REMITTANCE COST REDUCTION EFFORTS: RECENT TRENDS AND PROJECT UPDATES

UPDATES FROM THE WORLD BANK

Global Payments Week
Turin, Italy
September 21, 2016
A FORWARD LOOKING REMITTANCES AGENDA
Global efforts coordinated 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$ 70 billion.
NEW REMITTANCES-RELATED COMMITMENTS

- **G20**: 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

- **UN**: 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
TRENDS INTERNATIONAL REMITTANCE COSTS
In the Second Quarter of 2016 the Global Average cost of sending USD 200 slightly increased to 7.6% from the First Quarter average of 7.53%.

The International Money Transfer Operator (MTO) Index decreased modestly to 8.14% in the same period.
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%.
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%**
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

Cash to cash products remain among the cheapest ways to send money with an average cost of 6.99%

Bank account services remain the most expensive product type at 11.12%
UPDATES ON SELECTED REMITTANCE PROJECTS
RPW COVERAGE SET TO INCREASE AGAIN

• 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
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)