



The Global Effort in the Remittances Arena

Mid-term review of the 5x5 Objective

2012 Spring Update

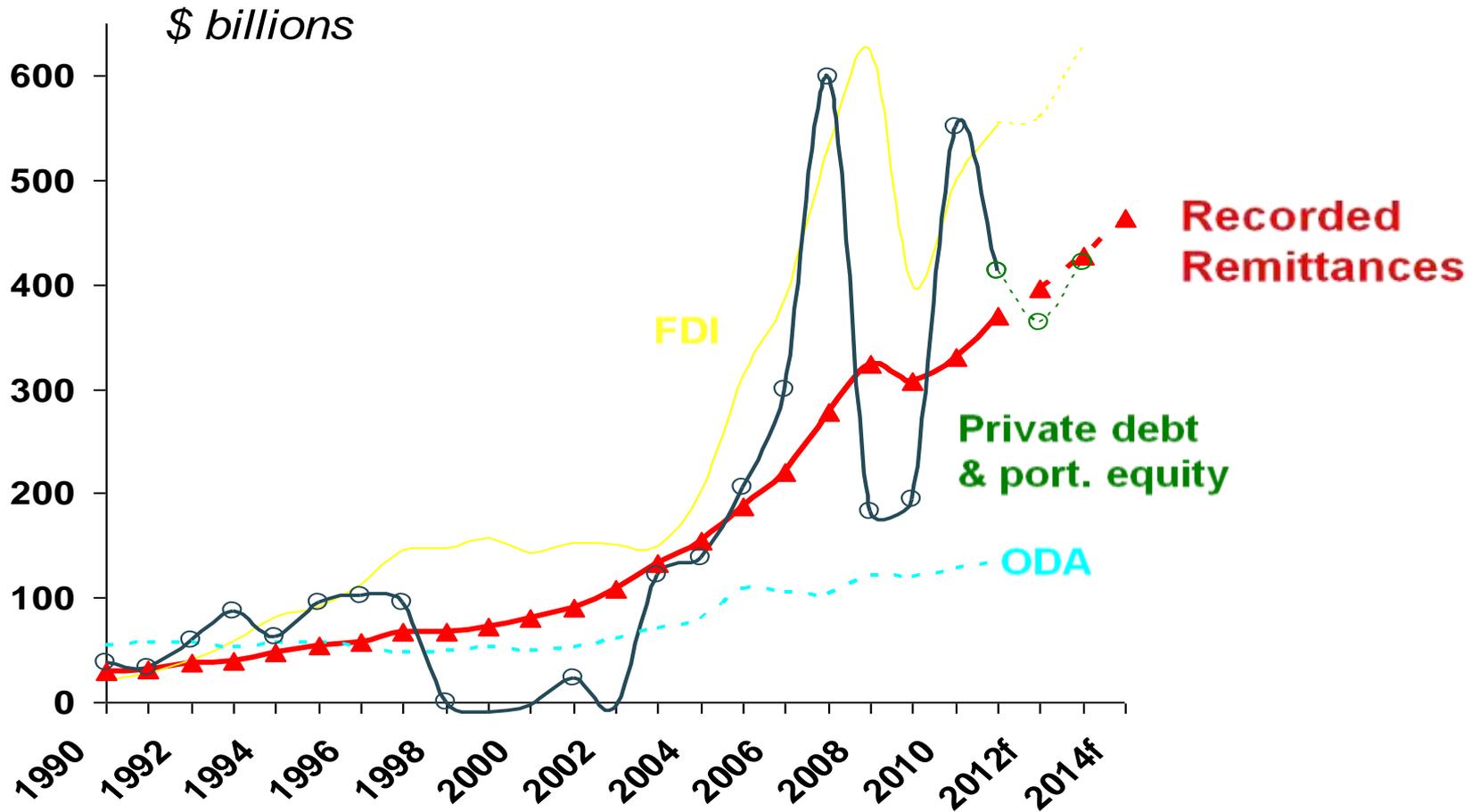
*X Meeting of the Global Remittances Working Group
April 20 2012, Washington DC*

*Massimo Cirasino
Dilip Ratha*

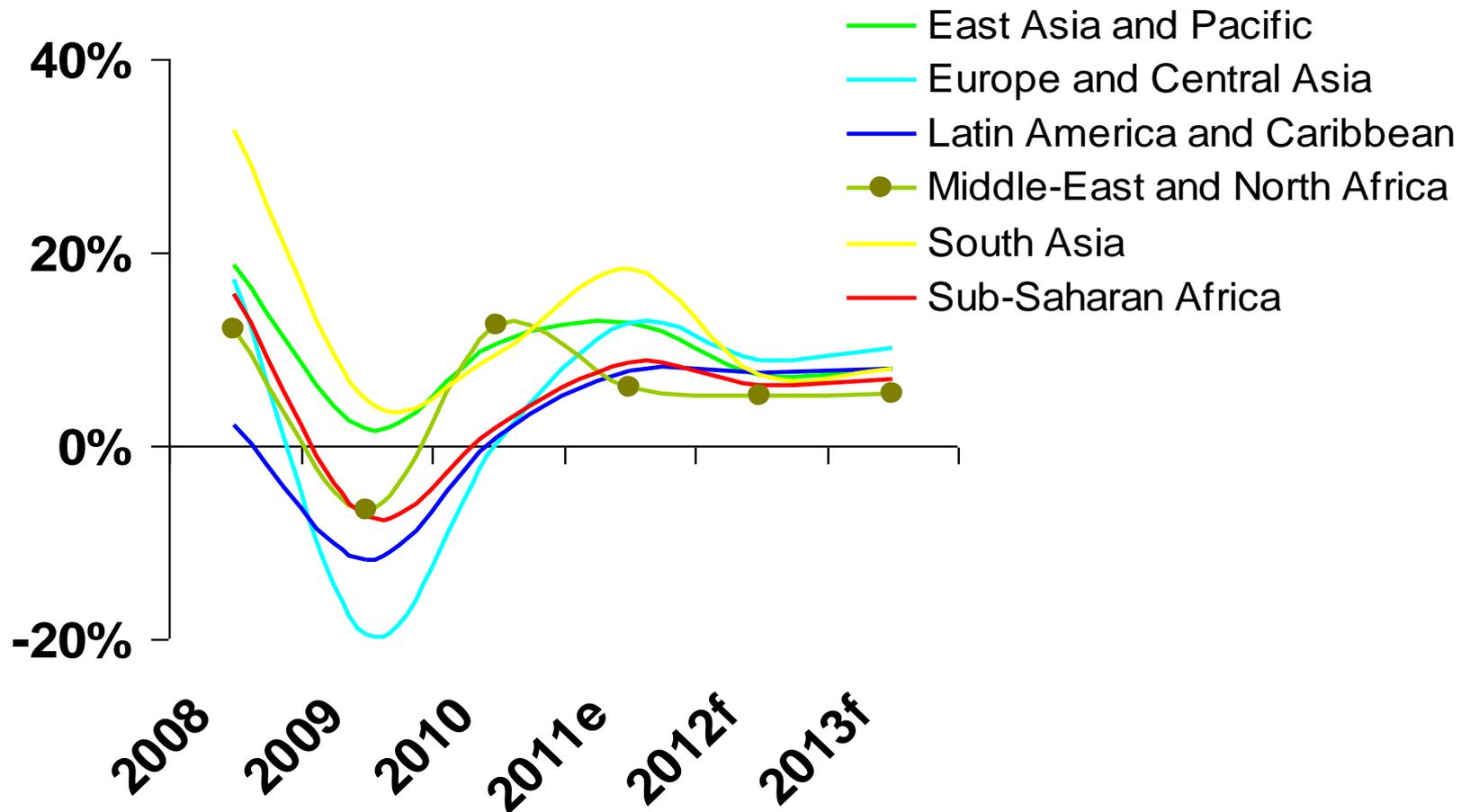


Technical Areas 1 & 2 (Dilip Ratha)

After a modest decline in 2009, remittances have grown steadily, reaching \$370 bn in 2011



Resilience of remittances across all regions



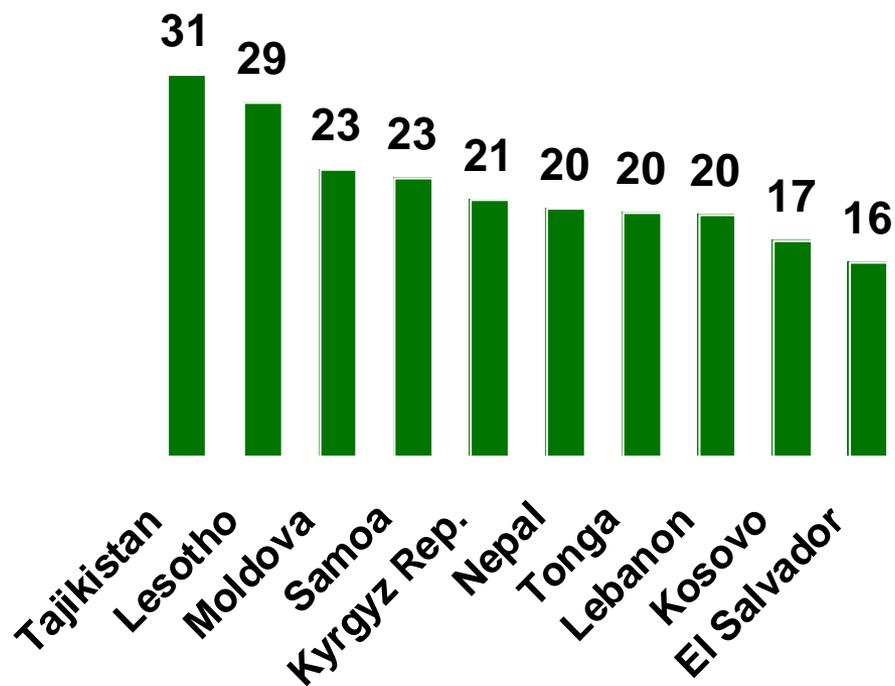
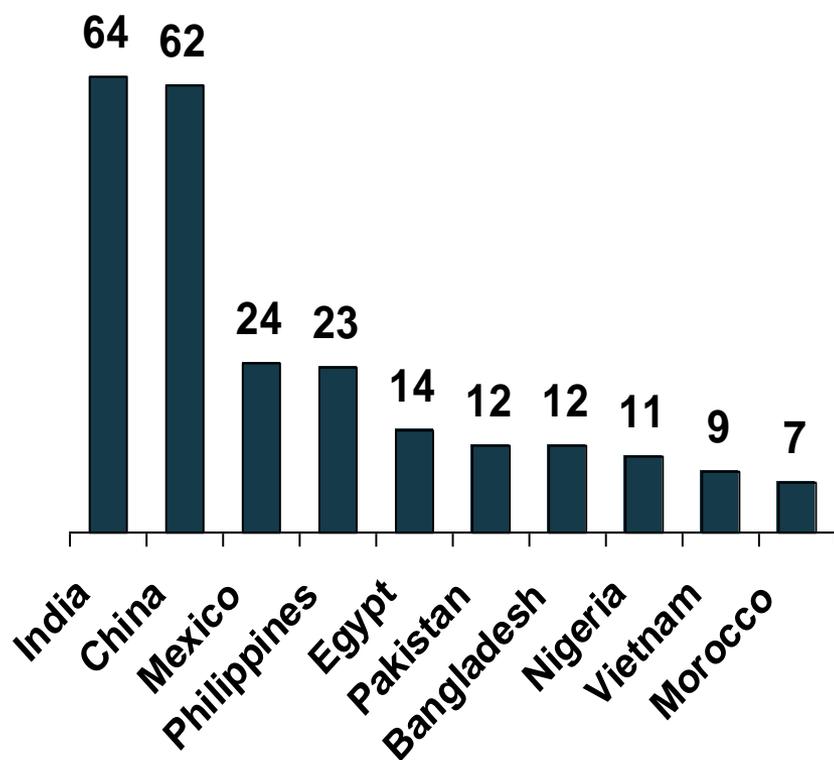
Remittance flows to developing countries

<i>\$ billion</i>	2010	2011e	2012f	2013f	2014f
Developing countries	330	370	397	428	464
East Asia and Pacific	95	107	115	125	135
Europe and Central Asia	37	41	45	49	55
Latin America and Caribbean	57	62	66	72	77
Middle-East and North Africa	38	40	42	44	47
South Asia	82	97	104	113	122
Sub-Saharan Africa	21	22	24	25	27
<u>Growth rate (%)</u>					
Developing countries	7.0%	12.2%	7.3%	7.8%	8.4%
<i>East Asia and Pacific</i>	10.6%	12.6%	7.3%	8.0%	8.7%
<i>Europe and Central Asia</i>	0.3%	12.6%	8.8%	10.1%	11.4%
<i>Latin America and Caribbean</i>	0.9%	7.7%	7.6%	7.9%	8.2%
<i>Middle-East and North Africa</i>	12.4%	6.1%	5.1%	5.3%	5.5%
<i>South Asia</i>	9.5%	18.2%	7.4%	7.9%	8.4%
<i>Sub-Saharan Africa</i>	1.9%	8.5%	6.3%	6.8%	7.4%

Top remittance recipients in 2011

\$ million, 2011e

as % of GDP, 2010



TA2: Development Impact and Policy

- Regular monitoring and forecasting of remittance flows worldwide
- Impact of crisis on remittances
- Assisting countries in range of issues related to remittances and development.

Migration & Remittances Profiles and tools for macro projections

- Migration and Remittances Profiles for 9 CIS countries in support of the Migration and Remittances Peer Assisted Learning (MiRPAL) network.
- Tool for country economists to include remittances in country economic projections
- Improving models linking forecasts of remittance flows to outlook for the global economy

Africa migration project

- Regional flagship report (with AfDB): “Leveraging Migration for Africa: Remittances, Skills, and Investments”
- “Diaspora for Development of Africa” edited volume
- “Remittance Markets in Africa” edited volume
- Six household surveys in Africa, RSP surveys, global central bank survey

TA2: Development Impact and Policy

- ***South Asia migration project***
 - 12 research reports on cross-border labor mobility, remittances and development in 5 South Asian countries
- “Migration and Remittances Beyond the Global Financial Crisis” (edited volume)
- Country/policy studies on remittances and development
 - Role of remittances during natural disasters
 - Impact of remittances on consumption expenditures and poverty in India
 - Remittances and Diaspora as part of the Deauville Partnership report on Trade and Foreign Direct Investment.
 - Remittances a part of the Poverty Assessment for Bangladesh

Diaspora bonds

- Helping Jamaica, Philippines and Nigeria in issuing diaspora bonds for raising financing for infrastructure and community development projects.
- A Bank-wide Task force was formed on diaspora bonds led by DEC-PREM migration unit with participation from Treasury, SDN, IFC, MIGA and country teams.

**1. Monitoring,
analysis,
projection**

**3. Financial
access for
households**

**International
Remittances
Agenda**

**4. Capital
market
access for
institutions**

**2. Retail payment
systems**

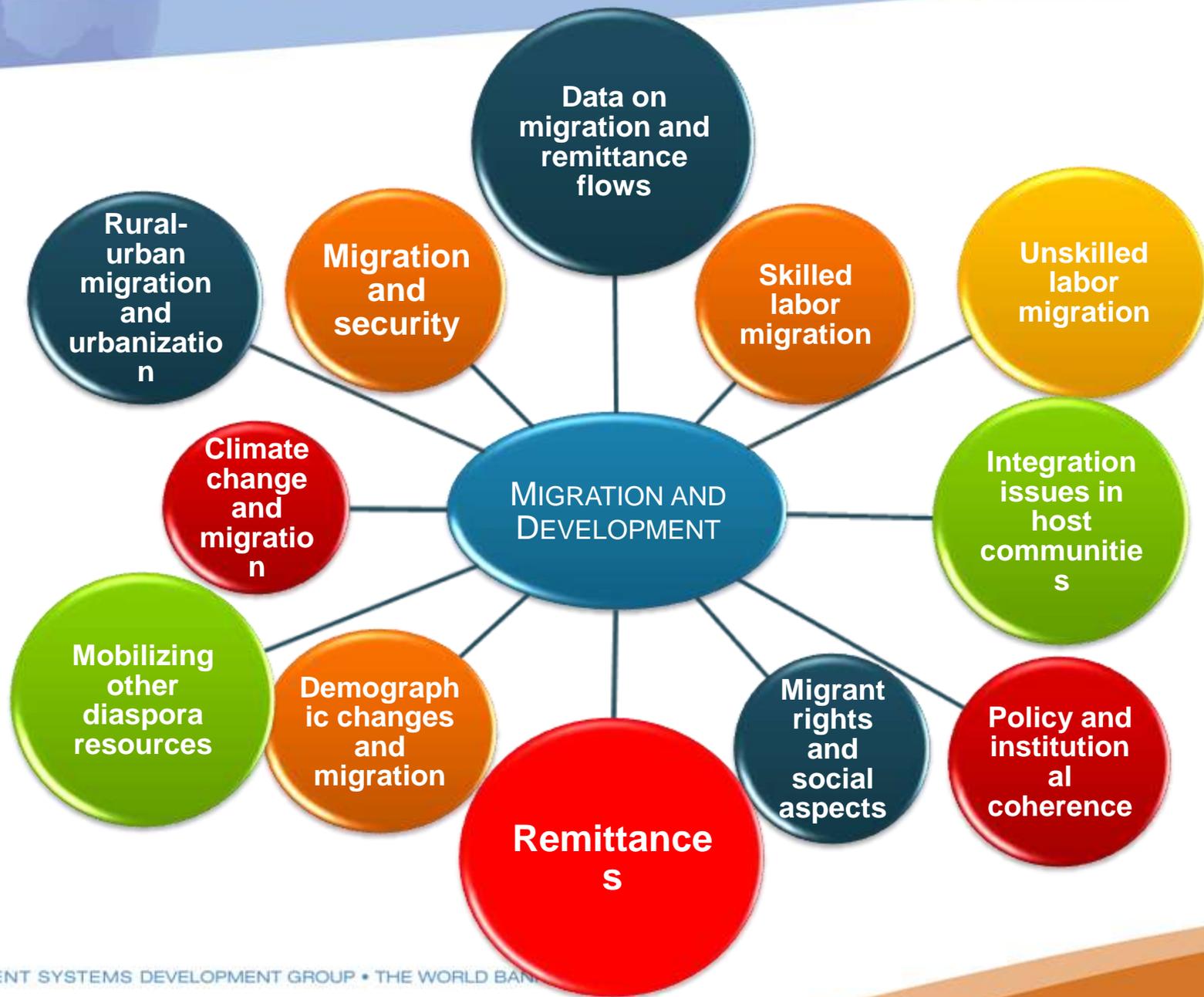
Source: "Leveraging Remittances for Development" by Dilip Ratha

Source: Migration and Development Brief 16, by Ratha et. al (2011)

Global Knowledge Partnership on Migration and Development

Objectives

- An open, multidisciplinary platform
- Generate a menu of policy choices based on evidence and peer-review
- Pilot policy operations and capacity building efforts



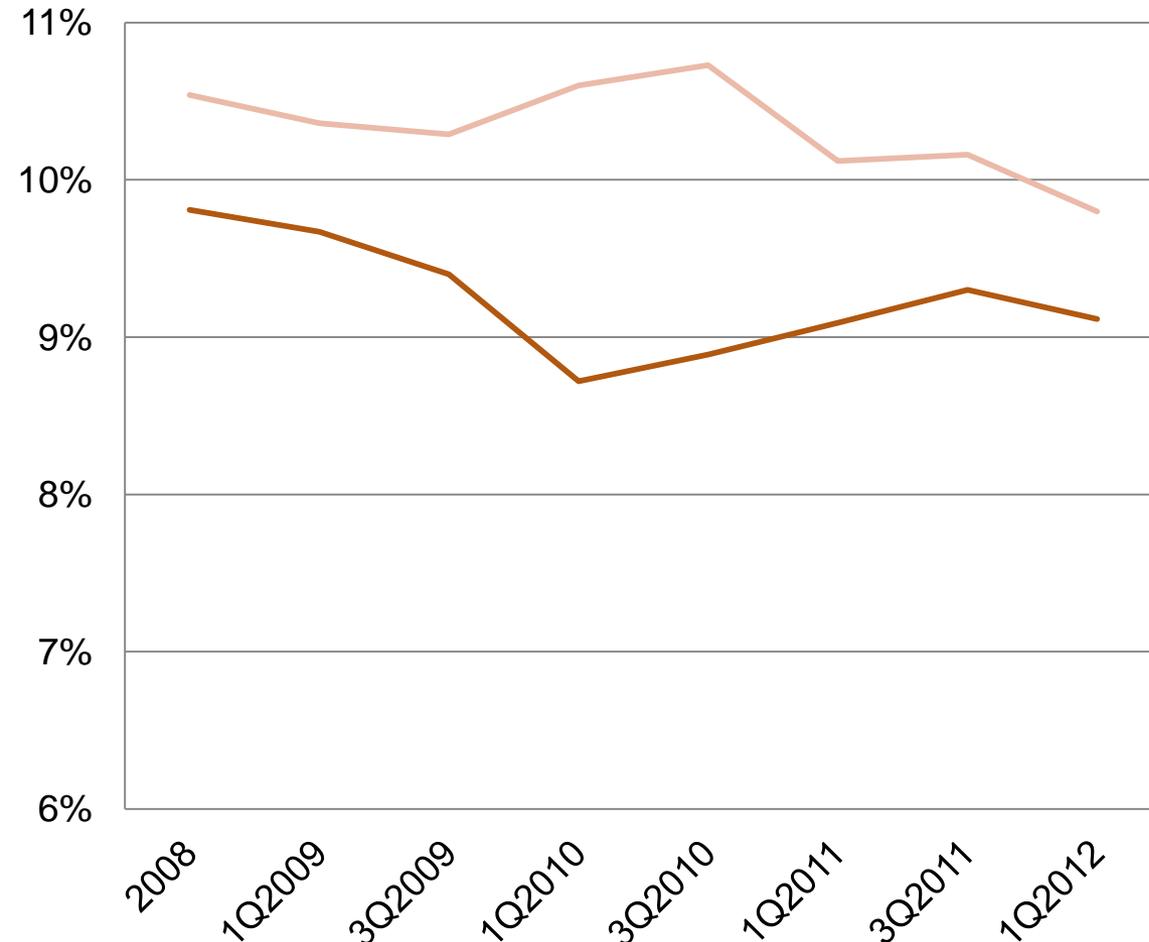
Outputs of Migration Knowledge Platform

- Analytical research products
- Operational toolkits, fact books
- Web-based anthologies, archives, blogs
- Best practices: *A menu of policy choices for the policy makers*
- Few pilot projects and capacity building activities

Technical Areas 3 & 4 (Massimo Cirasino)

Remittance Prices Worldwide - Global Trends

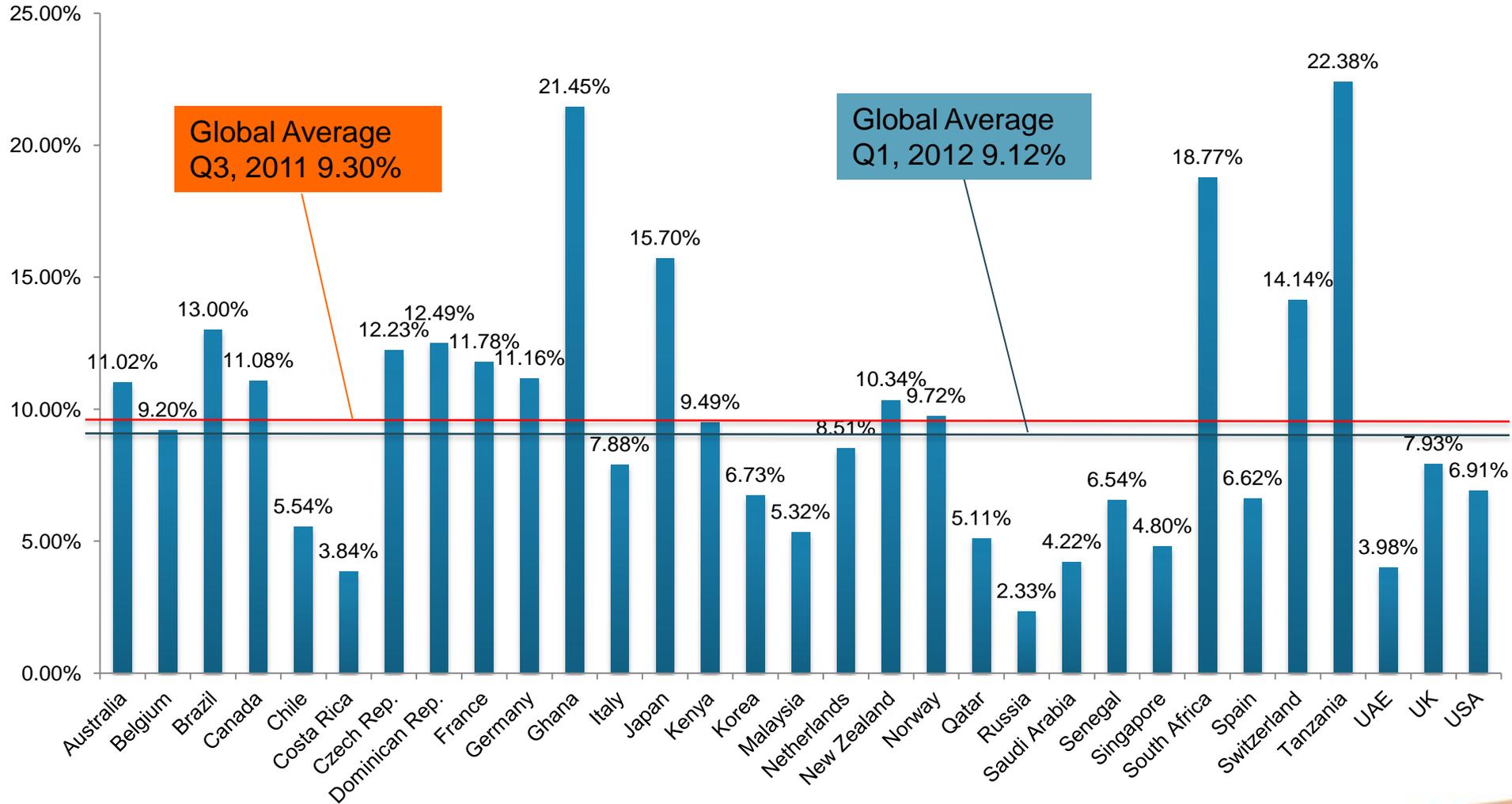
Global Average and International MTO Index



- In the First Quarter 2012 the total global average of sending USD 200 worldwide remained **stagnant** and decreased only from 9.30% to 9.12% from Q3 2011
- A similar trend was observed for the International Money Transfer Operator (MTO) Index, which includes all the MTOs that are present in over 85 percent of the RPW corridors

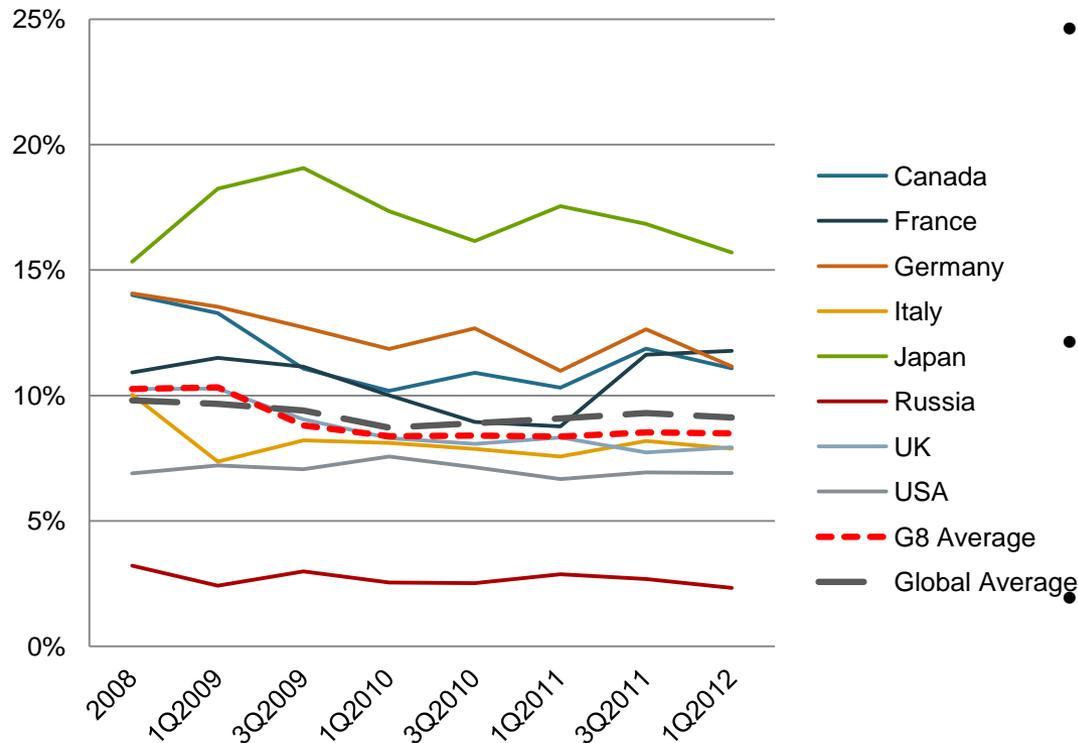
Remittance Prices Worldwide

Remittance Sending Countries (Q1, 2012)



•Note: high volatility of foreign exchange rates against the US Dollar may result in higher costs

Remittance Prices Worldwide G8 Countries – 5x5 Objective



Global Average 9.12% - G8 Average 8.49%

• Note: high volatility of foreign exchange rates against the US Dollars may result in higher costs.

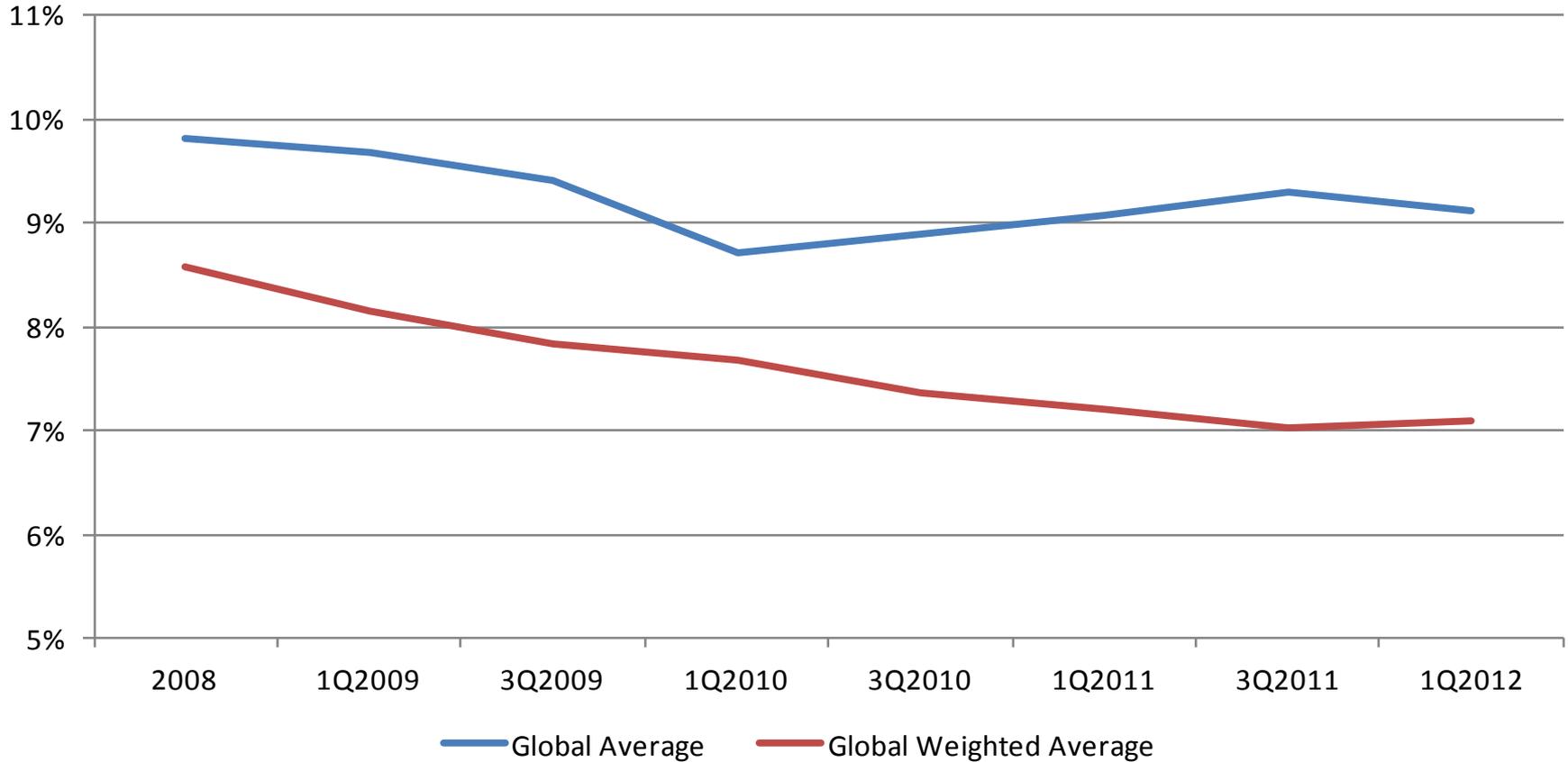
- The **yearly variation** of the G8 average cost increased by 0.13 percentage points, while the Global Average remained stable (+0.04 percentage points)
- **France** demonstrated a very high cost increase in the last year to 11.78% by 3.02 percentage points

Costs in **Japan** continued to decrease from 17.54% to 15.70% in Q1 2012. After the regulatory reform, new RSPs have played a bigger role in the market. Yet, the costs remain highest among the G8 countries

Remittance Prices Worldwide – Baseline

- The Global Average is calculated on a sample that is continuously improved and expanded: this makes the calculation more and more precise over time
- The International MTO Index and the G8 Average are used as benchmarks to confirm the global trend within a more consistent sample
- For the calculation of the International MTO Index, providers included in the sample are constant (i.e. those ones present in 85% corridors)
- For the G8 Average, sending countries are constant as all the G8 countries have been included in RPW since the beginning
- Both indexes confirm a similar trend to the Global Average

Remittance Prices Worldwide – Weighted Average



Remittance Prices Worldwide – Weighted Average

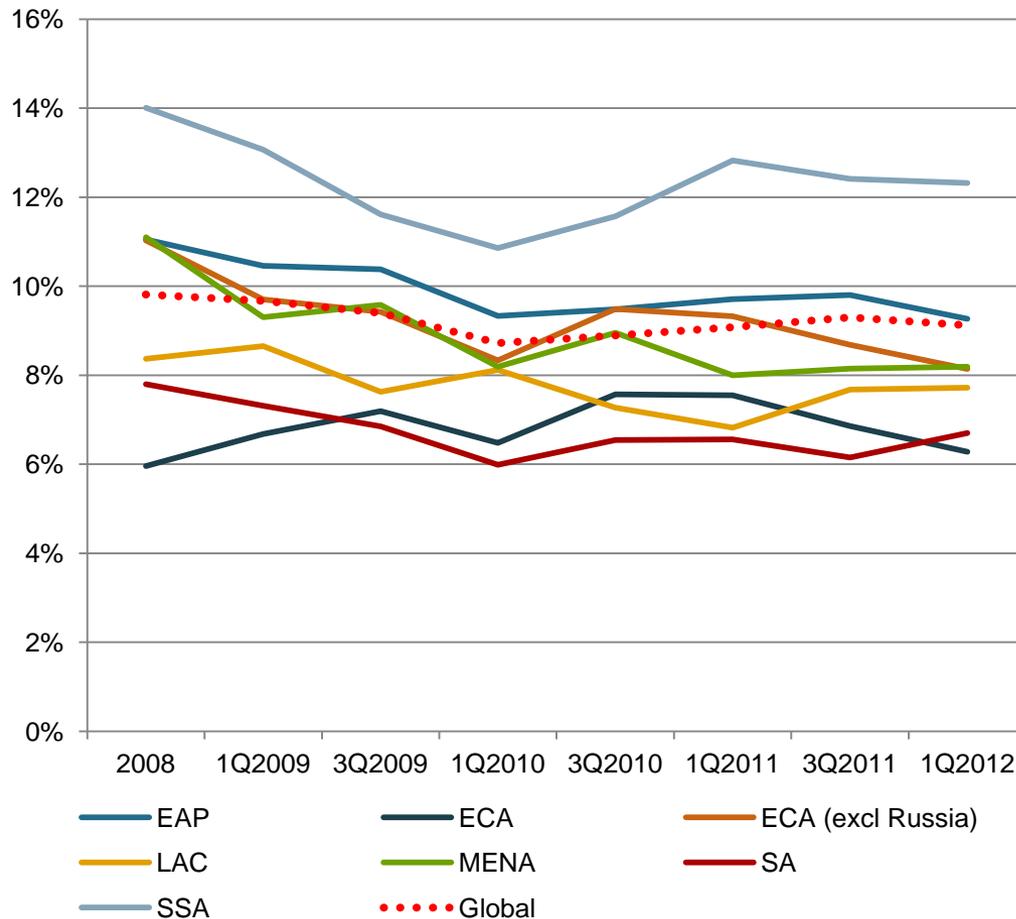
- Larger corridors tend to have lower costs (due to more competition, economies of scale, higher attention from policy makers etc.)
- When weighting the cost by corridor flows, corridor with higher flows affect the sample more than corridors with lower flows
- The results confirm the intuitive assumption that weighted average is lower than the mean
- It should be noted however that data for a significant number of corridors are not available or underestimated so that these corridors have no impact on the weighted average
- The Global Weighted Average was 7.10 % in the First Quarter 2012, slightly higher than the previous quarter (7.02%)

Opportunities for weighted averages at country level

- Weighted averages could provide a better understanding of the actual price for sending remittances, when data on market share and remittance flows are available and reliable
- Remittance prices data on individual countries with market share and flows by corridor help country to identify areas to focus on; market players might also find opportunities by available data
- The World Bank is working with Australia to test the methodology for the calculation of weighted average and interesting findings are emerging
- However, countries should be mindful of costs and benefits of such efforts

Remittance Prices Worldwide

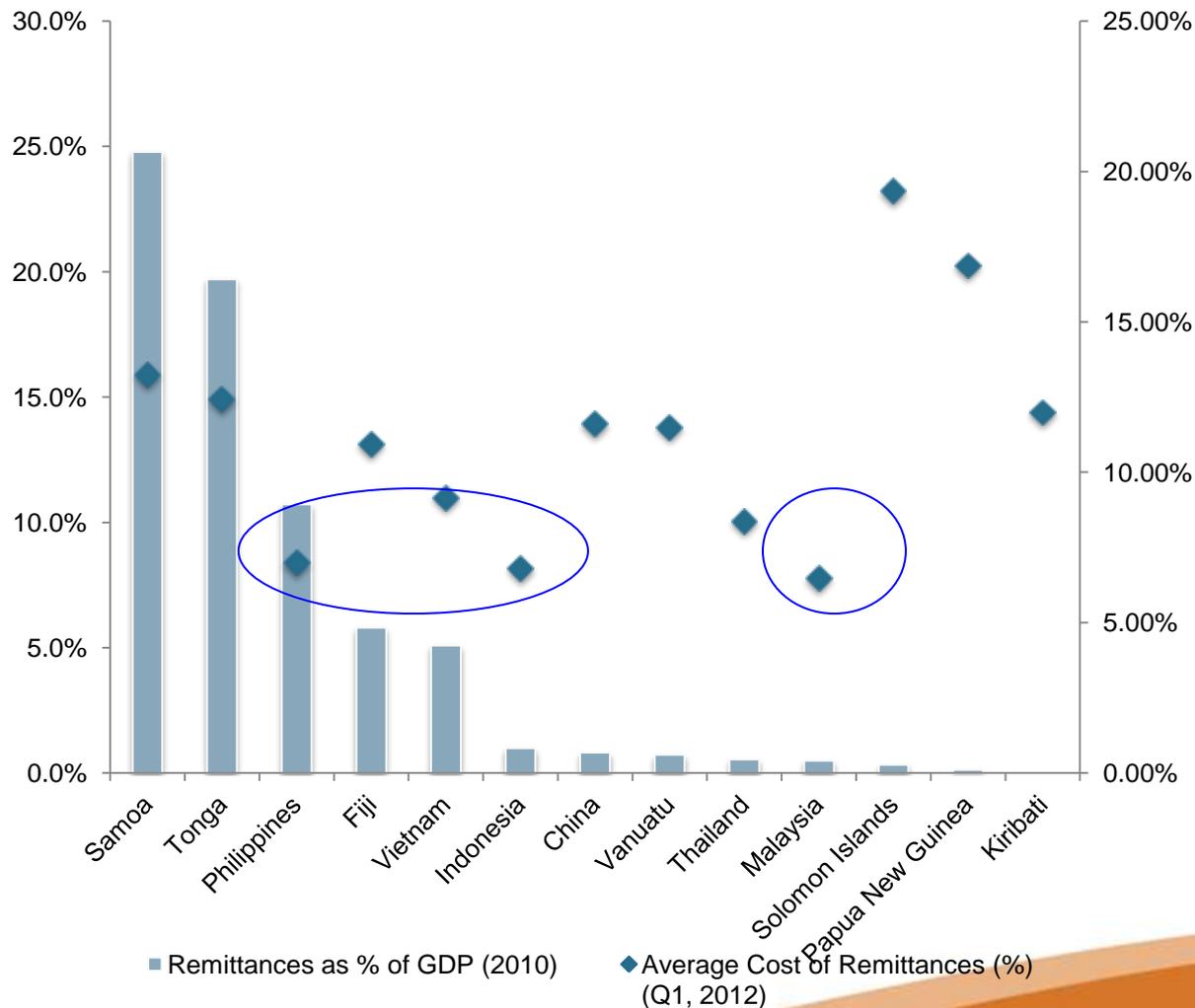
Remittance Costs Trend by Region (2008 – Q1 2012)



- SA showed a significant cost increase from Q3 2011 to Q2 2012
- Remittance costs in all regions, except ECA, have come down from 2008
- However, the Global remittance costs still **lack a drastic reduction**
- Most regions have experienced significant fluctuations of remittance costs
- The recent financial crisis and regional crises appear to have negatively affected remittance costs

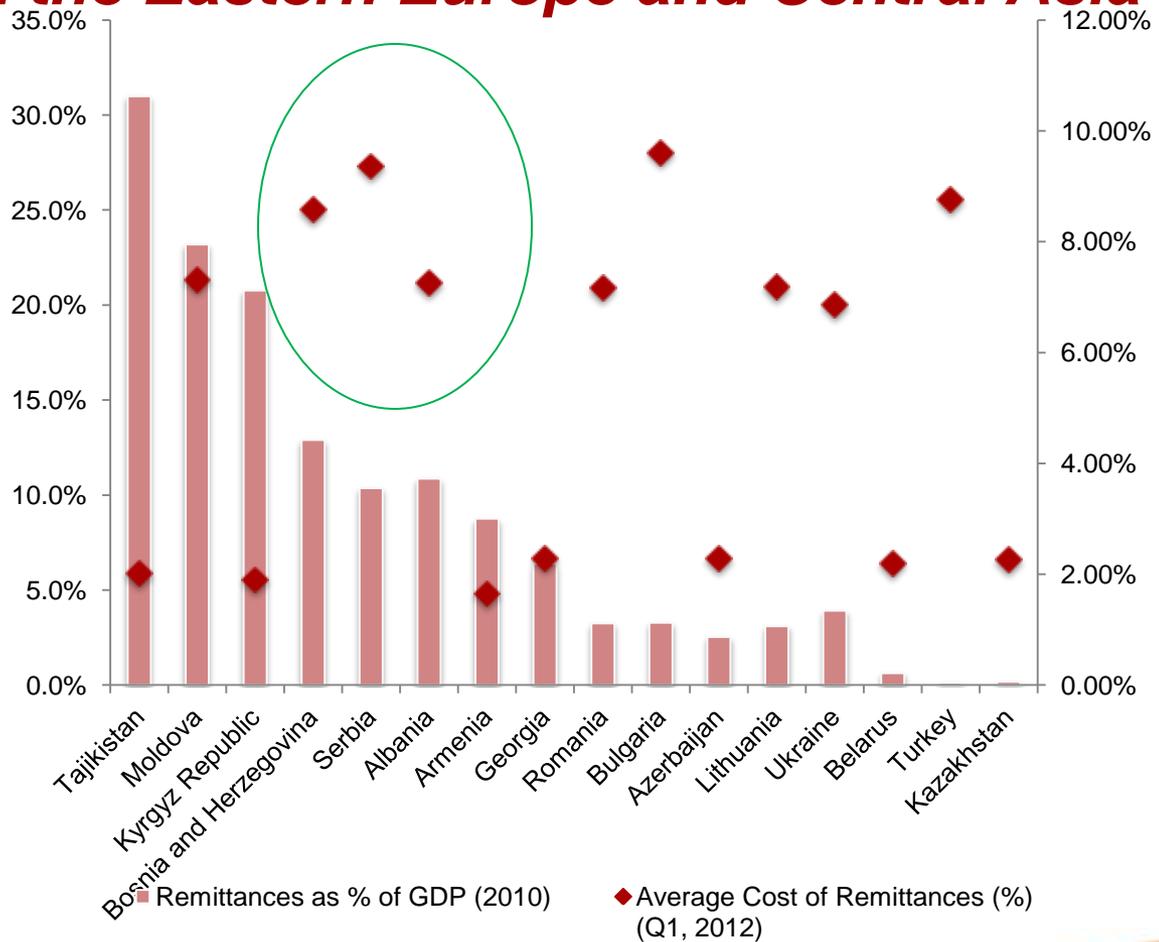
Remittances as % of GDP and Remittance Costs in Receiving Countries in the East Asia and Pacific Region

- Remittances costs to Malaysia, Philippines, and Indonesia are the lowest among the EAP countries
- Remittances costs to Pacific Islands tend to be high
- EAP as a whole showed a semi-annual cost reduction of 5.4%
- However, **Fiji** and **Vanuatu** showed significant yearly cost reduction (-20.57% and -21.97% respectively)
- Samoa had a semi-annual cost increase of 23.93% while Fiji had a cost decrease of -18.29%



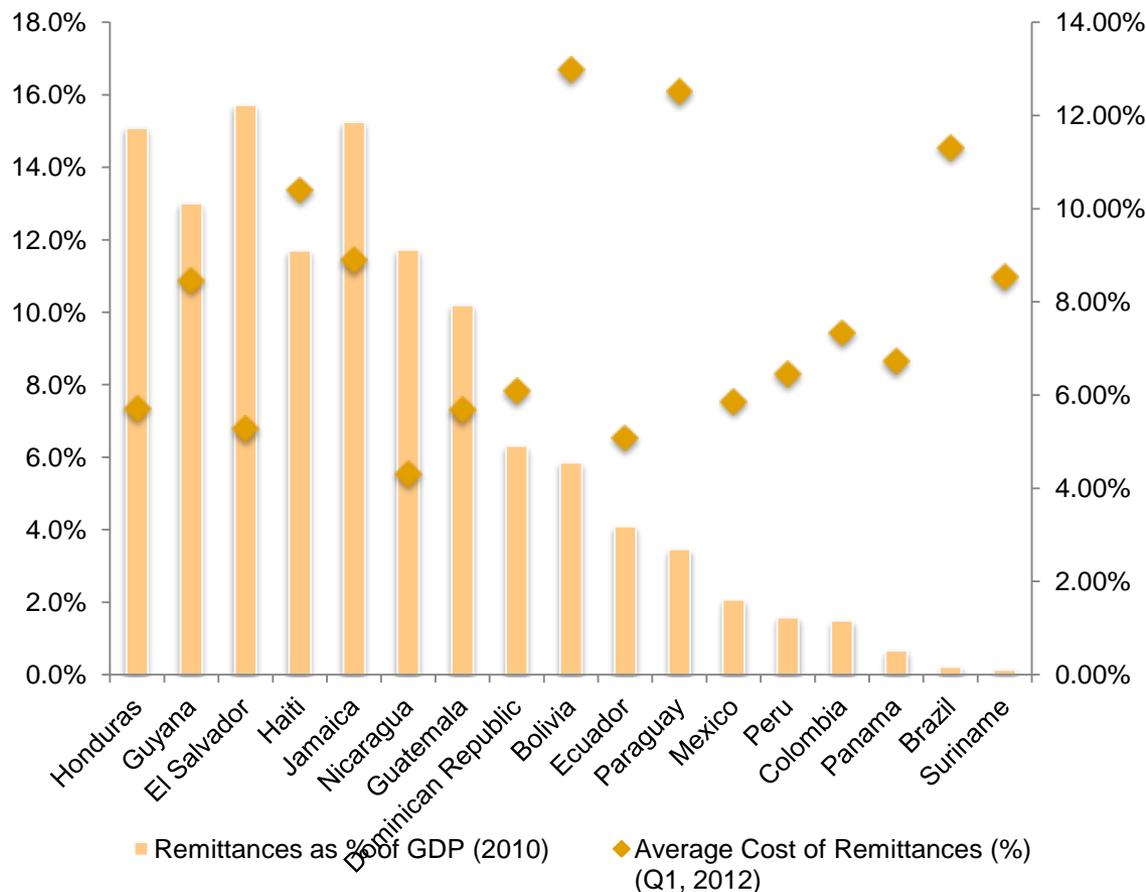
Remittances as % of GDP and Remittance Costs in Receiving Countries in the Eastern Europe and Central Asia Region

- In the ECA region, Bosnia and Herzegovina, Serbia, and Albania are lagging behind in terms of remittance costs with respect to their market sizes
- Latvia and Tajikistan showed a high semi-annual cost decrease of -25.48 and -23.92% respectively
- ECA had a over 20% Yearly Cost reduction as did Bosnia, Kazakhstan, Kyrgyz Rep., and Latvia
- Moldova showed a 10.81% yearly cost increase



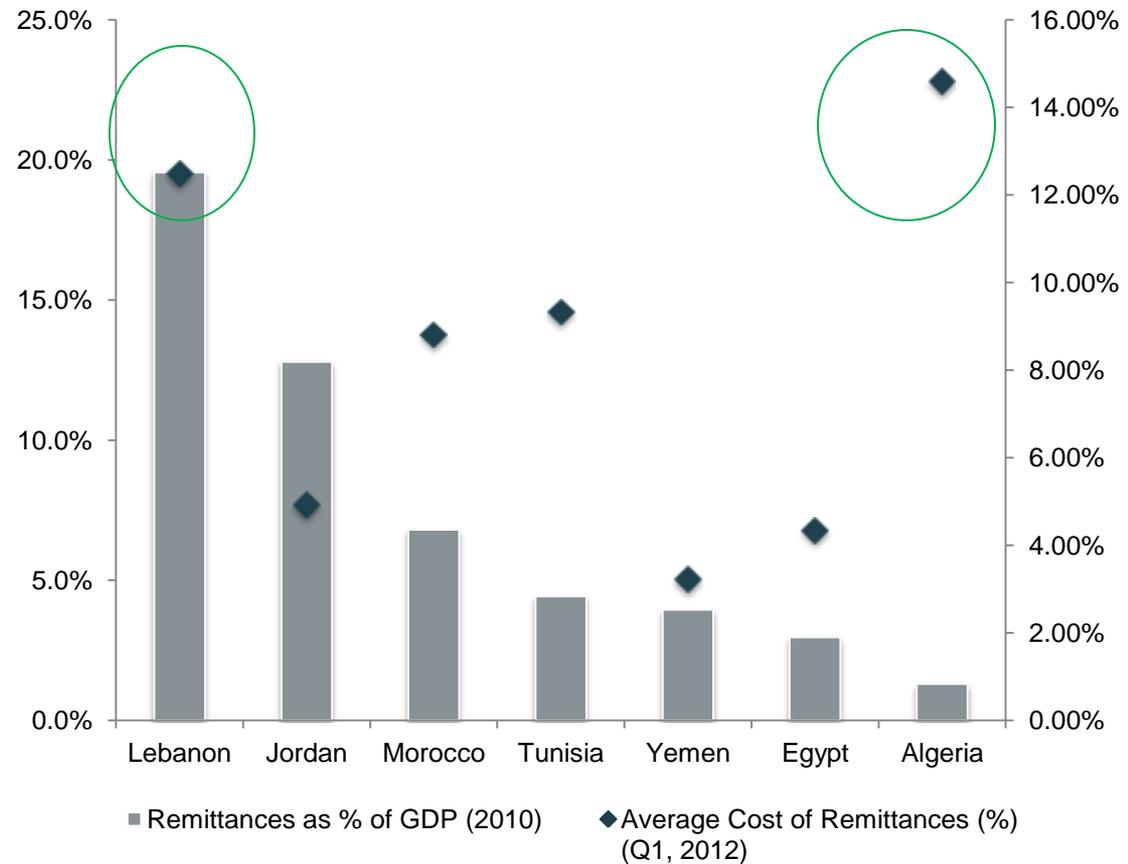
Remittances as % of GDP and Remittance Costs in Receiving Countries in the Latin America and the Caribbean Region

- In the LAC region 11 of the 17 countries have remittance costs less than 8%
- Remittances costs to Brazil, Paraguay and Bolivia are much higher than the rest of LAC countries and well above the LAC and Global average
- Peru had the highest cost increase of the quarter at 29.32%
- Only five countries decreased cost in the past quarter and non over 4%
- Paraguay showed a Yearly Cost increase of 106.9% and Colombia and Peru of over 40%



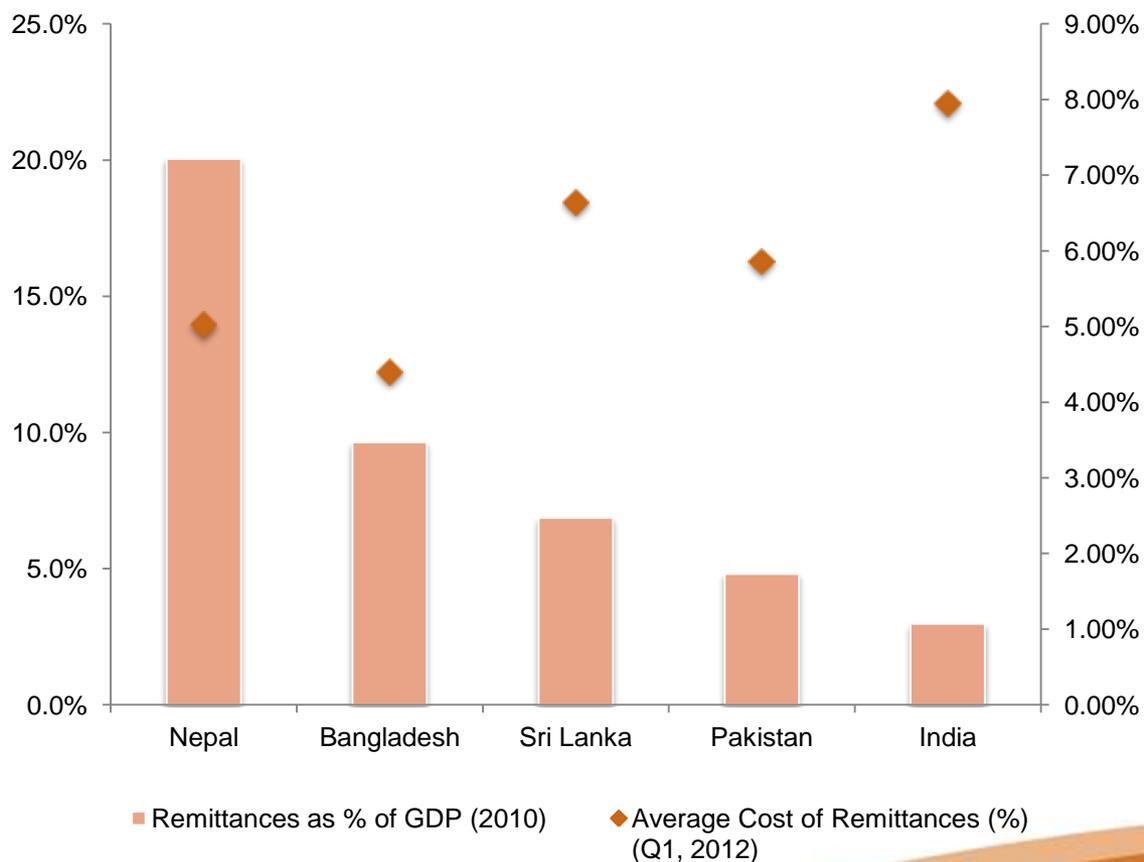
Remittances as % of GDP and Remittance Costs in Receiving Countries in the Middle East and North Africa Region

- Lebanon and Algeria have high remittance costs
- Lebanon has high remittance costs the highest decrease at -7.99% in the last 6 months
- Yemen and Egypt still show the lowest remittance costs of the region
- Jordan showed a Yearly cost decrease of -22.27% and a semi-annually of -7.35%
- Tunisia showed a semi-annual cost increase of 6%
- Egypt and Tunisia experienced cost increases in the last year



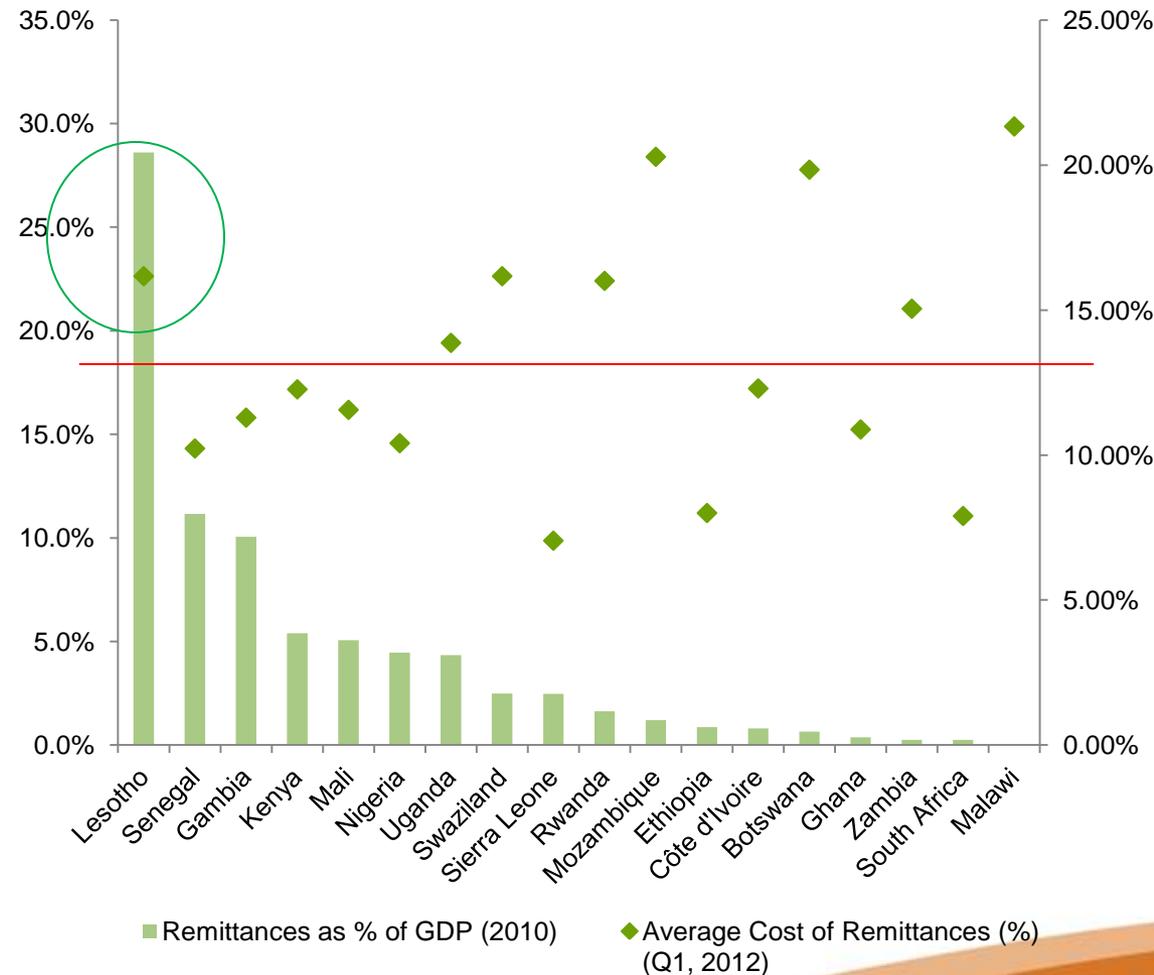
Remittances as % of GDP and Remittance Costs in Receiving Countries in the South Asia Region

- Overall, the remittances costs to South Asian countries are low (< 8%)
- The average cost in the region is 6.70% making it the second lowest after Eastern Europe and Central Asia region
- SA experienced an increase of 8.9% in the last 6 months
- The increase was primarily due by the high cost increase showed by Sri Lanka, India and Bangladesh



Remittances as % of GDP and Remittance Costs in Receiving Countries in the Sub-Saharan Africa Region

- Overall, costs of remittances to Sub-Sahara Africa are still very high
- Remittances flows to Africa tend to be underestimated
- Remittance costs to Lesotho is very high in comparison to the size of remittances flows to the country
- Eritrea showed a high semi-annual cost increase of 24.40%
- Somalia showed a high semi-annual cost decrease of -31.05%



Prioritization of Actions

- There are benefits of multi-dimensional approach (e.g. flow, cost, and remittance size/GDP) and impacts – as for the PEAKS methodology
- Identify countries and country-pairs where activities are most needed or would have the highest impact using the PEAKS methodology
- Match existing and planned remittance activities against the PEAKS countries and identify gaps. Approach the gap countries and offer support in addressing the issues that lead to high prices
- The World Bank-CPSS General Principles provide a framework to support such actions

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

Remittances Activities Worldwide Mapping Exercise – Spring Update

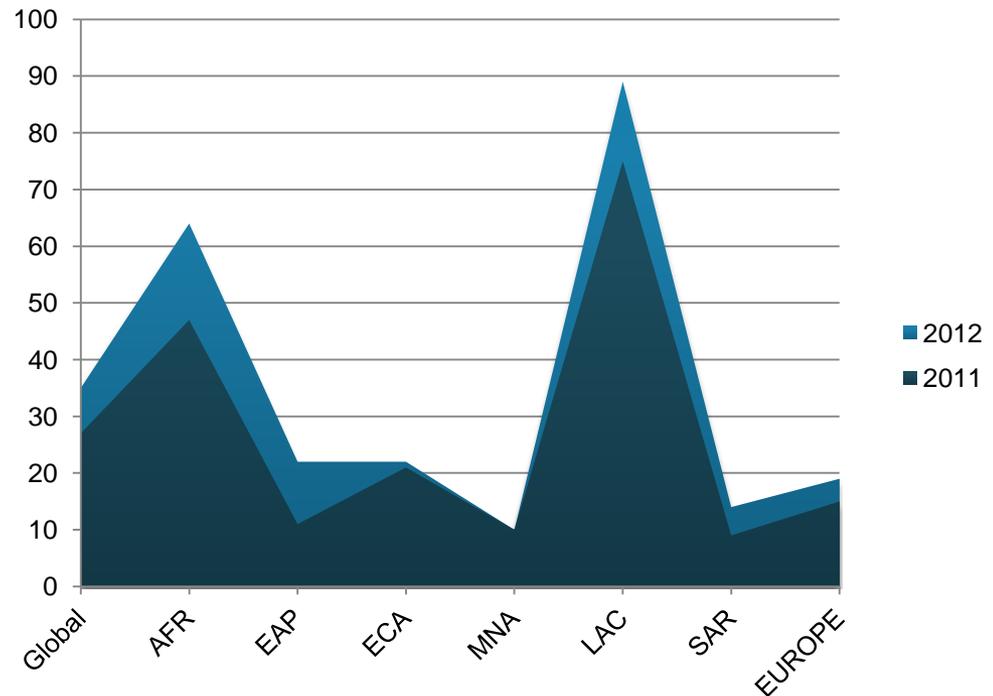
- This update includes 275 activities (215 activities in last update)
- A new analysis of activities by topical areas has been added

Number of Projects	Region
35	Global
64	Sub-Sahara Africa Region
22	East Asia and Pacific Region
22	Eastern Europe and Central Asia Region
10	Middle East and North Africa Region
89	Latin America and Caribbean Region
14	South Asia Region
19	Europe

Remittances Activities Worldwide Mapping Exercise

Activities by Region (2012 vs. 2011)

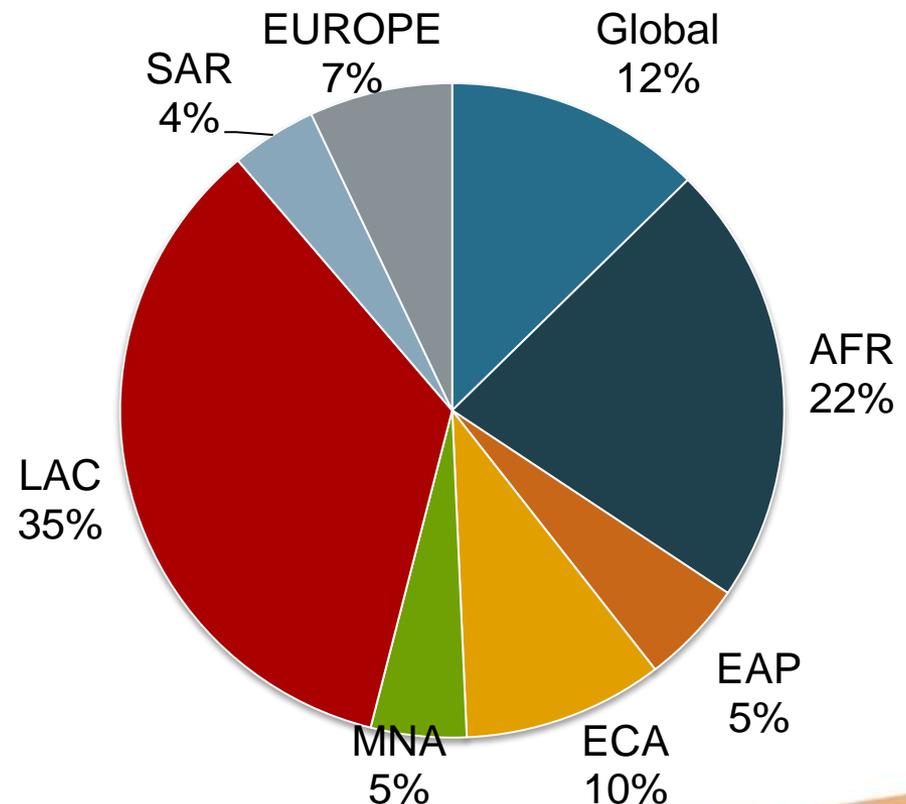
- The number of reported projects increased from 215 to 275 (cumulative)
- AFR showed the largest increase of new projects followed by LAC
- Eastern Europe and Central Asia Region and Middle East and North Africa Region showed the fewest number of new projects



Remittances Activities Worldwide Mapping Exercise

Activities by Region

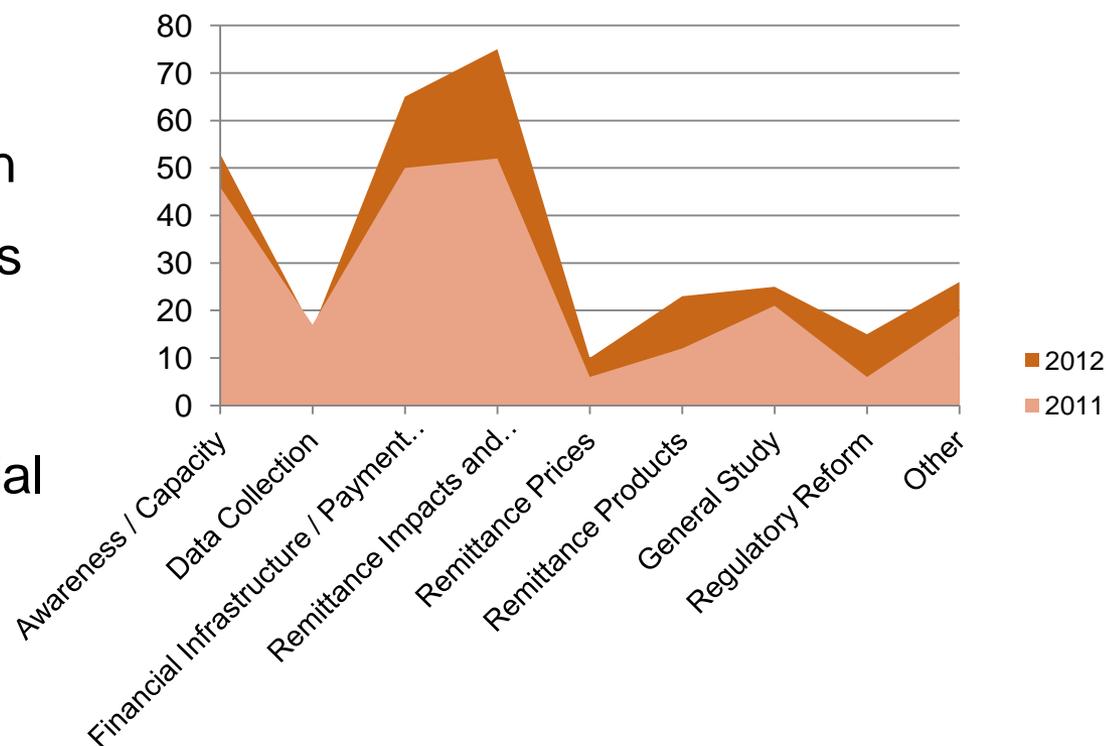
- Latin America and the Caribbean and Sub-Saharan Africa regions continue to have the highest number of projects (55% of the total)
- Middle East and North Africa, South Asia and Europe regions have the lowest number of activities



Remittances Activities Worldwide Mapping Exercise – Spring Update

Activities by Topic (2012 vs 2011)

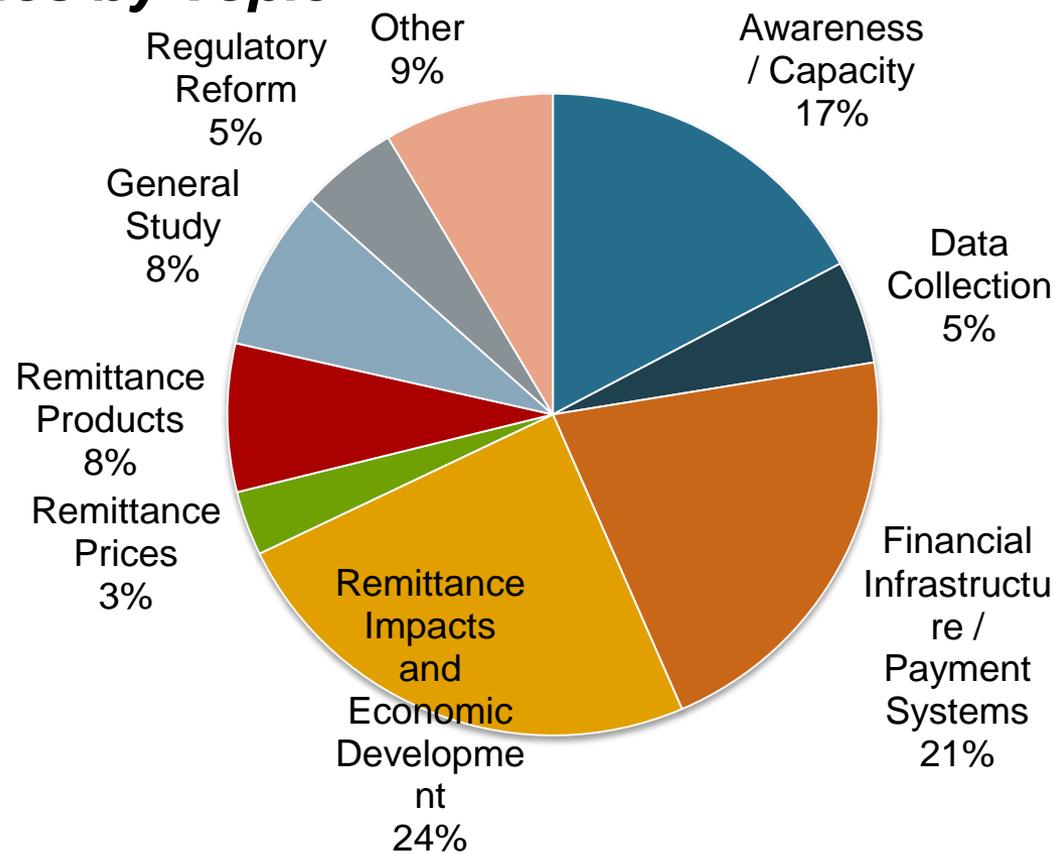
- There was an increase in projects related to all topical areas except Data Collection
- Projects on remittance prices also showed a minimal increase
- Projects focusing on Financial Infrastructure / Payment Systems had the largest increase closely followed by Remittance Impacts and Economic Development



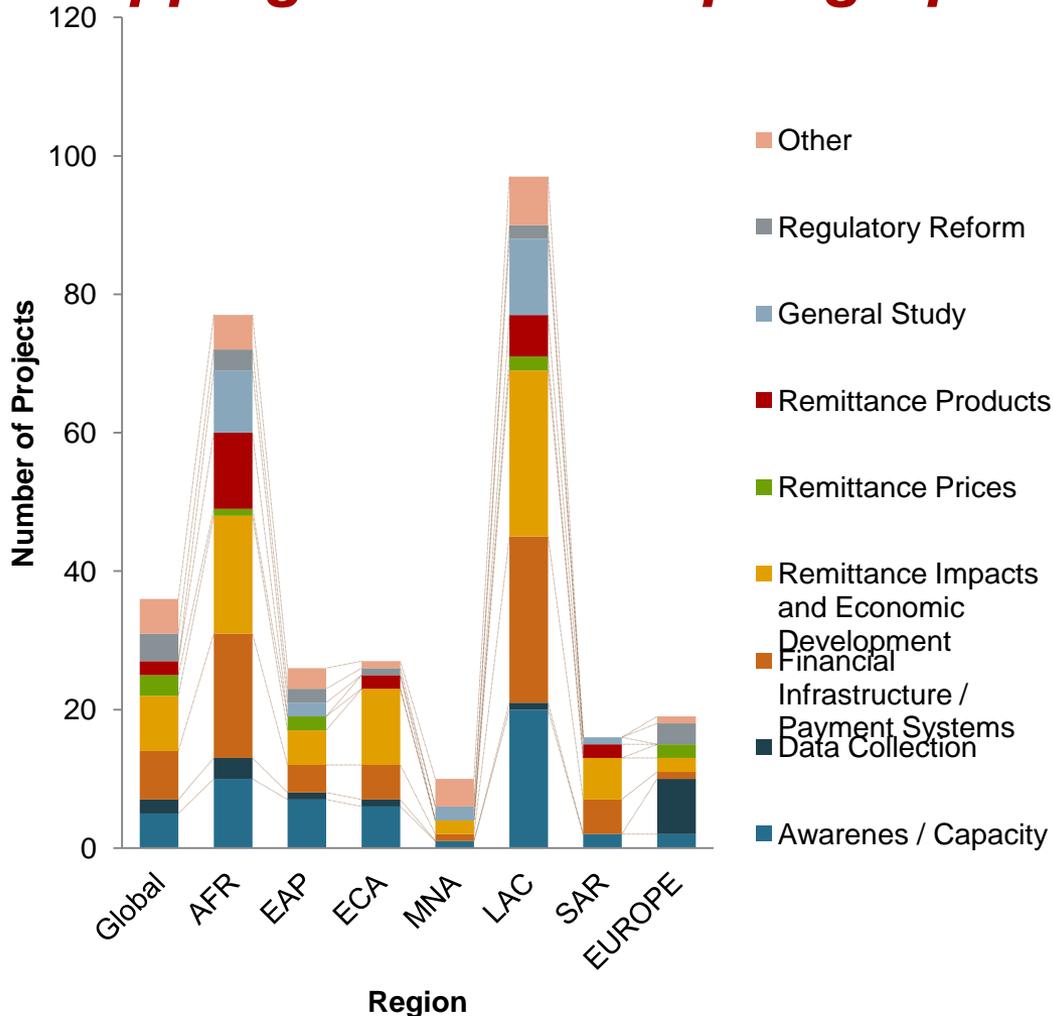
Remittances Activities Worldwide Mapping Exercise – Spring Update

Activities by Topic

- The topics with high focuses are:
 - a) Remittance Impacts and Economic Development (24%)
 - b) Financial Infrastructure and Payment Systems, and (21%)
 - c) Awareness Raising and Capacity Building (17%)



Remittances Activities Worldwide Mapping Exercise – Spring Update



Activities by Region and Topic

- LAC has a strong focus on Financial Infrastructure and Payment Systems projects and Remittances Impact and Economic Development
- Activities on Remittances Impact and Economic Development are undertaken across all the regions
- AFR is also large in Financial Infrastructure and Payment Systems projects
- Relatively more activities on new remittance products are undertaken in AFR and LAC regions than in other regions

Remittances Activities Worldwide Key Takeaways from the 2012 Mapping Exercise

- Differences in the number of projects between regions are significant (although we may not have the information of all the projects)
- Projects in the areas of Thematic Area 2 (Migration and Development) and Thematic Area 3 (Infrastructure) continue to increase. However, less attention is given to Thematic Areas 1 (Data) and 4 (Access to Finance). There are clear needs for addressing TA1 and 4
- In light of the 5x5 objective by 2014 and international commitments by G8, G20, CHOGM, ASEAN on facilitating remittance flows and reduction of costs, projects focusing on policy implementation and reforms should be strongly encouraged

Achieving the Cost Reduction Objectives through the implementation of the GPs

- ✓ **Increasing the relevance and number of national databases on the cost of remittances because:**
 - a) They serve the ultimate beneficiaries of the remittances: the migrants
 - b) They can cover more frequently the changes of the market
 - c) They can serve as a benchmark for the conclusions of the RPW

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- by the Consumer Council of Norway



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MAKING MARKETS MORE TRANSPARENT

Towards Achieving Cost Reduction Objectives: in the Pipeline

- **Implementation of the GPs.** Several country missions and TA projects are being implemented and resources are being dedicated to coordinate the work and contribute to the achievement of the 5x5 objective
- **The Guidance Note for the Implementation of the GPs.** The Secretariat is currently incorporating comments from countries. The final Guidance Note will be issued by the next GRWG
- **Launch of Project Greenback: Documentary Movie on Remittances.** The movie will be available in English, Spanish, Italian and French. A series of launching events in multiple locations will start in May 2012
- **Launch of the "Send Money Service" platform.** "Send Money Service" is a new platform for remittance price database websites. The platform will allow easily creating, customizing, and publishing remittance price websites. Users will be able to retrieve information on the price of remittance services via a simple text message (SMS) on any basic phone, as well as on the Internet and smart-phones. It will be launched in July 2012

Towards Achieving Cost Reduction Objectives: in the Pipeline - Continued

- **Pacific Remittance Initiative.** Create sustainable arrangements to continue regional cooperation in payment systems and remittances
- **Strategic Partnerships** have been created with:
 - ✓ **International Fund for Agricultural Development** to undertake the Send Money Home to Asia and the Pacific Project
 - ✓ the **African Institute for Remittances** to intervene more effectively at the regional level
 - ✓ the **Universal Postal Union** and the **IFAD** to reform national postal systems particularly in Africa and Asia
 - ✓ the **Food and Agricultural Organization** to undertake interdisciplinary studies on remittances to rural areas

Thank you!

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