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CROSS-BORDER REMITTANCES

PROMOTING LOW-COST FORMAL REMITTANCE CHANNELS AND FINANCIAL LITERACY



WORLD BANK GROUP

Finance & Markets

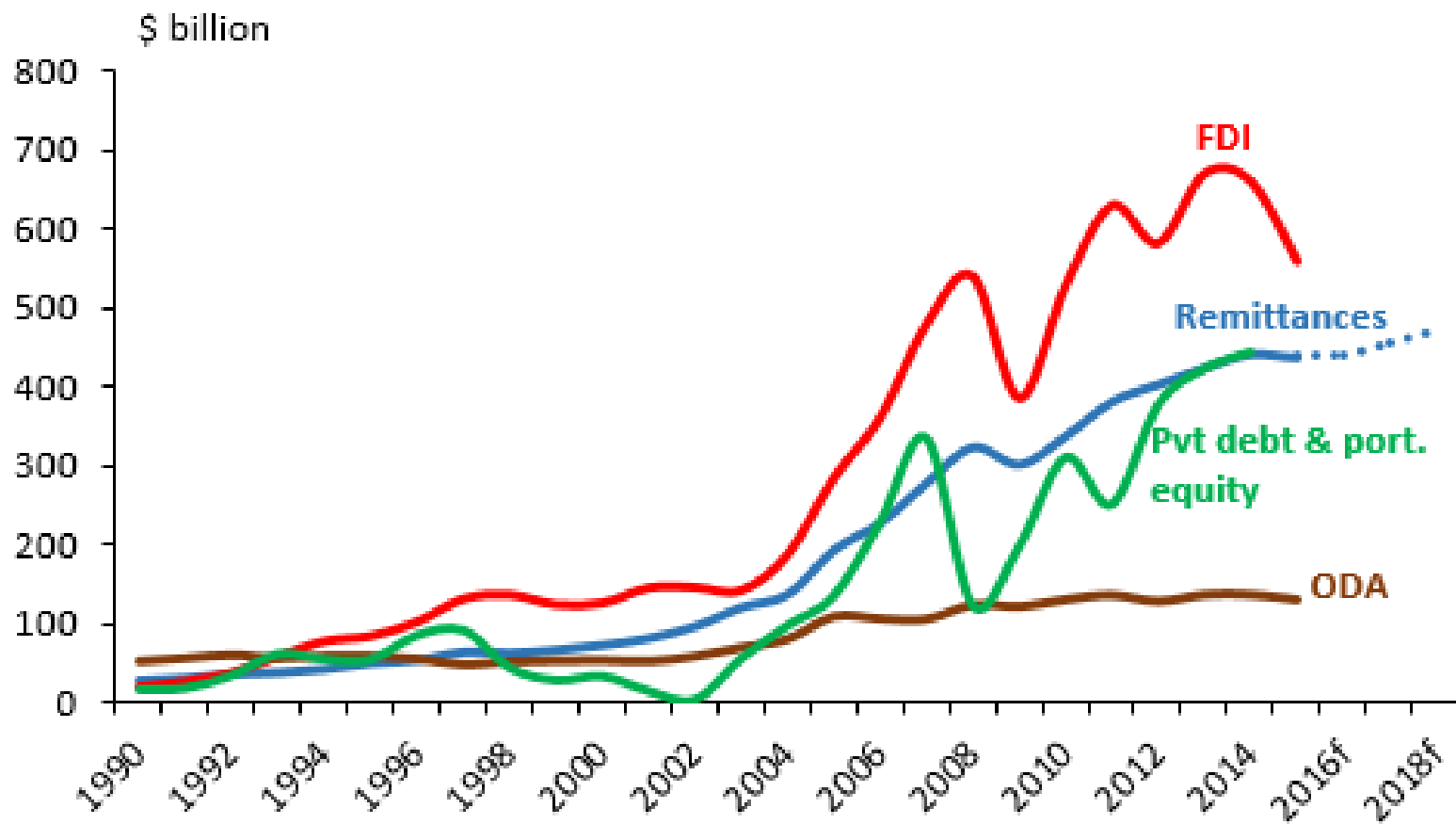
7th ADB-ADBI-OECD-ILO Round table on Labor
Migration in Asia
January 18, 2017
Manila, the Philippines

Isaku Endo

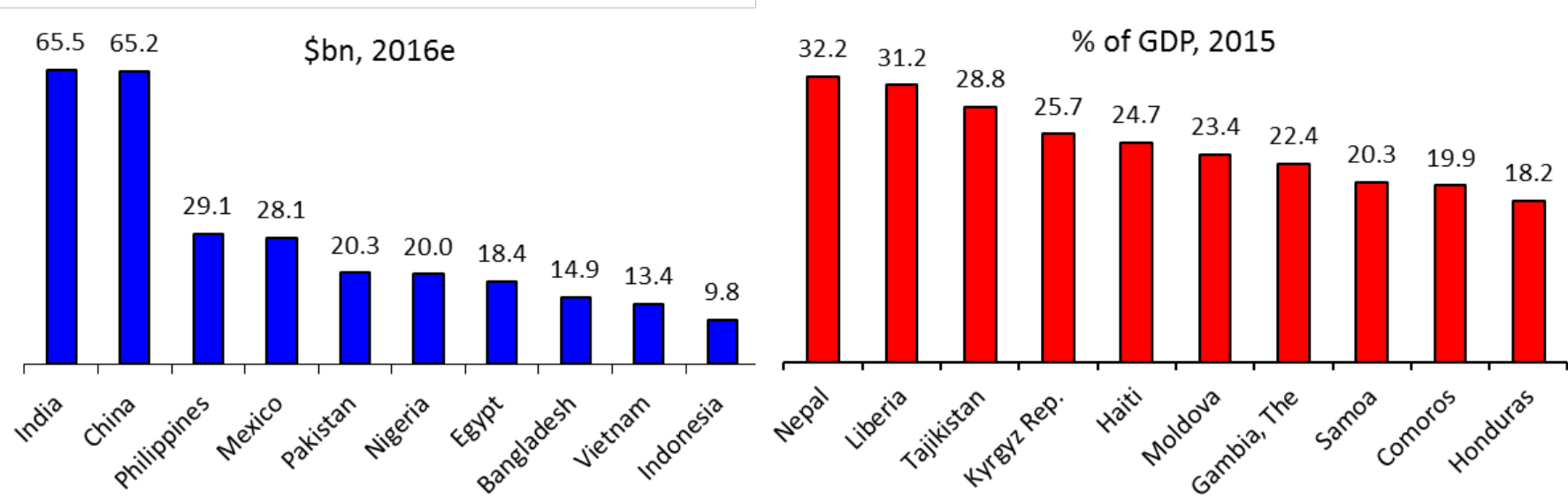
Senior Financial Sector Specialist

*The content of the presentation does not necessarily reflect the views of the World Bank Group.

Remittance Flows Are Larger than Official Development Assistance (ODA), and More Stable than Private Capital Flows

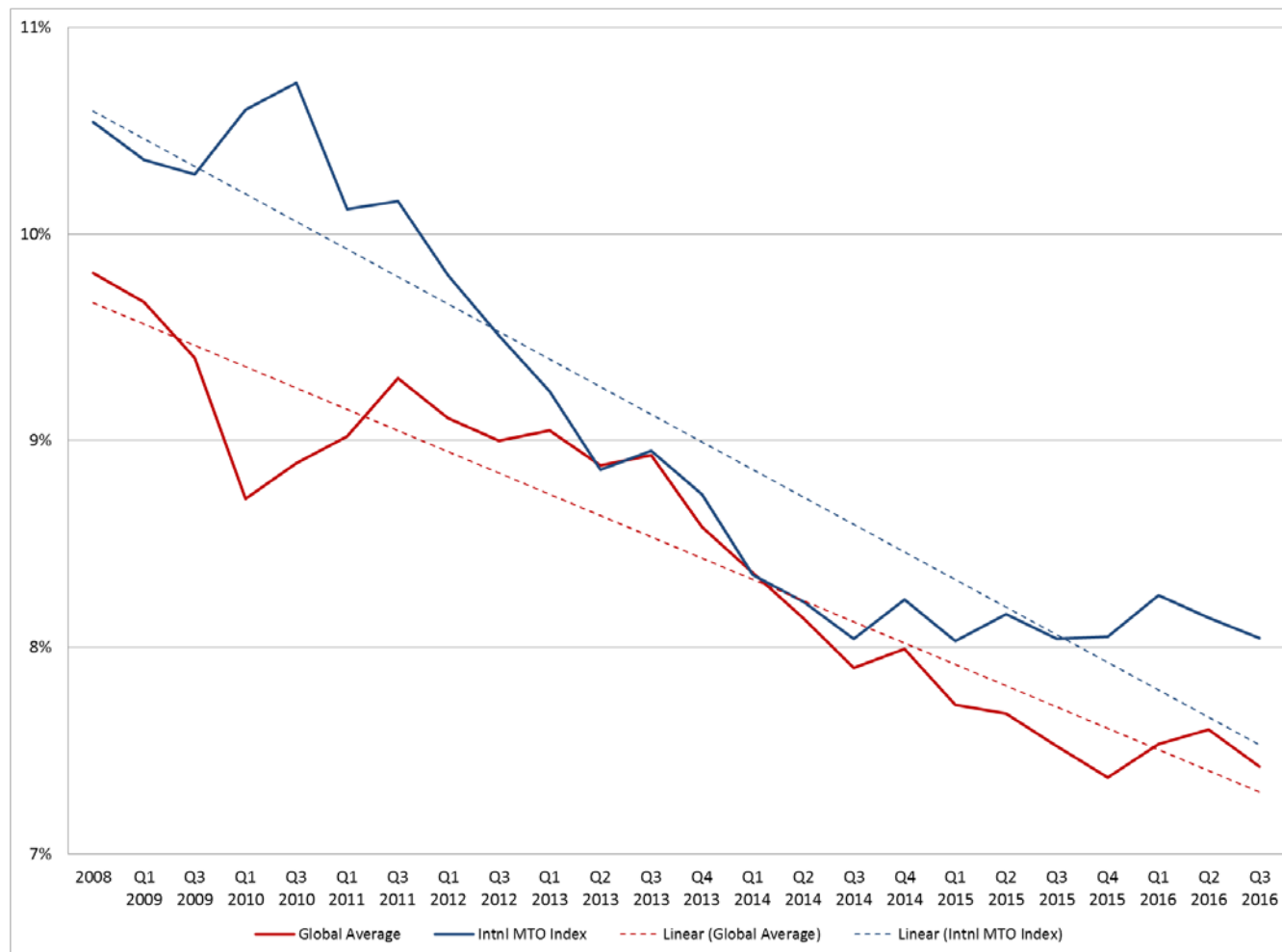


Top Recipients of Remittances



Trends of international remittance Costs

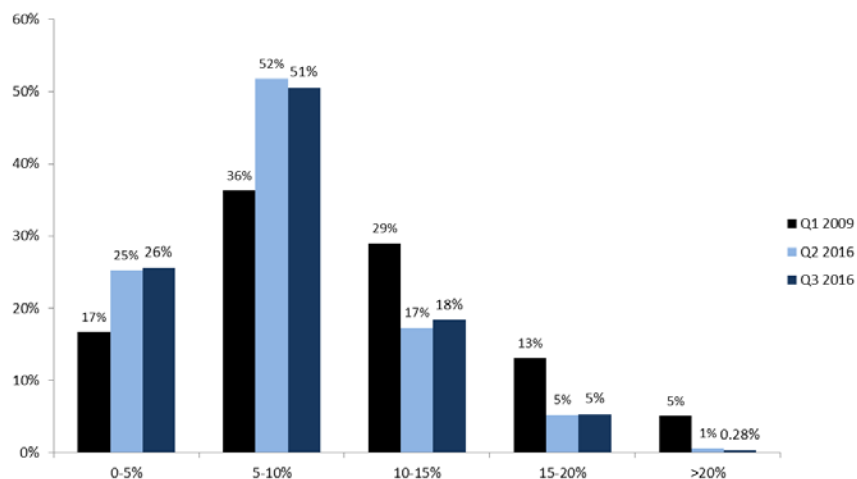
Rpw Global average and international mto index



In the Third Quarter of 2016 the **Global Average** cost of sending USD 200 decreased from 7.60% to **7.42%**

The **International Money Transfer Operator (MTO) Index** decreased from 8.14% to **8.05%** in the same period

RPW Corridor level trends

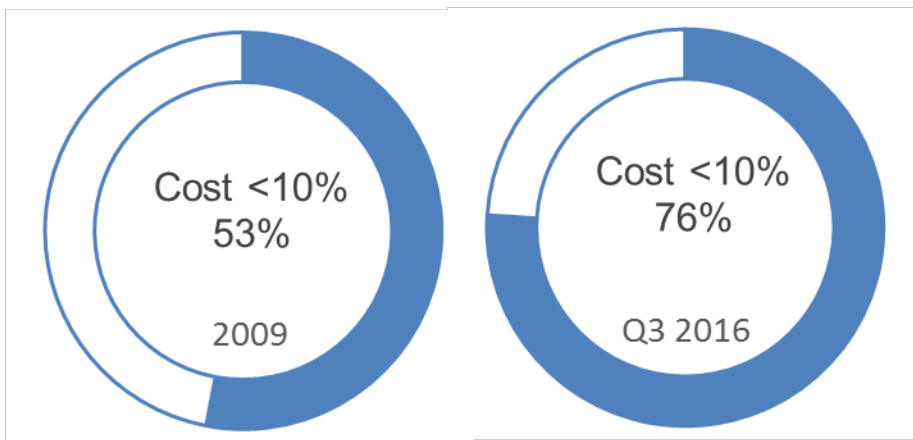


In 2009, almost 5% of corridors had an average cost over 20%; today, only 1 corridor does

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

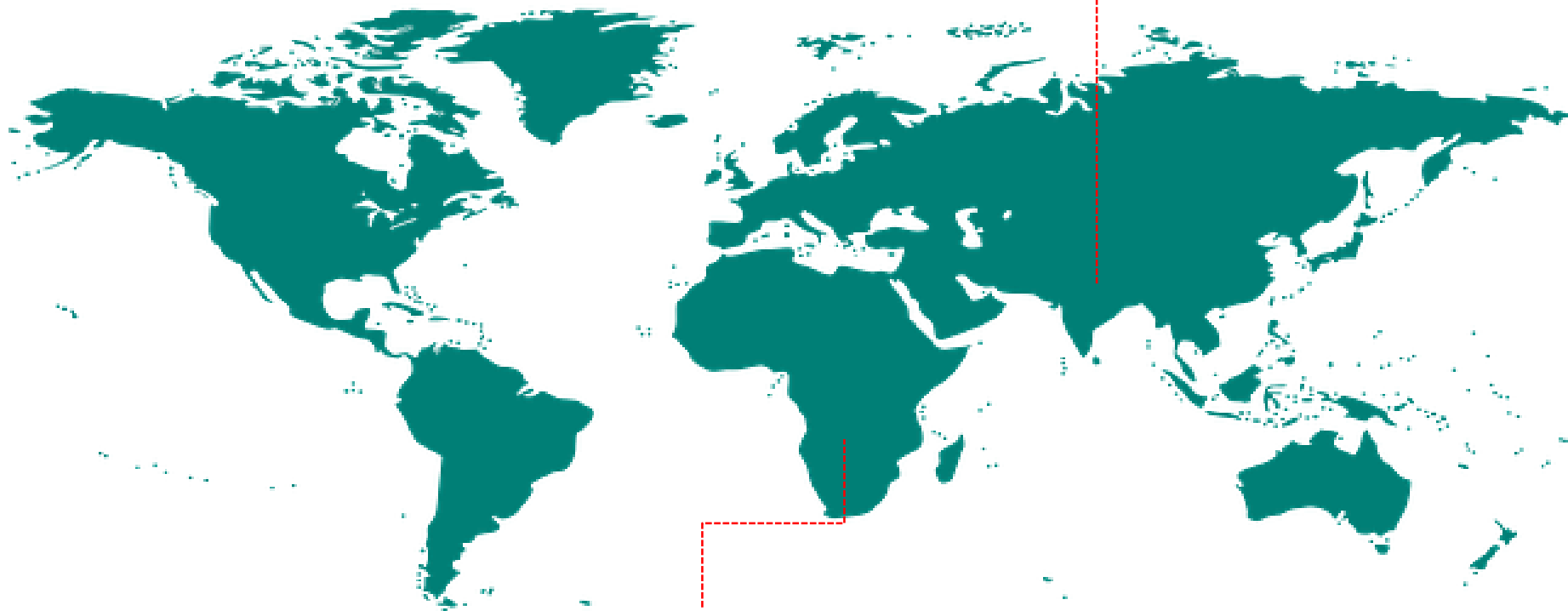
In nearly **80% of corridors**, it's possible to **send remittances for less than 10%**. This was possible in only 50% of corridors in 2009

Approximately **one third of those corridors with average costs in the 5 to 10% range are within 1 percentage point of 5%**; i.e. 30% of corridors in the 5-10% range have an average total cost between 5.01 and 6.00%



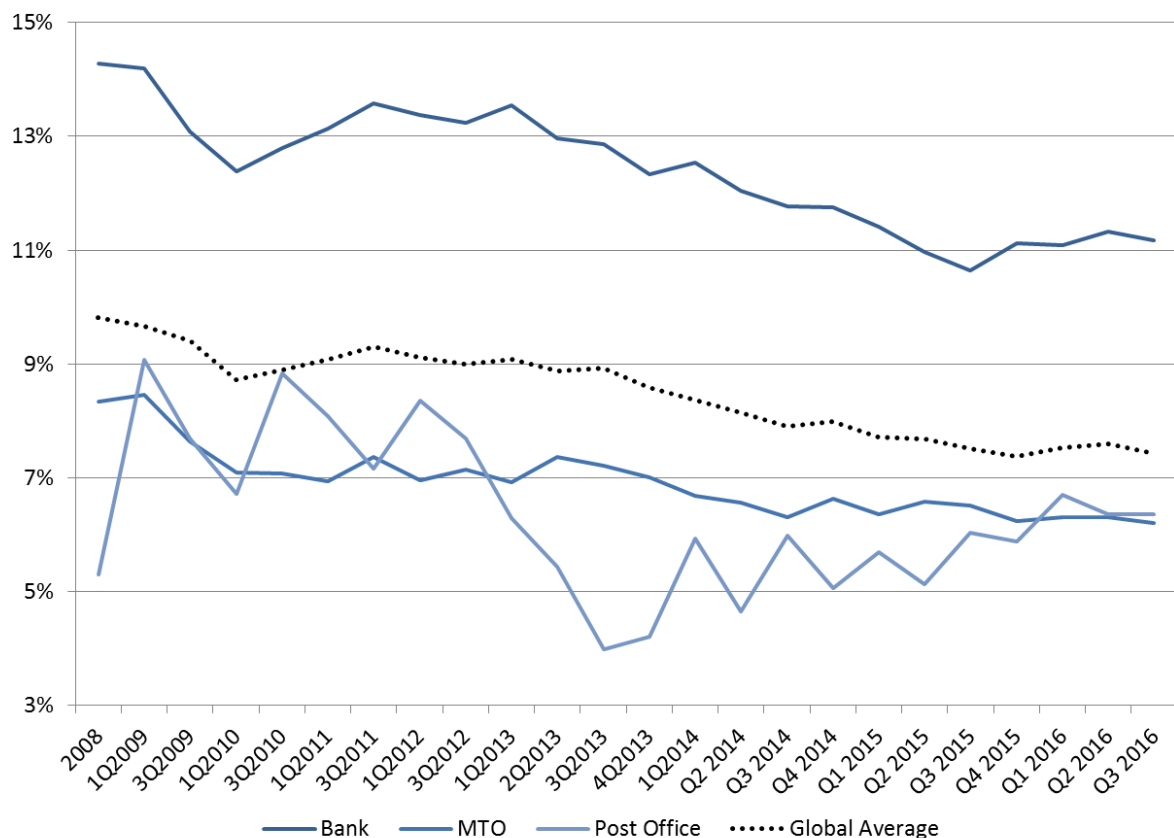
Remittance costs by receiving region

South Asia is the **least costly region** to send money to with an average cost of **5.41%**



Sub-Saharan Africa is the **most costly region** to send money to with an average cost of **9.52%**

Remittance costs by RSP Type



The cost of sending remittances through **Banks increased in the last year**; from 10.64% in Q3 2015 to **11.18% in Q3 2016**, and remained the most **expensive RSP type**

The cost of transferring through **Post Offices increased slightly in the last year**; from 6.04% in Q3 2015 to 6.36% in Q3 2016, no longer the cheapest RSP type.

In the same period, the cost of sending through **MTOs declined**; 6.51% in Q3 2015 compared to 6.36% in Q3 2016

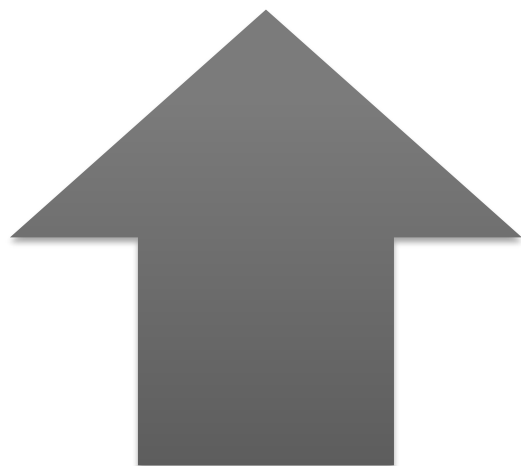
The cheapest product types in q3 2016 were Mobile Operators (4.46%) and Pre-paid Card issuers (1.75%), but still account for a very small share of sample size

CPMI-World Bank General Principles for International Remittance Services

Definition of remittances under the General Principles

Remittance transfers are defined as cross-border person-to-person payments of relatively low value. In practice, the transfers are typically recurrent payments by migrant workers.

CPMI – World Bank General Principles for International Remittance Services



1. Underdeveloped financial infrastructure in some 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 – addressing these challenges

CPMI – World Bank General Principles for International Remittance Services

- GP1** The market for remittances should be **transparent** and have adequate **consumer protection**.
 - GP2** Improvements to **payment system infrastructure** that have the potential to increase the efficiency of remittance services should be encouraged.
 - GP3** Remittance services should be supported by a **sound, predictable, non-discriminatory and proportionate legal and regulatory framework**.
 - GP4** **Competitive market conditions**, including appropriate access to domestic payments infrastructures, should be fostered in the remittance service industry.
 - GP5** Remittance services should be supported by appropriate **governance and risk management practices**.
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- Role of RSPs** Should participate actively in the application of the general principles
 - Role of Public Authorities** Should evaluate what action to take to achieve the public policy objectives through implementation of the general principles

Thank you.
