Migrant Remittances and Economic Development
Lecture 12

SIPA U8159
Tuesdays 4:10 pm – 6:00 pm
IAB 410

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Remittances and Institutions

Identify institutional stakeholders

private sector – governments - civil society

Highlight features of the remittance market

organization – prices – products - trends

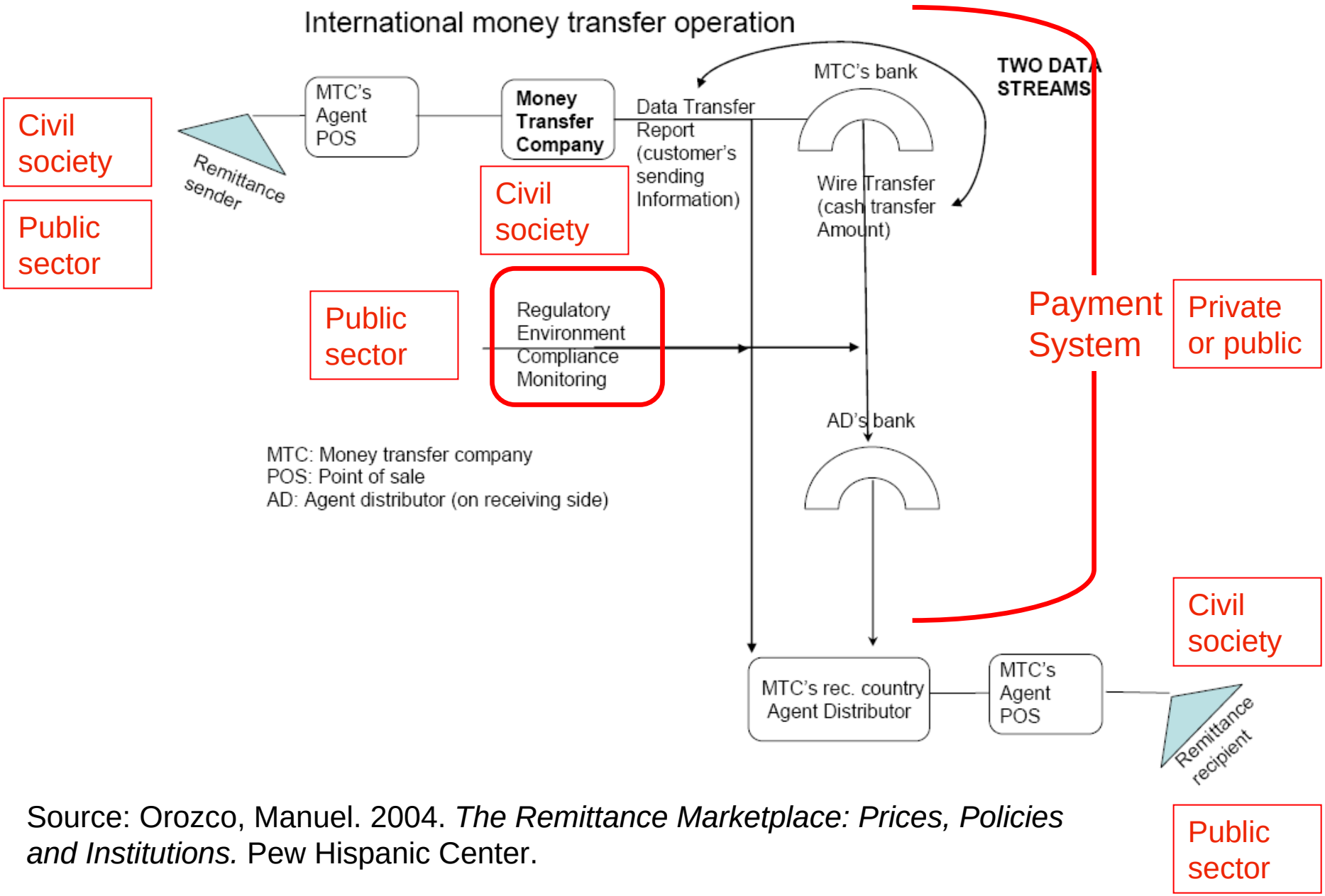
Address 1st generation responses/reforms

data - regulation - formalization

Look at evolving 2nd generation responses

expansion of pro-poor financial services

Figure 1: Structure of an international money transfer operation



Source: Orozco, Manuel. 2004. *The Remittance Marketplace: Prices, Policies and Institutions.* Pew Hispanic Center.

Financial institutions response

More creative responses:

- Spanish-speaking tellers
- Mobile branches
- Partnerships with consulates
- Outreach at cultural events
- Kiosks in grocery stores
- Aesthetics and amenities
- Cross-selling

Public sector/multilaterals response

Inter American Development Bank's Multilateral Investment Fund

President Bush and Partnership for Prosperity

FDIC and New Alliance Task Force

Federal Reserve *Directo a Mexico*

Mexican government – Profeco *Quien es Quien* and Condusef

Civil society response

Community groups and immigrant advocates

- Assist in financial literacy programs
- Represent interests of immigrants
- Help financial institutions enroll clients

Business associations like NMTA

- Represent rights of money transfer co's

Receiving side groups

- Advocate for migrants' families
- Productive use of remittances

Broadly Agreed Recommendations

Lower prices – fair and non-discriminatory

Improve regulation – competition, transparency

Improve data – who, where, how much

Encourage inclusion – welcome for low income

Bank the unbanked – integrated services

Use technology – tools for lowering costs

No taxes – discriminatory, counter-productive

Alliances – a means for delivering new svcs.

General Principles for Intl. Remittance Svcs

I.	**The Market for Remittances should be Transparent and have adequate Consumer Protection**
II.	**Improvements to Payment System infrastructure that have the potential to increase the efficiency of remittance market should be encourage**
III.	**Remittance Services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework**
IV.	**Competitive market conditions, including appropriate access to payment infrastructures, should be fostered**
V.	**Remittance Services should be supported by appropriate governance and risk management practices.**

Source: Committee on Payment and Settlement Systems Consultative Report, March 2006.

Broadly Agreed Recommendations

Improve regulation – competition, transparency

- MTOs argue they face a skewed playing field
- Disclosure depends on institution/jurisdiction
- Patriot Act and Bank Secrecy Act
- Multiple agencies, overlapping mandates
- Over-zealous supervision?
- Varying standards across institutional types
- Bank account closures

Broadly Agreed Recommendations

Improve data – who, where, how much

- More info for customers, more data from providers

Ver características / Empresa	COBRO QUE REALIZAN LAS EMPRESAS EN ESTADOS UNIDOS			Diferencial (en Dólares)	Costo Total (en Dólares)	Dólares realmente enviados	Diferencia porcentual
	Monto original del envio en Dólares	Tipo de cambio aplicado por la empresa	Comisión en Dólares por Envío				
Western Union (En Minutos)	300.00	10.20	14.99	5.31	$20.30	279.70	6.8%
Western Union (Dinero día siguiente)	300.00	10.20	9.99	5.31	$15.30	284.70	5.1%
Western Union (Giro Telegrafico)	300.00	10.20	9.99	5.31	$15.30	284.70	5.1%
Money Gram	300.00	10.28	9.99	3.00	$12.99	287.01	4.3%
Ria Envia	300.00	10.43	18.00	-1.33	$16.67	283.33	5.6%
Order Express	300.00	10.21	8.00	5.02	$13.02	286.98	4.3%
Majapara PagaDólar	300.00	10.30	9.00	2.42	$11.42	288.58	3.8%
Majapara Maxipaga	300.00	10.46	15.00	-2.20	$12.80	287.20	4.3%

Broadly Agreed Recommendations

Improve data and info – who, where, how much

- Give more information to customers
- Get more data from providers

Calculator for money transfer

condusef.gob.mx

Broadly Agreed Recommendations

Improve data – who, where, how much

- Give more information to customers

Get more data from providers

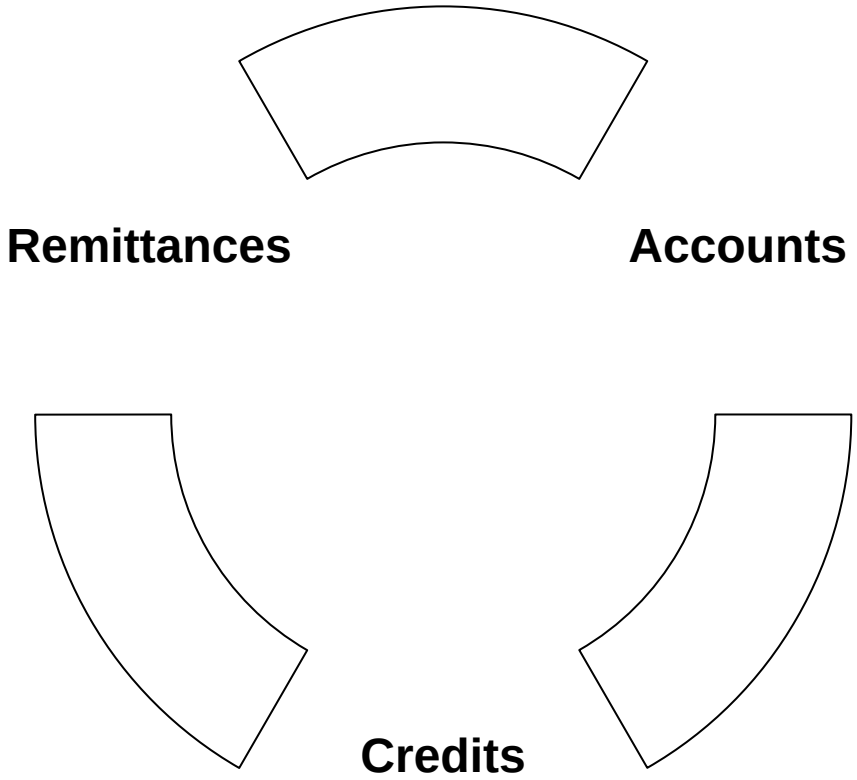
TEXAS ATTORNEY GENERAL'S OFFICE ENCOURAGES SENDERS TO INFORM THEMSELVES, ASK FOR A RECEIPT AND CHECK WITH RECIPIENTS FOR CHARGES OR COMPLAINTS

Broadly Agreed Recommendations

Encourage inclusion –
- bring in low income clients

Bank the unbanked –
- integrated services
- microfinance

Leverage remittances –
- realize latent demand
- securitize future flows



Broadly Agreed Recommendations

Use technology – tools for lowering costs

Broadly Agreed Recommendations

Alliances – a means for delivering new svcs.

Government with banks
Ex. Fed ACH, FDIC

Banks working with MTOs
Ex. HSBC and 42 MTOs

MTO and retail stores
Ex. MoneyGram in Walmart stores

Credit unions with MTOs
Ex. WOCCU and IRNet

MTO and cel phone company
Ex. Smart Communications Smart Padala to Philippines

Bank to bank/CU
Ex. Banco Solidario and La Caixa or Citibank