



# FACT SHEET:

## UNDERSTANDING SDG 10.C: GLOBAL MARKET ON REMITTANCES

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By presenting current remittance cost data and examining the structure that underlies the global remittance market, the goal of this fact sheet is to identify successful strategies and reforms that countries have initiated in order to reduce remittance costs. The implications of this analysis and review provides clues for attaining Sustainable Development Goal 10c.

### What is Sustainable Development Goal 10.C?

By 2030, to reduce to **less than 3%** the transaction costs of migration remittances and **eliminate remittance corridors** with costs **higher than 5%**.

**Indicator:** Remittance costs as a proportion of the amount required

#### WORLD BANK REMITTANCE PRICES WORLDWIDE\*

**7.09%** Global Average Cost

Corridor Average below 5% (SmaRT Avg) **49%**

\*most recent 2017 Q4 data



### General Principles for Remittances:

1. Transparency and consumer protection
2. Payment system infrastructure
3. Legal and Regulatory Environment
4. Market Structure and Competition
5. Governance and Risk Management

### Drivers of Cost:

#### Government Policy and Regulation

- Regulation of remittance services
- Exchange rates
- Capital controls

#### Competition

- Type of service provider
- Number of service providers

#### Socio-Economic

- Number of migrants
- Distribution of population (limited rural access)
- Level of financial and/or economic development

### Limitations in the Market



#### Structural Forces

- High cost of South-South transfer
- Lack of remittance infrastructure
- Lack of basic data on market
- Limited service availability
- Low volume corridors



#### Regulatory Barriers

- Anti-money laundering protocols
- Foreign exchange restrictions
- Taxes on remittances
- De-risking by banks
- Terrorism finance



#### Access

- Limited rural locations
- ID needed for financial entry
- Lack of access to banking sector



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## Strategies of Success

Like any multidimensional governance issue, remittance cost is a symptom of larger economic and regulatory conditions, some of which cannot be avoided. Despite these fluctuations, some countries have successfully reduced their costs due to targeting specific drivers of cost through the following strategies:

### **Pakistan Remittance Initiative** | Pakistan= receiving country (low cost receiver)



REMITTANCE SERVICE TRAINING PROGRAMS and financial literacy



OVERSEAS OUTREACH (Remittance entities in other corridors)





Development of PAYMENT SYSTEMS ARCHITECTURE





Increased number of FINANCIAL INSTITUTIONS and types of service

### Russia= Lowest Global Cost (sending country) | **Russia G20 National Remittance Plan**

Access through IMPROVED CENTRAL BANK PAYMENT SYSTEM 

National FINANCIAL LITERACY PROGRAM and print resources 

Ban on BANK EXCLUSIVITY AGREEMENTS 

RELATIVELY LOW FEES, limited exchange costs, diverse channels 

### **Brazil Foreign Exchange Legislation** | Brazil= sending country



REMITTANCE COMPARISON: provides transaction cost (total Effective Value [VET]) including Exchange rate cost + taxes+ fees



MOBILE REMITTANCE APPLICATION: Cambio Legal uses maps to show locations of authorized financial institutions (organized by proximity)

## Implications and Review

A review of countries with low sending and receiving cost reveals that three primary drivers have the most drastic short and long term effect on remittance cost: Competition, Access and Transparency. Effective strategies for addressing these drivers are detailed below, as well as a breakdown of other significant factors that contribute to cost variability.



### Increased Competition

- Low entry barriers
- Diversified remittance channels
- Elimination of exclusivity agreements
- Bank regulation



### Improving Migrant Access








- Streamlined documentation process
- Mobile or virtual providers for rural populations
- Financial literacy programs
- Overseas partnerships and outreach



### Transparency

- Improve data on pricing and fees
- Improve data on corridors
- Provide Cost Comparison Resources
- Standardization across providers

## Significant Factors to Cost Variability

	 Number of migrants	 GDP/capita	 Size of rural population	 Exchange variability	 Amount of competition	 Number of banks	 MTO Regulatory framework
<i>Low Cost:</i>	<i>Large</i>	<i>Low</i>	<i>Small</i>	<i>None</i>	<i>High</i>	<i>Small</i>	<i>Broad</i>
<i>High Cost:</i>	<i>Small</i>	<i>High</i>	<i>Large</i>	<i>High</i>	<i>Low</i>	<i>Large</i>	<i>Narrow</i>

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