



# *Remittance Cost Reduction* *Intervention, monitoring and impacts*

**The 12<sup>th</sup> Coordination Meeting on International Migration**

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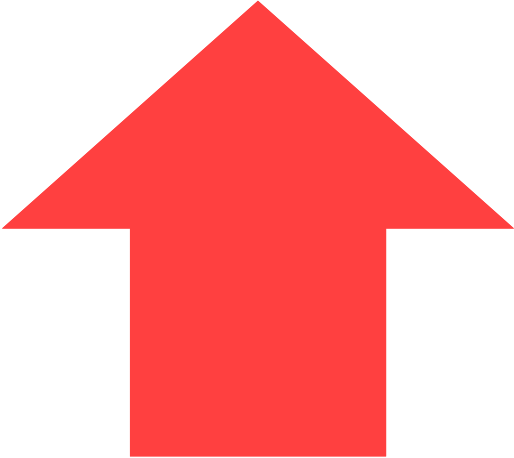
## ***Global efforts with an objective: 5X5***

***The 5x5 objective.*** The efforts of the WB were successful in securing the commitment of the G8 and G20 Heads of State to: “...achieve the objective of a **reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years** through enhanced information, transparency, competition and cooperation with partners”

✓ *Reduction in cost would generate a net increase in income for migrants and their families in the developing world, estimated at 16 billion USD per year*

## ***What factors increase remittance costs?***

International remittance prices are high for many reasons, including:

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1. Underdeveloped financial infrastructure in some countries (both sending and receiving countries)
  2. Limited competition
  3. Scarce transparency
  4. Regulatory obstacles
  5. Lack of access to the banking sector by remittance senders and/or receivers
  6. Difficulties for migrants to obtain the necessary identification documentation to enter the financial mainstream



Implementation of the General principles for international remittance services can help bring costs down

# ***World Bank Remittance Prices Worldwide (RPW)***

**Remittance cost tracking – serving migrants & policy makers around the world**

Launched in 2008 the Remittance Prices Worldwide (RPW) database monitors remittance prices across all geographic regions of the world and is a product of the Financial Inclusion and Infrastructure Global Practice of the World Bank.

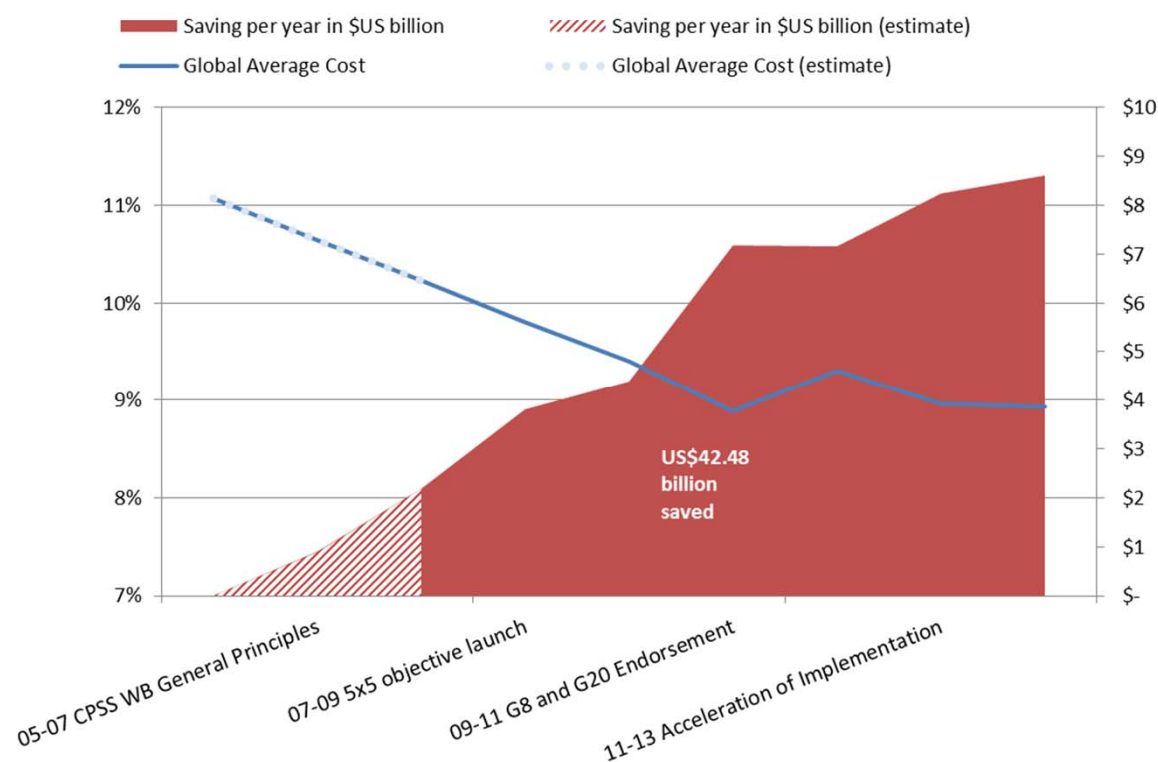
The recently launched twelfth iteration of RPW covers 220 country corridors worldwide, originating from 32 remittance sending countries to 89 receiving countries.

RPW is used as a reference for measuring progress towards the “5x5” objective, endorsed by the G8 and the G20

This presentation uses data from RPW’s 4th Quarter release to analyze the global, regional, and country specific trends in the average total cost of migrant remittances, as well as the factors influencing them.

## What have we achieved in the last five years?

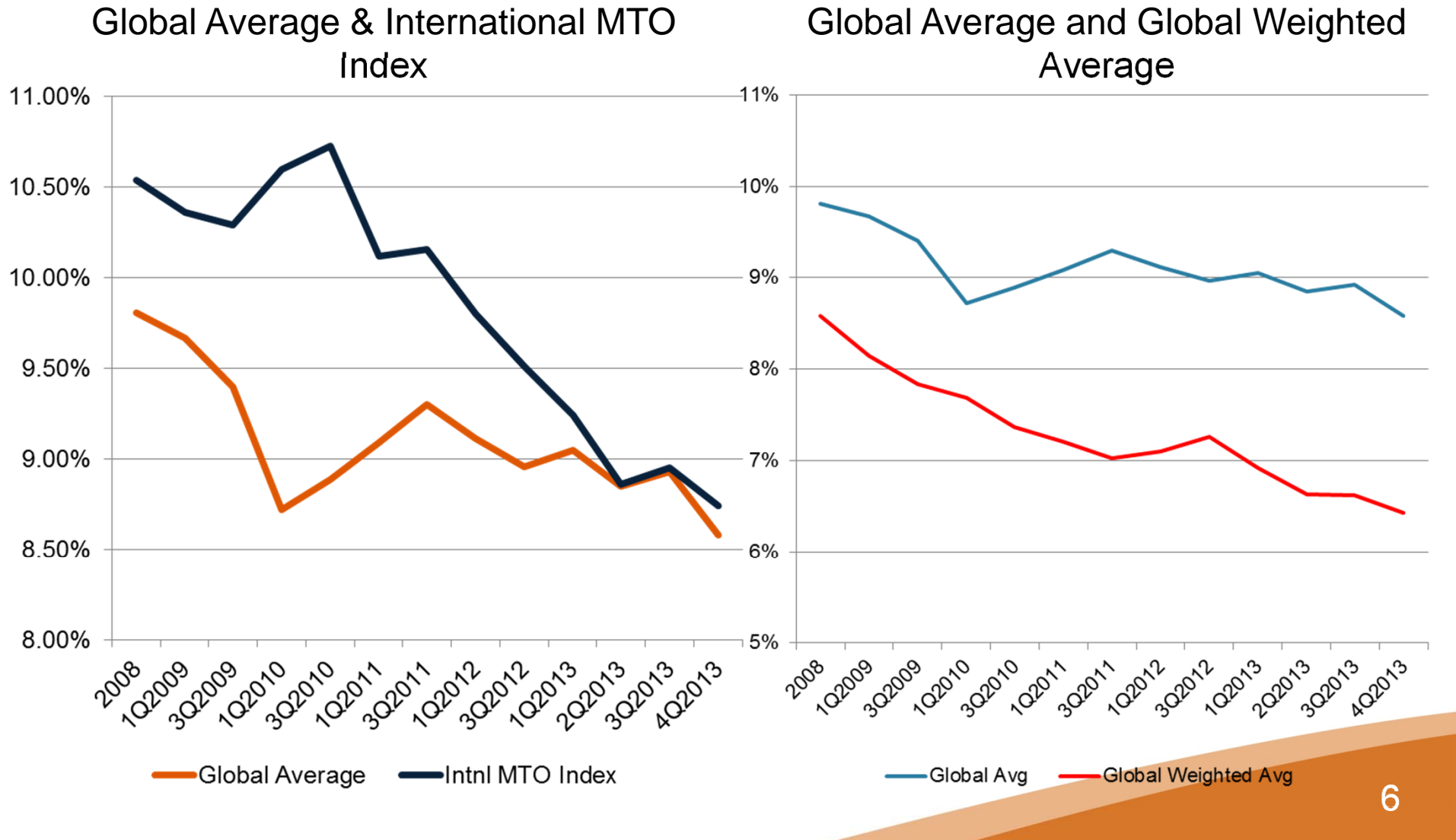
Global efforts led by the World Bank matched with interventions at the country level are bringing down the cost of remittance services: **estimated US\$ 42.48 billion saved**



Source: Financial Infrastructure Service Line elaboration on Remittance Prices Worldwide data

Financial Inclusion & Infrastructure Global Practice

## Remittance Prices Worldwide – Global Trend



# Remittance Prices Worldwide Remittance Corridors

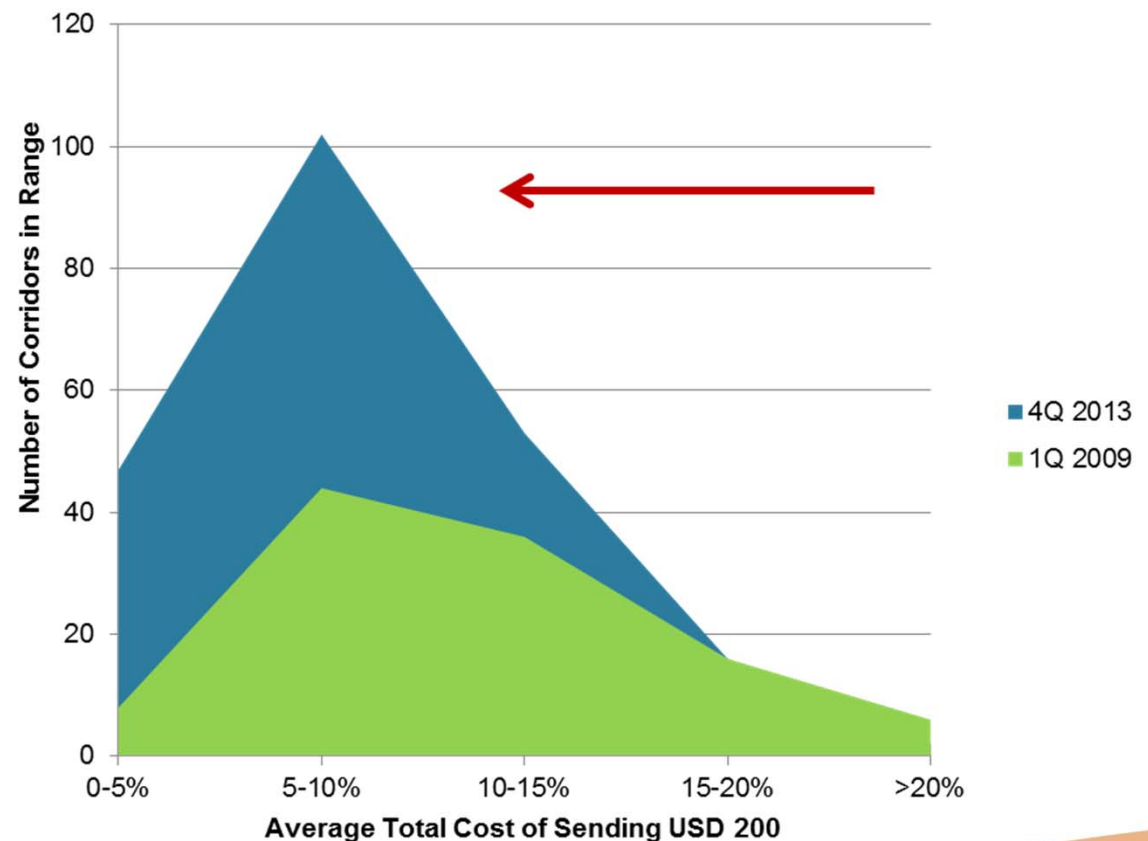
## Shifts of More Corridors towards Lower Cost Bands

68% of the 220 corridors evaluated are below 10%, and 47 of these already below the 5% target

102 corridors, or 46% of those surveyed, average costs are between 5% and 10%

In Q1 of 2009 only 7% of the evaluated corridors were below the 5% target. Today, nearly 20% of them are

In 2009, one fifth of the corridors evaluated had an average cost higher than 15%. In 2013, less than one tenth of the corridors are over that amount.



## ***Future cost reduction target for the post-2015***

- Impactful global target setting with highest political commitment
- Effective interventions to promote enabling remittance markets in order to reduce costs
  - **Global target and intervention** by PEAKS methodology
  - **Country level intervention** through Implementations of CPSS-World Bank General Principles for International Remittance Services
  - **Municipality level intervention** through champion cities
- Caveat: Unintended consequences of policy

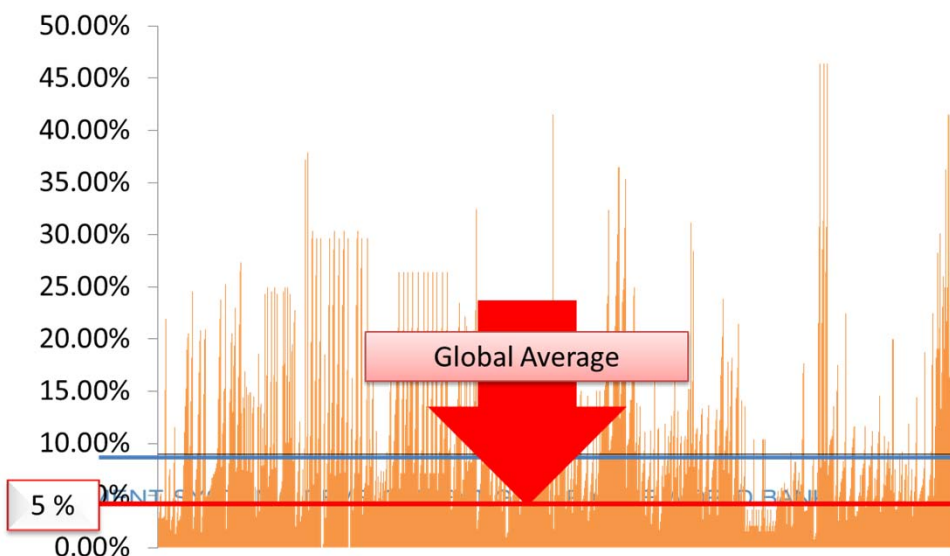


# Global remittance cost reduction targets for Post-2015

Impactful global targets with highest political commitments

The global average costs of remittances of all corridors should be at 5 percent or below when sending \$200 by 2030

Each corridor should be served by at least 1 or 2 reliable and widely available Remittance Service Providers with a cost of 5 percent or below



200.00 AUD		500.00 AUD					
Firm	Product	Fee	Exchange Rate Margin (%)	Total Cost Percent (%)	Total Cost (AUD)	Transfer Speed	Network Coverage
<a href="#">J&amp;J Express</a>		5.00	0.98	3.48	6.96		
<a href="#">Pinoy First</a>		6.00	0.49	3.49	6.98		
<a href="#">mHITS Remit</a>		6.95	0.09	3.57	7.14		
<a href="#">Peramax</a>		5.95	0.61	3.59	7.18		
<a href="#">Expeed Global</a>		6.00	0.61	3.61	7.22		
<a href="#">LBC Express</a>		6.00	0.61	3.61	7.22		
<a href="#">Ausphil Forex</a>		7.00	0.37	3.87	7.74		

## ***Effective Interventions to reduce remittance costs for Post-2015 at the global level***

PEAKS methodology to set a global target for Post-2015

- To identify countries with outliers utilizing PEAKS methodology:  
**Market Size x Average Remittance Costs in Corridors x Development Indicators**
- To maximize the impacts of remittance cost reduction at the global level

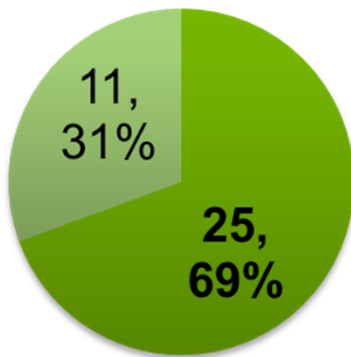
Market Size	Value	Development Indicator/ Region	Value	Country Pair	Value
>US\$1B	3	IDA or LDC	3	High Cost	3
US\$500M-US\$1B	2	Developing	2	Medium Cost	2
<US\$500B	1	Developed	1	Low Cost	1

## ***Effective intervention to reduce remittance costs for Post-2015 at the country level***

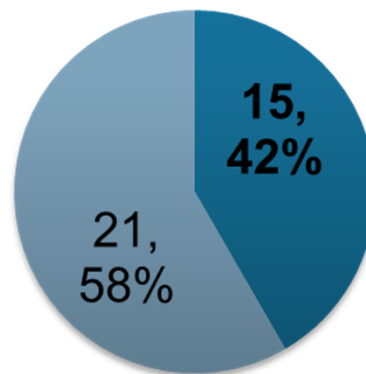
- Implementation of CPSS-World Bank General Principles for International Remittance Services
  - To improve remittance markets at the **country level**

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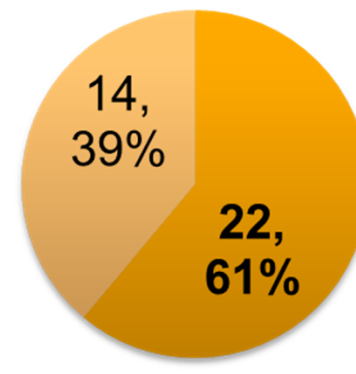
The World Bank has performed assessments and/or provided technical assistance in approximately 36 countries.



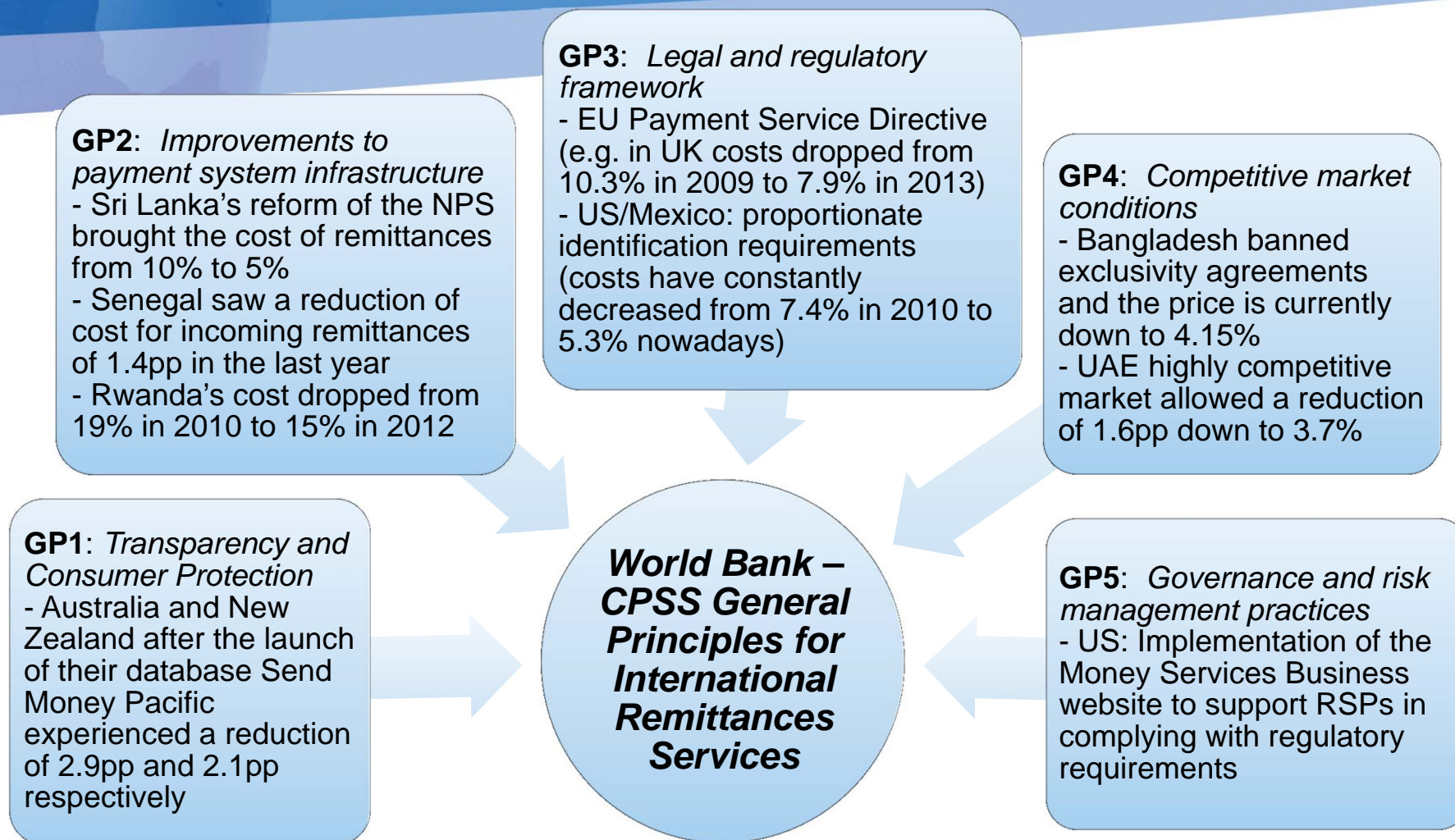
25 countries have shown a cost decrease since 2008



15 countries are now below or within 1pp of the 5x5 objective.



22 countries are now below the Global Average



Role of Remittance Service Providers	UK: implementation of an industry code of conduct
Role of Public Authorities	Italy: Creation of a Public and Private Sector forum to tackle relevant issues in the market Pakistan: Creation of the Pakistani Remittances Initiative

## ***Making Markets More Transparent: National and Regional Databases***

**Remittance cost tracking – serving  
migrants & policy makers around the world**

■ **Increasing the relevance and number of national and regional  
databases on the cost of remittances because:**

- They serve the ultimate beneficiaries of the remittances: the migrants
- They cover more frequently the changes of the market
- They can serve as a benchmark for the conclusions of the RPW

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**SEND MONEY AFRICA**

MAKING MARKETS MORE TRANSPARENT

**envía CentroAmerica**

*Financial Inclusion & Infrastructure Global Practice*



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## ***Effective intervention to reduce remittance costs for Post-2015 at the municipality level***

### ***Remittance Champion Cities (Project Greenback 2.0)***

- **Objective:** promote transparency and competition in the market for remittances and, ultimately, reduce prices for remittance services
- **Migrants in champion city/territory and beneficiaries in receiving countries:** raise awareness and increase financial education and inclusion
- **Remittance Service Providers:** promote best practices and dedicated services
- **Local and national authorities:** facilitate remittance flows and improvements in the market



## ***Caveat: Unintended consequences of policy decisions***

- **Imposing taxes or fees on remittances**, which have negative impacts on flows through regulated channels, double taxation and remittance costs
- **Imposing restrictions on a certain type of remittance channel** (e.g. bank account for receiving remittances for financial inclusion), which could result in eliminating competition from a remittance market
- Ignoring a need for competition in the remittance market where **exclusive agent clauses** with international MTOs limit competition





# Thank you!

[www.worldbank.org/paymentsystems](http://www.worldbank.org/paymentsystems)