

The 12th Coordination Meeting on International Migration

New York
February 21, 2014



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 10% to 5% in 5 years

What factors increase remittance costs?

International remittance prices are high for many reasons, including:

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

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.

Global efforts led by
the World Bank

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

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

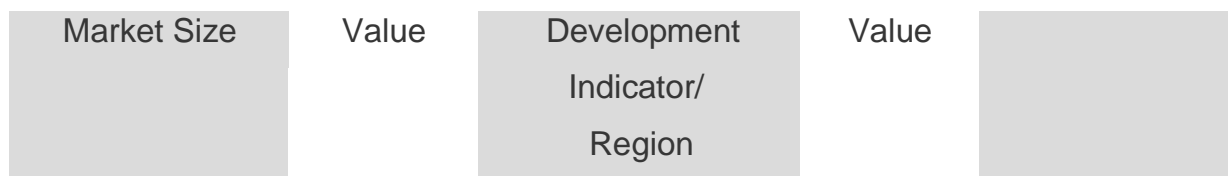
The global average costs of remittances of all corridors should be at 5 percent or below when sending \$200 by 2030

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

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



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

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

GP1: Transparency and Consumer Protection
- Australia and New Zealand after the launch of their database Send Money Pacific experienced a reduction of 2.9pp and 2.1pp respectively

***World Bank –
CPSS General
Principles for
International
Remittances
Services***

Making Markets More Transparent: National and Regional Databases

Remittance cost tracking – serving
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Increasing the relevance and number of national and regional databases on the cost of remittances because:

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

- 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 j.ahr Provideries

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

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