

**Baseline Assessment Summary (January 2015)**  
**Republic of Guyana/ Ministry of Foreign Affairs**



**TECHNICAL EXPERTISE REQUEST:**

**Study on Remittances in Guyana with specific focus on transfer cost and reduction options**

With a population of about 750'000<sup>1</sup> citizens and approximately 400'000 migrants living primarily in the USA, Canada, the UK, Surinam and Venezuela<sup>23</sup>, Guyana has a large overseas Diaspora which sends remittances to their country of origin on a regular basis. The remittances has for long represented an important capital inflow to Guyana. Already in 2007, Ms. Debra Roberts - Senior Economist at the Bank of Guyana - highlighted that remittances represented 24.6% of the Gross Domestic Product (GDP) at the end of 2006<sup>4</sup>. This high number has decreased in recent years; from the peak in 2006 to around 16% in 2014<sup>5</sup>, but is still placing Guyana among the top receiving countries in the region and being considered to represent an important source of foreign currency.

**Reasons of the request:**

One area of concern to the authorities in Guyana has been the high transfer costs of sending remittances. The transfer costs have been identified as an element that might negatively affect the amount and frequency of remittances sent and thus, the inflow of financial resources into the country. The present baseline assessment was therefore developed within the framework of a request on behalf of the *Ministry of Foreign Affairs* (MoFA) of the *Republic of Guyana* for technical assistance (TA) to conduct a study on remittances in Guyana with a specific focus on these transfer costs and potential reduction options. While the objective of the study itself is to gather more information on sending remittances to Guyana, with a specific focus on how the cost of sending remittances could be reduced

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<sup>1</sup> In accordance to the *Guyana population and housing census 2012: preliminary report*, the population of Guyana was 747'884 persons, a slight reduction in comparison with the Census in 2002 where the population was reported to be 751'223 persons.

<sup>2</sup> UN DESA Population Division and UNICEF: *Migration Profiles - Common Set of Indicators, Guyana*; 2014

<sup>3</sup> Roopnarine, Dr. Lomarsh: *Guyana Population Movement and Societal Development*; 2013

<sup>4</sup> Roberts, Debra: *The development impact of remittances on Caribbean economies: the case of Guyana*; Bank of Guyana, 2007

<sup>5</sup> Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IDB): *Remittances in Latin America and the Caribbean in 2014: Set a new record high in 2014*; 2015

and how to effectively channel the remittances in the social and economic development of Guyana, the purpose of the present baseline assessment is to give a picture of the situation before the inception of the intervention.

#### Learning from the Baseline Assessment:

- Guyana is a net remittance receiving country placed among the top receiving countries of remittances in the Latin American and Caribbean region.<sup>6</sup> The *World Bank* estimated the inflow of remittances in 2014 at 330 million USD, representing 10.6% of the GDP<sup>7</sup>; while the *Multilateral Investment Fund* at the *Inter-American Development Bank* estimated the same indicators to be 438 million USD and 16% respectively for the same year<sup>8,9</sup>.
- The formal channels for sending remittances comprise of six *Commercial Banks* with 40 bank offices around the country, five licensed *Money Transfer Agencies* and 18 dealers in foreign currency (referred to as “*Cambios*” in Guyana) who operate through 54 offices located in different parts of the country.
- The remittances market is dominated by the *Money Transfer Agencies*; as they are the preferred choice by the senders and recipients of remittances thanks to their favourable sending fees, speed, accessibility and exchange rates.<sup>10</sup>
- The monetary cost of sending remittances is composed of the sending fees and the difference in exchange rate from USD to GYD. The sending fees are set unilaterally in the source country. When it comes to the exchange rate, since 1989 Guyana has a floating exchange rate leaving it to a great extent to each bank, *Money Transfer Agency* and “*Cambio*” to set their own exchange rate, which they do by considering the global exchange market and their competition in Guyana.
- An element adding to the monetary cost is the accessibility of the transfer facilities where the *Money Transfer Agencies* have a comparative advantage through their around 200<sup>11</sup> agents located all over the country. The speed of the transfer, the documents needed to be presented when transferring money and the confidence in the operator are also important elements taken into consideration by the senders and recipients when choosing whose services to use.

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<sup>6</sup> MIF/ IDB: *Remittances in Latin America and the Caribbean in 2014: Set a new record high in 2014*; 2015

<sup>7</sup> <http://data.worldbank.org/indicator> on remittances.

<sup>8</sup> Maldonado, R., Hayem, M: “*Remittances to Latin America and the Caribbean Set a New Record High in 2014.*”, MIF/ IDB Washington, D.C., 2015.

<sup>9</sup> The difference in the numbers cited is most likely due to the use of different methodologies.

<sup>10</sup> Statement by several of the key informants.

<sup>11</sup> Estimation given by the Bank of Guyana at the meeting.



- There have been important advances in the legislation and regulatory framework relevant to remittances in Guyana in recent years. With the approval of the *Money Transfer Agencies (Licensing) Act* from 2009 - that complements the previous *Dealers in Foreign Currency (Licensing) Act No. 19* of 1989 and its amendment in 1995, as well as the *Financial Institutions Act* from 1995 and corresponding regulations and its amendments in 1996 and 2004 - all actors in the remittances market become regulated and supervised by the Bank of Guyana. Another important piece of legislation is the *Anti-Money Laundering and Countering the Financing of Terrorism Act* from 2009 and particularly its amendment in 2015.
- The present government in Guyana took office earlier in 2015 and is currently engaging in several policy and strategy developments relevant to the TA intervention on remittances. Of particular relevance are for example the *Diaspora Engagement Strategy* that is in process of being formulated by the MoFA with the support of IOM and under the umbrella of the Government's Foreign Policy Strategy and the *Ministry of Business Strategic Plan 2015-2020*.
- Other initiatives in progress in areas linked to remittances are the *Effective and Sustainable Diaspora Engagement for Development in the Caribbean (ESDEDC)* project that is being implemented by the MoFA and IOM and the *Mobile Money Guyana (MMG)* – a growing service that is being provided for by the telecommunication company GTT.