REMITTANCE COST REDUCTION EFFORTS: RECENT TRENDS AND PROJECT UPDATES
UPDATES FROM THE WORLD BANK
XVIII Global Remittances Working Group Meeting
Washington, DC
April 15, 2016
KEY MESSAGES

• Renewed commitments to reducing costs of and increasing access to remittance services and complementary WBG goals
  • Future remittances agenda
  • Universal Financial Access (UFA) 2020

Building on CPMI-World Bank General Principles for International Remittance Services

• Global Average costs, as well as all the other indicators, have increased slightly for the first time in over a year

• World Bank continues to work extensively in the area of remittances
  • Continued monitoring of de-risking trends and impact on costs
  • Involvement in development of financial infrastructure at the regional level (e.g. SADC, Pacific)
  • Provision of support at the country level for implementation of the General Principles across the regions: most recent GP assessments in Bosnia Herzegovina, Liberia, Qatar, Rwanda, Tajikistan, Kyrgyz Republic, and West Bank and Gaza
  • Implementing the Remittances and Payments Program (SECO) in Balkans and East Asia
  • Expansion of the RPW coverage and development of new indicator (SmaRT)
  • Continued emphasis on innovation (Project Greenback 2.0 and Pick Remit)
A FORWARD LOOKING REMITTANCES AGENDA
Global efforts led by the World Bank matched with interventions at the country level have brought down the cost of remittance services for an estimated savings of US$ 78 billion.
NEW REMITTANCES-RELATED COMMITMENTS

• By 2020, work towards the further reduction of the global average cost of remittance services and advocate that governments should commit to reducing the cost of remittance services in their respective markets and actively undertake reforms to achieve progress in this area; and

• By 2030, reduce to less than 3 percent the transaction cost of migrant remittances, through enhanced information, transparency, leveraging on new technologies, competition and cooperation with partners
In the First Quarter of 2016 the **Global Average** cost of sending USD 200 increased from the Fourth Quarter average of **7.37%** to **7.53%**. This represents the **first increase** recorded in over a year.

The **International Money Transfer Operator (MTO) Index** also increased, but by more than the Global Average (0.20% compared to 0.16% for the Global Average), and was recorded at **8.25%**.
The Global Weighted Average has declined relatively consistently overall since 2008, except for slight increases in 2012 and 2014, and a slight up-tick in 2016.

In the First Quarter of 2016, the Global Weighted Average cost of sending USD 200 experienced a modest increase – from 5.60% to 5.68%.

The impact of the increase in the sample was, in fact, minimal.
In 2009, almost 5% of corridors had an average cost over 20%; today, only 1 corridor does.

Compared to 2009, the proportion of corridors with an average total cost over 15% has fallen by 13 pp.

In nearly 80% of corridors, it’s possible to send remittances for less than 10%. This was true in only 50% of corridors in 2009.

Approximately half of those corridors with average costs in the 5 to 10% range are within 1 percentage point of 5%; i.e. 50% of corridors in the 5-10% range have an average total cost between 5.01 and 6.00%.
Among receiving countries covered in RPW, Somalia was one of 10 countries with the largest increase in the cost of sending money in the last quarter.

Sending money to Somalia now costs 9.16% in Q1 2016, compared to 7.77% in Q4 2015 – an increase of almost 20% in the last quarter and over 40% in the last year.

This increase, however, is the combined impact of vastly different trends at the sending country level.
South Asia is the least costly region to send money to with an average cost of 5.54%.

Sub-Saharan Africa is the most costly region to send money to with an average cost of 9.72%.
SENDING REMITTANCES FROM G8 COUNTRIES

The average cost of sending remittances from G8 countries increased in Q1 2016 – up from the lifetime low 6.89% in Q4 2015 – and was recorded at 7.06%.

In Q1 2016, all G8 countries except for Canada and France experienced an increase in total average cost. These quarterly increases were largely minor and overall, when compared to one year ago, all G8 countries except USA and Germany experienced a decline.

Japan remains the most expensive sending country in the G8, with the average cost of 12.43%.

Russia remains the cheapest sending country and the only one of the original 8 with an average total cost below 5%.
Despite a decrease last quarter, **South Africa** (16.20%) remains the most expensive G20 sending country and **Saudi Arabia** (4.91%) remains the cheapest, after Russia (2.11%)
COST OF SENDING TO G20 COUNTRIES

In the First Quarter of 2016 the average cost of sending remittances to G20 countries was 7.51%, up from 7.10% in the previous quarter.

Mexico (5.09%) remains the least expensive G20 country to send money to and China (10.36%) is the most expensive.
Global Average 7.53%
The cost of sending remittances through Banks declined in the last year; from 11.42% in Q1 2015 to 11.09% in Q1 2016, but still remained the most expensive RSP type.

The cost of transferring through Post Offices increased in the last year by a full percentage point; from 5.69% in Q1 2015 to 6.69% in Q1 2016, no longer the cheapest RSP type.

In the same period, the cost of sending through MTOs remained essentially stable – 6.36% in Q1 2015 compared to 6.35% in Q1 2016 – but still managed to regain the position as the cheapest RSP type on average in Q1 2016.
**REMITTANCE COSTS BY PRODUCT TYPE**

Bank account services remain the **most expensive** product type at 11.12%.

Cash to cash products remain **among the cheapest** ways to send money with an average cost of **6.99%**.
UPDATES ON SELECTED REMITTANCE PROJECTS
• RPW coverage was increased from 227 corridors in Q3 2015 to 300 corridors in Q4 2015 and will be increased again in Q2 2016 to reach upwards of 365 corridors

• This was/will be the combined result of:
  • Adding new sending countries (Kuwait, Sweden, Thailand) and receiving countries (e.g. Afghanistan, Cambodia, Madagascar, Syria etc)
  • Covering new combinations of existing sending and receiving countries (e.g. Australia to Indonesia, Japan to Thailand etc)

* Exact coverage for Q2 2016 is still being finalized.
• The Smart Remitter Target (SmaRT)
  • Will complement existing methods to monitor cost trends
  • Draw on lessons learned from operational work
  • Maintain focus on cost reduction objectives

• SmaRT will be the focus of a special presentation later in the meeting when we will review comments received thus far, and reach agreement on the way forward
PROJECT GREENBACK 2.0: Updates from Greenback 2.0 Johor Bahru

- The Central Bank of Malaysia and the World Bank’s joint efforts
  - In partnership with the city council of Johor Bahru, and many partners (industry associations, embassies, plantations, etc)
- Soft launch of Pick Remit
- Ongoing engagement activities a few times per month in JB
QUESTIONS?