

# Addressing Obstacles in Remittances (How to Reduce Costs?)

Remittances are private, low-value regular money transfers sent by migrants to their families back home. They are also predictable and have been shown to be a good counter-cyclical phenomenon. The World Bank estimated that \$431 billion were sent as remittances to developing countries in 2015. Yet, despite the fact that remittances are over three times higher than the cumulative Official Development Assistance (ODA) the cost of remittances remains high.

The overall cost of remittances has been viewed as important by the international development community and many governments especially since 2009 when the G8 set a target at the L'Aquila Summit that remittance prices should average 5 percent of face value by 2014. At the time, this represented a reduction of 50 percent from the prevailing price of 10 percent. Despite also being adopted by the G20 in 2011, the target was not reached in 2014 and therefore the G20 maintained 5 percent as an aspirational target but has not set a time target for it.

The Sustainable Development Goals which were adopted in 2015 had as Goal 10.7c the target that by 2030 remittance prices would average 3 percent and would not exceed 5 percent in even the less competitive corridors.

Since 2008, the World Bank has monitored the price of remittances through the site <https://remittanceprices.worldbank.org> (RPW) and has undertaken a number of initiatives based on the General Principles for International Remittance Service<sup>1</sup>. RPW now measures the average price of sending \$200 and \$500 across 365 corridors

on a quarterly basis. However, the price of remittances still remains stubbornly high and stood at 7.60 percent for Q2 2016 which is down from around 10 percent in 2008.

The senders of remittances to developing markets are therefore spending in excess of \$32 billion to transfer their money and it is argued that if the price were reduced this would help more people out of poverty. Perhaps an equally important benefit of lower prices would be that more people would use formal channels to transfer their money which might in turn lead to greater financial inclusion and other benefits for the receivers of these payments.

This session will focus on why remittance prices are still high and what can be done to reduce the cost. Participants will use their own experiences to shed light on initiatives that have worked to lower prices. Areas to consider include:

1. Remittances are, by their nature, complex as they involve multiple jurisdictions, multiple stakeholders and product providers and often conditions between different corridors vary dramatically
2. What to consider of the role of the regulator, in terms of which types of businesses should be able to offer the services and what protections are required for consumers?
3. How can one create effective competition, whether it is through the approach to exclusivity clauses, the type of service provider, etc.? What is the role for governments in this?
4. What is the role of price comparison websites? (such as Send Money Africa, ie.)
5. How to handle factors such as grey of parallel exchange rate markets (which is a particular challenge in a number of developing markets)

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<sup>1</sup> [http://siteresources.worldbank.org/INTPAYMENTREMITTANCE/Resources/New\\_Remittance\\_Report.pdf](http://siteresources.worldbank.org/INTPAYMENTREMITTANCE/Resources/New_Remittance_Report.pdf)

6. Is there a role for incentives in the lowering of remittance costs? Are there lessons that can be learned and applied from the Pakistan Remittances Initiative approach of subsidising certain remittance transactions?  
What other incentives could be applied?
7. What can technology do in helping to reduce remittance costs?
8. Are there particular corridors / regions to be approached? And, if so, how should this be done?
9. How can greater transparency be brought to the market and would it make a difference?
10. How can a balance be achieved between the need robust AML/KYC procedures and the requirement to enable remittances to flow to challenged markets?
11. How can one achieve a coherent and co-ordinated approach that will cover all of the areas that need to be addressed in order to reduce prices?
12. What are the easy to implement actions?

In addressing these and other points this session will result in practical solutions that can be developed and help to create a comprehensive framework or toolkit that can be accessed by all ACP members in helping to lower the cost of remittances that are being sent to their respective markets.

