The Future for Remittances

- Organic annual growth rate 7-8%
- South-South remittances and South-North remittances to grow
- Remittance fees to fall, but FX margins to remain
- New technologies applied – internet, mobile phone, bitcoin
Sustainable Development Goals

GOAL

10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent

INDICATOR

10.c. 1 Remittance costs as percentage of the amount received
Financing for Development - AAAA

- Remittances cannot be equated to ODA
- Ensure adequate financial services for migrants
- Reduce cost of remittances by 2030 to less than 3%; no remittance corridor charges higher than 5%
- Address obstacles such as banks withdrawing services
- Remove obstacles to non-bank RSPs accessing payment system infrastructure
- Cheaper, faster and safer remittances through competitive, transparent market conditions
- Exploit new technologies, promote financial literacy and inclusion, and improve data collection
Reduce remittance cost

$20 Billion annual savings

8% (Global average)

3%
The average cost of sending $200 is highest in Sub-Saharan Africa (Q3 2015)

Source: Remittance Prices Worldwide, the World Bank
What tools exist? What will the governments need to do

- Global Remittances Working Group
- Remittance Prices Worldwide: covering 300 corridors (35 remittance sending countries, 99 receiving countries)
- Improve collection of remittance costs in South-South corridors
- Adoption of BPM6 to improve corridor specific data on remittance flows
Smart Remitter Target
Major policy changes

- De-risking by commercial banks and closure of bank accounts of money transmitters
- Exclusivity contracts
- Lifting fees by banks
- Taxes
Sustainable Development Goals

10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies

INDICATOR

10.7.1 Recruitment cost borne by employee as a percentage of yearly income earned in country of destination
Recruitment fees
$4,000

Income per year
$2,000
Reduce recruitment costs

$4,000

$4 Billion for every 1 million migrants

$0
## Wage in destination - a mechanism to reduce recruitment costs

<table>
<thead>
<tr>
<th>Origin</th>
<th>Destination</th>
<th>Recruitment costs (US$)</th>
<th>Earnings in destination (US$)</th>
<th>Costs in months of earnings</th>
<th>Prior monthly earnings in origin country (US$)</th>
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</thead>
<tbody>
<tr>
<td>Indonesia</td>
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</tbody>
</table>

*Source: KNMOAD*
Bangladesh/Pakistan – high recruitment fees

(Average cost in constant 2014 US$)

Source: KNMOAD
Monitor and regulate the recruitment process

1st mile: Sending country

Migration process

Last mile: Destination country
What tools exist? What will the governments need to do

• Needed bilateral recruitment cost data by corridor

• KNOMAD pilot surveys by ILO/World Bank need to be scaled up and implemented in top migrant worker corridors, with regular frequency, similar to remittance price database
Thank you!

www.worldbank.org/migration

www.knomad.org