



TERMS OF REFERENCE BILATERAL REMITTANCE CORRIDOR ANALYSIS

Bari Conference on Remittances

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I. Introduction and Background

International flows of worker remittances have grown rapidly in recent decades, reflecting the increasing mobility of labor in a more integrated world economy. For many developing countries, inflows of remittances from their nationals working abroad have come to constitute an important share of incomes, particularly to lower-income families, and an important source of investment financing. In some cases, particularly for small economies, remittance inflows have increasing macroeconomic importance for the balance of payments and monetary policy. At the same time, the relatively unregulated nature of these flows has raised concerns that some portion of them may be used to finance illegal activities including the laundering the proceeds of crime and the financing of terrorism.

Main objective of the Bilateral Remittance Corridor Analysis (BRCA), therefore, is 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 that shift. The analysis will be informed, to the extent possible, by the emerging General Principles for International Remittance Services that are currently being discussed by a WB-BIS co-led Task Force.

For all of these reasons, efforts are being made to better understand and monitor the size and nature of these flows, the incentives that influence them, and the mechanisms through which they are transmitted, in order to develop policies to lower their transaction costs, enhance their developmental impact in the recipient countries, and minimize opportunities for misuse. It is believed that all of these objectives will be furthered by encouraging senders to channel a growing proportion of remittances through formal financial institutions. The “formalization” of remittance flows can, *inter alia*, open the access of both senders and receivers to other financial services, providing both additional income-earning opportunities and enhanced capacity to manage their financial risks.

In early March 2006, the Conference, jointly organized by the Puglia Region and the World Bank, should take place. There, the Bilateral Remittance Corridor Analysis between Italy and Albania will be presented and discussed thoroughly. One of the sessions of the Conference will be chaired by Mr Passamonti, who is expected to provide the speakers with some ideas about recommendations for an Action Plan, based on a short document that will be made available at the Conference itself (the Conference document).

II. The “Convergence” Program

The “Convergence” Program has been set up to help financial sector authorities of seven South-East European¹ countries start incorporating considerations of market

¹ The countries are: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia and Montenegro.



development issues in the regulatory fine-tuning work that is necessary to promote real convergence of their economies with the EU. In advanced economies, “business-friendly” issues are routinely taken into consideration in the legal and regulatory process owing to the existence of large analytical capabilities in financial economics, banking and finance and legal and regulatory matters within their civil societies in the context of ongoing close consultations between authorities and market participants.

Towards this objective, “Convergence” will use two instruments: 1) to undertake, in open consultation with relevant country and international stakeholders, analytical studies of micro-structural issues that, if properly regulated, could increase growth and efficiency of financial sector intermediation; 2) supported by a specific “Convergence” *honest broker* opinion, to bring the results of these studies (and those sponsored by other institutions) to the attention of authorities for decision-making. It is expected that, by fostering public-private dialogue on the basis of professionally-prepared technical proposals, “Convergence” will create the incentives for private sector investment in collective analytical capabilities that will eventually strengthen the business relevance of financial sector regulatory activities.

III. Expected output and guidelines

The Conference document will consist of the following parts:

1. **Introduction:** summary of main facts, findings and tentative recommendations drawn from the Italy-Albania Remittance Corridor Analysis Length: (approximately 1 page);
2. **Action plan – first-level regulatory initiatives:** possible initiatives which might be taken by the Albanian and Italian authorities (mainly, but not limited to, the central banks) by means of “primary” regulation. This entails the possibility to address the central banks themselves to act along the proposals above so to facilitate bilateral remittances. Any proposal will be illustrated as follows:
 - i) *describe* the proposal;
 - ii) highlight the *economic rationale* justifying its implementationLength: (approximately 2 pages);
3. **Action plan – second-level regulatory initiatives:** an outline of possible steps which might be taken by market participants by means of self-regulatory initiatives (“secondary” regulation). Among the initiatives conceived, the list will be composed starting from the easiest one to the hardest to be implemented. Any proposal will be illustrated according to criteria:
 - a- *describe* the proposal;
 - b- *identify* the possible actors to be involved in the proposal for its accomplishment;
 - c- highlight the *economic rationale* justifying its implementation;
 - d- state every *technical step of action* to be taken in order to get the improving expected outcome;



e- suggest a calendar of actions.

Length: (approximately 3 pages).

Mr. Ferri's activities will consist in covering the point 1 (**Introduction**) and point 2 (**Action plan – first-level regulatory initiatives**). If needed, he can also share the drafting of point 2 with the technical expert hired by Convergence.

Mr. Ferri is expected to report to Riccardo Brogi, of the Rome-based Convergence Operations Unit as well as keeping aligned the other technical consultant.

IV. Activity Budget

Mr. Ferri will be paid a daily fee of [REDACTED] (net of taxes), plus travel costs and per diem will be credited. He is expected to provide his services for no more than 4 days.

V. Fee payment

Upon delivery of the expected output.

VI. Next Phase

Convergence reserves the right to invite the consultants that have prepared the Conference document to undertake follow-on activities that may occur as a result of the discussions held at the Conference.

VII. Resources

Mr. Ferri is a prominent Italian professor whose main field of specialization are: money/credit economics and policy, corporate governance and financial fragility. He has a long track paved with prestigious awards, professional experience and publications.