



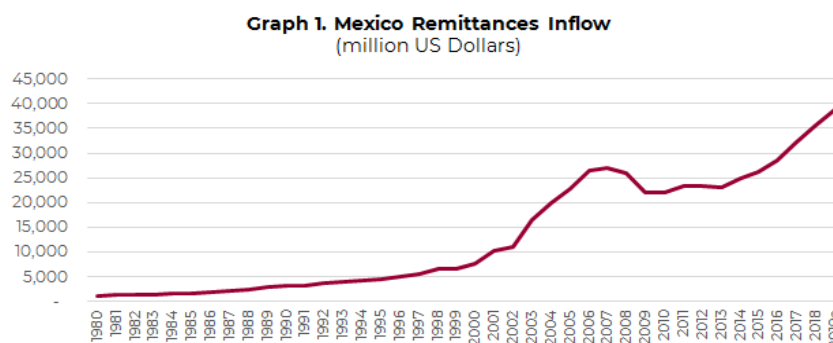
GPI

Global Partnership
for Financial Inclusion

**G20 National Remittance
Plan 2019
Mexico**

Background

- Remittances received by low and middle-income countries reached its highest record in 2018, according to the World Bank's latest Migration and Development Brief (October 2019). Considering remittances flows to Latin America, **Mexico continues to be the top receiving-country in the region, with most remittances sent from the United States. At the end of 2018, Mexico became the third country with the highest inflow of remittances worldwide** (USD \$35,562 million in total for 2018).¹
- Remittances in México reached 3% of the GDP in 2018**, as a result of an increase of remittance flows from USD \$32,271 million in 2017 to USD \$35,562 million for 2018.
- According to the following Graph, Mexico has had a continuous increase in remittances inflows during the last 10 years.



Sources: World Bank, 2018

- Regarding the means used to send remittances, **86.11%² of the remittances sent to Mexico in 2018 used Money Transfer Operators (MTOs)**, while **only 13.89% used a bank**. Furthermore, 87.44% sent by electronic transfers and 12.56% through other sources such as cash).³
- Mexico is the major recipient of remittances sent from the United States.**⁴ In 2018, the total of remittances from the US to Mexico was USD \$31,519 million were received, representing an annual growth of 8.9% compared to the remittances received during 2017 from the US.
- The increase of received remittances was distributed along the 32 states of Mexico, enhancing the wellbeing of the receiving households. In fact, **three states in Mexico received flows of remittances exceeding three billion dollars each (Michoacán, Jalisco and Guanajuato)**. Further, the average remittance sent from the US to Mexico is USD \$319.

Table 1. Total cost of USD 200 transaction remittances (%)

Country	2016	2017	2018
Mexico (200 USD)	5.21	4.67	4.47

Table 2. Total cost of USD 500 transaction remittances (%)

Country	2016	2017	2018
Mexico (500 USD)	3.50	3.26	2.98

Source: World Bank. Remittances Prices Worldwide

- As a result of the implementation of ***Directo a México***, during 2018 there was an increase of **3.17% in the number of transactions throughout the year** (490,643 in 2018 vs 475,554 in 2017), as well as in an **increase of 6.54% in the amount sent during 2018** (USD \$312,572,346 in 2018 vs USD \$293,397,312 in

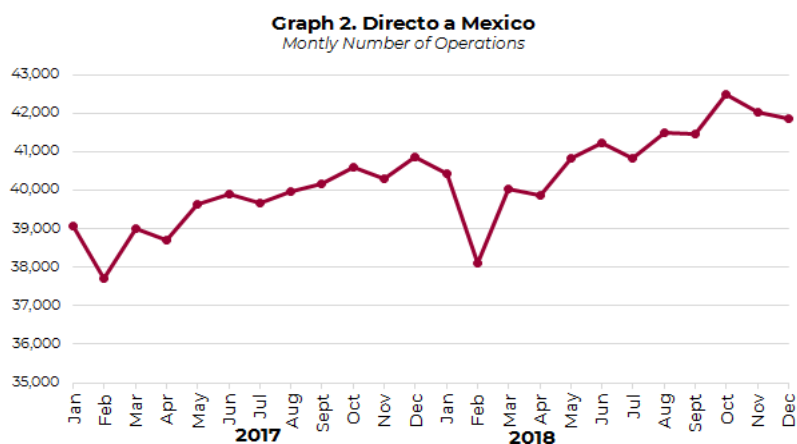
¹ Source: World Bank data based on data from IMF Balance of Payments Statistics database and data releases from central banks, national statistical agencies, and World Bank up to December 2018. Workers remittances are defined as composed of remittances from residents abroad plus all temporary workers. Date of consultation October 2019.

² Source World Bank. Remittance Prices Worldwide.

³ Source: Banxico

⁴ Source: National Population Council (CONAPO) calculation of the income from family remittances from the US to Mexico, by state of origin up to 2018.

2017). Furthermore, **the commission charged** by the Central Bank (which is the unique cost of using *Directo a Mexico*) **continues having a very low cost** (0.21 % of the amount sent).



Sources: Banco de México, 2019.

Call to Action on Remittances

Due to its positive growth trend and its share of the GDP, Mexican authorities have reaffirmed its commitment to reduce costs of sending remittances and use them as a tool for development. Remittances are a source of income that, in most cases are received by Mexican vulnerable families. Moreover, they offer a unique opportunity to bolster financial inclusion among those groups.

Through an **increased access and effective usage of financial products and services, the population can take advantage** of being included in the formal financial system. Through financial products and services, Mexicans abroad could build resilience and smooth their consumption during hard economic times.

Remittances represent a significant volume of recurrent payments to the economy and to Mexican families. It has been observed that in order for people to progressively participate and immerse themselves in the financial system, a natural way would be to start by getting a transactional account to satisfy the financial need of making transactions. Once they have a transactional account, people would get more familiar with the financial system and could potentially acquire other financial products and services more sophisticated. Moreover, they can start building their financial background with financial intermediaries, as these get the first financial records of their consumers through payment products.

Despite the advancements already achieved in the remittances' field, there are still different challenges to address. As stated above, **Money Transfer Operators are still the main channel through which Mexican migrants send remittances to their home country.**

In order to face these challenges, Mexican financial authorities have **redefined their strategy to increase the flow of remittances and reduce their cost** mainly through financial inclusion undertakings:

- 1) Increase access in the US to financial products and services that are offered in Mexico.
- 2) Increase access to financial services to migrant's families in Mexico.
- 3) Increase financial capabilities of Mexican migrants.
- 4) Communicate information among migrants regarding which the cheapest mechanisms for sending remittances.
- 5) Increasing financial consumer protection mechanisms focused on migrants.
- 6) Leveraging consulates to assist migrants on financial inclusion aspects.

2019 Country plan for reducing remittance transfer costs

1. Increase remittance market competitiveness, including through improvements to the regulatory environment

- **Mexico continues supporting the G20 GPMI to steer the work towards the G20 remittances target.**

The Mexican government is currently working and developing strategies to support:

1. Financial Products and Services

1.1. Investment models and an immigrant fund

Initiative that seeks to leverage from the remittance flows to boost investment and production models in the areas that receive a significant share of remittances in Mexico. This initiative aims to enable the Mexicans based in the US to actively participate in the development of economic projects in Mexico. It is expected that the legal and fiscal frameworks for the implementation will be defined in 2020.

1.2. Strengthen Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) compliance

Mexico's development bank "Banco del Bienestar" will enhance its AML/CFT controls, promote competitiveness in the market and leverage from new technologies to increase the efficiency of providers of remittance services. The objective is to increase the number of agreements with associations abroad so that they offer the products and services provided by Banco del Bienestar.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

2. Facilitating access to banking accounts

2.1 Boost the number of banks and credit unions subscribed to *Directo-A-México*.

- 2.1.1.** Increase the number of banks and credit unions based in the US subscribed to *Directo-A-México* in order to promote the access to a higher share of the population.

2.2 Broaden infrastructure

- 2.2.1** Mexico's main development bank in charge of disseminating social subsidies "Banco del Bienestar" will address the last mile challenge by expanding its infrastructure strategically in populations with high migration rates.

- 2.2.2** Another strategy is the "Nostalgia Market", which aims to connect small and medium sized enterprises located in high migration areas in Mexico with the market in the US. This initiative will develop alliances with key stakeholders in the US as distributors and buyers of the products developed in Mexico. This network can contribute to increase wellbeing of Mexican communities.

2.3 Digital expansion

- 2.3.1** Mexico is working to develop strategies for attending specific locations in the country with high migration levels by leveraging from the opportunities of the digital technologies. In particular, efforts are being directed to enhance transferring of resources at competitive costs (e.g. through mobile services or an app) and facilitate the interoperability between the operations on both sides of the Mexico-US border.

3. Improve transparency and consumer protection of remittance transfers.

3. Close the literacy gap in immigrant population

Broad education and financial inclusion initiatives to enhance the understanding of migrants regarding financial products and services such as: housing credits, retirement savings, how to open a bank account, entrepreneurship opportunities, investment and remittances.

3.1. Information for Mexicans abroad

- 3.1.1. Mexican authorities will continue updating the Financial Consumer Protection’s agency website with new material to inform migrants on their rights, the diverse options available to them to transfer their money and to access better options and higher returns.
- 3.1.2. The Mexican government publishes and updates on a continuous basis the active remittance service providers and aggregators for comparison purposes. The objective for the following years is to decrease the financial literacy gap by expanding the educational offer to the general public with training courses focusing on consumer rights and consumer protection.
- 3.1.3. Mexican authorities will continue publishing and updating the Guide “Más vale estar preparado” which has the objective to inform migrants on their rights and the alternatives they have to conserve, protect and transfer their heritage to their hometowns.
- 3.1.4. In 2019, a forum on remittances and financial inclusion was organized to discuss and consolidate efforts to improve financial education and other investment and savings programs for Mexicans living in the US.

3.2. Strengthen capabilities

- 3.2.1. Development of courses (online and on-site) to strengthen the abilities of women, children, young people and entrepreneurs. The courses cover the following topics: anti-money laundering, risk management, policies and procedures, security of the information, and conciliation and settlement.
- 3.2.2. Video conferences directed to the Consulates will continue on a monthly basis according to the specific needs identified by each Consulate.
- 3.2.3. The Trainer of Trainers Model will continue to be expanded through national and local partners. The object is to train community leaders so that they expand and replicate this knowledge among the Mexican community beyond consular establishments like a cascade effect.

3.3. Personalized attention for Mexicans in the US

- 3.3.1. “Windows of Financial Education” (VAF in Spanish) is a permanent module located in 44 (out of 51) Mexican Representations in the United States. These windows aim to improve the knowledge of the Mexican community on banking and financial services (*e.g. pay taxes, saving, money administration and debts negotiations*), promote financial security of Mexicans, and remove barriers that the Mexican community faces in the US (*e.g. distrust, language and lack of knowledge of financial services*).
- 3.3.2. Mexican authorities will continue providing support in 14 Mexican consulates in the US through the Attention Modules for Mexicans Abroad (MAEX in Spanish). These modules offer information related to financial products in Mexico, for example on how to ask for a special credit report; how to file complaints against a Financial Institution (based in Mexico); request financial education material; schedule video conferences (provided by financial specialists) and be channeled with the Consumer Financial Protection Bureau (CFPB) for competent matters to US Institutions. The goals for the following years consist on increasing the number of Consulates that have a MAEX.

3.4. Financial Education Week (SEF)

The Financial Education Week is an event that Mexico organizes in coordination with 50 consulates in the US and Canada, as well as local allies, and public and private institutions. The event includes workshops and activities to teach personal and family finance management, how to handle money in a safe way, options to invest and tools to support their decision making process.