



# **Bilateral Remittances Corridor Analysis, (BRCA)**



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## I. Objective of the BRCA

## II. Actual findings (what we know / what we learned)

- Survey of Central Banks on Remittances
- First Mile
- Intermediary
- Last Mile

## III. The Methodology and Outcome



# I. Objective

Efforts to better understand and monitor the size and nature of remittance flows

The mechanisms through which they travel

Personal Incentives

Economic Incentives

Customer Service Incentives

Identify policies to develop policies that will contribute to lowering transaction costs

Enhance their developmental impact in recipient economies

To develop a better **understanding** of the **incentives** and **other factors** that shape the remittance markets in sender and recipient countries in order to promote effective policies for inducing a **shift from informal to formal** fund transfer systems.



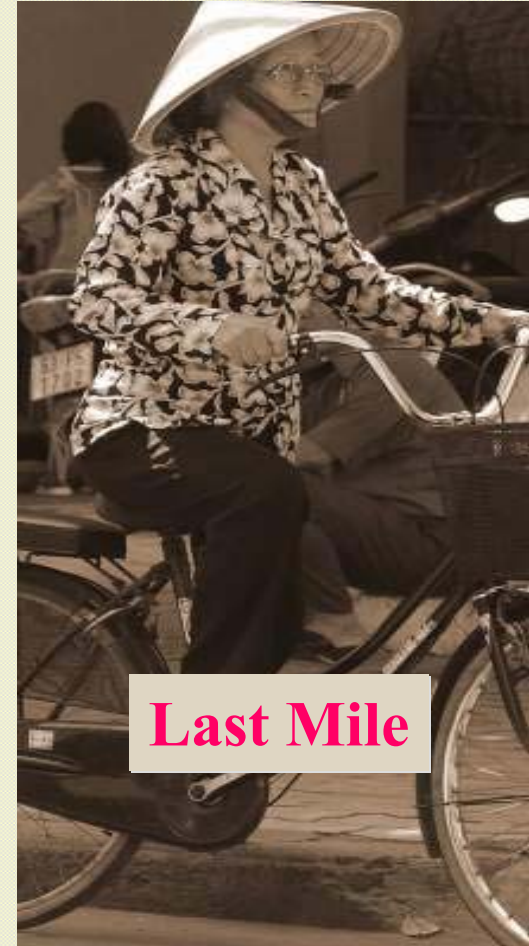
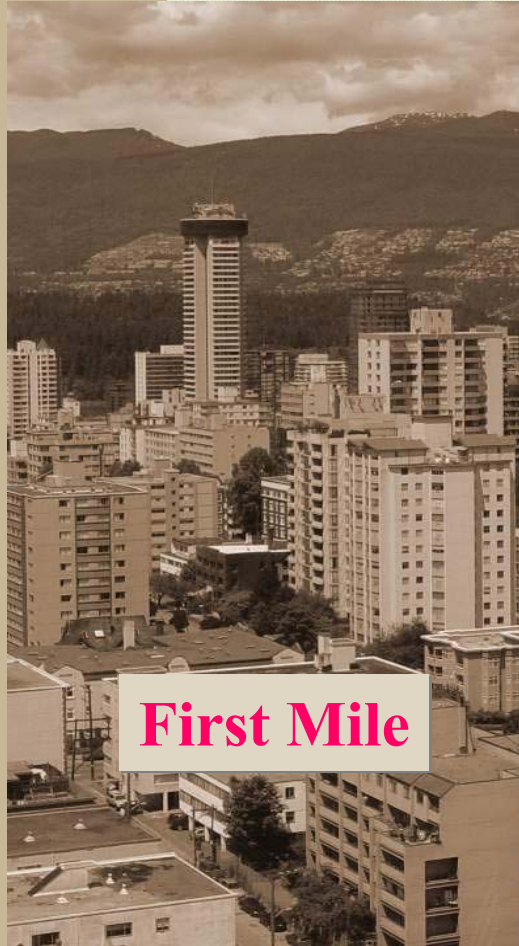
## II. Actual findings

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1. **Bilateral Analysis**
2. **Different Degrees of Formality**
3. **In the First Mile: Access to Finance**
4. **The Intermediary: The Role of Regulations**
5. **In the Last Mile: Distribution**



# 1. Bilateral Analysis



## 2. Different Degrees of Formality

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Different remittances corridors have different priorities based on:

- Development stage of financial sector
- Risk associated to remittance flows
- Volume of remittance flows

We have defined two stages based on their level of formality:

- Mature Corridor
- Nascent Corridor



## Mature

## Nascent

U.S.-Mexico

Canada-Vietnam

France-Senegal

US-Guatemala

Italy - Morocco

GCC-India  
(Canada-India as Annex)

Hong Kong, China - Philippines

Germany-Serbia/Kosovo

Russia-Kazakhstan

Spain-Ecuador

Argentina-Bolivia/Paraguay

Australia-Afghanistan

U.K.-Nigeria

Currently under way

Planned

Completed case studies

# 3. The First Mile

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## Sender Country:

Integrity of remittance providers

- Access to Formal Mechanisms
- Financial Literacy
- Competition
- Role of Ethnic Communities





## II. Findings of a Survey of Central Banks

### Asia

Bangladesh  
India  
Indonesia  
Pakistan  
Philippines  
Sri Lanka  
Thailand

### Europe - Central Asia

Azerbaijan  
Belarus  
Bulgaria  
Croatia  
Cyprus  
Czech Rep.  
Georgia  
Latvia  
Moldova  
Poland  
Russian Fed,  
Serbia  
Slovenia  
Turkey

### Latin America

Bolivia  
Brazil  
Colombia  
Costa Rica  
Ecuador  
El Salvador  
Guatemala  
Guyana  
Haiti  
Honduras  
Mexico  
Nicaragua  
Peru  
Uruguay  
Venezuela

### Middle East - Africa

Egypt  
Tanzania  
Tunis  
Uganda

- They received US\$68.2 billion remittances flows during 2003,
- They account for 73% of total remittance flows to developing countries.

# 4. The Intermediary

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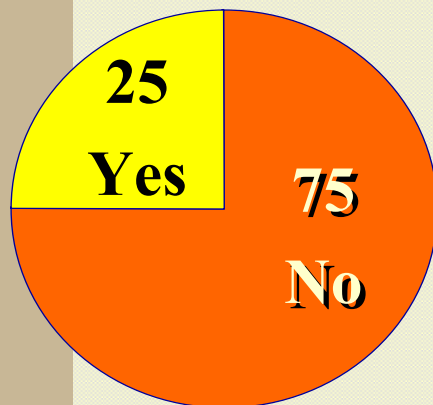
Profits drive the development of new products.

- Technology (FedACH)
- Regulations
  - Supervisory Requirements
  - AML/CFT Requirements
  - Consumer Protection
- IFT systems: Social Role



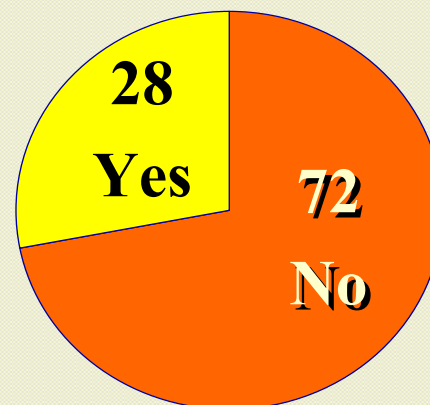
## II. Findings from Survey

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**Percent of Central Banks that Collect Data from Informal Channels**

Costa Rica, Ecuador, El Salvador, Honduras, Indonesia, Mexico, Moldova, Nicaragua, Peru, and Russia



**Central Banks that Know the Market Share Among Service Providers**



# 5. The Last Mile

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## **Recipient Country:**

Maximizing the development potential of remittances flows

- Paved/Unpaved road for Distribution
- Consumer Protection
- Different Nature of Remittances
  - Collective Remittances
  - Migrants' Investments
  - Worker Remittances



## 5. (Early) Lessons

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- “KYRC” : Know-Your-Remittances-Corridors
- Don’t Rush to Regulate / Need for Refinement
- Coordination in the Last Mile:
  - The Need for a National Policy on Remittances
- Remittances flows are not a National Revenue.
- Transparency



# III. **BRCA**

Research  
Guidelines

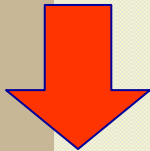
- General Data Issues
- The Regulatory Analysis

Outline

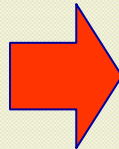
- First Mile / Intermediary / Last Mile

Time line

- Three Months exercise
- Two Missions (Field work)



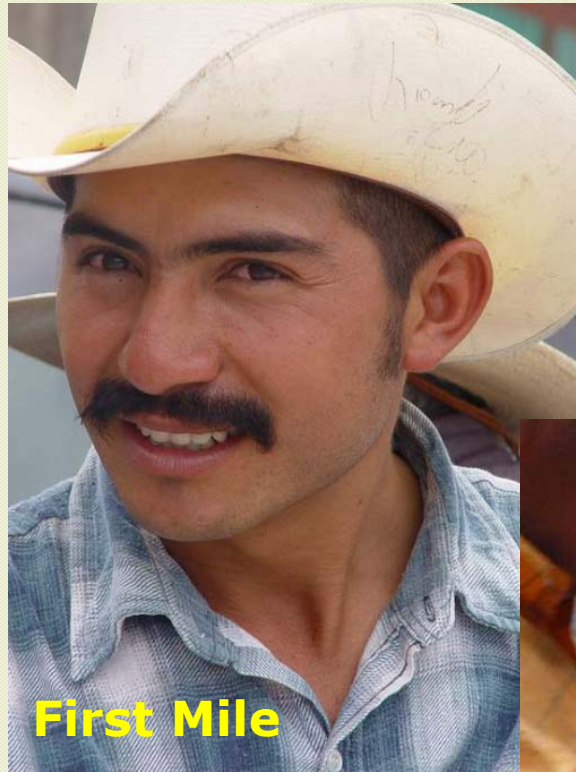
Comparison  
Analysis



- Best practices according to remittances corridors nature
- Building capacity to manage potential risks for senders and recipient countries
- Developing skills to monitor integrity of remittances channels (formal/informal)







**First Mile**



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**Last Mile**