

MIGRANT Remittances

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From the Editors

Dear Readers,

Global flows continue a steady pattern of growth as record-keeping of these transfers by central banks improves. One important development to monitor as the year goes on is the role of governments in seeking to leverage the flows through development policy initiatives. The G8 countries have demonstrated commitment on remittances, and bilateral cooperation is also being manifested through various alternatives. The new U.S. Agency for International Development (USAID) Diaspora Networks Alliance initiative is the latest effort in international donor cooperation to connect diasporas and their economic activities with their home countries. Our research note discusses the role of remittances in situations of natural disaster, and the guest article discusses some experiences with cost-reduction programs motivated by government initiatives in migrant origin and destination countries. The country profile looks at remittances to Kenya, one of the major recipients of remittances to Africa. We hope you enjoy this issue.

Manuel Orozco and Anna Ferro

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Worldwide Trends in International Remittances

Highlights on International Flows

Remittance trends in the first half of the 2008 calendar year:

In the first two quarters of 2008, *Honduras* received \$1.37 billion in remittances, an 11 percent year-on-year increase. At this rate, the Central Bank predicts the country will receive \$2.8 billion in 2008, \$300 million more than in 2007. Kentucky, North Carolina, and Texas are becoming destination states for Honduran migrants. In South America, remittances to *Colombia* continued to experience double-digit growth at 19.6 percent year-on-year, with \$2.33 billion. During this period, *Mexico* received \$11.6 billion, a -2.18 percent year-on-year growth. States that experienced the most negative year-on-year growth are Aguascalientes (-19.5 percent), Hidalgo (-11.4 percent), and Tabasco (-10 percent). The Central Bank attributes the decline to the U.S. economy and increased enforcement of illegal immigration laws. The Economic Policy Institute suggests that the decline in construction jobs in the first quarter of 2008 partly caused remittances to decline and the unemployment rate of Hispanics in the United States to increase to 7.5 percent. These workers earned less in the first quarter than during the same period two years ago.

In the second quarter of 2008, *Ecuador* and *Mexico* experienced -7.8 percent and -1.1 percent year-on-year

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Table 1: Remittances: Quarterly Growth Year-on-Year, 2006–2008 (percentage)

	2006				2007				2008	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Mexico	29.1	21.4	12.9	7.7	3.0	-1.2	2.6	-0.4	-3.4	-1.1
El Salvador	24.6	16.4	12.1	9.2	7.9	7.1	8.0	3.1	6.1	7.1
Guatemala	20.2	21.2	27.4	14.4	11.9	13.3	17.3	14.7	9.8	7.8
Honduras	39.4	42.7	27.6	21.6	11.7	8.7	12.1	7.3	9.9	12.0
Nicaragua	13.0	13.2	18.7	8.7	-4.9	7.7	6.4	14.8	22.8	13.5
Colombia	17.1	26.8	14.2	12.3	11.0	-2.0	23.2	29.1	20.1	19.2
Ecuador	9.4	17.2	23.3	26.8	3.5	8.5	6.9	3.0	12.3	-7.8
Jamaica	3.6	7.6	7.4	9.9	7.8	10.0	11.8	13.9	11.8	11.0
Dominican Republic	10.6	18.6	17.6	5.6	17.2	10.7	7.2	8.8	7.9	5.3

Sources: Central banks of each country. Please note that the information above reflects the most accurate data to date, but that these figures are subject to revision.

growth, respectively. *Nigeria* received \$542.68 million in remittances during the same period.

The *Bangladesh* Bank reported that remittances of \$829.5 million in July increased foreign exchange reserves toward \$6 billion, and the bank expects total remittances to surpass \$10 billion for the 2008–2009 fiscal year. The monthly record showed a continuing increase in the amount of remittances sent to Bangladesh—a 46.3 percent increase from July 2007. The second half of the fiscal year ending in June averaged more than \$700 million per month, for a total of \$8 billion during the 2007–2008 fiscal year. The previous monthly record was \$808.7 million, received in March 2007.

In the first five months of the year, the *Philippines* received \$6.8 billion—a 15 percent year-on-year increase—mostly coming from the United States, Saudi Arabia, Canada, the United Kingdom, Italy, and the United Arab Emirates. During this time, nearly 534,000 Filipino workers were deployed, an increase of 39.5 percent from the first to the fifth month of 2008, according to the Philippine Overseas Employment Administration. Employment opportunities in the oil sector are expected to increase deployment in the future. Moreover, the Philippine Central Bank reported that 48.6 percent of households supported by remittances from overseas allotted a portion of the amount received for investments of some kind in the second quarter of 2008, compared with 21.9 percent in the first quarter. Over 30 percent reserved money for bank savings in the second quarter, compared with 14 percent in the first. Experts attribute the increased investments and savings to outreach efforts by banks.

The Moldovan National Bank (BNM) reports that during January–April 2008, *Moldovans* abroad remitted \$475 million through commercial banks, compared with \$290 million during the same period in 2007. BNM states that more than 75 percent of all remittances were made through money transfer operators (MTOs). Remittances through commercial banks increased from \$855 million in 2006 to \$1.2 billion in 2007.

UNISStream controls over 50 percent of the remittance market in Armenia. In the first half of the 2008 calendar year, the MTO held the largest share of the money transfer market, with \$324.5 million (a 40.3 percent year-on-year increase), according to the Central Bank of Armenia. Over 60 percent of this money came from Russia, and the majority was in U.S. dollars. In the same period, UNISStream increased its volume of transactions to Tajikistan and Uzbekistan by 127 percent and 160 percent, respectively. To add to its money transfer services, the company plans to implement a product that will allow credit repayment with remittances.

Remittances to Zimbabwe. The \$1.5 million in remittances that enter Zimbabwe each day provide capital to people living in a country with political turmoil and extremely high inflation. The Zimbabwe National Chamber of Commerce estimates that 85 percent of remittances are spent on consumption of goods. While Western Union is allowed to operate with permission from the Reserve Bank, the government has also allowed an informal market to operate and serve as a source of foreign exchange. As a result, formal money transfer channels have suffered—customers use the informal market because they benefit from a better exchange rate and they fear misuse of their personal information

collected through Know Your Customer rules in the formal market. According to projections from the International Fund for Agricultural Development, foreign currency remittances from Zimbabweans are expected to double in 2008, from \$361 million in 2007 from the estimated 4 million Zimbabweans who live abroad.

More updates on global remittance trends. A World Bank revision of its November 2007 report estimates that \$251 billion was sent to developing countries in 2007, an 11 percent year-on-year increase. This is a 4.5 percent increase from the Bank's previous estimate, mostly resulting from updates on actual figures of remittances to Liberia, Poland, and Romania. *See Publications.*

Remittance trends from Spain in 2007. A study conducted earlier this year (*see Publications*) found that in 2007, immigrants living in Madrid sent €2.02 million in remittances to their home countries, compared with €1.52 million in 2006. On average, there were three beneficiaries per remitter, resulting in 1.7 million beneficiaries of remittances. According to the survey, remittances from Madrid to Ecuador experienced 17 percent year-on-year growth in 2007, but money to Colombia dropped by 18 percent. In contrast, Romania received 80 percent more remittances in 2007 than in 2006, becoming the second main destination country for remittances from Madrid. Moreover, Spain was the main remittance-sending country to Bolivia. According to a recent study by the Central Bank of Bolivia, \$870 million was sent to the country in 2007, a 65 percent increase from 2006. Thirty-six percent came from Spain, 21 percent from the United States, and 18 percent from Argentina.

In Latin America, remittances influence decisions to migrate. A Gallup poll conducted between 2006 and 2008 showed that 31 percent of Latin American remittance recipients planned to migrate, compared with only 15 percent of non-recipients. The polling firm suggests that remittance recipients interpret these funds as messages of economic prosperity in the sending country, and they have a safety net in case they decide to migrate. The poll was conducted via telephone and in-person interviews with 1,000 respondents per country.

G8 countries commit to prioritize remittances. At the July 2008 summit in Japan, the G8 countries pledged to support the recommendations set forth by the participants of the G8 Outreach Meeting on Remittances that took place in November 2007. The recommendations call for improving central bank remittance estimates, leveraging remittances for development, preparing general principles for international remittance services, strengthening financial systems and access to financial services for

migrants and remittance recipients, monitoring innovative payment instruments, and establishing a Global Remittance Working Group. The World Bank has been invited to facilitate the working group, which is composed of approximately 25 members drawn from the public and private sectors. The working group will hold its first plenary session in September 2008 in Vienna, aiming to tackle some of the common challenges that face the remittance industry.

EU migration directive. The recent European Union (EU) migration directive—which was approved by the European Parliament on June 18 and states that undocumented immigrants can be detained for up to 18 months and can face a five-year re-entry ban after being deported—has provoked discussions about the likely effects it may have on remittance flows to origin countries. Representatives of Latin American countries voiced strong opposition to the directive, noting the vital importance of remittances from migrants living and working in Europe to their homeland economies.

Meeting with MTO executives on the recent trends in remittances to Latin America. Money transfer executives met in June 2008 at the Inter-American Dialogue to discuss economic and political factors straining the remittance industry, particularly the economic downturn and political hostility that are shifting migration patterns. Competition and regulation lead to consolidation in the sending market, while the growth in the number of remittance payers implies a subdivision of the receiving market. Despite technological advances, attendees emphasized a partnership that incorporates existing networks.

Western Union has filed an appeal to the Supreme Court of Arizona, USA. The appeal is to overturn a ruling that allows state officials to seize suspicious money transfers directed to Mexico. The Arizona Attorney General is concerned that the MTO's service is being used for illegal practices and asks that it provide information on certain transfers. However, Western Union argues that the state should not interfere with private transactions performed outside of its borders.

Money transfer operator trends

In the second quarter of 2008, *Western Union's* revenue increased by 12 percent year-on-year, totaling \$1.35 billion. International transfers experienced a 19 percent growth in revenue and constituted 68 percent of the company's total revenue. Transactions originating outside of the United States constituted 55 percent of Western Union's revenue. Transfers to the Americas,

which constitute 34 percent of the MTO's total revenue, reported a 1 percent revenue growth and 4 percent transaction growth. The Mexico market experienced a 3 percent revenue growth and 1 percent transaction growth.

In the first quarter of 2008, *Euronet Worldwide* reported a revenue of \$247.1 million, largely the result of its 2007 acquisition of MTO RIA Envia. In the first quarter, RIA processed 3.8 million transfers, a 10 percent year-on-year increase, generating \$52.3 million in revenue (18 percent year-on-year increase) for the company. This reflected a growth of 60 percent in transactions not originating in the United States and a 9 percent decline in transfers to Mexico. Expanding its network, Euronet signed new contracts in 16 countries to acquire 400 money transfer distribution locations.

In the first quarter of 2008, *MoneyGram* experienced a 30 percent year-on-year growth in transactions; transfers originating in the United States grew by 22 percent. Furthermore, transfers originating internationally or outside of North America grew 30 percent and those going to Mexico grew 4 percent. The latter transfers constituted 8 percent of total transactions in the first quarter. MoneyGram added 152,000 locations and extended its agreements with Wal-Mart and ACE Cash Express. It also finalized the implementation of three new services in the United States.

Regulatory Issues Around the World

H.R. 4049: Money Services Business Act of 2007. The U.S. House of Representatives passed legislation allowing money services businesses (MSBs) to self-certify their compliance with anti-money-laundering and counter-terrorism regulations. Insured depository institutions have been unwilling to offer banking and services to MSBs because they are unwilling to perform on-site examinations or take on the liability of offering services without required due diligence. The bill has now been referred to the Senate.

MSBs lack preparation for the European Payment Services Directive. According to a study by the International Association of Money Transfer Networks, a mere 11 percent of MSBs have examined how the new regulations, effective in November 2009, will impact their companies. This study suggests that banks and MSBs are not used to implementing new policies from the EU and are not fully aware of the potential impact of the new legislation. Approved in late 2007, the Directive is leveling the playing field between MSBs and banks through a uniform set of rules and to improve the legal framework

between the institutions and their customers. However, the lack of preparation may cause last-minute challenges.

United Arab Emirates updates anti-money-laundering regulations. In order to comply with the Financial Action Task Force's latest requirements, the central bank implemented 13 new regulations geared toward ensuring that financial institutions properly and comprehensively evaluate prospective clients. While international banks already practice these policies, some regional and local institutions may be lacking. Regulation in this country is especially important because it has proven to be susceptible to money laundering.

International Cooperation Projects and Initiatives

USAID's Diaspora Networks Alliance. USAID has announced the launch of the "Diaspora Marketplace" in the fall of 2008, which will work with Haitian and African diaspora communities. This initiative intends to create a competitive platform that engages diasporas in the development process of origin countries, create new partnerships for development, and learn from diaspora networks engaged in development activities. The program, based on the World Bank's Development Marketplace, is structured as a competition open to diaspora businesses and organizations, hometown associations, and diaspora-serving nongovernmental organizations (NGOs); prizes may include technical assistance, partnership grants, and other project financing.

Information campaign on remittances in Bangladesh. The International Organization for Migration (IOM) launched an "Information Campaign on Remittances" to highlight the benefits of using legal channels to transfer remittances and to encourage people to save, invest, and use remittances in the most productive way. The initiative is part of the Remittance Payment Partnership project supported by the U.K. Department for International Development (DFID). The IOM is scheduled to disseminate a nationwide print media campaign to generate awareness among overseas workers and their respective households throughout Bangladesh, particularly in migrant-prone areas.

Diaspora bond in Kenya. The Kenyan government will launch a diaspora bond to direct remittances to development projects, loan securitization, and debt payments in local currency. Developed with the technical assistance of the World Bank, this financial instrument is expected to enable the Kenyan Central Bank to raise migrant investments. This will be the first diaspora bond in Africa; only Ghana has recently announced a saving

scheme that has elements of a diaspora bond. Data from the World Bank show that Sub-Saharan African countries can potentially raise \$19 billion every year by issuing diaspora bonds.

Norwegian-Pakistani matching program. The Norwegian Agency for Development Cooperation (Norad) announced a pilot project for the Pakistani-Norwegian population to contribute toward community development in Pakistan. Norad will match the contributions that Pakistani-Norwegian civil society organizations collect from private sources when they are able to raise at least 100,000 Norwegian kroner (roughly US\$20,000). Although Norad already supports NGOs, restrictions for registering an organization will be loosened to enable less-formal groups to participate in the pilot project. The Norwegian government is attempting to leverage the cultural knowledge of the diaspora and will likely replicate the project upon its success.

Co-development call for projects in Milan, Italy. Diaspora groups and civil society organizations (in partnership with migrants) in Milan submitted more than 70 project proposals in a competition sponsored by the municipality of Milan to sustain co-development projects. The total fund of €400,000 was awarded to 10 groups that will co-fund initiatives both in Italy and in countries of origin. With this initiative, the municipality of Milan, the Lombardia region, and the Milanese financial community launched a foundation called Alliance for Africa, which allocates a €10 million fund to sustain microcredit in Africa. Additional calls for projects are planned for the coming years.

Bank experiences triple-digit growth. According to Wells Fargo executives, its remittance business has experienced triple-digit growth so far in 2008, much above the typical growth of most MTOs. In June, Senior Vice President Danny Ayala noted that transfers “had grown at a compound annual rate of 104.5 percent during the three years through 2007. During the 12 months that ended in May, its volume grew 106 percent.” The bank suggests that part of the reason for the increase is the growing interest among migrants in strengthening their financial relationships with the bank beyond a transaction basis.

Study on migration and development in Southeast Asia. The IOM launched a project aimed at improving research and inter-regional information exchange focusing on remittance corridors and national development in Southeast Asia and Europe. The EU-funded Financial and Technical Assistance to Third Countries in the Areas of Migration and Asylum program seeks to establish stronger linkages between remittances and development through

research on remittance corridors, policy dialogue, and pilot projects. The 18-month initiative will map remittance flows from Italy, where 128,080 Filipino migrants live, to the Philippines. It will also include the Netherlands-Indonesia corridor and informal remittance flows from Malaysia to the Philippines and Indonesia.

REMINDER: Launch of initiative for African Women in Italy. WMIDA (Migrant Women for Development in Africa) intends to work with migrant women from Western Sub-Saharan Africa residing in Italy in order to create and invest in small and medium-sized enterprises and social projects to support their home countries’ development. The initiative is promoted by the IOM and supported by the Italian government (Ministry of Foreign Affairs). Deadline for project submission is September 30. For more information on WMIDA, see <http://www.iom.int/jahia/Jahia/pid/1306> or contact Midaitalia@iom.int.

Mobile Remittance Schemes

Vodafone expands market for M-Pesa in Ghana. By acquiring a 70 percent stake in Ghana Telecom—the publicly owned and third largest mobile operator in Ghana—Vodafone seeks to increase access to the potential market for M-Pesa. Vodafone’s mobile money transfer system was launched in Afghanistan and Tanzania and currently targets Kenya’s unbanked population.

Mobile money summit, Cairo. At the recent GSMA Mobile Money Summit (in partnership with the International Finance Corporation, the Consultative Group to Assist the Poor, and DFID), the global trade institute for the mobile industry reported that the number of mobile connections in Africa rose 70 million in the past year, up to 282 million, and that the uptake of mobile wallets worldwide is predicted to grow over the next few years, reaching 1.4 billion by 2015. Africa has only 35 million fixed-lines and more than 300 million rural Africans do not yet have mobile coverage. The roll-out of mobile wallets could reach a large number of the world’s unbanked population.

Remittance card in Sri Lanka. ICICI Bank Sri Lanka is launching a card-based remittance product, re-loadable for funding and adapted to withdraw money at more than 1,000 Visa-affiliated ATMs in the country. Only remittance-linked credits are allowed, and beneficiaries are not required to have a savings account with ICICI Bank.

Mobile platform launched for Eastern Europe. Cell-Apps entered the remittance market in Eastern Europe with the release of Cell-Cash, a secure mobile-

based service that permits money transfers and financial transactions. The product targets unbanked migrant workers who send remittances in high frequency and in low amounts. The patent-pending encryption technology uses a Bluetooth network and builds in data collection to comply with national and international financial regulations.

Card-based products in the Middle East. Krores is launching two card-based products—Money Transfer Card and Pay-Remit Card—for the Indian and Filipino migrants in the Middle East through a partnership with Exchange House. The company focuses on providing non-stop ATM access and online services through Visa/MasterCard networks. The prepaid card service allows virtually anyone to use these products without needing a bank account or credit history.

Remittances and Financial Intermediation

Earthport teams up with TransSend. Electronic payments specialist Earthport signed an agreement with pre-paid card provider TransSend from Conister Financial Group. Earthport will provide global card loading and unloading services, along with global payments and remittances. Other collaboration projects on the drawing board include affiliate commission payments for the leisure industry, and payroll and remittance solutions for major corporate customers and financial institutions in the Middle East.

Financial services for Algerians in France. The Société Générale Algérie set up a bank office in France to offer remittance transfers and financial products (such as mortgage loans) in francs to Algerian migrants investing in their home country. The goal is to provide an opportunity for Algerians based in France to invest and buy products in Algeria, according to the CEO of the institution. The launch of bank offices in France coincides with a booming housing market in Algeria.

Mediterranean agreement. An agreement among nine financial institutions in the Mediterranean area was signed with the mandate to lower the cost of remitting, promote savings products and habits, finance infrastructure projects, and sustain the development of small and medium-sized enterprises in southern Mediterranean countries. The agreement involves Intesa-Sanpaolo (Italy); Al Amana, Attijariwafa Bank, and Credit Immobilier et Hotelier (Morocco); Bank of Alexandria (Egypt); Banque Internationale Arabe de Tunisie and Banque Tuniso-Koweitienne (Tunisia); Groupe Caisse d'Épargne (France); and Confederacion Espanola de Cajas de Ahorros (Spain).

MoneyGram partners in Kenya. MoneyGram International launched a partnership with Imperial Bank to widen its agent network in the country. The money transfer company already has a partnership with the Cooperative Bank of Kenya. In the first five months of 2008, Kenyans in the diaspora sent \$280 million in remittances, a 34 percent year-on-year increase.

Cooperative savings serve as part of the guarantee for a loan. ASN Bank initiated Savings for Guarantee, a cooperative savings account held in the Netherlands for family or friends in the country of origin to support entrepreneurial activities. The loan that is made by a local bank is guaranteed through IntEnt, which attempts to fuse entrepreneurship and development for enterprising migrants. An individual or group of savers makes upfront and monthly deposits to the savings account in order to cover half of IntEnt's risk on the maximum €25,000 loan. When the loan is repaid by the entrepreneur in full after the established timeframe, the savings are released with interest.

RESEARCH NOTE

Natural Disasters, Remittances and Diasporas

*Cynthia Berning and Manuel Orozco (Senior Associate)
Inter-American Dialogue*

When natural disasters occur, the flow of family remittances may increase in response to the disaster; more likely, however, is that organized diaspora groups consider themselves as participants in humanitarian relief.

Remittances and Natural Disasters

Many of the developing countries that have large numbers of remittance recipients have suffered from severe natural disasters, ranging from hurricanes (most common) to tidal waves, volcanic eruptions, droughts, earthquakes, mud slides, and many others. During the period 1999–2006, for example, there was approximately a 16 percent chance that a natural disaster would occur in one of six Latin American and Caribbean countries each year. In major remittance-recipient countries in Latin America and the Caribbean, natural disasters are a cause for humanitarian response.

Following a natural disaster, flows of family remittances are generally expected to increase. A closer look at the data on remittances over the period of time when the disasters occurred, however, shows mixed results. Neither growth nor absolute amounts of remittances necessarily increased during these periods; rather, there are variations

Table 2: Distribution of the Occurrence of Natural Disasters, 1999–2006 (percentage)

	Earthquake	Flood	Hurricane	Volcano	Drought	Landslide	Dengue outbreak
Mexico	19.0	19.0	57.1	4.8
Guatemala	15.4	15.4	30.8	7.7	15.4	15.4	..
Jamaica	..	8.3	91.7
El Salvador	15.4	23.1	38.5	7.7	7.7	..	7.7
Honduras	14.3	28.6	42.9	..	7.1	..	7.1
Nicaragua	12.5	25.0	37.5	..	12.5	12.5	..

Source: <http://www.glidenumbr.net/glide/public/search/search.jsp?nStart=>

across countries: only in Mexico and Honduras existed a weak statistical significance and correlation.¹

One issue in identifying a relationship or correlation between remittance flows and the occurrence of a natural disaster is that there are not enough data on the magnitude of the disaster. Therefore, an alternative method to determine the relationship measures the disaster's intensity by looking at public news reporting on the incident.² Statistics indicate that as more news is reported about the incident, the volume of money remitted increases during that period.³

The results suggest that in some countries, remitters may respond to disaster conditions, and in particular may do so as they are more aware or informed on the issue. Thus, the severity of the natural disaster may be related to greater mobilization of money to families.

Guatemala and Hurricane Stan

The case of Guatemala after Hurricane Stan in October 2005 is a prime example of how migrants abroad support their relatives at home in a time of great need. Hurricane Stan primarily took its toll in rural areas, destroying homes, crops, and infrastructure—such as bridges, roads, and plumbing services—and causing death, illness, and injury. The rural poor were especially affected by the torrential rains and subsequent landslides.

According to surveys conducted by the International Organization for Migration (IOM) and the Vice-President of Guatemala's Office (2006), of the nearly 9,000 homes fully or partially destroyed by Hurricane Stan, more than 5,000 were in rural areas. Research shows that people in rural areas typically receive more money in remittances than people in urban areas, and Guatemala

Table 3: Average Remittances to Selected Latin American Countries in the Presence or Absence of Natural Disasters, 1999–2006

Natural Disaster	Average Volume and Growth	Mexico	Guatemala	Jamaica	El Salvador	Honduras	Nicaragua
Absence of Disaster	Remittances (US\$,000,000)	1,032	132	94	176	65	36
	Growth (during period)	23	49	34	14	36	14
Presence of Disaster	Remittances (US\$,000,000)	928	132	95	183	60	34
	Growth (during period)	28	54	13	10	43	09

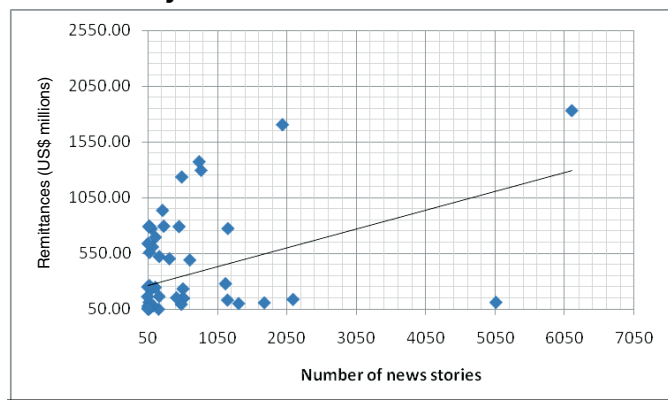
Source: <http://www.glidenumbr.net/glide/public/search/search.jsp?nStart=> and Central Bank data for remittances.

¹ Three different statistical methods were applied. First, a t-test of significance tested the hypothesis that there would be a significant difference between the mean of the log of remittances during months of a disaster and months without a disaster. These results show that there is a directional difference between the means of the two groups; however, it is not statistically significant at the .05 level. Second, an OLS regression was performed between remittances and the number of the deaths resulting from the disaster. Third, a person correlation was applied. Two time lags were used, one time lag for remittance flows one month after the disaster and another for quarterly remittances occurring one quarter after the disaster.

² Data collection on natural disasters is based on research carried out by Cynthia Berning.

³ A single OLS regression was performed with remittances as the dependent variable and the number of reported stories on the incident as the independent variable. The r² was 0.20, the standardized coefficient was .44 with a statistical significance at the 1 percent level.

Figure 1: Relationship Between Remittances and Number of News Stories on Natural Disasters for Each Country



Orozco, M. 2007. "Central American Diasporas and Hometown Associations." In *Diasporas and Development*, ed. B.J. Merz, et al. Cambridge, Massachusetts: Harvard University Press.

_____. 2002. "Latino Hometown Associations as Agents of Development in Latin America." In *Sending Money Home: Hispanic Remittances and Community Development*, eds. R. De la Garza and L. Lowell. Lanham, Maryland: Rowman and Littlefield.

GUEST ARTICLE

Costs and Competition – The British Experience With Price Comparison Sites

Leon Isaacs (CEO of Developing Markets Associates)⁴

Price comparison websites are now a common feature of the internet. People can compare prices for items ranging from mortgages to microwaves, insurance policies to i-Pods. We are also seeing a number of price comparison sites for remittances, and this article explores the development of these useful consumer tools and discusses how they may change in the future.

The concept of a website that allows consumers to compare the price of remitting has been discussed for around five years. The benefits of making the level of remittance costs and the basis for their calculation available has been championed by governments, nongovernmental organizations (NGOs), and consumer groups. The basic assumption is that the more information customers have about the cost and other features of money transfer products, the more likely they are to make the best decision for themselves. In addition, it was predicted that prices would fall as consumers used the information to shop around, and those organizations that were priced at the premium end would be forced to adjust their pricing to compete more effectively.

The first known site (<http://www.profeco.gob.mx/envio/envio.asp>) was established by a Mexican consumer group precisely to publicize what it felt was the high level of pricing and lack of transparency within the United States-to-Mexico market. At around the same time, and following the G8 Sea Island Summit meeting in 2004, the U.K. Government's Department for International Development (DFID) commissioned in-depth consumer research that demonstrated a lack of consumer understanding of available options, coupled with the fact

that the pricing of remittance services was considered too high. As a result, DFID commissioned the www.sendmoneyhome.org site, which was launched in March 2005. The site contained information on the fee, exchange rate, type of service available, and the time it would take to send the money. The information was not just made available on a website, but was also circulated by key influencers to the communities concerned through leaflets translated into a variety of relevant diaspora languages.

Over a two-year period, DFID has made a considerable investment in the website—it now covers 12 sending countries and 74 receiving countries. So what has the impact been?

- Since the site was launched, there has been a decline in prices. These have occurred in most corridors from the United Kingdom, and DFID quotes that in the United Kingdom-to-India corridor, prices have fallen by up to 28 percent over a three-year period. Exactly how much of this fall is due to a website and how much is due to other factors, such as the entry of Indian banks in the U.K. market and a general increase in competition, is open to debate. Indeed, globally, pricing trends have been dropping during this time, so it would be difficult to make a claim that this was the sole reason for the decline. Undoubtedly though, there has been an increase in awareness of the options for consumers, which will have contributed to a more competitive environment.
- Money transfer operators are now more aware of these sites and some actively provide information for them. The reaction of the industry has generally been positive and the more competitive a remittance service provider is, the more active it is in providing information to the sites.
- A number of other countries have also introduced their own similar sites; Netherlands, Norway, Germany, France, Australia, and New Zealand are planning to launch similar sites in the near future.
- Another U.K. price comparison site has started to quote remittance information and one remittances-specific site has been launched (www.moneymove.org). This site, led by Atam Sandhu—who was the architect of the [sendmoneyhome](http://www.sendmoneyhome.org) project—has combined the publishing approach that was adopted by [sendmoneyhome](http://www.sendmoneyhome.org) with a thorough knowledge of remittances to provide a deeper level of information for consumers, including showing them the total cost

⁴ Leon will be discussing this topic at the forthcoming Global Public/Private Partnership Working Group meeting in Vienna.

of a transaction (including fees, foreign exchange margins, and any costs at the receiving side) for sending money to 20 countries from the United Kingdom.

Without question, price comparison sites are of great value in increasing transparency. However, looking to the future, there are a number of challenges for price comparison websites.

The first is that the funding for these sites has traditionally come from governments and development agencies. There is a long-term view from these bodies that the sites should be capable of being funded by advertising revenue, and, indeed, *sendmoneymove* is now going down this route, although care must be taken to ensure that advertising does not diminish the impartiality of the site. Advertising by companies that offer services to migrants is to be welcomed, but advertising by money transfer companies will undoubtedly lead to questions about the neutrality of any site.

Second, there is a clear need for consumers to be able to access the most current information that is available and to make sure that the information they receive is impartial. The methodologies used by the different organizations producing these sites vary quite dramatically. Not all of the sites, for instance, publish exchange rates, and some of the sites rely on the money transfer companies themselves to update the prices that are quoted—which can clearly lead to abuse. There must be an impartial checking mechanism.

Third, information is updated with differing regularity. While a site like *moneymove* is updated on a daily basis, other sites do so less frequently. The information provided is only indicative, but it is better to have an indicative price that is close to the current market situation rather than archived information.

In conclusion, the introduction of price comparison sites in the United Kingdom has led to increased consumer awareness of the various elements of remittance pricing and has been accompanied by a fall in prices. These sites are a very effective tools for increasing transparency, and the model is being replicated in many markets. Care must be taken to ensure that the information is complete, relevant, current, and, most importantly, impartial.

Additional Notes

Increasing transparency of information is the first principle of the CPSS/World Bank General Principles of Remittances. To help achieve this, the World Bank will soon produce a pricing database covering more than 115 corridors that will be updated on a six-month basis to track changes in overall pricing in each corridor.

The Global Public/Private Working Group on remittances will be discussing whether there is a need for global standards in this area at its meeting in Vienna in September.

Other Online Resources on Remittance Cost:

- The French Agency for Development created a website in October 2007 (www.envoirdargent.org) on remittance transfer methods from France to six country corridors: Morocco, Tunisia, Mali, Senegal, Comoros, and Benin. It indicates several ways for sending money, costs, speed, rates, and so on and presents maps for each country, indicating precise locations where it is possible to receive remittances. In Sub-Saharan Africa, for example, it is not easy to cover all of the countryside. To date, the website has been used for 3,500 consultations without any advertisement or informational campaign accompanying this effort. The French Agency for Development expects to expand the website to include 12 remittance-recipient countries, incorporate more banks and money transfer companies, and provide links to other European websites, such as Britain's *sendmoneymove*. This project has been conducted in cooperation with the Ministries of Migration and Finance.

(written by Guillaume Cruse, French Agency for Development)

- Remesamex for remittances to Mexico, visit <http://portalif.condusef.gob.mx:8000/Remesamex/home.jsp>. A five-minute informational video can be found at http://mx.youtube.com/watch?v=AqdCm_11oh8.

See past Migrant Remittances newsletters for other online resources on remittances.

COUNTRY PROFILE: KENYA

Population: 37,953,838 (July 2008 est.). Population growth is currently 2.76 percent, with a life expectancy of 57 years and a fertility rate of 5 children per woman. Kenya's population is very young. While over half (55.2 percent) of the population is between the ages of 15 and 64, 42 percent is 14 years old or younger. The median age is 19. The HIV/AIDS prevalence rate is 6.7 percent among adults (2003 est.). Eighty-five percent of adults are literate. The net migration rate is -1 migrant(s) per 1,000 people (2005 est.).⁵ Only about 19 percent of adult Kenyans have bank accounts.

Estimated number of migrants abroad: According to data from 2006, an estimated 456,445 Kenyan migrants live abroad.⁶ A quarter of all Kenyans with tertiary degrees currently live outside the country, and 5 percent of Kenyan-trained doctors and nurses practice outside Kenya. Notably, Kenya houses almost a quarter of a million refugees, particularly from Uganda, Somalia, and Sudan.⁷

Host countries: Top destinations for Kenyan migrants include the United Kingdom (29 percent), Tanzania (27 percent), the United States (10 percent), Uganda (7 percent), and Germany (5 percent).⁸

Estimated remittance flows: According to World Bank statistics, Kenyans in the diaspora remitted the equivalent of \$1.3 billion in 2007. This placed Kenya second to Nigeria among the top remittance-recipient countries in Sub-Saharan Africa. The latest data from the Central Bank of Kenya indicate that in the first five months of 2008, Kenyans in the diaspora sent \$280 million in remittances, a 34 percent year-on-year increase. However, the Central Bank reports only on the banking remittance channel and does not cover other remittance channels. However, the Central Bank reports only on the banking remittance channel and does not cover other remittance channels, indicating that the real figure is likely to be much higher than reported. The Kenyan economy had been growing at an estimated rate of 6 percent per year since 2002. Remittances overtook horticulture and tourism as the country's top foreign exchange earner.

Use of remittances: Most Kenyans use remittances for consumption. Stakeholders in the remittance industry have been looking for alternative ways of tapping into this market by selling vouchers for consumables rather than focusing on the money transfer business. For instance, Mama Mike's⁹ and Baba Watoto¹⁰ allow Kenyans in the diaspora to buy shopping vouchers and gifts for friends and relatives back home.



Kenya

Money transfer methods: The most typical transfer method to Kenya is the use of money transfer operators; however, new initiatives are emerging. In March 2007, Safaricom (a joint venture between Telkom and Vodafone), the largest cell phone company in Kenya, introduced a money transfer service known as M-Pesa that allows its customers to send remittances electronically through SMS. By May 2007, more than 2.37 million Kenyans had registered as M-Pesa users and transferred more than \$130 million in domestic and international transfers. There are currently more than 2,700 M-Pesa agents around the country. The services were especially helpful during the post-election crisis earlier in 2008 when most banks were not operational. A problem emerged when some agents were not able to pay out their customers' remittances because of cash shortages.

The Central Bank of Kenya acknowledges that infrastructure to facilitate remittance sending is lacking, and there are plans to develop a strategy to enable the Kenyan diaspora to transfer capital and invest in the country. One example is the launch of a diaspora bond, with technical assistance from the World Bank. See *International Cooperation Projects and Initiatives*.

⁵ <https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html> (2008 estimates unless otherwise stated)

⁶ Development Research Centre on Migration, Globalisation and Poverty. "Global Migrant Origin Database." Version iv, March 2007. <http://www.migrationdrc.org/>

⁷ <https://www.cia.gov/library/publications/the-world-factbook/geos/ke.html>

⁸ Development Research Centre on Migration, Globalisation and Poverty. "Global Migrant Origin Database." Version iv, March 2007. <http://www.migrationdrc.org/>

⁹ <http://www.mamamikess.com/>

¹⁰ <http://babawatoto.com>

Events

- September 11–13. Third World Social Forum on Migration. Madrid, Spain.
<http://www.fsmm2008.org>
- September 12. Global Public/Private Partnership Working Group Meeting. Global Payments Week 2008. Vienna, Austria.
- September 22–23. Third Annual International Money Transmitters Convention (IMTC 2008). The National Money Transmitters Association. Miami, Florida, USA.
<http://www.nmta.us/portal/page.php?211>
- September 24–26. Cuarto Seminario del Programa de Remesas. Banco Central de Bolivia y BID-FOMIN. La Paz, Bolivia.
<http://www.cemla.org/calendario2008.htm>
- September 25. Remittances and Microfinance Panel. Citi Microfinance. New York, NY, USA.
<http://www.mfcny.org/events.html>
- September 25–26. International Conference on Gender, Migration and Development: Seizing Opportunities, Upholding Rights. Manila, Philippines.
<http://icgmd.info/>
- October 16. Encuesta sobre Remesas 2008. International Organization for Migration. Guatemala. Email: Sonia María Pellecer: spellecer@iom.int
- October 17. El Colegio de la Frontera Norte. Migration and development. Email: Rafael Alarcón: ralarcon@dns.colex.mx
- October 22–30. People's Global Action. Manila, Philippines.
<http://www.mfasia.org>; <http://www.migrantwatch.org>
- October 27–30. Second Global Forum on Migration and Development. Manila, Philippines.
<http://www.gfmd2008.org/welcome.html>
- October 29–30. International Association of Deposit Insurers (IADI) Sevent Annual Conference. Arlington, Virginia, and Washington, D.C., USA.
http://www.iadi.org/default_e.aspx#
- November 10–11. MMT (Mobile Money Transfers) 08. Dubai.
<http://www.mobile-money-transfer.com/>
- November 17–18. Money Transfers London 2008. International Association of Money Transfer Networks (IAMTN). London, UK.
<http://www.iamtn.org/events/mtl-2008>
- February 2009. International Forum on Remittance to Africa. International Fund for Agricultural Development. Johannesburg. More information forthcoming.

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<http://tinyurl.com/5oymrf>
- Brinkerhoff, J. (editor). *Diasporas and Development: Exploring the Potential*. Boulder: Linne Ryenner, 2008.
- Chami, R., A. Barajas, T. Cosimano, C. Fullenkamp, M. Gapen, and P. Montiel. *Macroeconomic Consequences of Remittances*. International Monetary Fund, Occasional Paper, 259/2008.
<http://www.imf.org/external/pubs/ft/op/259/op259.pdf>
- Consejería de Inmigración y Cooperación de la Comunidad de Madrid. *Estudio de Envío de Remesas desde la Comunidad de Madrid*.
<http://tinyurl.com/69roxs>
- European Stability Initiative (ESI). *Kosovo, Return to Europe Series*. (Documentary showing the remittance dependency of many Kosovar families.)
<http://www.returntoeurope.org>,
http://www.esiweb.org/?lang=en&id=311&film_ID=2.
- International Organization for Migration. *People Are Development*. (Documentary based on the Program Migration for Development in Africa [MIDA], Ghana/Senegal.) For information on the DVD contact midaitalia@iom.int.
- Holst, E., et al. *Gender, Migration, Remittances: Evidence from Germany*. DIW Berlin, German Institute for Economic Research.
http://www.diw.de/english/products/publications/discussion_papers/27539.html
- Isaacs, L. *UK Remittances Task Force: Research on Migrant Remittances and Linkage to Broader Access to Financial Services*. Developing Markets Associates Limited.
http://www.moneymove.org/Images/Documents/UKRTF_Financial_inclusion_report_May2008.pdf
- Maggi, J., D. Sarr, and N. Amadei. *Louga, Sénégal: Représentations autour de la migration auprès d'une communauté d'origine*. University of Genere, April 2008. A film/DVD has been realized together with the research report. To order, contact jenny.maggi@socio.unige.ch
<http://www.unige.ch/ses/socio/rechetpub/memoiresaudiovisuelles.html>
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Correction on March 2008 issue: Table on page 2 is quarterly growth year-on-year.

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