

The Multilateral Investment Fund (MIF)

Remittances and Development in Latin America



Natasha Bajuk
natashab@iadb.org

- **The largest technical assistance provider in Latin America and Caribbean** - US\$1.8 billion committed over 17 years; mobilized an additional US\$1.9 billion in more than 1700 projects.
- **Synonymous with clear development impact** - over 4 million small producers and micro entrepreneurs reached
- **A recognized track record** - 590 completed projects, 87% of which achieved their development goals

FOCUS on 4 Access Areas

1. Basic Services
2. Finance
3. Markets
4. Skills and Capacity



Remittances as a Development tool

Since 2000, the MIF Remittances Program:

- **Financed 42 projects**, totaling more than US\$ 45 million in technical assistance and approximately US \$22 million in loans and equity investments
- **Commissioned over 50 studies/surveys in both remittance sending and receiving countries**
 - Reduced costs
 - Fostered a competitive market
 - Created new products
- **Organized over 45 conferences and round tables in both remittance receiving and sending countries**
 - Raised the profile of the topic
 - Created cross-border replication of successful models



Remittances

Sending Money and Opportunity Home

- MIF is sought after by governments to provide advice and Best Practices on remittances
- Advisory work completed in 12 countries, upcoming work in the Dominican Republic.
- Supports the development of new financial products and services linked to remittances to increase their value for the transnational family
- Has helped reduce remittance transaction costs in Latin America by 50%



Banking the Unbanked: Key messages for the financial sector

Remittance customers' demand for financial products

- MIF surveys have shown that remittances recipients are interested in financial products such as saving accounts, business loans, life and health insurance, home mortgages, and education loans.

Success Rates:

- When implemented correctly, efforts undertaken to turn remittance customers into users of financial services show that approximately 30% of remittance clients become clients of other services.



Understanding your clientele

Tailoring remittance products to sending and receiving clientele

Proximity to client is important

- Product development and marketing strategies must reflect characteristics and demands of the remittance clients
 - **Incorporate senders** into strategy, even with products directed to receivers
 - **Increased information** and control to sender can greatly affect volume
- Ensuring transparency to foster **trust**
- Investing in **financial education** can be key to successful launch of new product



Consumer Protection and Transparency: www.enviacentroamerica.org

Following the **General Principles for International Remittance Services**, consumers should have access to clear pricing information.

Enviacentroamerica.org

• **Internet-based information hub** on remittances between the U.S. and Central American countries.

• **Remittance price database** – shows fees and exchange rate commissions charged by service providers operating in corridors between the U.S. and 6 Central American countries, as well as the intra-regional corridor between Costa Rica and Nicaragua. Information updated on a monthly basis.

The screenshot shows the website interface for Enviá CentroAmerica. At the top, there is a navigation menu with links: Home, Compare Costs, About Us, Downloads, Communities, Currency Converter, Links, Help & Frequently Asked Questions, and Contact Us. Below the menu is a banner with the text "All You Need To Know, To Send Money To Central America..." and an image of a smiling woman. The main content area includes a search form with dropdown menus for "from" (USA), "to" (New York), and "to" (El Salvador), along with radio buttons for "\$200" and "\$500" and a "GO" button. To the right of the search form, it says "Data uploaded on Mar 18, 2011". Below the search form is a table with the following columns: Operator, Transfer Method, Speed of Transfer, Fee (USD), Exchange Rate, Exchange Rate Margin (%), Total Cost (USD), Total Cost (%), Amount Received, and Pick Up Outlet.

| Operator | Transfer Method | Speed of Transfer | Fee (USD) | Exchange Rate | Exchange Rate Margin (%) | Total Cost (USD) | Total Cost (%) | Amount Received | Pick Up Outlet |
|----------------------------|-----------------|-------------------|-----------|---------------|--------------------------|------------------|----------------|-----------------|---|
| Dolex Dollar Express Inc | Cash-to-cash | Same day | 5.00 | n/a | n/a | 5.00 | 2.50% | 195.00 USD | "Banco Salvadoreño, Banco Agrícola, Citibank, Scotiabank, Elektra" |
| Dolex Dollar Express Inc | Cash-to-account | Same day | 5.00 | n/a | n/a | 5.00 | 2.50% | 195.00 USD | "Banco Agrícola, Scotiabank" |
| Ria Financial Services Inc | Cash-to-account | Same day | 6.00 | n/a | n/a | 6.00 | 3.00% | 194.00 USD | "Citibank, Banco Agrícola, Scotiabank, ProAmerica, BAC Credomatic" |
| Ria Financial Services Inc | Cash-to-cash | Same day | 6.00 | n/a | n/a | 6.00 | 3.00% | 194.00 USD | "Citibank, Banco Agrícola, Scotiabank, ProAmerica, BAC Credomatic" |
| Vigo Remittance Corp | Cash-to-account | One hour or less | 8.00 | n/a | n/a | 8.00 | 4.00% | 192.00 USD | "Airpak, Citibank, Banco Agrícola, Banco Salvadoreño (BTS), Banco Azteca" |
| Vigo Remittance Corp | Cash-to-cash | One hour or less | 8.00 | n/a | n/a | 8.00 | 4.00% | 192.00 USD | "Airpak, Citibank, Banco Agrícola, Banco Salvadoreño (BTS), Banco Azteca" |

Project example: Mexico

Asociación Mexicana de Uniones de Crédito del Sector Social (AMUCSS)

Micro Banks and Remittance Services for Indigenous Populations

- Integration of 23 associated micro banks and other rural financial institutions into a centralized payment platform and common network for remittance transfers.
- Negotiated reasonably priced contracts with remittance companies.
- Remittance transfers have increased to over 9,000 transfers per month.
- Many of these transfers have been banked into savings accounts, increasing savings portfolio by US\$2.1M, 30% over target.
- Over 4,000 remittance receivers have become members of micro banks.



Project example: Dominican Republic

Banco ADOPEM

Remittances and Development in Rural Dominican Republic

- Alliance between a remittance transfer company, a microfinance bank, and its NGO to provide financial education, increase access to finance and leverage remittances for asset-building.
- Financial education was key to attracting remittance clients to other products. Training provided through the ADOPEM's Training Center, which includes a program for business skills training
- Adapted marketing strategy to rural areas.
 - 7,462 remittance recipients became clients of a new financial product, surpassing target by 40%.



Project example: Haiti

FONKOZE: Expanding remittance services to and from rural Haiti

NGO-based microfinance institution offering financial and educational services to an overwhelmingly female clientele (over 95%) among the poorest of the poor.

- Alliances with major money transfer operators.
- Established HTA network of over 300 Diaspora groups, to enable Fonkoze to market remittance services abroad.
- Branch network was expanded and given the necessary capacity building and IT support to process low-cost international remittances.

At the end of the project:

- Fonkoze was handling 5000 transfers a month, compared to a baseline of 300 per month.
- Network expanded from 30 to 40 branches.
- Number of clients with savings products increased by 45% to 190,000.
- Number of borrowers increased by 18% to 55,000 clients.



SVMIN

A Member of the IDB Group