of the services of the representatives and allow private banks and public commercial banks to engage them. Therefore, control over sending bank representatives in destination countries needs to be relaxed and foreign exchange transfers for the salary of these bank representatives should be eased.

RMMRU research has shown that most of the public commercial banks do not have any specialised training for the bankers who process remittances. Motivational trainings are particularly required for the grassroots level bankers to make them understand the importance of remittances to the national economy, as well as the market demand of customer friendly services.

The importance of remittances to the Bangladesh economy cannot be overemphasised. In the past, remittance inflow has helped Bangladesh to cut poverty by 6%. In this respect, these changes would lead to further streamlining of migrant's remittance transfer system and its utilization in Bangladesh.

#### **Mr. Md. Nazrul Islam**, Assistant General Manager, Foreign Remittance Management Division, Agrani Bank

I am talking about the present delivery system of remittance and how it can be improved. I think, the system or methods followed by the banking sector in our country mainly are backdated and are responsible for the delay. Most of the national bank follows the draft method but due to the postal communication those draft could not be deposited in different branches in the right time and it takes 4 or 5 more days. I think Electronic Fund Transfer is a possible way to avoid this type of problem. Remitters feels there is more incentive if the beneficiary can get money within 2 to 3 days through the spot payment system and then the remitter prefers sending money illegally via the Hundi method. I think, if we can remove the obstacles from the whole process, people will feel more incentive to send and we can earn more than twice of the \$6 billion. On the other hand, the private banks of the country make themselves effective in this sector innovating online services. I think our nationalized banks should also make a change in their process following the private bank.

#### **Mr. A K M Mosharraf Hossain**, Assistant General Manager, International Division, Bangladesh Krishi Bank

We are very much concerned in the inward remittance, but not with the issue of use of these remittances in a profitable manner. The better use of remittance is still a neglected issue. I would like to say that we have only a few products for investment like US Dollar, Premium Bonds, US Dollar Investment Bonds and Wage Earner Development Bonds for the migrant workers. But we do not have other options which can be benefited for the migrant workers and the nation as a whole. However, some private banks have introduced some interesting products for the short term migrants. The problem with the private banks is that they have their operations only in the urban areas, not in the rural areas. The public or government banks should come forward to introduce more investment tools targeting small savings of migrant workers so that more investment options could be made available to the wider expatriate community.

Only AD branches of public commercial banks are allowed to offer Bangladesh Bank- introduced saving products. Role of AD branch is to open FC and LC for import and export. For example, only 40 of the 866 branches of Agrani bank are AD branches. Most of the local level branches where remittances come are not AD branches. Therefore, they do not have much role in selling investment products to the migrants or their families. Reforms are needed to make investment products available at the local level branches. Bangladesh Bank can consider the options to introduce

other products that can be sold by these branches. There are more than 600 AD branches who can introduce other types of products under the regulatory measures of Bangladesh Bank.

The wage earner welfare bond is the only available product in TK account in which migrant families can invest. Diversified products are needed to match the demand of different age groups of remittance receivers. It is important to introduce age differentiated and gender differentiated products. The number of women migrant is increasing that is why it is needed to developed women specific products.

I request to the policy makers to introduce more investment products and more packages for the beneficiary and for the greater interest of the country.

**Mr. Mohammad Abdul Mannan**, Deputy Executive President, Islami Bank Bangladesh Limited;

I would like to recommend that one hundred skilled bankers be sent to the major remittance source country. These bankers would stand by the migrant workers and they can look after the all sorts of queries and problems relating to remittances through the banking channel. There are countries which take such initiatives. For example, there are sixteen Filipino bankers in Saudi Arabia who look after the remittance issue of Filipino expatriates in Saudi Arabia in spite of the fact that Filipino expatriates on an average are literate. In a situation where many of our expatriates are illiterate, we need such bankers even more badly. Therefore, this issue should be addressed with due importance immediately. A rough estimate suggests that it would cost 12 lakh US dollars to send 100 bankers abroad and in return we could ensure a remittance flow of 12 billion US dollar which is currently stands at 6 billion US dollar. The Central Bank and the banks which deal with the remittance issue should consider this point with due importance. Awareness camping for marketing of remittances should be undertaken both in Bangladesh and in various camps where the expatriates reside in the host countries. The marketing executives of various banks involved in this process and Bangladesh embassies in those countries should undertake such initiatives. It would be better if the officers with pro-people attitude and competent in local dialects are posted in those embassies. Our print and electronic media could play an important role in this regard. Video cassettes containing short films, tele-films, documentaries on this issue could be disseminated among the expatriate Bangladeshi community and within the country, billboards and advertisements could be made on the theme by the Central Bank and other banks as well and it should be ensured that such advertisements reach the expatriate community.

**Dr. Jamaluddin Ahmed**, Bangladesh Bank

The Bangladesh Bank has undertaken a new project called Remittance & Payments Partnership. Under this project four pillars of legal and regulatory activities can be built. These are: National Payments System Law, Anti-Money Laundering Amendments to existing Law, Amendments to Foreign Exchange Regulation and Migrant Workers Consumer Protection Legislation. This strategy will address a formidable portion of the needs in the remittance industry but by no means an exhaustive list of the legal changes that need to be accomplished. Once strategy is agreed on, sequencing these activities with a strategy that works to assure the passage or promulgation of these efforts will constitute a significant portion of legal and regulatory work through out the time remaining on the project. Check list for attaining the generally accepted minimum best practices are as follows.

Transparent Market: Remittance providers shall fully disclose to the customer complete information regarding commission, fees, foreign exchange rates applied and transaction time involved.

Consumer Protection: Adequate and timely information regarding fees, charges, and rates; Safeguards and guidelines on use of personal information obtained; Information regarding choice in products, services and value; Guarantee of money being delivered and if delivery is not timely or does not occur a dispute resolution and complain procedure in place;

Safe, Sound and Efficient Payment System: Technologies should be investigated and wherever possible used to help reduce cost, decrease transfer time, screen for money-laundering, weighing the mitigation of risks; Entry and exist criteria should be established within the context of a licensing regime that provides a minimum level of supervision and oversight;

Competitive Market Access to Financial Services: Remittance providers shall provide full information concerning all products for which it is licensed to provide without steering, influencing or structuring transfers; Remittance providers shall not engage in unfair pricing, false advertising or high foreign exchange rates

Well-Governed Services & Risk Management in Place: Bank's goals regarding remittances are to facilitate remittances into the mainstream by developing supportive legal and regulatory framework and a level playing field among market participants; Improve data collection, analysis, information sharing and reporting mechanisms to improve quality of data and assist in assuring market works to benefit of all; Promote increasing level of financial literacy among workers and their families, encourage formalization of financial services directed toward assisting this sector of the economy including better understanding of saving vehicles, investment possibilities, other financial products and consumer rights in remittance transactions.

I think, the Customer Protection Law will be the best for that purpose, the policy label should think about this legislation process. At the same time Central Bank should create a competition among public and Private sectors.

**Dr. Anwar Chowdhury**, RPP project, Bangladesh Bank: There should be full automation and computerization of the bank; I can not see why branches can't have mobile phone to communicate with the remittances delivery information.

I very humbly submit to the session chair to incorporate here possible recommendations emerging from the group discussion in this afternoon of liberating the MFI network given adequate endowment to the private commercial bank and the national commercial bank. To ensure adequate computerizing of the maintaining electronic fund transfers have an access to internet based banking like the Western Union. And also continue the possibility of using mobile technology for effective fund transferring which is already taking place in Malaysia and in the Philippines. On instruments for remittance, one area that could be liberating the generational commercial and stock exchange to allow the reserve quota for IDO's for the remittance just as much as they do for non-resident Bangladeshi or the diaspora there. The migrant workers are the major contributors to the remittance but we really ignored them. I think the present Caretaker Government may give very serious concern to ensure the coming up of infrastructure of the bank other than all suggest for coming up export import bank- that is a possibility as well. With regard to various types of instruments, awareness dissemination is very important to make sure it is adequately published and make aware of potential migrant community living in the sending country and in the receiving country.

**Mr. Robert Smith**, RPP project, Bangladesh Bank: I think Bangladesh should think a little bit about how it can encourage investment. The government is able to make sure of it. I think in that case, partnership is very important policy instrument that Bangladesh Bank can help some of the banks to develop the infrastructure they need. I would like to mention that Bangladesh Bank when they are considering about license and when they are considering policy changes, they need to think developmental and to be experimental a little bit more than we saw in the past.

**Mr. Baijit Sarkar**, Bangladesh Bank: I would like to propose if we can form a Wage Earner Bank it will solve all the problems that we have faced in this sector. It will help to increase the investment opportunity because that bank will be formed by the capital support of wage earners. We should consider the whole remittance experience from Philippine and India where the remitter of Philippine directly invest to their local Government so why can't we create this opportunity.

**Mr. Najmul Hossain**: Actually our remittance is coming through several ways one is draft, one is electronic fund transfer and lastly the Cash system. I would like to suggest something on Cash system needs only internet connectivity. Central bank informed that they have more than 6 thousand branches in our country so in that case if we got at least email connectivity to at least 4 thousand branches in our country so the number of remittance will be increased soon. Normally automation or internet banking seems very tough but simply if we go to one company just for example BRAC Bank, they have bracnet. So, if we have arrangements with one organisation like BRAC that will help to build up internet network among the branches with minimum cost so the remittance delivery system will reach up to the world standard.

**Mr. Debu Rahman**: Over the years private bank are coming up in remittance business but they do not have the branches network as required for door to door delivery. So, if the Government banks have no many branches in the rural areas they should allow the private banks to use their network for distributing the remittance, I think the remittance delivery system will be improved. Second suggestion would be on investment tools presently we have government bond, wage earner bond, investment bond but all bonds are based on internet. But our expatriate mostly who are in the Middle East countries would like to have profit based remittance products.

**Mr. Atique Rahman**: I want to point out two issues; firstly, can we give some incentives to the remitter? We know this type of incentive giving system is available in Pakistan. We cannot expect more and more remittance unless we would able to give incentive to the remitter. Secondly, when the banks are designing their products either it is deposit or investment, they tend to see their profit. In that case Government should come forward to introduce some sort of foreign remittance Quota for the migrant workers

Dialogue Review by Prof. Tasneem Siddiqui

Today's dialogue has successfully articulated our demand for Ratification of the 1990 UN Convention. It has also highlighted the need for a consumer protection law on remittance. The advisor, Dr, Iftekahr Ahmed Chowdhury, has committed that his office will give a fresh look at the 1990 convention and try its best to ratify it. The Governor of Bangladesh Bank, Mr. Salehuddin Ahmed, also reiterated the Bank's commitment to bring legal reforms in the area of remittance transfer and utilization. We hope that the dialogue will contribute to efficient management of migrants' remittances and ensuring better protection of our workers at home and abroad.

Concluding Remarks by **Brig Gen (retd.) Shahedul Anam Khan**, The Daily Star

On behalf of the dialogue organisers I would like to thank you all for participating and making it a great success. I hope this issue will receive favourable consideration from the policy makers. We would like to continue to organise such dialogues on other aspects of labour migration in collaboration with RMMRU. We would also like to publish a story related to our migrant workers regularly in the Daily Star. We hope to publish a two-page supplement on today's dialogue as soon as possible. Thank you all.

