



Working towards the achievement of the “5 by 5” objective

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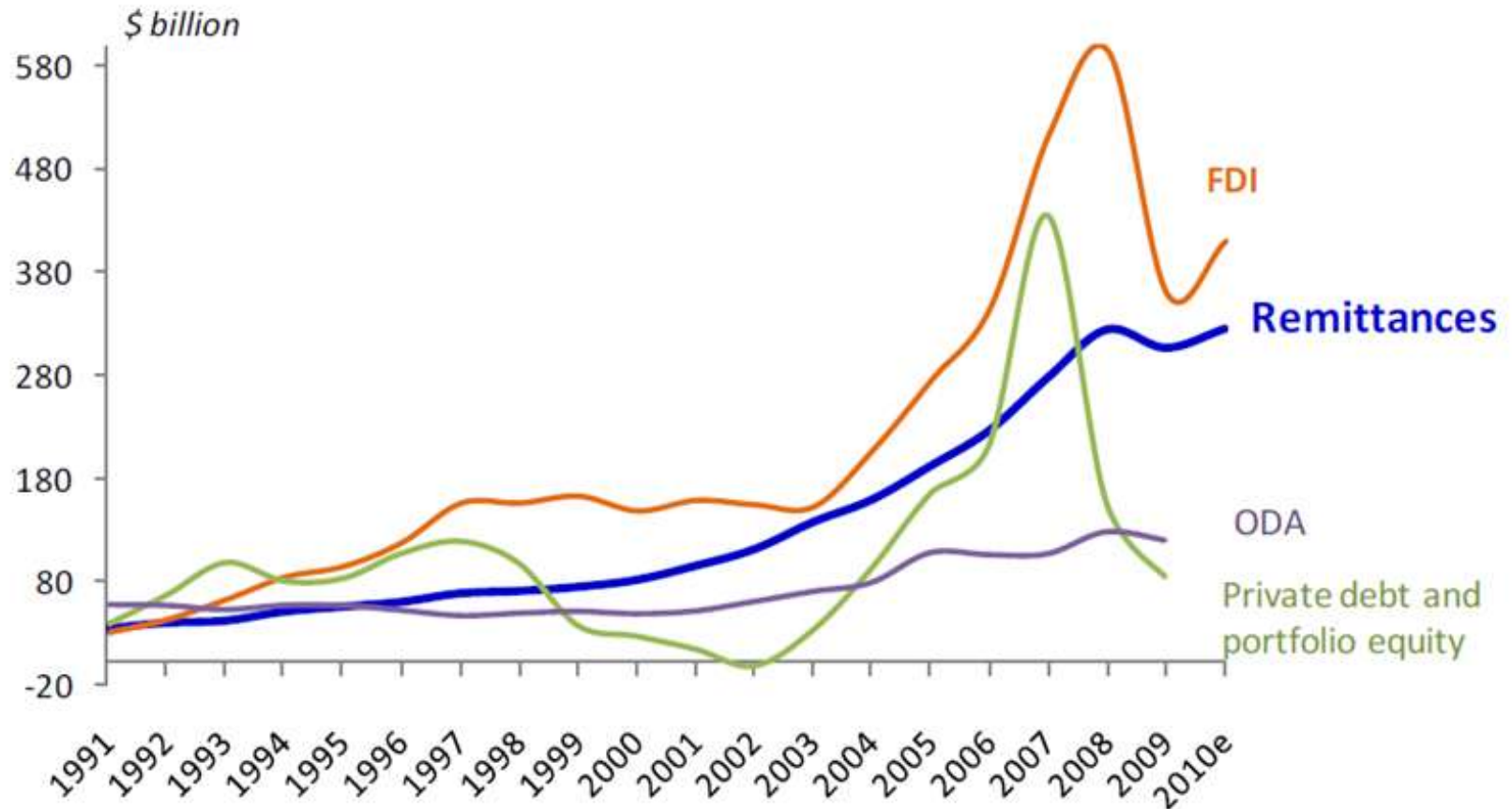


International Remittances

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

Development and Implementation of the BIS-WB General Principles for International Remittance Services

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 Unit Activities

1. General Principles Assessment



- Comprehensive On-the-Ground Assessment of National Remittance Market
- Covers Data Capture, Consumer Protection, Payment Infrastructure, Legal Framework, Market Structure, Governance and Risk, Remittance Service Providers, Public Authorities
- Report with Findings and Recommendations how the Market can be Improved

2. Technical Assistance



- Assistance with the Implementation of the recommendations or issues identified by national authorities
- Examples: remove legal barriers for new remittance services (online, mobile); help banks to form partnerships with remittance providers and adopt financial services for migrants; include MFIs, Cooperatives and Post Offices; draft supervision and consumer protection regulation; eliminate anti-competitive behavior and disincentives to use the formal sector (remittance taxes, lack of identification).

3. Monitoring the cost of Remittance Services and international coordination



- Database of Remittance Prices Worldwide, covering over 200 corridors.
- Tool to identify market inefficiencies and opportunities, evaluate impact of new policies, target donor funding, educate consumers
- Coordinate the work of donors and other IO through the GRWG

Global Remittances Working Group

GRWG: 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...**”

Country reforms for the implementation of the 5x5

- **Restoring American Financial Stability Act of 2010 (so-called Wall Street reform bill):**
 - ✓ Increased transparency (FX, fees, amount received, date of delivery, error resolution tools, etc.)
 - ✓ Empowerment for the Federal Reserve to “expand the use of the automated clearinghouse system for remittance transfers to foreign countries”
 - ✓ Creation of the a financial services consumer protection authority
- **Enactment of Payment Services Act of 2009**
 - ✓ Introduction of convenient, inexpensive and safe services of remittance services
 - ✓ Opening of the remittance market to non-bank entities
 - ✓ Reform of the consumer protection framework for remittances customers
 - ✓ New registration process (no licensing)
 - ✓ Deposit guarantee for RSPs to protect customers in case of bankruptcy

***Implementing the GPs: Remittance
Prices Worldwide
Increasing Transparency in the Market***

Remittance Prices Worldwide Increasing Transparency in the Market

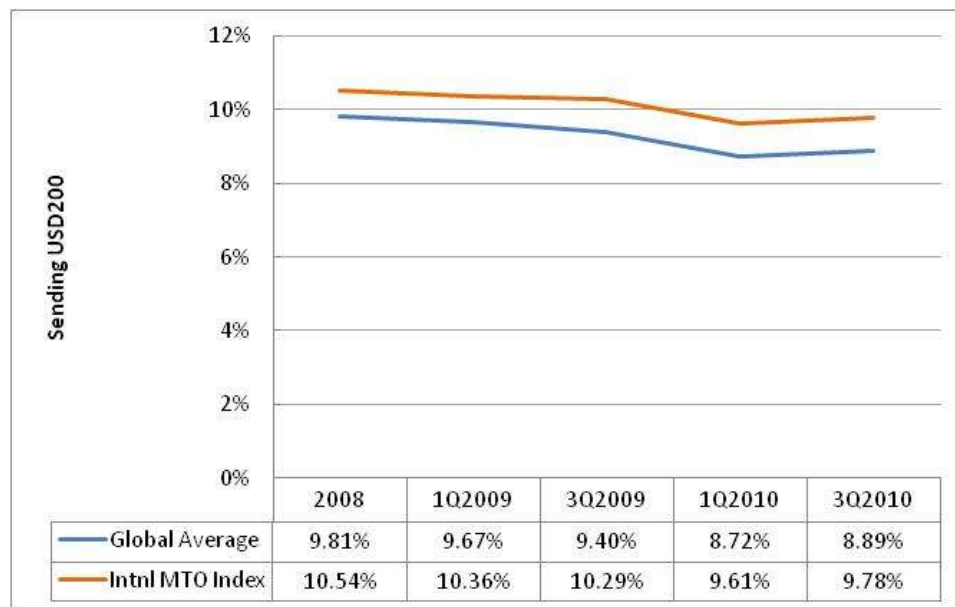
The database remittanceprices.worldbank.org:

- Increases transparency and competition
- Provides comparisons of markets across countries and regions. The new iteration Q3 2010 (launched on September 2010) surveys 200 corridors from 29 sending to 86 receiving countries
- Fosters price reductions through a “name and shame” approach. An example of the positive effect of this approach has been the case of LAC, where publication of remittance fees was one of the factors in their reduction from 15%, on average, in the region in 2000, to 5.6% in 2006
- Is not focused directly on the consumer (not updated on a day-to-day basis) and in this sense does not replace national databases but complements them (e.g. www.mandasoldiacasa.it for Italy, www.enviacentroamerica.com for Central American Countries and www.sendmoneypacific.org for the Pacific). **WB CERTIFICATION!!!**

Achieving the 5x5 Objective through the implementation of the General Principles

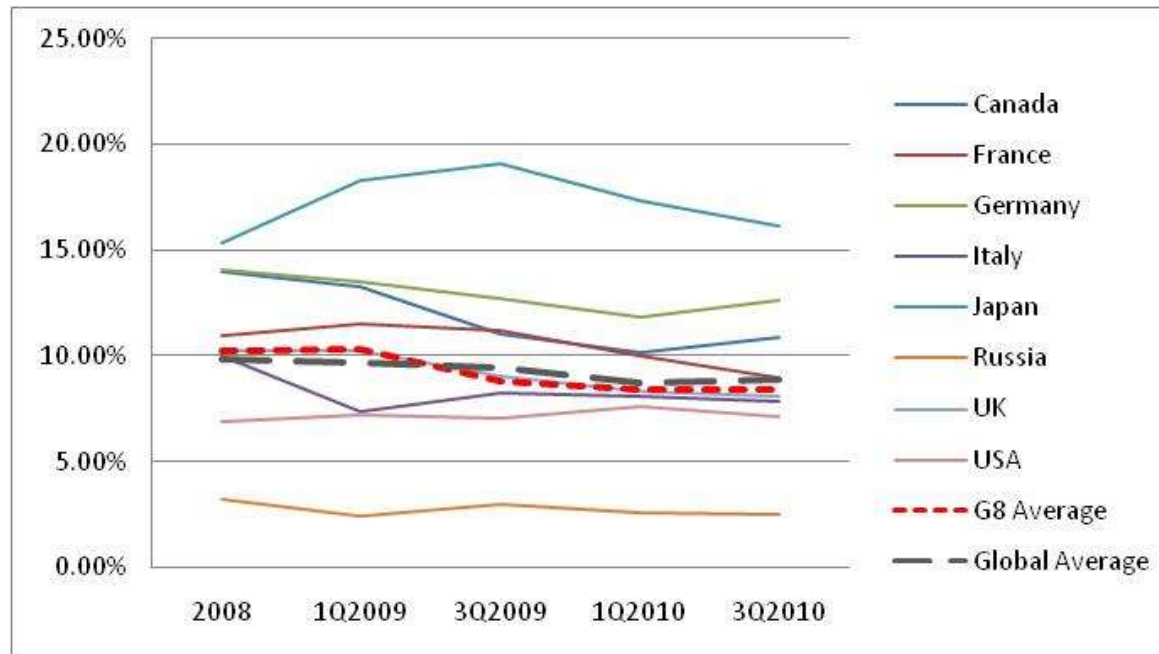
- In the Third Quarter 2010 the total global average of sending USD 200 worldwide was 8.89%
- 5 new sending countries were added to the Remittance Prices Worldwide database (Belgium, Korea, Norway, Qatar, Switzerland)
- Considering only the countries that were already included in the First Quarter 2010, the average would be down to 8.62%

Total Global Average Cost



Sending USD 200 from G8 countries: trends

- The average total cost of sending USD 200 from the G8 countries in the Third Quarter 2010 was 8.40% (up from 8.37% in the First Quarter 2010)
- A significant reduction was recorded for France (down from 10% to 9%) and for the most expensive sending country, Japan (down from 17.3% to 16.2%)
- Most G8 countries show at least a slight reduction compared to the First Quarter 2009.



Key findings from RPW database

The volume of migrant remittances from a sending country and the average total cost are highly correlated

The global average cost for sending remittances through commercial banks was higher than from Post Offices (the cheapest) and MTOs

The cost of sending remittances to South Asia and Latin America is the lowest when compared to the global average total cost and other regions

The cost of sending remittances from G8 countries is almost at par with the global average total cost. However, this number would be a lot higher than the global average if Russia were excluded from the data

The South-to-South corridors demonstrate higher cost for migrant remittances Based on anecdotal evidence from some countries, broad based reduction in costs requires a broader approach to reforms that is based on the GPs

In the Pipeline

- **Implementation of the GPs.** Several country missions and TA projects will be implemented and resources will be dedicated to coordinate the work and contribute to the achievement of the 5x5 objective
- **Issuance of the Guidance Note for the Implementation of the GPs.** Specific guidelines for countries to implement the GPs
- **Country Briefs.** Public Dissemination Reports based on the Missions for the Implementation of the GPs
- **African Remittance Database.** Focused on Sub-Saharan Africa, this will study approximately 100 selected country corridors, covering at least 60% of total remittance flows to the region, including intra-African corridors. The outreach activities and awareness programs will play a fundamental role
- **Pacific Remittance Initiative.** Assess markets for remittances in six countries. Create sustainable arrangements to continue regional cooperation in payment systems and remittances
- **Strategic Partnerships.** Solid relationships have been created with:
 - ✓ the **African Institute for Remittances** to intervene more effectively at the regional level
 - ✓ the **Universal Postal Union** and the **International Fund for Agricultural Development** to reform national postal systems particularly in Africa and Asia
 - ✓ the **Food and Agricultural Organization** to undertake interdisciplinary assessments in countries with high levels of remittances to rural areas

Thank you!

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www.worldbank.org/paymentsystems

<http://remittanceprices.worldbank.org>