



International Remittances: Working towards the achievement of the “5 by 5” objective

LAC Regional Payments Week 2011 – Asunción

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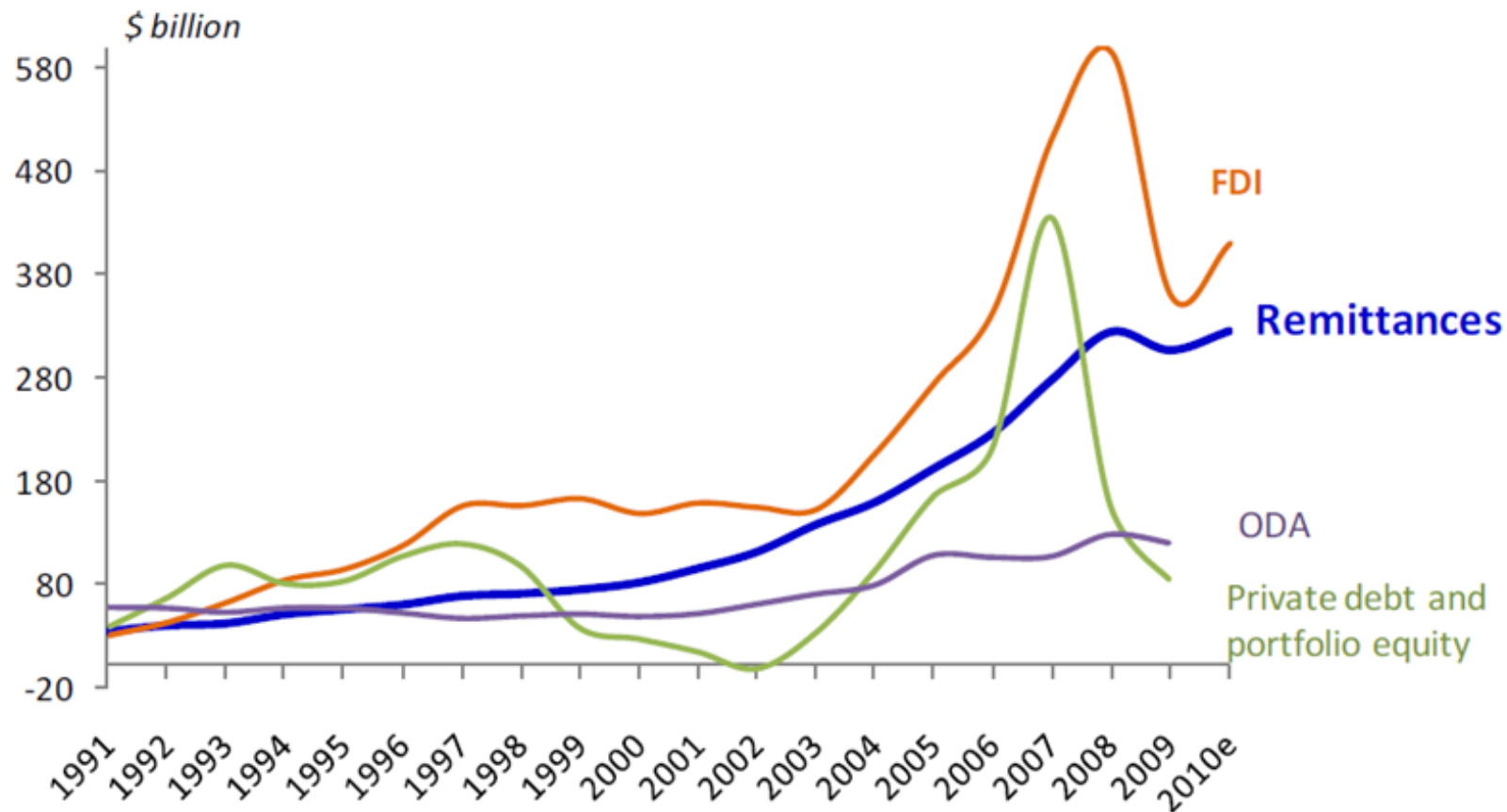
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Overview of International Remittances

- The World Bank estimates that in 2010 remittances to developing countries amounted to approximately 325 billion US dollars (up 6 percent from \$316 billion in 2009)
- Remittance flows to developing countries are expected to increase by 6.2 percent in 2011 and 8.1 percent in 2012
- Remittances are a lifeline for 700 million people around the world
- Remittances are countercyclical in times of crisis in the destination countries

Remittances to developing countries recovered to the pre-crisis level of \$325 billion in 2010



Source: World Bank Migration & Remittances team, Nov 2010

World Bank – CPSS General Principles for International Remittances Services

GP1: The market for remittances should be transparent and have adequate consumer protection

GP2: Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged

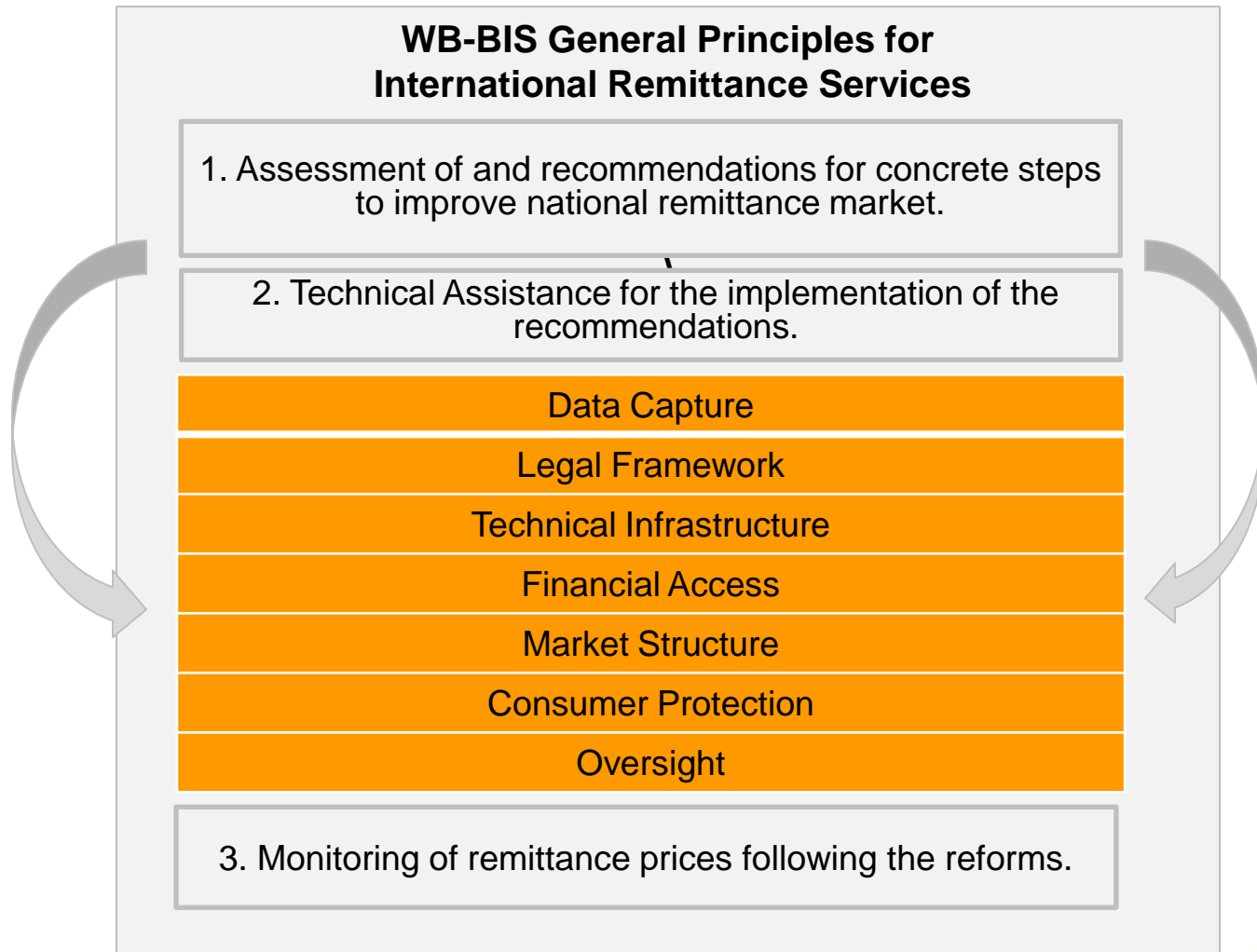
GP3: Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework

GP4: Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance service industry

GP5: Remittance services should be supported by appropriate governance and risk management practices

Remittance Service Providers	Should participate actively in the application of the general principles
Public Authorities	Should evaluate what action to take to achieve the public policy objectives through implementation of the general principles

PSDG Remittance Methodology



Global Remittances Working Group: creation and objectives

- Following up on the invitation by the G8 Heads of States (Hokkaido, July 2008), the WB created in February 2009 the GRWG.
- This is a multi-year platform aiming at increasing the efficiency of the remittances market and facilitating the flow of remittances by providing guidance and policy options to the global community

The 5x5 objective. The efforts of the GRWG were successful in securing the commitment of the G8 Heads of State to: “...achieve the objective of a **reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years** through enhanced information, transparency, competition and cooperation with partners”

✓ Reduction in cost would generate a net increase in income for migrants and their families in the developing world, estimated at 15 billion USD

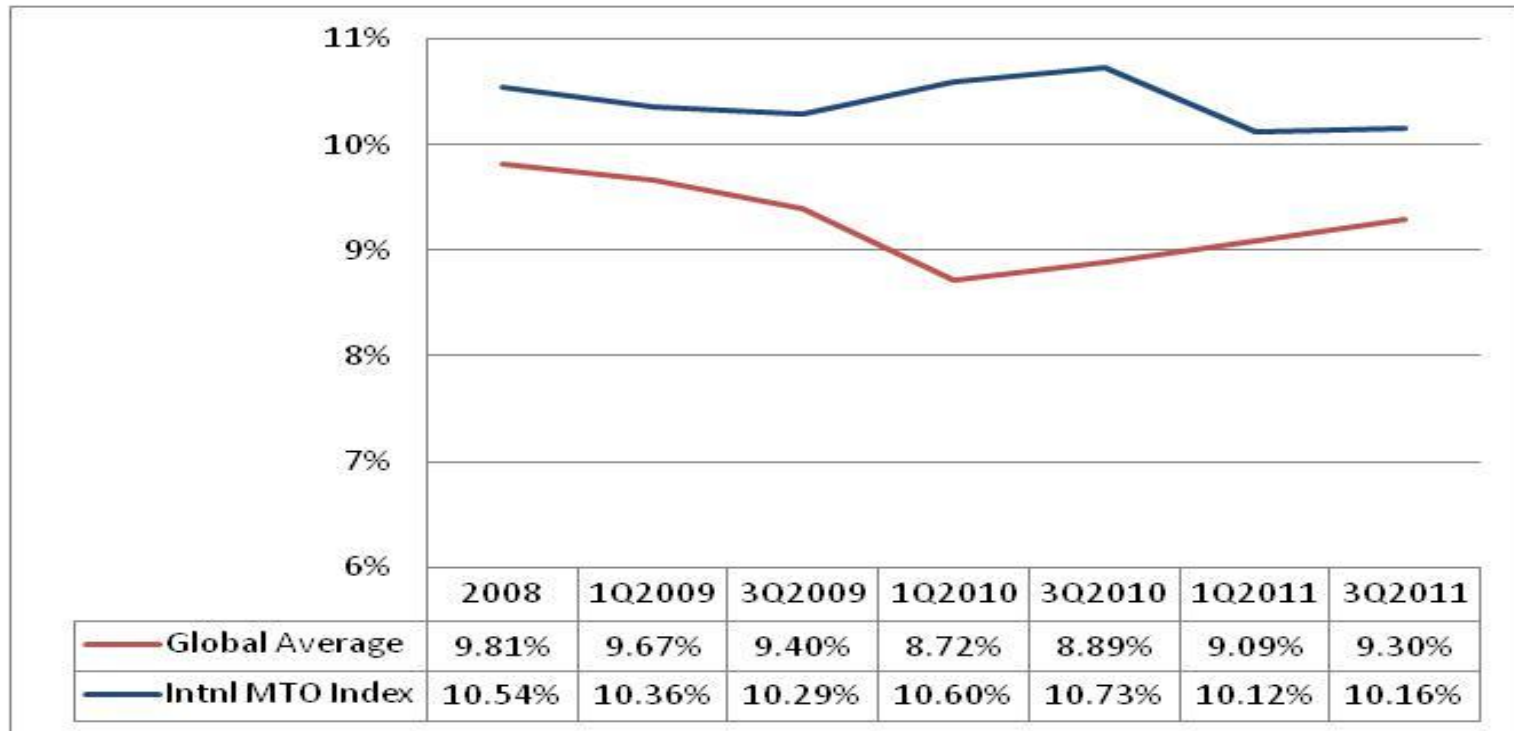
G20 Action Plans – 2010 Seoul Development Consensus for Shared Growth

Facilitate the flows of international remittances

“We (G-20) recognize the importance of facilitating international remittance flows and enhancing their efficiency to increase their contribution to growth with resilience and poverty reduction. We ask the World Bank, RDBs and other relevant organizations, including the **Global Remittances Working Group**, to work with individual G20 members and non-G20 members in order to progress further **the implementation of the General Principles for International Remittance Services** and related international initiatives aimed at **a quantified reduction of the global average cost of transferring remittances...**”

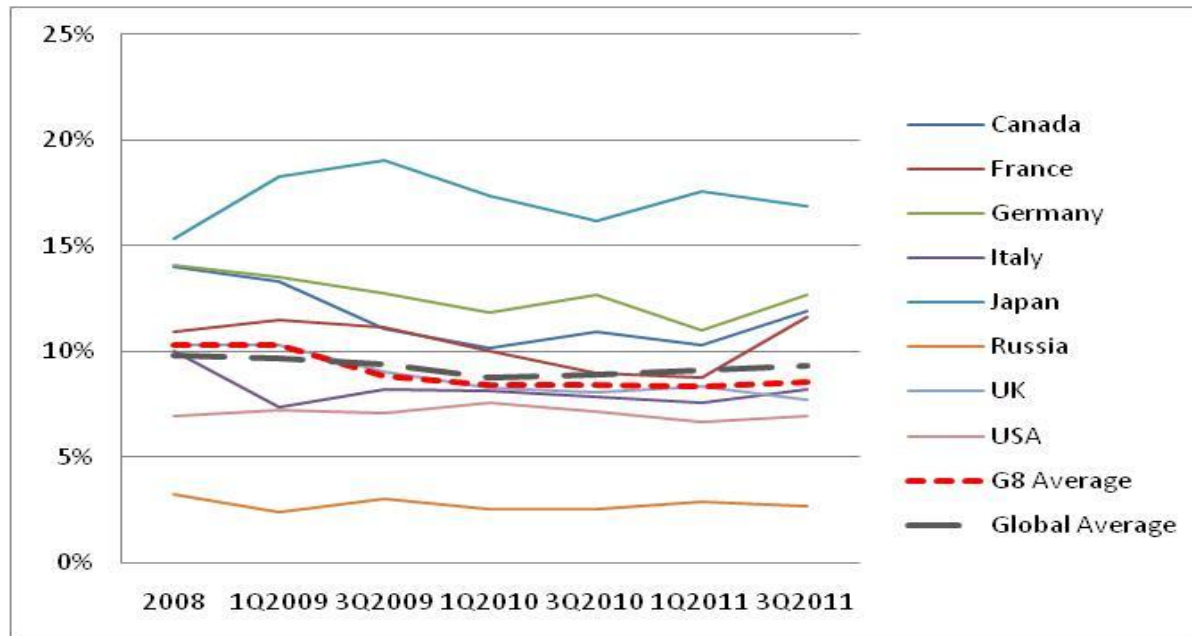
Global Average Total Cost for sending USD 200

- The global average total cost for sending remittances increased from 8.89% in the 3Q 2010 to 9.30% the 3Q 2011
- The trend observed is somewhat different for the International MTOs Index. The Index has also shown a slight increase in the last six months, however, it dropped from 10.73% in 3Q 2010 to 10.16% in 3Q 2011



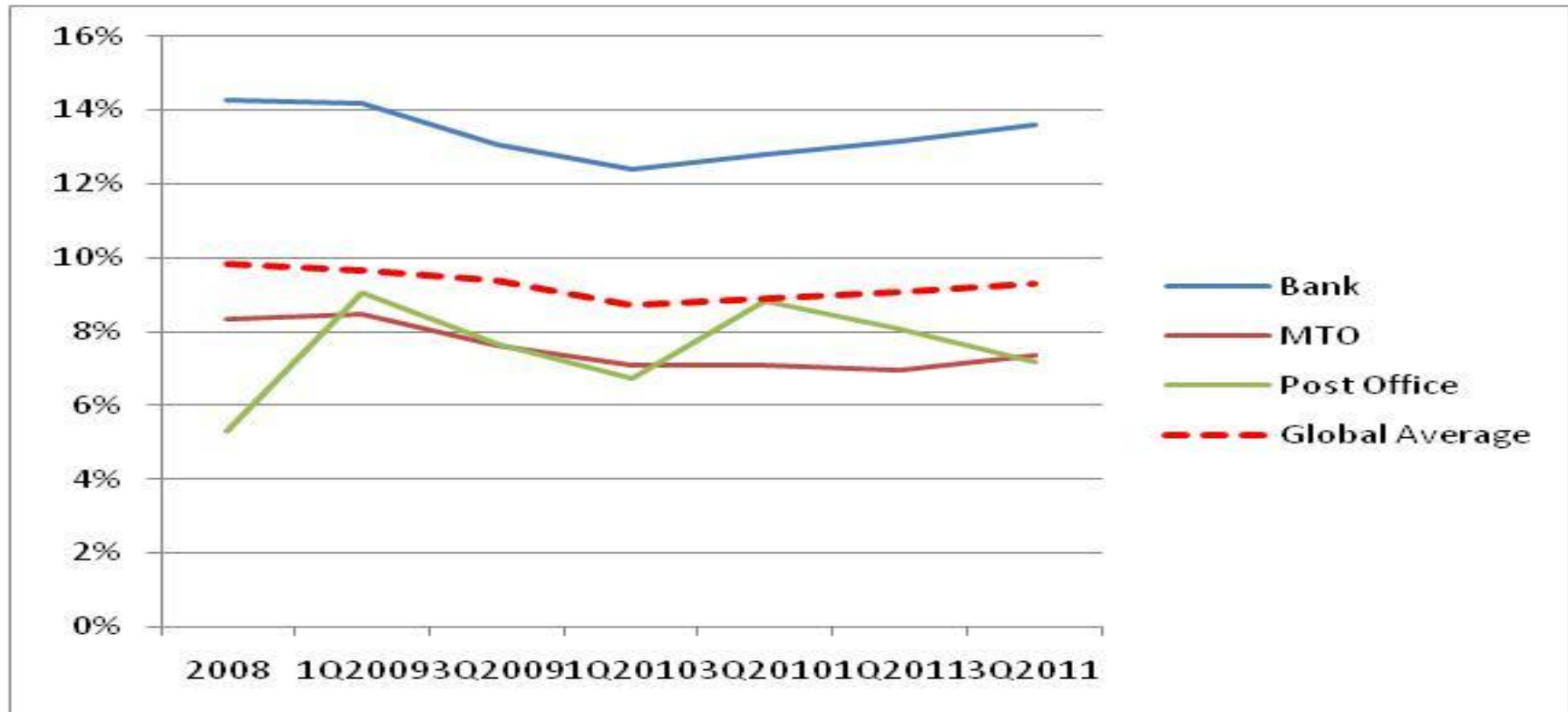
Sending USD 200 from G8 countries: trends

- The average price of sending money from the G8 countries went up to 8.53%, from 8.40% recorded one year ago.
- Both the United States and the United Kingdom maintain an average total cost below the global average: 6.93% and 7.73% respectively.
- France has registered the highest average cost since the launch of RPW in 2008: 11.63%, up from 8.76% in the 1Q 2011. Similarly, Canada has hit the record price of 11.87%, the highest in the last two years.



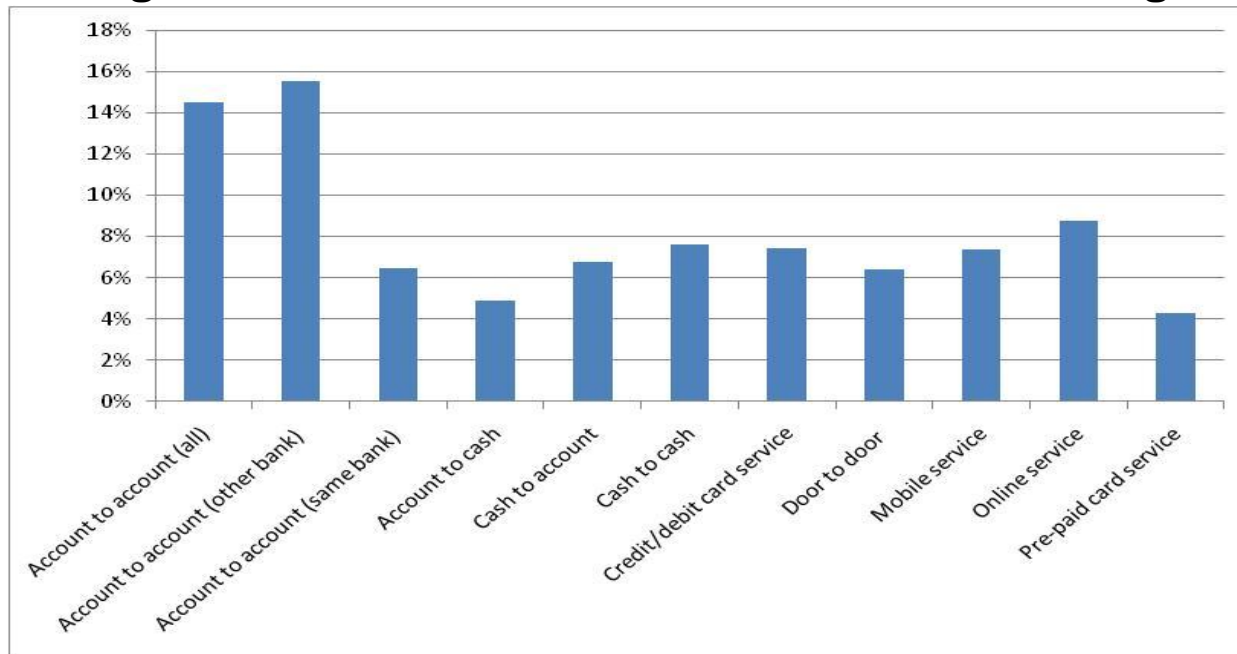
Total averages by RSP type

- Commercial banks are the costliest RSP type. This category has further increased from 13.14% to 13.58%
- Post offices are the only RSP type experiencing a price decrease, from 8.08% to 7.16%
- MTOs increased their average cost to 7.37 percent from 6.94 percent



Average cost by product type

- Cash products remain the most widely available ones and their average price is 7.60%
- Account-to-account products are the most expensive, for an average cost of 14.52%; however, the price falls to 6.47% when considering transfers within the same bank or to a partner bank
- On-line services average cost was 8.76% while Pre-paid card services and account to cash were the cheapest product respectively at 4.20 and 4.91 percent. Only 10 mobile-originated services were recorded, for an average cost of 7.36 percent.



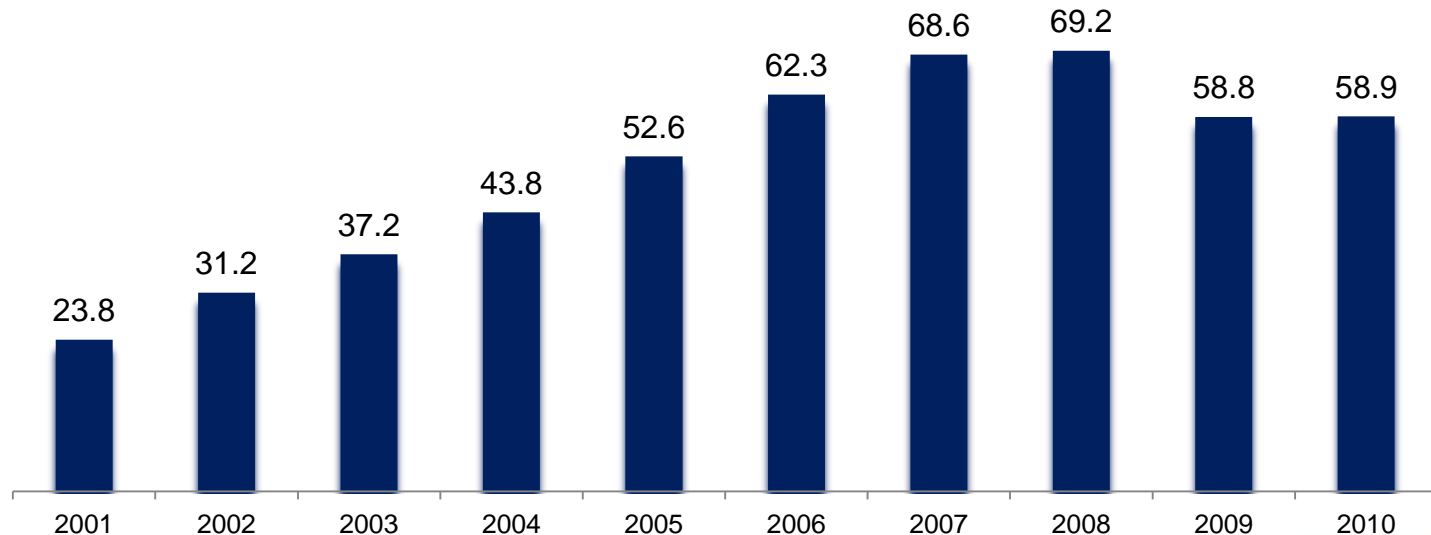
Cost trends at regional level

- The LAC region shows the highest cost increase, from 6.82% in the last iteration to 7.68% in the 3Q 2011
- The MENA and EAP region experienced slighter increases, respectively to 8.15% and 9.80%. Conversely, the averages for ECA, SA, and SSA fell to 8.68%, 6.15% and 12.41%.

	2008	1Q2009	3Q2009	1Q2010	3Q2010	1Q2011	3Q2011
EAP	11.05%	10.46%	10.38%	9.33%	9.48%	9.71%	9.80%
ECA	5.96%	6.68%	7.19%	6.48%	7.57%	7.55%	6.86%
ECA (w/o Russia)	11.03%	9.70%	9.42%	8.33%	9.49%	9.32%	8.68%
LAC	8.37%	8.65%	7.63%	8.12%	7.27%	6.82%	7.68%
MENA	11.10%	9.30%	9.58%	8.19%	8.95%	8.00%	8.15%
SA	7.80%	7.31%	6.85%	5.99%	6.54%	6.56%	6.15%
SSA	14.01%	13.07%	11.61%	10.86%	11.57%	12.82%	12.41%
Global	9.81%	9.67%	9.40%	8.72%	8.89%	9.08%	9.30%

Impact of the Financial Crisis in the LAC Region

- In 2010 the LAC region received approximately USD 59 bln, increasing 0,2% from 2009, when the flows experienced a sharp decrease from the previous year
- In 2011, 20% of the flows to LAC countries were received in Central America (Guatemala USD 4.1 bln, El Salvador USD 3,5 bln, Honduras USD 2,5 bln, Nicaragua 966 mln, Costa Rica USD 509 bln, Panama USD 297 mln + Republica Dominicana USD 2.9 bln, Haiti 2.1 bln).



LAC Program for the Implementation of the General Principles

- **In 2007, the CEMLA, the World Bank and the the Multilateral Investment Fund of the Inter-American Development Bank (MIF-IDB) started a regional program to assist the Latin American Central Banks and other relevant institutions in implementing the GPs**
- **Since then, 12 countries have been assessed against the GPs and the Program has provided technical assistance to the LAC countries in several areas**
 - ✓ **Legal and regulatory reforms**
 - ✓ **Competition enhancement**
 - ✓ **Transparency and Consumer Protection**
 - ✓ **Risk Management**
 - ✓ **Data gathering and Mapping**

LAC Program for the Implementation of the General Principles: Recent and Ongoing Activities

- **Legal and regulatory reforms:** Support to the CNBS of Honduras in the creation of the legal and regulatory framework for the supervision of the RSPs
- **Transparency and Consumer Protection:** Creation of the website www.enviacentroamerica.org offering migrants information on the cost of sending money from:
 - ✓ the US to Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Panama, Dominican Republic and Haiti,
 - ✓ Costa Rica to Nicaragua and
 - ✓ Dominican Republic to Haiti.
- **Risk Management:** Identification and analysis of the risks for Honduran RSPs and support to the CNBS for their mitigation
- **Data gathering and Mapping:** Support to the CNBV of Mexico in the analysis of the remittances domestic market and identification of the barriers for the creation of financial products linked to remittances.
- **Outreach and Awareness:** Greenback Project in Honduras on the effects of information in changing consumers' behaviors

LAC Program for the Implementation of the General Principles: in the pipeline

- **GPs assessment missions to Dominican Republic (April 2012), Haiti (tbd) and others**
- **Technical Assistance to Ecuador in the area of Legal and Regulatory framework and competition enhancement**
- **Training and support to the Association of the Central American Consumer Protection Agencies in the management of the website www.enviacentroamerica.org**
- **Dissemination and outreach activities with the Salvadoran diaspora in the US, in coordination with the Salvadoran authorities**

Thank you!

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