# Promoting financial inclusion through digitalization of remittances

GPFI Global Partnership for Financial Inclusion

IFAD
Investing in rural people

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# Abstract

The report, produced by IFAD with contributions by the World Bank under the request of the GPFI, seeks to provide a compendium of best practices, showcasing the benefits of digital solutions in enhancing financial inclusion and reducing remittance costs. This collection of knowledge is intended to inform G20 member states, policymakers, and stakeholders about successful strategies in digital remittance adoption, serving as a valuable resource for guiding future endeavours in leveraging digitalization for remittance efficiency and accessibility.

This Publications will be presented at the second plenary of the GPFI this year. Following this presentation, the report will be disseminated to G20 Member States Leaders, thereby facilitating informed decision-making and fostering dialogue on strategies to advance financial inclusion and reduce remittance costs on a global scale.

# Abbreviations and acronyms

| | |
|---|---|
| **AML/CFT** | Anti-money laundering/combating the financing of terrorism |
| **ATM** | Automated teller machine |
| **CBE** | Central Bank of Egypt |
| **CDD** | Customer due diligence |
| **CPMI** | Committee on Payments and Market Infrastructure |
| **DFS** | Digital financial services |
| **DPI** | Digital Public Infrastructures |
| **E-KYC** | Electronic know your customer |
| **EU** | European Union |
| **FATF** | Financial Action Task Force |
| **FFR** | Financing Facility for Remittances (of IFAD) |
| **FPS** | Faster Payments System |
| **GCC** | Gulf Cooperation Council |
| **GFRID** | Global Forum on Remittances, Investment and Development |
| **GSMA** | Global System for Mobile Communication Association |
| **GPFI** | Global Partnership for Financial Inclusion |
| **G20** | Group of 20 |
| **IAMTN** | International Association of Money Transfer Networks |
| **IDFR** | International Day of Family Remittances |
| **IFAD** | International Fund for Agricultural Development |
| **KD** | Kuwaiti dinar |
| **KYC** | Know your customer |
| **LMICs** | Low- and middle-income countries |
| **MNO** | Mobile network operator |
| **MTO** | Money transfer operator |
| **NSFE** | National Strategy for Financial Education |
| **RBI** | Reserve Bank of India |
| **RCTF** | Remittance community task force |
| **RDA** | Roshan Digital Account |
| **RSP** | Remittance service provider |
| **RTGS** | Real-time gross settlement system |
| **RUB** | Russian ruble |
| **SADC** | Southern African Development Community |
| **SMS** | Short message service |
| **SDGs** | Sustainable Development Goals |
| **TCIB** | Transactions cleared on an immediate basis |
| **UAE** | United Arab Emirates |
| **UK** | United Kingdom |
| **UNCDF** | United Nations Capital Development Fund |
| **UPI** | Unified Payment Interface |
| **USA** | United States of America |

# 1 Introduction

The 2020 G20 Financial Inclusion Action Plan (FIAP) acknowledged that in 2014, G20 Leaders agreed to a plan to facilitate remittance flows by: i) working to reduce the global average costs of transferring remittances to 5 per cent, and subsequently below 3 per cent as mandated by SDG 2030 goals;[1] and ii) supporting country-led actions to: a) reduce the cost of remittances by promoting responsible innovative payment systems that provide affordable, secure, interoperable, transparent and inclusive payment solutions across borders (within G20 and non-G20 countries); b) support the progress on reducing the cost of remittances while maintaining consumer protection and disclosure measures; c) improve the availability of remittance services, particularly for low-income people; and d) **use remittance flows to drive financial inclusion and development.** Since 2015, via the Global Partnership for Financial Inclusion (GPFI), the G20 countries have been developing *National Remittance Plans* every two years and providing the G20 leaders an annual progress update. In addition, GPFI published various reports to guide G20 leaders towards cost reduction and enhanced financial inclusion and resilience through remittances.

By the end of 2023, over 200 million migrants[2] working outside their countries of origin would have sent an estimated US$656 billion in remittances[3] to at least 800 million people[4] in low- and middle-income countries (LMICs). This year, in spite of the adverse economic conditions, remittances continue flowing with an anticipated growth of 1.4 per cent following a sharp growth in 2021 (10.6 per cent) and 2022 (8 per cent) as a sign of resilience and commitment to families in countries of origin.[5]

On 16 June 2023, in observance of the International Day of Family Remittances (IDFR), GPFI joined the international community during the Global Forum on Remittances, Investment and Development (GFRID[6]) in acknowledging the impact that remittances have on millions of households[7] and entire communities in LMICs. The GPFI then reaffirmed its commitment to promote the development impact of migrants' remittances embodied in the United National General Assembly (UNGA) resolution and reflected in the IDFR 2023-2024 global campaign.

**BOX 1: IDFR 2023-2024 global campaign "Digital remittances towards financial inclusion and cost reduction"**

1 This is later reaffirmed by the G20 as part of the G20 Roadmap for Enhancing Cross-Border Payments. See FSB (2021). Targets for Addressing the Four Challenges of Cross-Border Payments. Final Report.

2 IFAD calculation based on UNDESA 2020.

3 World Bank (2023). Migration and Development Brief, No. 38.

4 IFAD estimate 2023.

5 World Bank (2023). Migration and Development Brief, No. 38.

6 http://gfrid.org

7 https://gfrid.org/wp-content/uploads/2023/06/GPFI-Statement_International-Day-Remittances.pdf

Indeed, two of the action areas for GPFI's deliverables for the period 2024/2026 are related to the digitalization of remittances, as an enabler of financial inclusion and cost reduction. The digitalization of cross-border remittances, especially those initiated from G20 countries to receiving countries, represent a unique use case of digital payments that interconnects private sector entities from developed and developing countries and their respective regulatory frameworks.

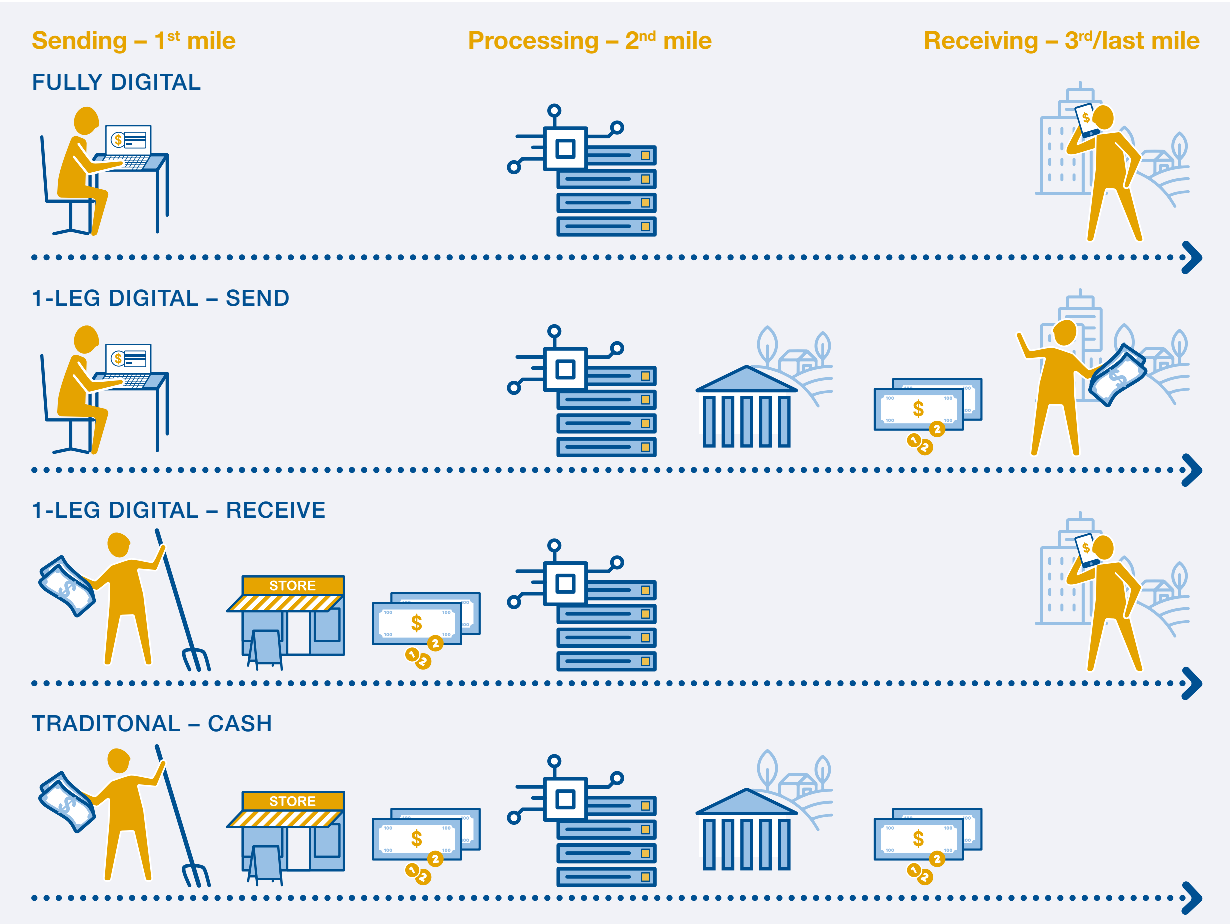
The purpose of this publication is to present a collection of knowledge on the digitalization of remittances. It serves as an input to inform G20 member states, policymakers, and stakeholders about successful practices in digital remittance adoption worldwide. Produced by IFAD with contributions by the World Bank at the request of the GPFI, this report includes contributions by the GPFI members and aims to showcase examples that demonstrate how digitalization can contribute to financial inclusion and reduce remittance costs. Rather than making policy recommendations, the publication compiles a compendium of good practices to inspire and guide stakeholders in leveraging digital solutions for remittance efficiency and accessibility.

# 2 Digitalization of remittances and its benefits

This document refers to digitalization of remittances – as it has long been heralded – as a significant driver of financial inclusion of senders and receivers. A digital remittance is sent via a payment instrument in an online or self-assisted manner, and received into a transaction account, i.e. a bank account or a transaction account maintained at a non-bank deposit taking institution (say a post office), mobile money or e-money account.[8]

However, the digitalization of remittances might occur only on one end, using an account and remotely on one side, while the other side of the transaction is cash-based (Chart 1). As an alternative to traditional cash to cash remittances, digital remittances considerably benefit remittance families and communities in LMICs, as well as other key stakeholders such as governments, regulators and remittance operators.

CHART 1: **Digital vs. cash remittances**




*Note:* The chart depicts digitalization of remittances from a consumer perspective. There are generally two remittance service providers (RSPs) involved in the process.

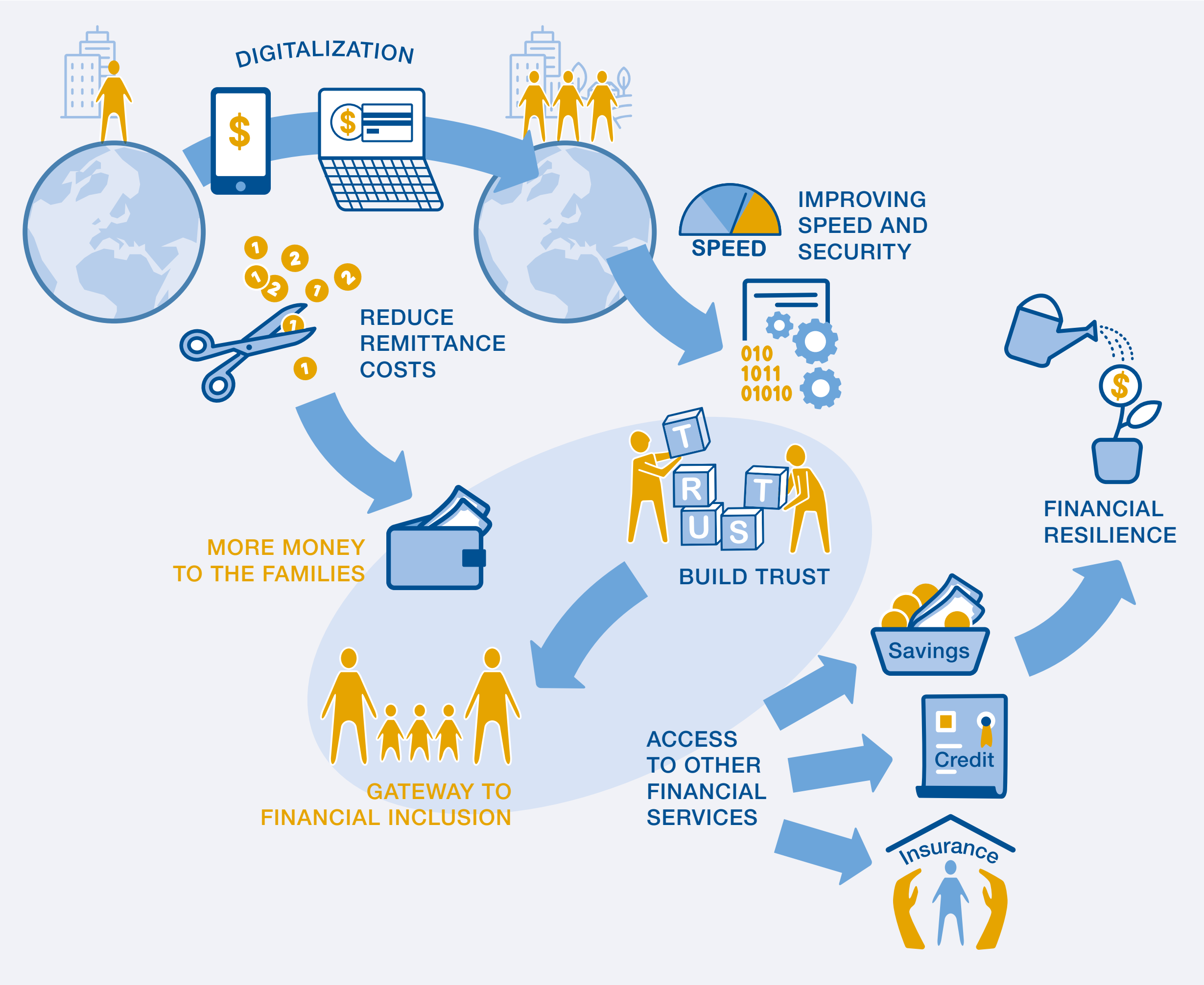
8 As defined in the *Remittance Prices Worldwide* quarterly reports by the World Bank. See, for example, World Bank (2023), *Remittance Prices Worldwide, Quarterly Report, Q2 2023.* https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q223.pdf

Digitalization brings significant benefits to remittance users, including: reducing the cost of remittances, improving their speed, bringing greater certainty around payments, security and tracking, as well as increasing access to services, providing a gateway to financial inclusion and building financial resilience. Remittances are usually the first financial service used by migrants and their families offered by regulated providers. This is an opportunity to financially include them. Furthermore, in many instances, remittance senders or receivers are women, which provides a unique opportunity to design specific financial products that fit women's needs for furthering women's financial inclusion and economic empowerment.

While digitalization of remittances can help improve the remittance experience directly for senders and receivers and further financial inclusion, the operational functions of remittance service providers (RSPs) can also benefit from digitalization in areas such as product aggregation, AML/CFT compliance and the trading of settlement currencies. Digitalization of remittances can also help improve financial sector integrity and transparency and strengthen efforts to combat illicit finance broadly by bringing more people into the regulated financial sector.

Overall, the digitalization of remittances can be mutually beneficial for both customers and RSPs as it creates a transactional track record opening opportunity for a broader and longer-term relationship.

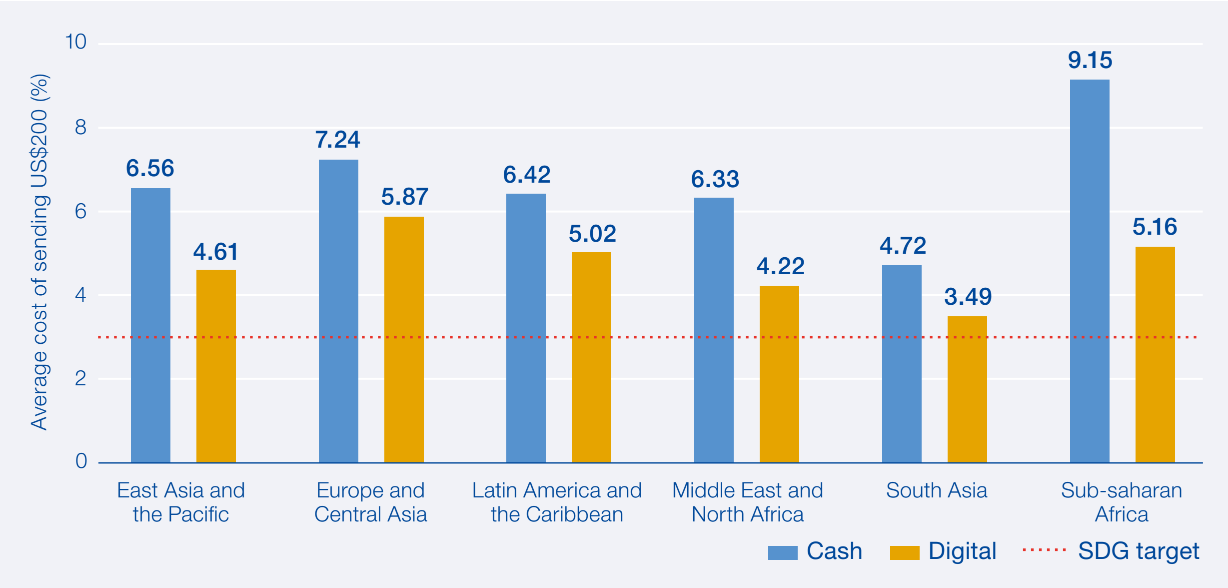
CHART 2: **Remittances digitalization theory of change**



- *Reducing the cost of remittances* – digital remittances are priced lower on average compared to cash services in every region of the world (Charts 3 and 4). Overall, the average cost to send US$200 in cash is 6.89 per cent compared to digital remittances which is 4.60 per cent. By comparison the cost of sending from a mobile money account to a mobile money account is 4.11 per cent.[9] These cost differences imply that sending US$200 via mobile money costs on average US$8.22 while fully digital remittances, regardless of the underlying instrument and channel, cost US$9.20 and cash remittances cost US$13.78. Remittance digitalization accompanied with lower costs has likely been driven by a combination of factors including:
  - structural enablers: enhanced account ownership, digital payment and mobile money usage and increased consumer awareness; enabling infrastructure and regulatory frameworks,
  - market competition: an increased number of operators offering more competitive services, better quality services,
  - the COVID 19 pandemic and related lockdowns accelerating the spread of existing digital methods which are already more affordable than in-cash remittances.

**BOX 2: Drivers of remittance costs and the role of digital financial service providers**

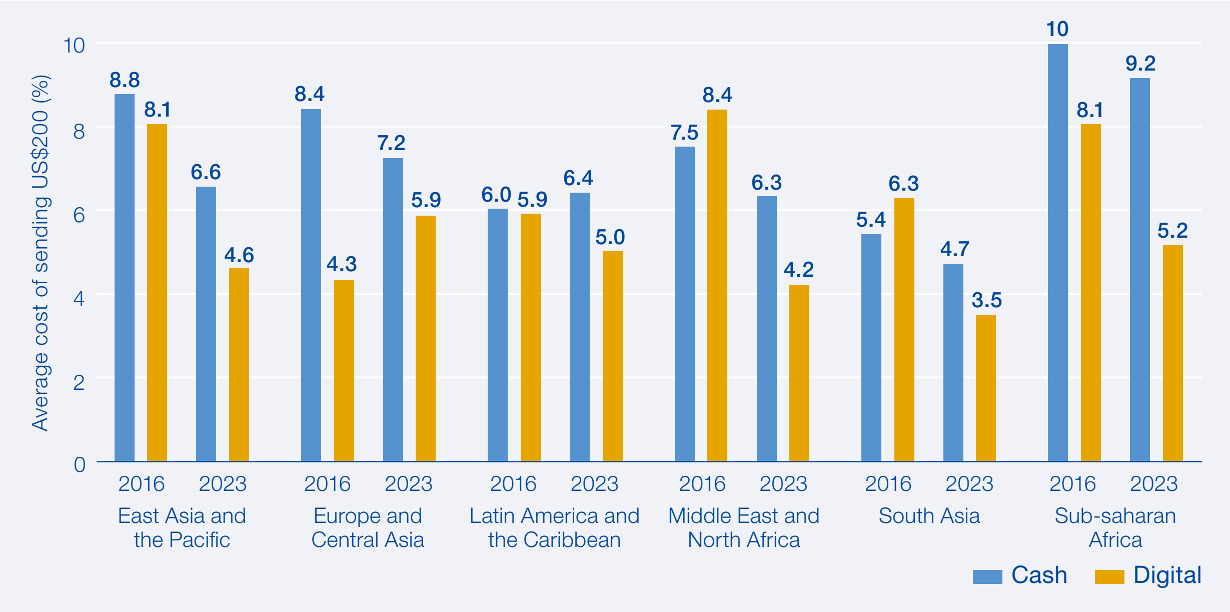
CHART 3: Average cost to send $200 by region, cash vs digital services, Q2 2023




*Source:* World Bank, Remittance Prices Worldwide, Q2 2023

9 Source: World Bank, Remittances Prices Worldwide, Q2 2023.

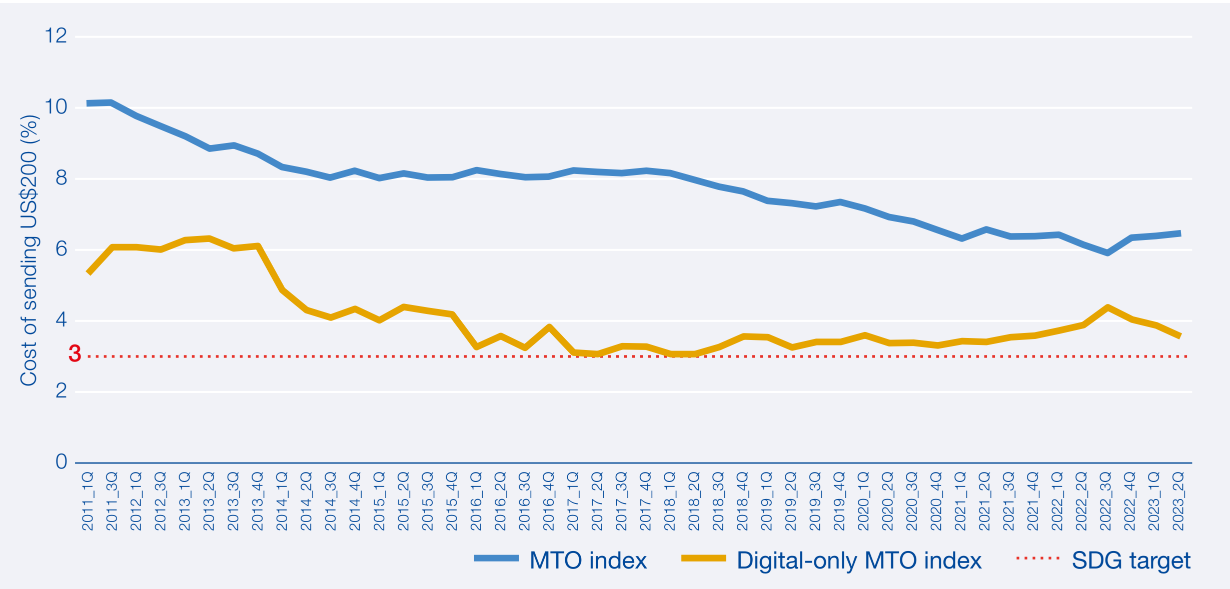
**CHART 4: Average cost to send $200 by region, cash vs. digital comparison across 2016–2023**




*Source:* World Bank, Remittance Prices Worldwide, Q2 2023

Chart 5 shows that among RSPs, digital-only money transfer operators (MTOs) are cheaper on average than leading MTOs offering a mix of digital and in-cash remittances.[10]

**CHART 5: Remittance price trends for Digital-Only MTOs and International MTOs 2011–2023, average cost of sending $200**




*Source:* World Bank, Remittance Prices Worldwide, Q2 2023.

10 For the definitions of remittance service providers and money transfer operators, please see CPMI and World Bank (2007). World Bank's Remittance Prices Worldwide (RPW) database defines a digital-only MTO as a money transfer operator that sends remittances predominantly through digital channels. The digital-only MTO index of RPW includes five such MTOs: Wise, Remitly, WorldRemit, InstaRem and Xoom. Some of these providers also have physical channels, and have increasingly started to offer cash pickup options at agent or branch locations in receiving jurisdictions. Please see World Bank (2023), *Remittance Prices Worldwide, Quarterly Report, Q2 2023.* https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q223.pdf

- *Increasing convenience to users.* Digital remittances enable a sender to transfer the money from any location with internet or USSD access, and a receiver to remotely receive funds without the need to visit a provider location. When instant, digital transfers provide a high level of reassurance to both senders and recipients on the successful completion of the transfer. The recipients, especially those in rural areas, can therefore choose the moment to pick up funds or use them within the digital payment ecosystem, and potentially save significant time, and avoid travel and time-off work costs. This can be particularly useful for the elderly and women remittance receivers, who might have childcare or safety concerns about accessing physical locations.[11] It has been estimated that costs to receive cash remittances in Africa range between US$0.72 to US$2.74 including travel and waiting time, which represented between 8 and 29 per cent of the total costs to send to Africa.[12]

**BOX 3: Singapore and India real time payment systems link**

- *Use of digital remittances and linked digital financial services.* In countries where termination of international remittances into mobile money accounts is allowed, remittance receipts into this type of accounts facilitate further usage of mobile money. Mobile money providers continue to grow globally, providing considerably greater reach than other distribution channels.[13] However, restrictions on operations of mobile money providers still exist. Currently, 16 African countries do not allow termination of remittances into mobile money accounts (RemitScope, 2023[14]). Receiving international remittances into a transaction account can often be the first formal financial service that is used by a beneficiary. Once an account is opened, further products such as saving accounts and insurance, can be accessed and used. Also, the payment of migrants' salary into transaction accounts has proven to trigger the use of digital remittances.[15]

**BOX 4: APS Gambia – Leveraging mobile-wallets to expand access to remittances and linked microfinance services**

11 GSMA | Enabling international money transfers for women: The promise of mobile money - GSMA Europe

12 Source: IFAD https://www.ifad.org/documents/38714170/40187194/baseline_postal.pdf/793f956f-2756-454f-b95b-45e3c0426d1b

13 Globally there are: 315 live mobile money services, 1.6 billion registered mobile money accounts (401 million active 30 day accounts, 586 million active 90 day accounts). South Africa has 154 live services, South Asia has 34 live services, East Asia and Pacific has 54 live services, Latin America and the Caribbean has 33 live services, Middle East and North Africa: 31 live services, Europe and Central Asia: 9 live service.

Source GSMA SORIR 2023 GSMA | State of the Industry Report – Mobile for Development

14 Remitscope is a centralised, global repository of remittance and remittance-related data and market intelligence developed by IFAD. It informs business and policy decision making through interactive dashboards and remittance country profiles.

15 IADB, Remittances from the U.S. to Latin America and the Caribbean: Following the Money Journey, 2019 http://dx.doi.org/10.18235/0001671

- *For women remittance receivers*, in addition to the convenience and safety of access that mobile money and other digital solutions offer, there is also an added level of privacy over the funds they receive and spend digitally, enabling them to make spending decisions. Digital remittances allow women to access funds received directly, which they are more likely to spend on household consumption, potentially contributing to lifting their families out of poverty.[16]
- *Improved data on remittances*. Digitalization makes it easier to collect meaningful data on remittances. Digitalization also creates a digital transactional profile that can open new opportunities for data-driven financial and non-financial services. By digitalizing RSPs' reporting abilities and linking them with national statistical offices, financial and AML/CFT supervisors, it is possible to collect and aggregate market data such as volumes and value of payments, disaggregated by corridor, urban/rural level, gender, payment instrument, and provider type, etc. If published, this data can improve knowledge and assist with policy and market development which can result in price reductions. Italy exemplifies good practices in this area as RSPs operating in the country are mandated to provide data to Banca d'Italia on a quarterly basis. This data is then aggregated in a non-attributable way and some of it is published. Further, Italy tracks changes in remittance prices and also commissions regular market research on remitters behavior including their use of digital services.

### BOX 5: Digital Remittances in Italy

16 GSMA | Enabling international money transfers for women: The promise of mobile money – GSMA Europe; https://www.findevgateway.org/paper/2017/06/remittances-driver-womens-financial-inclusion-mekong-region

# 3 Digitalizing remittance distribution channels

The digitalization of remittances has led to the emergence of various innovative distribution models that are most cost-effective than traditional cash-based models with benefits for the end users in terms of costs and convenience. Cash-based remittances rely on agents to handle the money at both the sending and receiving ends. Each agent then needs to be paid for the service that they provide which can make up over 50 per cent of the total cost of a remittance to cover operational costs and ensure minimum profit.[17] Initiating and receiving remittances through transaction accounts instead of cash allows digital remittance distribution models to either remove the need for physical access points (for fully digital models) or to build on the network of mobile money agents or other types of non-bank retailers exhibiting lower operational and maintenance costs than traditional agents involved in cash-based models. Moreover, especially in countries where mobile money uptake is advanced, there is more flexibility in the fee structure as the digital wallet is effectively being funded for free (versus the commissions that would have to be paid to agents for performing a cash-in service). Digital wallets funded with remittances can also be used in the mobile money ecosystem. For other types of RSPs offering other financial services, receiving remittances to a transaction account opens opportunity for cross-selling other products, and therefore, offers more flexibility than the sole remittance service remuneration. Agents play a key facilitating role in locations with limited digital infrastructure, such as rural areas, as they enable recipients to have access to their remittances even at the last mile. For both agents and recipients in rural areas, the scarcity of particular digital payment options tailored for rural use leads to reliance on cashing out remittances, hindering complete digitization.

**BOX 6:** Digitalizing Remittances in Kyrgyz Republic

**BOX 7:** Remittance Grant Facility Ghana: Digitalisation of the remittance transaction

## 3.1 RSPs operating in the digital remittance space

Digital RSPs became a phenomenon from around 2010 and grew steadily during that decade. Lock-downs during 2020 and 2021 caused physical retail locations to close, and acted as a catalyst for all types of RSPs to seek to offer or expand digital services. This led to an increase in competition and innovation in how remittances are provided and the financial services that are leveraged. It has also led to a blurring in the types of RSPs in the market as there are now a number of hybrid operators who provide a mix of traditional and digital services.

17 Mohapatra and Ratha (2011). Remittance Markets in Africa, Washington, DC: World Bank. and DMAG (2017) Reducing Costs and Scaling up UK to Africa Remittances through Technology.

The main types of digital operators include:

- Traditional RSPs, such as Western Union or Money Gram, are businesses that offer cash-based services, where cash is used to send the money and is paid out on the receiving end. This is still estimated to be the most popular method for sending remittances at around 70 per cent of transactions. Importantly, all of the largest traditional RSPs offer digital remittances as a core part of their service and are actively switching customers away from cash-based services.
- Digital-only MTOs are specialized digital remittance services, such as Remitly, Wave and Nium, among others. These were established to offer digital remittances on both the sending and receiving sides. Digital RSPs offer online/app-based ordering and crediting to accounts (bank and wallet) and in many cases cash payouts.
- Mobile Network Operators (MNOs) have established strong domestic payment services especially in Africa and parts of Asia. Many are now licensed to offer cross-border payments and are doing so at lower costs with convenient and attractive additional service offerings, usually based around financial services, that can be offered through a wallet. They are a convenient option for low-income and rural populations.
- Banks provide services on both sending and receiving sides. A small number of receiving-country-based banks have opened locations in sending countries specifically to enable their customers to send money home using apps and online services. The funds are credited to accounts in the home country. In addition, banks in receiving countries act as agents for RSPs for paying out purposes and thus provide a gateway to account crediting in their country. Some countries allow only banks to participate on the receiving end.
- Post offices often have the large retail distribution networks for sending and receiving remittances within a country and are often in rural areas. They frequently offer remittance services as an agent of one to the large traditional RSPs. Historically this has been on an exclusive basis which, whilst helping to provide access to individuals, has restricted competition. Recent trends show that this has been slowly changing in some nations. In certain countries post offices have also developed their own remittance products. Post offices have the potential to play a key role in expanding access to remittance services and, where they are part of the same business group as a post bank, of increasing and deepening the scope of financial inclusion.
- While they do not connect directly the end users, aggregators still connect RSPs with multiple partners in many countries through a network that they have assembled, thus avoiding the need to create extensive bilateral partnerships. This enables services to expand more rapidly, increases competition and enables greater access to services in rural areas. Companies operating in this space include HomeSend, Onafriq, TerraPay and Thunes.

## 3.2 Most common types of digitalization by region

Digitalization takes different forms in different regions. For example, in most regions the main method for sending money is digital, especially for transactions originating in North America and Europe. However, the Gulf Cooperation Council (GCC) region represents a notable exception where cash-based transactions still dominate. Payouts into an account are the main method in those regions where account ownership is highest, whilst e-wallets and mobile wallets are more popular where financial institution account ownership is lower.

## TABLE 1: Prevailing in-cash and digital methods used by region[18]

| Region | Remittance inflows 2022 (UD$ billion)[19] | Financial Institution account (per cent)[20] | Main method for sending to region | Predominant digital payout method in the region (non-cash)[21] |
|---|---|---|---|---|
| East Asia and Pacific (including China) | 130 | 80 | • Cash<br>• Online or app | • Account<br>• e-wallet |
| Europe and Central Asia | 79 | 77.2 | • Online or app | • Account |
| Latin America and the Caribbean | 145 | 71.0 | • Online or app | • Account |
| Middle East and North Africa | 64 | 46.9 | • Online or app | • Account<br>• e-wallet |
| South Asia | 176bn | 65.8 | • Cash | • Account<br>• e-wallet |
| Sub-Saharan Africa | 53 | 39.7 | • Online or app | • Mobile wallet |

18 The inputs for the columns "Main method for sending to region" and "Predominant digital payout method (non-cash)" were collated and prepared from a number of sources including publicly available studies from development institutions, research houses and discussions with market stakeholders. Sources include:

**Sending** – Covers all key send markets and specifically used for corridors to South Asia and Africa
https://remittanceprices.worldbank.org

**Receiving** – Several documents cover multiple regions. They have been allocated to the region that is most relevant for the source

*Africa* – https://www.fsdafrica.org/wp-content/uploads/2019/08/Scaling-up-Remittances-15.06.2017_Final-1.pdf
https://www.gsma.com/mobilefordevelopment/resources/state-of-the-industry-report-on-mobile-money-2023/
https://www.mckinsey.com/industries/financial-services/our-insights/the-2023-mckinsey-global-payments-report

*Global and South Asia, East Asia and the Pacific* – https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2021/07/CIU_PacificRemittances_R_WebSingles1.pdf

*Latin America* – https://www.thedialogue.org/wp-content/uploads/2023/04/Family-Remittances-2022-in-Numbers.pdf
https://www.thedialogue.org/wp-content/uploads/2022/03/Family-Remittances-in-2021-1.pdf
https://web-assets.bcg.com/35/07/0fc7fec84c509395ad4ac17887c8/bcg-global-payments-report-2023-sep-2023-r.pdf

*Latin America, Middle-East and Africa, South Asia* – https://www.mckinsey.com/industries/financial-services/our-insights/the-2023-mckinsey-global-payments-report

*Global and South Asia* – https://www.fisglobal.com/-/media/fisglobal/files/campaigns/global-payments-report/FIS_TheGlobalPaymentsReport2023_May_2023.pdf?mkt_tok=OTc1LUJDVS03MDcAAAGPKnLdT9xGCPNgQv5aLRhhq8yRb9Jy8_HuFeoyjWgl_RAdDvS6lZdfHN0hDwAyXLjrwti3ND4YApq1O4Yc2LMgqNKA8CtbTrBgJHoarn3XsSS41w

*South Asia, East Asia and Pacific Global* – https://www.worldbank.org/en/topic/financialinclusion/brief/gpss
https://www.statista.com/outlook/dmo/fintech/digital-payments/digital-remittances/worldwide#:~:text=Transaction%20value%20in%20the%20Digital,US%24174.50bn%20by%202027

19 *Source:* KNOMAD – Migration and Development Brief June 2023

20 *Source:* The Little Data Book on Financial Inclusion 2022 (Global Findex)

21 An *e-wallet* is an electronic device, online service or software used to store information on payment instruments such as payment cards or accounts, allowing users to pay for purchases directly from their electronic devices or online services. A *mobile wallet* is an e-wallet that is used specifically on a mobile phone rather than a card or computer.

# 4 Conducive environment and market drivers for digitalization

Creating the ideal environment for digital remittances is country-specific and requires a unique mix of multiple variables including a conducing environment with enabling infrastructures and regulatory frameworks but also existing market drivers, such as the use of domestic digital payment services and digital financial literacy.

In order to analyze the payment system aspects of remittances, CPMI and the World Bank have outlined a set of general principles to guide for policymakers and industry stakeholders in formulating strategies to improve the overall remittance ecosystem.[22] These principles emphasize the importance of transparency and consumer protection, robust payment system infrastructure, a sound legal and regulatory framework, fostering competitive market conditions, and implementing effective governance and risk management practices. By adhering to these principles, remittance service providers can enhance the safety and efficiency of their services, while ensuring that consumers are well-informed and protected.

Expansion of digital remittances lies on an array of enabling regulatory domains, many of which are iterated in the General Principles for Remittance Services. The following domains are a pre-requisite to ensure a sound emergence of competitive and innovative players without comprising financial integrity and customer protection.

Those domains help enable digital remittances with slight nuances based on whether jurisdictions are at the sending or receiving end of the market.

## 4.1 Transparency and consumer protection

Enabling regulations providing consumer protection, ensuring transparency data privacy, and cybersecurity, and tackling money laundering, terrorist financing, online fraud, and other illicit finance activities trigger private sector providers to offer compliant, high quality financial services while building trust at customer level and helping safeguard financial sector integrity.

**BOX 8: Russia measures to counter fraudulent fund transfers**

## 4.2 Infrastructure[23]

Infrastructure must be of a sufficient depth to enable individuals to access digital payments, especially those on low-income or in rural areas.[24] The level of availability of internet, mobile phones and financial access points estimated through bank branches is lowest in Sub-Saharan Africa and varies by indicator for the other regions (Table 3).[25]

22 CPMI and World Bank (2007). *General Principles for International Remittance Services*. Basel: Bank for International Settlements and Washington, DC: World Bank.

23 Please note that all aspects of domestic payment infrastructure besides cross-border links are not covered in this report. These include access to payment infrastructures by non-bank providers, interoperability, operating hours, data exchange and message standards, etc.

24 Please see World Bank (2016), Getting SmaRT about remittance price monitoring. https://remittanceprices.worldbank.org/sites/default/files/smart_methodology.pdf

25 Bank branches remain the most commonly available data across countries in global data sets and therefore a proxy used to gauge the financial access point infrastructure.

TABLE 2: **Global internet, mobile phone and bank branch data**

| Region | Internet penetration (per cent)[26] | Mobile Phone penetration – subscriptions per 100 people 2021[27] | Bank branches per region per 100,000 people 2021[28] |
|---|---|---|---|
| East Asia and Pacific | 75.3 | 128.1 | 10.6 |
| Europe and Central Asia (excluding Russia) | 89.7 | 127.3 | 21.1 |
| Latin America and the Caribbean | 74.7 | 107.8 | 11.2 |
| Middle East and North Africa | 70.7 | 111.2 | 12.8 |
| South Asia | 62.0 | 85.2 | 14.6 |
| Sub-Saharan Africa | 42.7 | 84.2 | 4.1 |

Interlinking of domestic payment systems and regional systems can lead to more efficient and cost effective cross-border payment systems. The interoperability of payment systems is a cornerstone for creating a conducive environment for digitalization. Broad-based interoperability extends the use of domestic payments infrastructure to facilitate cross-border payments and remittances thus improving access to a range of providers and channels. In practice, interoperability enhances the value proposition of formal services by promoting ubiquitous access points thus promoting the shift to formal and digital channels.

**BOX 9: India: Impact of innovative payment services to reduce cost of remittances**

**BOX 10: India-United Arab Emirates Memorandum of Understanding (MoU) for promoting local currencies in cross-border trade**

**BOX 11: The UAE Central Bank launches a Financial Infrastructure Transformation Programme to accelerate the digital transformation of the financial services sector**

**BOX 12: Bankserv Africa: Broad-based interoperability across Southern African countries**

The role of financial and non-financial infrastructure that support seamless digital remittances becomes paramount in creating a conducive environment for digitalization of remittances. In this context, the concept of Digital Public Infrastructures (DPIs) is notable. DPIs, with their inherent features of openness, interoperability, and inclusivity, can have a profound effect in the remittances market and propel the sector into a new era of digitalization. Box 13 delves deeper into the concept of DPIs and their transformative potential in redefining the digital remittance landscape.

**BOX 13: Digital Public Infrastructures and their role in digitalization of remittances**

26 Internet Penetration Statista.com
27 Mobile Phone World Bank
28 Bank branches World Bank

### 4.3 Regulatory framework

Non-Bank-Financial-Institutions are important innovative players in the digital remittance markets to foster digital remittances. However, licensing conditions for cross-border payments tend to be more restrictive for non-banks and foreign-owned financial services providers compared to domestic financial institutions with a banking license.[29] In addition, in certain countries, this barrier to entry is also amplified by complex, unclear and lengthy licensing processes.[30]

A risk-based approach to customer due diligence (CDD) is critically important. Enrolling customers for digital financial services, especially remote on-boarding, needs to be simple (user-friendly) and proportionate to the potential illicit finance risks presented by the customer relationship and associated financial transactions.[31]

**BOX 14: Cenfri: Remittance services access through identity proofing, CDD and KYC innovations**

### 4.4 Market structure and competition

Digital innovation has been reshaping the provision of financial services in general, leading to new business models and new types of providers. These developments have the potential to lead to a more diverse, competitive, efficient and inclusive markets for financial services. Digitalization in the financial sector can contribute to cost reduction in several ways: creating efficiencies in the delivery of the services themselves, for example, but also through boosting competition. The diversity of providers due to digitalization can lead to more competition, which in turn is expected to contribute to cost reduction. In addition, digitalization can lead to a more inclusive financial sector, when combined with effective consumer protection policies as well as programs on digital and financial literacy.

These changes have also affected the remittances sector. Several new remittance service providers entered the market in the last decade, providing remittance services through digital channels at a much lower cost than more traditional providers which provide a mix of digital and cash services (see Chart 5 above). While further research is needed to attribute the cost reduction to the indirect effect of increased competition as noted above, it is possible to conjecture that increased competition in the market for remittance services is correlated to reduced costs.

In more digitalized markets, the presence and use of domestic digital financial services enable a greater understanding of how these services operate and provide a foundation for cross-border digital payments. Trust is created once people understand how these services work, their safety measures and the ability to access ancillary services.

The wide usage of digital financial services increases digital financial literacy which, in turn, empower remittance beneficiaries to use digital financial services (such as digitally paying a merchant, as opposed to cashing out), to purchase basic goods and pave the way for the uptake of a second generation of digital financial services such as savings, loans and insurance.

However, digital financial literacy support needs to be provided to overcome the challenge that people often do not trust digital payments or do not understand them which is proven particularly critical in market historically marked by in-cash

29 https://www.bis.org/cpmi/publ/d202.pdf

30 https://remitscope.org/wp-content/uploads/2023/06/SouthAfrica_Diagnostic_Remitscope_Africa_EN.pdf

31 For example, the risk associated with the transfer of USD200 is different to the risk in a USD25,000 transaction.

remittances preferences. Digital financial literacy campaign and training around remittances is often absent or left to RSPs whose main aim is to encourage people to use their service. Ideally, digital financial literacy should be part of the national education strategies and leverage on digital channels to be disseminated broadly.

**BOX 15: Remittances and digital access to financial services in Jordan – Money Transfers without Borders**

### 4.5 Governance and risk management

Digital financial services in general, and digital remittances in particular, can help minimize some of the risks in the delivery of financial services while also exacerbating some others. Digitalization can lead to new types of financial, legal, fraud, operational and reputational risks for RSPs as well as risks for consumers such as data privacy and fraud. Appropriate governance and risk management procedures by RSPs, taking into account the specificities of risks arising due to digitalization, are essential to have safe and sound digital remittance services while protecting remittance beneficiaries.

### 4.6 Differences between digitalization on the sending side and the receiving end

Digitalization considerations and practices are different depending on whether money is being sent or received. Most major remittance sending countries, typically high-income countries, already have the necessary enabling environment for domestic digital payments with large financially included populations who have access to electricity, internet, bank accounts, online payments and mobile phone apps. At the same time, these properties of the enabling environment do not always extend to cross-border payments. For instance, in South Africa, access to bank accounts is above 80 per cent but for cross border payments most migrants cannot use formal bank accounts because they cannot satisfy KYC requirements at banking institutions. Similarly, in Italy, only 68% of Moroccan migrants have access to a bank account as compared to the whole Italian population banked at 97,3% (CesPi 2017).

Receiving remittances, in many instances, has greater challenges than sending, as receiving countries tend to lag in terms of enabling environment development, including digital and financial infrastructures and regulatory frameworks. Most major remittance-receiving countries face challenges with a lack of access to electricity, internet and mobile phone networks. These factors disproportionately affect rural areas, where there is also frequently a lack of financial access points. This most especially impacts Sub-Saharan Africa. Furthermore, there are frequently strict regulatory restrictions in these markets on which types of businesses are allowed to pay funds out. Often only banks or their agents are allowed to do so and there is no provision for entities that are strong in rural areas, such as MNOs or microfinance institutions, due to concerns about their capacities in general and on AML/CFT compliance in particular.[32]

**BOX 16: MobileRemit index: Gauging the readiness for mobile-enabled remittances at receiving end**

32 IFAD, Africa – Remitscope report 2023

Many countries have focused on improving their digital payments environment, including the one for remittances. The approach taken is always tailored to local conditions and varies widely. Examples include:

- Kenya has encouraged mobile money operators to grow sustainably through enabling regulation, partnerships and regular dialogue between stakeholders.
- Ghana has increased the digitalization of remittances through enacting regulations to enable new categories of businesses to offer international remittances, payment interoperability, and an innovation sandbox. There are also new remittance-linked financial products.
- Brazil has developed a real-time domestic payment system called Pix. Financial inclusion in the country has increased and it has led to innovation in digital international remittances as international MTOs now partner with local providers for efficient, fast payments.
- India has linked its Universal Payments Interface with Singapore's PayNow which means that real-time payments can be made between bank accounts and e-wallets across for a diversified array of RSPs in the two countries.[33]
- Pakistan has introduced the Pakistan Remittances Initiative in 2009 as a coherent approach to improve the market. Digitalization is a key through increasing access to bank accounts, digital payments and new remittance-linked payments and investment products.
- Philippines has launched the National Retail Payment System in 2015 which has led to an increase in digital payments from 1 per cent of retail payments in 2013 to 42 per cent in 2022. Accompanied by innovation from banks and mobile companies this has encouraged major increases in digital remittances.[34]

**BOX 17:** **PIX Brazil – Central Bank of Brazil Domestic Payments scheme**

**BOX 18:** **Pakistan Remittances Initiative**

33 India has undertaken substantial reforms in the domestic payments market, which have implications for the market for international remittances. This specific aspect is highlighted as an example of the cross-border interlinking.

34 Source: BSP – https://www.bsp.gov.ph/PaymentAndSettlement/2022_Report_on_E-payments_Measurement.pdf

# 5 Recent digitalization trends

There is limited data on the percentage of remittances sent and received via digital methods, but there are strong indicators that there is robust growth of key enablers for remittances digitalization such as account ownership and digital payments usage. Between 2017 and 2021, there was a 7.7 percentage points increase in the share of the global adult population owning an account; at the same time, the number of mobile money accounts more than doubled while a 12 percentage points increase in adults making or receiving a digital payment has been recorded in the same time span.

TABLE 3: **Adult population holding accounts, mobile money accounts and using digital payments**

| Region | Account (% age 15+) | | | Mobile Money Account (% age 15+) | | | Digital Payments made or recievd in the past year (% age 15+) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2021 | Difference | 2017 | 2021 | Difference | 2017 | 2021 | Difference |
| East Asia and the Pacific | 70.4 | 80.8 | 10.4 | 1.2 | 5.8 | 4.6 | 57.3 | 76.1 | 18.8 |
| Europe and Central Asia | 65.1 | 77.8 | 12.7 | 3.3 | 16.7 | 13.4 | 60.2 | 73.8 | 13.6 |
| Latin America and the Carribean | 54.5 | 72.9 | 18.4 | 5.2 | 23.4 | 18.2 | 45.1 | 65.1 | 20 |
| Middle East and North Africa | 43.4 | 48.1 | 4.7 | 5.8 | 5.8 | 0 | 33.3 | 40.2 | 6.9 |
| South Asia | 69.5 | 67.9 | -1.6 | 4.2 | 11.6 | 7.4 | 27.8 | 33.7 | 5.9 |
| Sub Sarahan Africa | 42.6 | 55.1 | 12.5 | 20.8 | 33.2 | 12.4 | 34.3 | 49.5 | 15.2 |
| **World** | **68.5** | **76.2** | **7.7** | **4.3** | **10.2** | **5.9** | **52.1** | **64.1** | **12** |

*Source:* World Bank, Global Findex, 2021

During the pandemic, stakeholders undertook several measures to ensure that remittances continued to flow and also introduced incentives in some markets to encourage the shift to digital.

BOX 19: **International responses to the COVID 19 pandemic on remittances**

BOX 20: **Call-to-Action, World Bank (April 3, 2020)**

BOX 21: **PRIME Africa private sector digitalization projects across seven African countries**

BOX 22: **Project Greenback**

**BOX 23: World Bank's Remittances and Payments Program (RPP)**

**BOX 24: Reducing remittance costs for Ukraine**

The pandemic also led to an increase in the use of digital payments for domestic transactions with notable growth in online, app-based and contactless payments resulting in increased familiarity with this type of payment, which led to a halo effect that generated trust in digital remittances.

Despite the major shift from cash-based to digital transactions due to the pandemic, digitalization is not a rapid solution and needs to have enabling environments in place to become effective, especially in receiving countries.

From the information that is available, the main money transfer companies (including those quoted on stock markets) have all seen significant increases in the share of their business that is made using digital services.[35] The table below highlights the evolution of digital revenue for leading MTOs offering both cash and digital remittances. Remitly, a digital-only MTO is used as a benchmark to provide an order of magnitude of digital revenue for leading MTOs.

TABLE 4: Change in importance of digital remittances to selected publicly quoted RSPs

| | Percentage of business that is digital Q1 2020 | Percentage of business that is digital Q1 2023 | Percentage change | Revenue Q1 2023 |
|---|---|---|---|---|
| Western Union | 16% | 22% | +6% | $938m |
| MoneyGram | 18% | 47% | +29% | $303m |
| Remitly | 100% | 100% | 0% | $204m |

According to GSMA, mobile-money-to-mobile-money international remittances increased over the last three years to reach $22bn in 2022 or 3.4 per cent of remittances to LMICs.[36]

As a proxy for the digitalization trend, the services that are monitored in the World Bank's Remittance Prices Worldwide database[37] shows that globally the number of digital services increased from 823 to 2,327 (183 per cent) during the period 2017-2022 whilst cash-based services only increased by 59 per cent (3,320 to 5,281) showing that digital services are increasing more rapidly but are still less than a third of all services.

35 Care should be taken as different RSPs use different definitions of digital remittances and do not provide directly comparable results.

36 Source: https://www.gsma.com/sotir/

37 https://remittanceprices.worldbank.org/ tracks remittance prices in over 300 corridors covering 80-85% of remittances globally.

# 6 Tackling the opportunities for further digitalization of remittance and financial inclusion

Recent advancements in remittance digitalization have effectively lowered costs and showcased significant potential for fostering digital financial inclusion. This transformation also holds promise in strengthening the role of remittances to withstand financial shocks and climate-related risks.

However, while the shift to digital remittances offers numerous opportunities aligned with Sustainable Development Goals (SDGs), concerted efforts are essential to ensure that its benefits reach all segments of society. Special attention must be given to preventing the exclusion of vulnerable groups like women, the elderly, the impoverished, and rural communities. Failure to manage this transition properly could exacerbate disparities.

Many individuals sending and receiving remittances lack awareness and trust in the financial sector. This is particularly the case for vulnerable populations. Customized solutions tailored to their needs are crucial, including targeted financial literacy programs covering digital financial services. Transparency regarding all cost components i.e., foreign exchange, transaction fees, cash-in and cash-out fees, and speed of transaction in digital remittances is vital. Educating customers to compare costs and other relevant information is essential for empowering them to make informed decisions.

Accessing digital remittance services necessitates both an account and the means to utilize it through digital devices like mobile phones, tablets, or computers, along with reliable connectivity. Without these essentials, the most vulnerable populations will face obstacles in utilizing digital remittance services and might incur higher costs or invest more time and resources in physically accessing remittance service provider locations. Opening an account typically requires proof of identity and residence, presenting challenges, especially for vulnerable populations lacking proper documentation. However, implementing a risk-based approach and innovative simplified customer due diligence strategies can help overcome these barriers.

Furthermore, the absence of adequate digital infrastructure and local digital payment solutions, particularly in receiving markets forces recipients to cash out their digital payments, limiting the full potential of digital remittances.[38] Enhancements in domestic retail efficiency and instant payment systems, cross-jurisdictional integration of systems, and support to expand access points like agents and ATMs are crucial. Developing digital financial services linked with remittances and tailored digital use cases for rural populations is necessary to unleash the benefits of digital remittances.

**BOX 25: Egypt: A Pilot for Digitalization of Remittances for Women and Improving Electronic Payment Acceptance**

38 Source, FSD Africa 2020

Digitalization enhances the ability to automate transaction tracking, preventing money laundering, financing of terrorism risks, and fraud. However, it also introduces specific risks such as cyber threats and challenges arising from new business models and types of Remittance Service Providers (RSPs) entering the market. Regulations and supervision of RSPs must evolve to mitigate these new risks. Governance and oversight of remittance services play a crucial role in this context.

# Annexes

## BOX 1: International Day of Family Remittances Campaign 2023-2024


**The International Day of Family Remittances (IDFR)** is a universally-recognized observance adopted by the **United Nations General Assembly** (A/RES/72/281) and observed every year on 16 June. The Resolution was unanimously adopted by the UN General Assembly on 12 June 2018 under the leadership of four UN Member States – Algeria, Guatemala, Madagascar, Philippines.

Through this observance, the United Nations aims to bring greater awareness of the impact that these contributions have on millions of households, but also on communities, countries, and entire regions.

The IDFR is fully recognized at the global level and included as one of the key initiatives to implement the Global Compact for Safe, Orderly and Regular Migration (Objective 20) that calls for the reduction of remittance transfer costs and greater financial inclusion through remittances. By recognizing the transformative impact that remittances have across families, entire communities and countries, the Day also promotes the achievement of the Sustainable Development Goals (SDGs) and furthers the 2030 Agenda for Sustainable Development.

This year's global campaign **"Digital remittances towards financial inclusion and cost reduction"** reached its peak during during the Global Forum on Remittances, Investment and Development (GFRID[39]) held in Nairobi Kenya from 14-16 June 2023. The campaign recognizes the positive impact of digital remittances not only on reducing transfer costs but also on enabling financial and digital inclusion amongst the most vulnerable groups of senders and recipients.

**Key achievements**

- The **G20 Global Partnership on Financial Inclusion (GPFI)**, under the Indian G20 Presidency, and the **United Nations Network on Migration**, representing all United Nations agencies working on migration, along with public and private sector partners released two statements in support of the campaign.

*Written endorsements*

- **12 video pledges and 11 statements by Principals and Senior Management of the United Nations and international organizations, CEOs of private sector companies and associations**, and **presidents of diaspora associations** were widely disseminated.

*Video endorsements*

- Over **100 articles** and mentions in the **international press** and over **100,000 views on social media and web platforms** peaking during the IDFR observance.
- Collaborated with more than **100 partners**, leveraging their networks and expertise to drive the campaign's goals and impact.

39 http://gfrid.org

## BOX 2: Drivers of remittance costs and the role of digital financial service providers

Based on the data from the *Remittance Prices Worldwide* database, the World Bank has conducted an analysis on the drivers of the cost of remittances and examined the role of digital services in bringing down remittance costs charged by non-bank providers. The analysis focuses on the correlates of remittance costs across corridors, considering the different components of the average cost of sending US$200 as different dependent variables.

The analysis finds supporting evidence for a negative correlation between the availability of services offered by digital MTOs and the average cost of sending US$200 at the corridor level and its component associated with transfer fees. That is, a larger share of services offered by digital MTOs is associated with lower average costs and lower transfer fees. The analysis also indicates that more developed infrastructure and enabling legal and regulatory frameworks for payments in the sender jurisdiction are associated with lower average cost of sending remittances as well as average fees. According to the World Bank, the existence of restrictions on outward person-to-person (P2P) transfers imposed by the sending jurisdiction is linked to higher average cost and higher average fee of sending $200, potentially acting as a barrier. Lastly, floating exchange rate regime in the sending jurisdiction is found to be related to higher average foreign exchange margins, likely due to higher uncertainties about the exchange rates compared to fixed regimes.

A higher GDP per capita of the destination country is associated with higher average costs, while larger destination jurisdiction population is associated with lower costs. While the former may be an indicator of how income affects the price charged for the service, the latter is related to the scale. The existence of restrictions on inward P2P transfers by the receiving jurisdiction is found to be associated with lower cost of remittances. This could potentially be due to RSPs providing incentives by lowering their fees (and hence, enabling a lower average cost) in response to such restrictions for marketing purposes. Lastly, while floating exchange rate regime in the receiving jurisdiction does not have any statistically significant relationship to the cost, the existence of a currency union in the receiving jurisdiction is associated with lower average foreign exchange margins, while raising the average transfer fees.

*Source:* Didier Brandao, Tatiana; Feyen, Erik H.B.; Llovet Montanes, Ruth; Ardic Alper, Oya Pinar (2022). *Global Patterns of Fintech Activity and Enabling Factors: Fintech and the Future of Finance Flagship Technical Note (English).* Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/099735504212234006/P1730060695b370090908c0bf80ed27eba6

This box is contributed by the World Bank

## BOX 3: Singapore and India real time payment systems link

From the customer perspective, an efficient domestic payment system is key in enabling the pay-in and pay-out of international remittances. The integration of domestic instant payment systems among sending and receiving countries enable remittance users to make the most of each domestic payment systems and increase customer experience and convenience digitally. A new service was launched in February 2023 by the central banks of Singapore and India, the Monetary Authority of Singapore (MAS) and the Reserve Bank of India (RBI), to enable more convenient cross-border payments.

The new service links the payment systems of Singapore's PayNow service and India's Unified Payments Interface (UPI) to enable customers to send and receive money in real-time between bank accounts or e-wallets. Customers can do this by using a mobile phone number, a UPI identity or a virtual payment address. This is the first real-time payment systems link that uses scalable cloud-based infrastructure, having as participants non-bank financial institutions, as well as banks.[40]

The UPI-PayNow linkage initiative aims to provide faster, more reliable and lower cost remittances and payments using a fully digital solution. This will particularly benefit foreign workers residing in Singapore and India by ensuring that they benefit from a cost-efficient service, thus decreasing the cost of remittances and promoting access to financial services.

Account ownership stood at 78 per cent of adults in India in 2021 but with only 35 per cent of account holders using their accounts to make or receive digital payments.[41] This initiative will be an important tool to enhance financial inclusion via increasing the usage of digital payments. Being real-time and fully traceable, the service seeks to enhance customer trust in digital payments. In addition, AML/CFT compliance is fully automated which is expected to increase the processing speed of transactions, while reducing their cost.

Additionally, linking of payment systems is planned to be expanded to other Asian nations with five countries – Singapore, Thailand, Malaysia, Indonesia, and the Philippines, signing a memorandum of understanding on Cooperation in Regional Payment Connectivity (RPC) in November 2022.

## BOX 4: APS Gambia: Leveraging m-wallets to expand access to remittances and linked microfinance services

APS International Ltd. (APS) is registered as a Foreign Exchange Bureau and Financial Services Provider in The Gambia, operating in the remittance industry since 2009. APS sends and receives remittances from 18 countries and has 17 branches and 50 agentswithin The Gambia to facilitate payout. It holds a 12 per cent market share in the country and has 30,000 customers (remittance senders and receivers). APS recently obtained a microfinance license and intends to offer microfinance services (savings, loans) to retain its remittance customer base and attract a new one. In order to optimize the distribution of remittance and microfinance services, APS engaged into a digitalization process.

IFAD has partnered with APS to address the challenges related to the limited use of formal remittance channels to The Gambia, low financial inclusion levels, high remittance transfer costs and low financial literacy. The joint initiative promotes the use of a mobile wallet –accessible through the APS platform (web portal and mobile app-based) enabling access to remittances from European target corridors (France, Germany, Italy, Norway, Spain and Sweden). In The Gambia, the digital wallet enables access to remittances even in areas where MTO agents do not reach. By September 2023, 15 months after the solution kick-off, a total of 18,475 remittance senders have started using the wallet and 36,000 remittance receivers have opened digital wallets in The Gambia to receive their remittances digitally.

The project also includes the expansion of the APS agent network, particularly in rural areas, to enlarge the pay-out network at the receiving end. Financial inclusion is expected to be greatly enhanced by APS' conversion of in-cash remittance recipients to users of mobile wallets and linked microfinance services.

*Source:* https://ffremittances.org/projects/expanding-digital-remittances-and-microfinance-products-towards-financial-inclusion-in-the-gambia/

40 Initial participants are DBS Bank and Liquid Group (the non-bank institution) in Singapore and Axis Bank, DBS India, ICICI Bank, Indian Bank, Indian Overseas Bank and State Bank of India in India in the first instance.

41 Source: World Bank, Global Findex, 2021.

## BOX 5: Digital Remittances in Italy

Italy set up a specific research and monitoring area to oversee the development of digital financial services within the national remittances market. Three main activities have been implemented in 2023:

1. Monitoring of **remittance costs**, through the Italian website mandasoldiacasa.it (the national remittance cost comparison website, funded by the Bank of Italy) with a specific focus on digital channels.
2. Monitoring of **migrant's remittance behavior** through an annual survey on 1,300 third country nationals.
3. A **first assessment of the Italian digital channels market**, through a survey addressed to MTOs and banks, thanks to the collaboration of financial operators as part of the activities of the Italian Working Group of Remittances.

### Remittance costs

According to the latest available data (July 2022) provided by the Italian website *mandasoldiacasa.it*,[42] the average cost of sending remittances from Italy on the 18 monitored corridors reached 4.3 per cent (for €150). Nevertheless, averages hide an ample variability in the economic conditions applied to remittance-senders by different market operators. The website compares October 2021 and July 2022 average costs of sending remittances from Italy (see table below), based on sending channels (i.e. through branches or online platforms) and receiving methods (in cash, on a bank account or on a card-mobile or electronic wallet).

**Remittance costs – by channel and method**

| Channel | Method | Average cost of sending 150€ – October 2023 | Average cost of sending 150€ – October 2021 |
|---|---|---|---|
| Sending Channel | Branch | 5.4% | 5.8% |
| | Online | 3.7% | 4.2% |
| Receiving Channel | Cash | 5.1% | 5.4% |
| | Bank account | 3.3% | 3.7% |
| | Card-mobile wallet | 3.5% | 3.8% |

*Source:* Elaboration from www.mandasoldiacasa.it – October 2023

Despite a general cost-cutting path, data evidences an increased speed in digital channels' cost reduction.

### Migrant's remittance behavior

The last survey carried out by the National Observatory of the Financial Inclusion of Migrants in October 2022 on a sample of 1,300 non-EU and non-OECD migrants residing in Italy,[43] showed that digital channels are increasingly being selected by migrants: 13 per cent of respondents indicated digital channels as 1st choice of sending in 2022, compared to 5 per cent in 2017.

Another survey highlight is the growth of digital channels not just to *send* but also to *receive* remittances, which increased from 6 per cent of the survey respondents in 2017 to 23 per cent in 2022; nevertheless, cash remains the main method to receive remittances, accounting for almost 40 per cent of the overall amount sent.

42 The website is funded by the Italian authorities and managed by CeSPI – Centro Studi di Politica Internazionale, an Italian independent think tank – and is certified by the World Bank as following its guidelines. Based on a "mystery shopping" methodology, the website compares, on a monthly basis, the prices of remittance services available for 18 corridors (Afghanistan, Albania, Bangladesh, Bolivia, Brazil, China, Colombia, Ecuador, Ghana, India, Ivory Coast, Morocco, Nigeria, Peru, the Philippines, Romania, Senegal, Ukraine), representing 65 per cent of outward flows of remittances from Italy. The website shows the total cost as well as its breakdown (fees and exchange rate margin) for three sample amounts (€150, €300 and €950), different products, speed and type of operators (MTOs, commercial banks and postal network).

43 The survey involved a stratified sample by territorial and gender distribution of 1,300 adult migrants resident in Italy, belonging to 77 non-EU and non-OECD countries, residing in 98 Italian provinces. The survey was carried out through a 50-question questionnaire that investigated socio-economic variables, the use of different financial products and the financial behavior of migrant citizens, including the remittances. The findings of the survey analysis can be found in Frigeri D., "Le imprese a titolarità immigrata in Italia. L'impatto della pandemia e l'inclusione finanziaria" and is available for dowlload at www.cespi.it.

**BOX 5: Cont.**

**First assessment of the digital channels market**

A survey entitled "Digital Remittances Market" has been conducted among the remittance service providers (RSPs) and money transfer operators (MTOs) participating to the Italian Working Group on Remittances with the aim to providing a first assessment of the digital remittances market in Italy and the business models adopted by operators. Although the remittance sector remains highly dominated by three leading MTOs: Western Union, RIA Money Transfer and MoneyGram, an increasing number of small operators, operating exclusively through digital channels are entering the Italian market.

The survey includes four distinct sections aimed at: 1) defining the survey perimeter (i.e. what's the operators' understanding of the term "digital remittances") and the dimension of market; 2) gathering information on the prevailing business model, if any; 3) reconstructing the production cost structure; and 4) gathering qualitative information on initiatives, obstacles and opportunities for the further development of the digital remittances segment.

A significant sample of banks, through the Italian Banking Association, answered the survey as well as of other RSPs and MTOs, including the top three operators in Italy that together represent over 50% of the market in terms of intermediated flows.

*Session 1: survey perimeter and market dimension*

From the MTOs' perspective, it's mainly the sending channel that defines a "digital" transfer; in this regard, a "digital" remittance includes the following sending channels: web, mobile, apps and electronic wallets. Debit or credit cards, on the contrary, are in general not included in the set of instruments dubbed as "digital" by MTOs. Banks, on the other hand, don't have a shared codification and usually refer to the classic distinction between paper and electronic payment instruments, that includes debit and credit cards.

Looking at the market dimension, the survey shows a picture that is broadly shared by all MTOs, with a marginal weight of the digital transfer segment on total intermediated flows in 2019 and a significant increase in 2020, likely because of the onset of the Covid-19 pandemic. This increase, however, stabilized from 2021 onwards, with the weight of the digital component hovering around 10 and 15% of the total intermediated flows, with moderate growth rates at an aggregate level.

With respect to recipient countries, Philippines, Morocco, Romania, and Colombia are the main destinations of "digital" remittances. Interestingly, when considering MTOs market shares and competition, the digital market appears to be much more fragmented than the traditional one.

*Session 2: business models*

Regarding the prevailing operational model through which the service is carried out, for the responding MTOs digital transfers are mainly carried out through an external company belonging to the same group but not based in Italy. In the case of banks, there is a general tendency for medium-sized to large banks to provide the service in-house, while smaller banks use services provided by external companies.

*Session 3: cost structure*

Looking at the traditional channels, agency costs represent the most significant component, with a relative weight between 51 and 75%. Other components indicated as most significant include compliance costs, followed by advertising and promotion costs and those related to the development and updating of user-side applications and software. At the same time, EBITDA is in the range of 15 to 20%.

Moving towards innovative, digital channels, the decomposition appears to be more problematic for operators, as they are linked to accounting practices of the group's parent company. Notwithstanding the difficulties, the most significant result relates to a much lower incidence of the agency costs, which falls between 11 and 30% (in part linked to the destination countries, where the cash component is in any case guaranteed). At the same time, there is also a reduction in advertising and promotional costs. Compliance costs and expenses for the development of user-side applications and software remain significant, without any reduction with respect to more traditional channels. What is important is that lower agency costs are translated into lower tariffs for end-users, a conclusion confirmed by the findings reported in the *mandasoldiacasa.it* **website** that reports a 35% reduction in overall costs for sending via online channels (on average, from 5.44% at branch to 3.75% online).

**BOX 5: Cont.**

*Session 4: qualitative analysis*

The development of digital channels is a strategic objective shared by all industry players, including banks.

All operators noted an increase in the volumes of digital channels during the Covid-19 pandemic. However, two weaknesses linked to the Italian context are noted: on the one hand, a lower overall growth of the digital component when compared to the rest of the world and, on the other hand, a trajectory that seems to have substantially halted in the period following the pandemic.

In this regard, market operators retain that the main obstacles to a further development of the digital component are: a) the context in which sending customers live, in terms of migration policies, access to the labour market, overall economic conditions; b) the characteristics of customers on both the sending and receiving sides, linked to habits that see customers still centered on a cash-based system, the perception that digital services are associated with greater complexity, a low level of digital financial education and language difficulties that have greater weight in the use of digital tools than in the relationship with the agent; c) the presence of challenges related to the receiving countries, like infrastructural weaknesses, a low level of development of the financial system, the existence of certain critical issues in terms of anti-money laundering regulations and the high costs of designing and launching specific projects.

With reference to a further development of digital channels, the strategies deployed by operators are essentially homogeneous and can be grouped as follows: a) marketing initiatives aimed at increasing the knowledge, the awareness and the general trust in these new channels (based on the security of transactions); b) promotional and discounting initiatives; the development of local partnerships, especially in Africa, that amplify the possibility of receiving remittances through non-traditional channels and products.

Finally, there seems not to be any specific target group to which such initiatives should be addressed to. All operators target development initiatives to the acquisition of new customers or the expansion of service to existing customers, but without further specific characterizations. In the majority of cases, however, there is evidence of a greater response from a more financially evolved clientele, made up mainly of Italians, aged between 25 and 40 years old.

*Source:* https://www.bancaditalia.it/statistiche/tematiche/rapporti-estero/rimesse

**Contribution by Italy**

## BOX 6: Digitalizing Remittances in Kyrgyz Republic

In the Kyrgyz Republic, remittances accounted for over 30 percent of the gross domestic product (GDP) in 2022, making it one of the most remittance-dependent economies in the world.

Over the past decade, the Kyrgyz Republic made significant efforts to strengthen its payment infrastructure and improve the legal and regulatory environment for payments. These efforts laid the foundation for the development of a digital ecosystem, strengthening remittance services.

In 2021, a nationally representative survey with Kyrgyz remittance recipients was conducted to better understand the effects of the reforms. The survey findings provide evidence for improvements in access to finance by remittance recipients, however, more needs to be done to empower Kyrgyz remittance recipients with digital financial services.

The survey finds that while cash remains the preferred transaction mode in Kyrgyz, digital payments are gaining traction. For example, the share of households receiving remittances in an account through digital channels has grown rapidly from 4 per cent in 2016 to 22 per cent in 2021. Digital channel users tend to live in larger cities and make greater use of digital payments. However, cash transfers through MTO or bank branches are still the preferred channel for the majority of banked remittance recipients. Despite the growth in access to digital financial services in rural areas, many remittance recipients do not know how to use accounts or believe that digital remittances are too complicated, inconvenient, and difficult. In addition, many remittance recipients note the importance of the ability to cash out, reflecting the limited number of use cases for digital payments.

*Source:* World Bank (2023). Digitalization of Remittances in Kyrgyz Republic. Washington, DC: World Bank; and World Bank (2016). Baseline Survey on Remittance Beneficiaries' Financial Behaviors in East Europe and Central Asia, Washington, DC: World Bank. https://remittanceprices.worldbank.org/sites/default/files/digitizing_remittances_kyrgyzrep.pdf

**This box is contributed by the World Bank**

## BOX 7: Remittance Grant Facility Ghana: Digitalisation of the remittance transaction

The Remittance Grant Facility (RGF) was a USD 2.6 million challenge fund that sought to address the operational constraints hampering the development of new remittance-related products and services. It was funded by the Swiss Government's State Secretariat for Economic Affairs (SECO) and managed by KPMG. The Government of Ghana was represented by the Ministry of Finance (Financial Sector Division), as the implementing partner. The RGF supported six firms (5 fintechs and 1 emerging money transfer operator)  through a call for proposal.

The Grantees made significant impact along the remittance value chain by delivering remittances at an average price of 2.3% of the amount sent (ranging from 0.9% to 3%). This is below the SDG 10 target of 3% by 2030; it is also well below the 11.5% that were reported in the Tender Document (SECO, 2016) and the 7.8% identified in the baseline data. The initiative of the grantees business models and partnerships with both global and regional MTOs was supportive in digitizing transactions along the remittance value. All grantees developed digital channels to support the termination of remittances into bank accounts and mobile money wallets directly with cash deposit experiencing decline. The use of digital tools in the transactional processes additionally enabled remitters avoid the use of agent services and other forms of intermediaries in transferring and receiving money.

*Links:* Phase 1 (admin.ch)

**Contribution by Switzerland**

## BOX 8: Russia measures to counter fraudulent fund transfers

As to counter funds theft from clients' bank accounts, the Federal Law No. 369-FZ of 24.07.2023 "On Amendments to the Federal Law "On the National Payment System" was adopted. It was developed with the participation of Bank of Russia.

The law provides for a two-day cooling off period – a compulsory obligation for banks to put money transfers on hold before enrolling funds on the account of the recipient, which is listed in the Bank of Russia database "Cases and attempts to transfer funds without client's consent" (hereinafter – the Bank of Russia database). In the two days the client can give a second thought to what he (she) is doing and cancel the transfer to the fraudster or – if the transaction was performed using a payment card, electronic money or the Faster Payment System, – the client will not repeatedly undertake the transaction.

The law also sets the obligation for banks to deny distant service to persons whose bank cards are used for cashing out and other operations with stolen funds if the information on the crime was provided to the Bank of Russia database from the Russian Ministry of Internal Affairs.

Bank of Russia sends this information to credit institutions participating in the data exchange. If Bank of Russia received such information from a financial institution, it considers that the bank has the right to deny distant payment services to such persons.

Moreover, the bank will be obliged to compensate the client's money if it allowed the funds transfer to a fraudulent account listed in the Bank of Russia database without taking additional measures to protect such client. The bank is obliged to pay compensations within 30 calendar days after receiving the client's application.

**Contribution by Russia**

## BOX 9: India: Impact of innovative payment services to reduce cost of remittances

Encouraging digital channels, innovative payment methods and interoperable payment systems is a priority for faster, cheaper and safer sending and receiving remittances. Interoperable digital payment systems with respect to cross-border payments can significantly reduce costs and risks, thus ensuring resilient non-disruptive payment systems.

Through the UPI-PayNow interlink (introduced in Box 2), the RBI is actively pursuing the outreach of UPI to interface with similar fast payment systems in other jurisdictions to facilitate cross-border transactions. This kind of interoperable payment systems will further reduce the cost of remittance.

In addition, improving cross-border payments' efficiency is considered a significant motivation for the issuance of central bank digital currencies (CBDCs). Cross-border CBDCs could offer the opportunity to start with a "clean slate" and address the frictions inherent in existing cross-border payment systems due to legacy technological and process-related issue. It is envisaged that Cross-border CBDCs could offer secure settlement, reduce costly and lengthy intermediation chains and eliminate operating hour mismatches, on account of being available 24/7. Thus, the coordination of CBDC designs among jurisdictions could lead to more efficient cross-border payments system. In this regard, bilateral and multilateral collaboration is required to agree on design principles which will be a key for the success of such cross-border payments system and also help to address concerns of central banks like currency substitution risk, capital flow volatility etc.

**Contribution by India**

## BOX 10: India-United Arab Emirates Memorandum of Understanding (MoU) for promoting local currencies in cross-border trade

On the $15^{th}$ of July 2023, The Central Bank of the UAE (CBUAE) and the Reserve Bank of India (RBI) signed two Memorandum of Understanding (MoU) with the aim to boost local currency use for cross-border transactions and to link their payment and messaging systems between the two countries.

With an aim to put in place a Local Currency Settlement System (LCSS), the CBUAE and RBI agreed to develop a framework, under the first MoU, that promotes the use of their respective national currencies, the UAE dirham and the Indian rupee, in settling cross-border transactions. The objective of this framework is to facilitate fast, convenient, safe, and cost-effective settlement of cross-border trade transactions between the two countries.

The second MoU aims to enable participants to benefit from the services of instant payment platforms (IPPs) and local payment card schemes in the UAE and India. This will be achieved through the direct integration of these systems, ensuring compliance with regulatory requirements in both countries. Furthermore, the agreement explores the possibility of leveraging both parties' expertise in developing financial messaging systems and exploring potential linkages between similar systems in both countries.

It also intends to consolidate cooperation between the two parties by linking their respective IPPs, developed by the CBUAE under the Financial Infrastructure Transformation Programme and currently in the pilot phase, and the Unified Payments Interface in India. These efforts will help make cross-border instant payments more efficient, and enabling acceptance of local cards in both countries for ATM cash withdrawals and direct point-of-sale purchases without relying on external payment networks.

*Source:* https://wam.ae/en/details/1395303177644

**Contribution by UAE**

## BOX 11: The UAE Central Bank launches a Financial Infrastructure Transformation Programme to accelerate the digital transformation of the financial services sector

The Central Bank of the UAE (CBUAE) has launched in 2023 a Financial Infrastructure Transformation (FIT) programme to accelerate the digital transformation of the UAE's financial services sector. The programme aims to boost the UAE's competitiveness and meet the country's aspiration to become a "financial and digital payment hub". The FIT programme includes a comprehensive list of ten initiatives that will lead to a well-integrated financial infrastructure supporting key national projects such as: the issuance of a new Central Bank Digital Currency (CBDC), the implementation of an Instant Payments Platform and the Card Domestic Scheme.

The first stage of implementation will consist of the launch of a card payment scheme to facilitate the growth of e-commerce and digital transactions in the UAE and strengthen the resiliency of domestic transactions processing, an instant payments platform that will enable faster payments to be processed around the clock by using different payment means, the CBUAE's innovation hub that will foster innovation in financial services, and the central bank digital currency (CBDC) for domestic and cross-border uses. These initiatives will drive financial inclusion, payment innovation, security and efficiency as well as help achieve a cashless society, the central bank says.

The next stage of the programme will include the establishment of a financial cloud infrastructure and the launch of an E-KYC utility, as well as the implementation of open finance framework to improve regulatory compliance, reduce costs of operation and enhance customer experience and security.

*Source:* https://www.centralbank.ae/media/mdupathy/cbuae-launches-a-financial-infrastructure-transformation-programme-to-accelerate-the-digital-transformation-of-the-financial-services-sector-en.pdf

**Contribution by UAE**

## BOX 12: BankservAfrica: Broad-based interoperability across Southern African countries

In February of 2023, the European Union and IFAD partnered with BankservAfrica, a leading payment processor operating from South Africa supporting interoperable payment infrastructure. BankservAfrica has a wealth of experience in payment systems modernisation projects. In South Africa, BankservAfrica is the official provider of payments' settlement and clearing services for retail payments, as authorised by the SARB (South Africa Reserve Bank). At a regional level, BankservAfrica was appointed by the SADC banking regulators as the operator of the Transactions Cleared on an Immediate Basis (TCIB).

TCIB offers an instant, low-cost, interoperable and regional clearing and settlement system for low-value transfers (including remittances) for the whole SADC region. TCIB aims to improve the cross-border payment process, standardise compliance requirements, remove the need for complex bilateral cross-border arrangements, and create more competition in the formal financial system.

By providing a scheme-based central processing hub, TCIB connects different payment service providers. This enables multiple entry points for RSPs to deliver cross-border payment services leveraging on other participants in the TCIB scheme. One of the main benefits of TCIB is that it provides an entry point for non-banks who previously could not use the SADC Real Time Gross Settlement System, as it is mostly used by banks in settling cross-border transactions. By connecting different types of RSPs through broad-based interoperability, TCIB provides efficiency gains through lower remittance settlement costs, enabling various payment instruments (cash and digital) and the utilisation of domestic payments infrastructure, which is predominantly used for domestic transactions but underutilised for cross-border transactions.

On the supply side, interoperable systems encourage competition among RSPs by removing barriers, especially for new entrants and smaller providers. TCIB is an important step in addressing uncompetitive market structures that are driven by bilateral and commercially exclusive relationships which hinder access to markets for competing players. TCIB also caters for multicurrency settlement, thus helping manage foreign exchange risk for RSPs.

The project will entail onboarding RSPs operating in South Africa to connect to the interoperable payment scheme to unlock underutilised remittances infrastructure in the region. To date, the project has onboarded 8 RSPs in South Africa, Mozambique and Zimbabwe who will deliver remittances at cheaper cost to remittances senders.

*Source:* https://ffremittances.org/projects/supporting-instant-low-value-remittance-settlement-systems-in-southern-africa/

## BOX 13: Digital Public Infrastructures and their role in digitalization of remittances

Digital Public Infrastructures (DPI) are generally understood as interoperable, open, and inclusive systems supported by technology to provide essential, society-wide, public and private services. In the context of the financial sector, DPIs include Digital ID, Digital Payments and Data exchange infrastructures which play a leading role in the advancement of financial inclusion in many countries:

- Digital ID: Digital systems and ecosystems that generate, store, and enable individuals and entities to obtain a digital ID and have it securely verified. Examples of digital ID systems include India's *Aadhaar*; the Pan-Canadian *Trust Framework* and *FranceConnect*.
- Digital Payments: systems that allow secure and easy money transfers among individuals, businesses, and governments. Certain payment systems, known as Fast Payment Systems (FPS), like Brazil's Pix, India's UPI, and the European Union's TIPS, promote accessibility, competition, and innovation, enabling 24/7 payments and real-time availability of funds.
- Data Exchange: digital platforms that facilitate secure and consensual data sharing between entities such as businesses or governments.

DPIs share similarities with other digital and financial infrastructures. However, based on the country's context, distinctive features of DPIs emerge. DPIs are foundational and cross-sectoral, modular by design, geared towards fulfilling public policy goals and enable a wide array of digital services.

DPIs can play a pivotal role in financial inclusion by supporting the digital transformation of financial services, bridging the data gap and fostering competition in the financial sector.

In the realm of remittances, DPIs can help to address obstacles hindering the growth of digital remittances. These challenges encompass restricted access and uptake of accounts, a lack of expansive digital channels and innovative payment services, and rigorous AML/CFT measures, which occasionally steer consumers towards unregulated alternatives.

- Account uptake: one of the benefits of DPIs is their ability to support account opening, for example by leveraging digital ID infrastructure to facilitate remote account creation, which is a fundamental step towards the digitalization of remittances.
- Accessibility and interoperability: DPIs, including applicable FPS, are designed to be accessible and support interoperability across a diverse range of financial service providers. This inclusivity ensures that a myriad of providers can leverage key infrastructure to facilitate digital account-to-account remittances. This addresses the significant challenge of limited digital options for sending and receiving remittances.
- AML/CFT compliance: DPIs, like digital ID and data exchange infrastructures, can be leveraged to streamline the compliance AML/CFT regulations. One notable feature is the potential of integrating validations prior to transaction execution. This ensures the integrity of both the transaction and the parties involved, making AML/CFT compliance more efficient.
- Interlinking payment systems for efficiency: interlinking of payment systems through cross-border arrangements can reduce the number of intermediaries required, potentially increasing speed and reducing the cost of remittances. At the same time, interlinking of payment systems adds additional layers of complexity that can present operational risks that need to be carefully managed to avoid compromising the security and reliability of payment systems. Jurisdictions are still in the early phases of resolving important coordination challenges and achieving mutual trust to manage these risks.

*Source:* GPFI (2023). G20 Policy Recommendations for Advancing Financial Inclusion and Productivity Gains through Digital Public Infrastructure. Washington, D.C.: World Bank

**This box is contributed by the World Bank**

## BOX 14: Cenfri: Remittance services access through identity proofing, CDD and KYC innovations

Last May 2023, IFAD and Cenfri ended the implementation of the **Remittance Access Initiative (RAI)** programme. Through the adoption of technical innovations and digital financial services, RAI supported remittance service providers (RSPs) in lowering the costs of remittances and onboarding requirements for low-income, rural and vulnerable families.

RAI also involved capacity building of regulatory bodies in 7 African countries– Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda, in a joint initiative with IFAD. This activity has led to **Country Regulatory Assessments** being completed. These assessments helped identify opportunities for CDD and KYC compliance innovation within the existing regulatory frameworks.

Some of the innovations co-created through RAI include:

- **Risk assessments** focused on reducing the "high" risk perception of low-income and rural households which normally drive the requirements for documents such as IDs, and proof of address, among others.
- **Identity proofing** involved the use of alternative forms of identity verification as allowed under local AML/CFT/CPF law, regulation, or guidance to conduct transactions, especially for customers with no formal identity documents required for KYC and CDD purposes such as IDs and proof of address.
- **Simplified due diligence** involved providing support for RSPs to create simplified 'KYC light' remittance accounts requiring less documents or limited numbers of independent identifiers, including allowing an RSP to rely on a third party's CDD process instead of having to collect ID copies multiple times.
- **System-generated receipts** focused on removing money transfer forms that customers manually fill when receiving remittances by pre-populating the information into an RSP system and then printing it out for customers to sign.

After two and a half years of implementation, the RAI program enabled reduced KYC and CDD barriers for 358,305 customers across 11 RSPs. In the next two years, Cenfri will develop a toolkit that will scale up the adoption of the KYC and CDD innovations beyond the initially targeted geographies. As part of the programme, IFAD and CENFRI published the report Customer due diligence and identity regulatory frameworks: innovation opportunities for enhanced remittance access.

*Source:* https://ffremittances.org/projects/the-remittance-access-initiative-rai-in-prime-africa-countries/

## BOX 15: Remittances and digital access to financial services in Jordan – Money Transfers without Borders

Jordan has for many years been the main host nation for refugees from neighbouring crisis and conflict regions. It has long been a place of refuge for Palestinians, Iraqis and Lebanese and since 2011, Syrians. Remittances are an important source of income for refugees, and also for many Jordanian households. Jordanian migrants' remittances increased by 1.5 per cent in 2022 compared to the previous year, reaching $3.45 billion.

However, a lack of access to formal financial services often prevents refugees in Jordan from making low-cost money transfers. Digital financial services are working to remedy this situation.

In close cooperation with the Central Bank of Jordan (CBJ), GIZ[44] implemented "Digi#ances"[45], a project that successfully promoted mobile wallets to make digital payments and cross-border money transfers easier for refugees, low-income Jordanians and migrant workers. Compared to bank accounts, the usage of mobile wallets is comparatively cost-effective, and, as most people possess a mobile phone – unlike bank accounts[46] –, mobile wallets enable both instant payments within Jordan and cross-border remittances.

Three key initiatives of Digi#ances enabling remittances via mobile wallets are:

1. Piloting digital financial services, like cross-border remittances, with the private sector (payment service providers) and humanitarian organisations.
2. Supporting the CBJ to adjust the regulatory framework and supporting a supervisory mechanism for digital money transfers that comply with international standards.
3. Designing and implementing awareness campaigns on the advantages of mobile wallets and offering training courses on the use of digital financial services (as of October 2023, 31.826 individuals have received digital financial service (DFS) trainings, 63 per cent of which are women).

The project successfully supported the humanitarian organisations UNHCR[47] and WFP[48] in digitizing humanitarian assistance using mobile wallets, thus benefiting more than 98 per cent of households in two refugee camps and 60 per cent of the refugee households living in the host communities receiving aid payments. According to data published by the Jordan Payment and Clearance Company (JoPACC), the number of registered mobile wallets in 2023 is 2.05 million, of which 250,000 are used by refugees and 1.78 million by Jordanian citizens. 46 per cent of wallet users are women. There were around 200,000 registered mobile wallets in Jordan when the project started in October 2015.

After 8 years of implementation, Digi#ances – funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) – ended in October 2023.

44 Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

45 Improving Access to Remittances and other Financial Services through Digital Solutions (Digi#ances).

46 Refugees are not allowed to open a bank account in Jordan.

47 UNICEF cash assistance reaching 99% of refugees in camps via mobile wallet.

48 WFP financial support reaching 80% of its target group via mobile wallet.

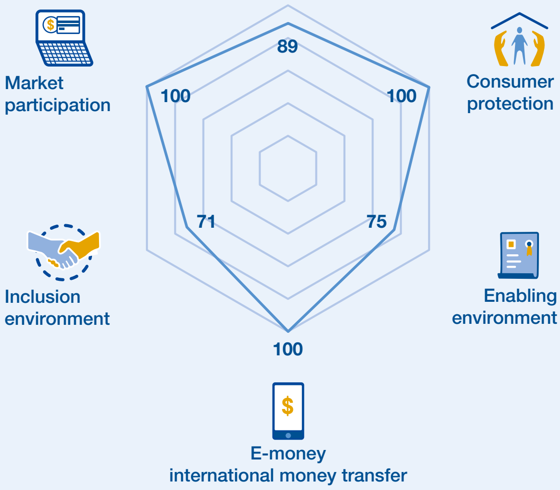
## BOX 16: MobileRemit index: Gauging the readiness for mobile-enabled remittances at receiving end

The IFAD MobileRemit index highlights the level of preparedness to support the uptake of mobile remittances in African countries. It provides a nuanced understanding of the factors that may aid or impede the adoption of the mobile channel for remittances. It combines regulatory, market readiness and inclusiveness variables to attribute a country score allowing cross-country comparisons and best practices sharing.

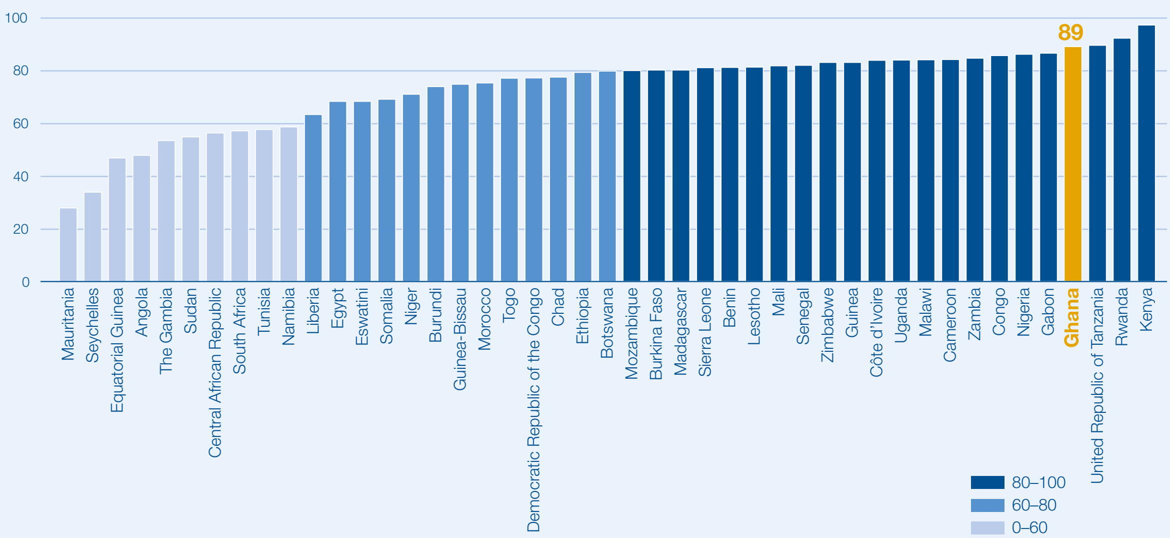
The index is built upon 5 pillars:
- Consumer protection,
- Enabling environment,
- e-money international money transfer,
- Inclusion environment,
- Market participation.

The sources are made of national and global databases allowing the calculation of the index for 54 countries in Africa.

**Ilustration of MobileRemit scoring for Ghana**




**Index scores for the 54 countries in Africa, highlighting Ghana**




*Source:* https://remitscope.org/africa/indexes/

## BOX 17: PIX Brazil – Central Bank of Brazil Domestic Payments scheme

On 16 November 2020, Pix, the Brazilian instant payment scheme for domestic payments, was launched by the Central Bank of Brazil (BCB). It enables its users – individuals, companies and governmental entities – to send or receive payment transfers in a few seconds, including during non-business days. The Pix technology enables the provision of payment services delivered by designated financial and payment institutions to a wide variety of users.

Key features of Pix are as follows: the BCB is the owner of the payment scheme and it manages and operates a real-time settlement infrastructure; a user address database contains information on the users, including aliases, such as phone numbers, email addresses or randomly generated IDs; and payment services can include instant or scheduled payments and transfers, cash withdrawals, and payment of invoices.

The highlight benefits of Pix include: lower transfer costs, increased convenience and security; improved customer experience; digitalization of the retail payments market; higher market competition and efficiency; financial inclusion; and a new suite of products.

Results have significantly exceeded expectations and improved financial inclusion. In the first two and a half years, by May 2023, the Pix system was used by more than 140 million individuals (about 80 per cent of Brazil's adult population) and 13 million firms. More than 3 billion transactions took place each month, with an average transaction size of US$88.

Pix's impact on financial inclusion is evidenced by the 71.5 million individuals whose transactions were enabled (as of December 2022) for the first time. They had not made any electronic credit transfers over a one-year period prior to the launch of Pix. Payment volumes for Pix are now almost five times greater than those for debit and credit cards combined.

*Source:* https://www.bcb.gov.br/en/financialstability/pix_en

### BOX 18: Pakistan Remittance Initiative

The Pakistan Remittance Initiative (PRI) was launched in August 2009 as a joint programme between the State Bank of Pakistan, the Ministry of Overseas Pakistanis and Human Resource Development, and the Ministry of Finance. It has two specific objectives: 1. Facilitate and support the safer, cheaper, convenient and efficient flow of remittances through formal channels and 2. Create investment opportunities in Pakistan for overseas Pakistanis.

The PRI encouraged banks in Pakistan to enhance their outreach by entering into bilateral arrangements with overseas financial institutions (as a result of which 600 bilateral agreements were negotiated) [Pakistan Remittance Initiative, 2015], and through utilization of card technology for remittances and development of innovative remittance products including special non-resident Pakistani (NRP) accounts, Pardes Cards (a generic name for all PRI branded cards for beneficiaries issued by all participating banks), and Internet-based remittances, among others.

In addition to PRI, two other initiatives have had a particular focus on the digitalization of remittances.

The Overseas Pakistanis Foundation (OPF) has a special package called the Foreign Exchange Remittance Card (FERC) introduced by the MOF in 2001 to provide incentives for migrants to remit using formal channels. For example, duty credit is provided for those who are remitting over US$2,500 annually. Between July 2016 and through June 2017, 12,000 FERC cards were issued (OPF 2017).

The State Bank of Pakistan introduced the Roshan Digital Account (RDA) in September 2020, aiming to provide banking services to the Pakistani diaspora, such as payments, remittances and investments, in a fully digital manner. RDA offers digital onboarding, easier foreign exchange regulations, preferential tax structure and interoperable connectivity with payment systems in Pakistan.

This initiative is particularly important in the context of attracting diaspora investments and remittances in the country, encouraging the use of regulated channels as well as addressing existing barriers in carrying out financial transactions from abroad.

RDA came as a new step of a broader effort to make the remittances market more efficient, boost financial inclusion and digitalization in the country.

A combination of these comprehensive measures has lowered the cost of remittances to Pakistan to 3.43 per cent in Q2 2023 compared to 4.8 per cent in Q1 2018;[49] improved the speed of transactions through real time gross settlements (RTGS) and payment switches; and increased the level of formal remittances to the country. Remittances received stood at US$8.7 billion in 2009 and rose to US$29.8[50] billion in 2022, a compounded annual growth rate of 10 per cent over the 13-year period, compared to a 5 per cent world average during the same time.

The State Bank of Pakistan has been assessing the potential for cross-border interlinking of Pakistan's fast payment system (RAAST) with BUNA (owned by the Arab Monetary Fund) with a view of further enhancing remittance inflows.[51]

**This box includes contributions by the World Bank**

49 Source: RemittancePricesWorldwide – World Bank

50 Source: Knomad, World Bank

51 https://www.sbp.org.pk/press/2023/Pr-03-Nov-2023.pdf

## BOX 19: International responses to the COVID 19 pandemic on remittances

In this context, the international community undertook a series of initiatives to sustain the flow of remittances for migrants and their families. Private and public initiatives were analyzed in the Resilience in the market for international remittances during the Covid-19 crisis report released for the GPFI by IFAD and the World Bank on October 2021.

The Remittances Community Task Force (RCTF) was launched by IFAD in March 24, 2020 to raise awareness to the impact of the COVID-19 pandemic on remittance senders and receivers. The RCTF was joined by 40 entities producing a Blueprint for Action in November 2020.

In April 2020, The World Bank outlined near- and medium-term actions to support the remittance sector, to accelerate reductions in remittance costs and to respond to widespread unemployment and the plight of migrant communities in host countries. (See annex 3)

In April 2020, the financial Action Task Force (FATF) encouraged governments to work with financial service providers to use the flexibility built into the FATF's risk-based approach, including the use of responsible digital customer onboarding and delivery of digital financial services in light of social distancing measures, while remaining conscious of the new and emerging illicit finance risks.

Switzerland and the United Kingdom initiated the Call to Action Remittances in Crisis: How to Keep them Flowing was issued on May 22, 2020 which was supported by IAMTN, ICC, IOM, UNCDF, UNDP, the World Bank and several other governments which joined subsequently.

The Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI), at the request of the G20, developed a roadmap to enhance cross-border payments. This effort comprised a three-phase approach and the final roadmap was delivered on October 13, 2020. Since then, the G20 countries, in collaboration with FSB, CPMI, FATF, IMF and World Bank, have been working on the implementation of the Roadmap with end of 2027 as the target date. In addition to actions to reduce cost, increase speed and transparency, the Roadmap emphasizes access to a digital means of payment as one target.[52] See Annex 3

RSPs waived fees in some corridors and for certain methods, governments providing tax incentives for RSPs and introducing emergency measures to streamline KYC requirements, including the introduction of risk-based approaches, particularly eKYC.[53]

**This box is contributed by the World Bank**

52 See FSB (2020), Enhancing Cross-Border Payments: Stage 3 Roadmap for the G20 Roadmap, and FSB (2023), G20 Roadmap for Enhancing Cross-Border Payments: Priority Actions for Achieving the G20 Targets for the priority themes going forward.

53 https://www.gsma.com/mobilefordevelopment/programme/mobile-money/gsma-mobile-money-regulatory-response-to-covid-19-tracker-and-analysis/

## BOX 20: Call-to-Action, World Bank (April 3, 2020)

At the start of the COVID-19 pandemic in April 2020, when many countries implemented lockdown measures inadvertently restricting access to remittance service providers by migrants and their families, the World Bank issued a call-to-action to the relevant stakeholders to ensure the flow of remittances.[54]

For this purpose, the World Bank recommended the following actions over the near term to support the remittances sector:

- Public authorities should treat remittance service providers as essential services and mitigate any operational impacts to their functioning.
- Public authorities should actively identify and, as feasible, immediately remove or mitigate any factor that may be preventing customers or providers from fully leveraging digital payment instruments for remittances.
- RSPs and public authorities should cooperate to urge the adoption of digital payment instruments for sending and receiving international remittances.
- Public authorities should support the remittances industry with appropriate instruments to manage their credit and liquidity risks effectively.
- RSPs and public authorities should consider leveraging technologies (such as Apps or other information devices) to share relevant information that could induce positive behavioral changes during the ongoing crisis, as well as keep remittance senders and receivers informed about service status, crowding at agent locations, and other significant conditions and promotions.

Over the medium term, the World Bank recommends the following key actions for remittance service providers and public authorities, aiming to increase adoption of digital channels for remittances and accelerate the efforts to reduce remittance prices:

- Embrace the new emerging remittance models, which enable originating and disbursing remittances through digital means. Sending and receiving countries should address regulatory and infrastructure barriers for the development of these models in their respective jurisdictions.
- Achieve universal financial access in receiving countries and among migrant workers in sending countries.
- Enhance domestic retail payment systems promoting interoperability and fast payment services and grant remittance service providers access to domestic retail payment systems to enable digital means of sending and receiving remittances.
- Enhance AML/CFT compliance in receiving countries by strengthening regulatory capacity for enforcing these regulations and support development of Digital ID solutions and their usage for remittance transactions
- Support development of comprehensive cross-border payment solutions for MSME trade flows, e-commerce, and remittances. Particularly for small states, this would enable achieving scale and enhance the attractiveness of these remittance markets

In the meantime, the World Bank will continue to monitor and report on the availability of remittance services worldwide and work with stakeholders to improve the transparency and efficiency of the remittances market towards a reduction of the still high cost of remitting money internationally guided by the CPMI-World Bank General Principles for International Remittances (CPMI and World Bank, 2007).

**This box is contributed by the World Bank**

54 https://blogs.worldbank.org/psd/remittances-times-coronavirus-keep-them-flowing

### BOX 21: PRIME Africa private sector digitalization projects across seven African countries

As an offset of the pandemic crisis and demand for digital solutions to sending remittances back home, the International Fund for Agricultural Development, jointly with the European commission, launched seven call for proposals (CFP) in 2020 and 2021 to support remittance service providers operating in Ghana, Kenya, Morocco, Senegal, South Africa, The Gambia and Uganda.

In line with the Covid Blueprint for Action of the Remittance Community Task Force, these competitive call for proposals were aimed at promoting digitalisation of remittances and to maximise their development potential in the countries there are received.

Through these CFPs, IFAD and the EC co-financed 14 innovative initiatives with private sector entities across the 7 countries in Africa. The projects financed fall under the following thematic areas:

1. Expand formal channels for and access to international remittances
2. Accelerate digitalization of international remittances
3. Reduce international remittance transaction costs and increase access to transparent and gender-responsive low-cost services
4. Leverage remittances to deepen financial inclusion and resilience

To date the projects financed under PRIME Africa have benefited close to 500,000 beneficiaries in three years and have piloted innovative digital solutions on key corridors and EU to Africa and intra-African corridors. Individual project details can be found at Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa (PRIME Africa) (ifad.org)

### BOX 22: Project Greenback

Project Greenback is an initiative by the World Bank that started in 2011 and focuses on improving the market for remittances based on the experiences of end-users. It has been implemented in over 17 countries and aims to increase efficiency in the remittance market by addressing the real needs of migrants and their families. The project promotes digitalization of remittances and financial inclusion for remittance beneficiaries.

Project Greenback follows a bottom-up approach, starting with a specific community or "champion city" to analyze remittance issues and understand the needs of the end clients. The project then collaborates with providers, regulators, national authorities and other stakeholders to pilot strategic initiatives in financial education or new financial products for remittance senders and receivers. The goal is to find solutions that benefit all parties involved and can be scaled up for broader application.

Project Greenback provides a flexible set of activities that span across the layers of the remittances market, such as: (1) assessing the learning needs of remittance senders and receivers and providing them with digital and financial literacy, (2) working with the RSPs to ensure better products and delivery of financial education, and (3) working with the regulators to convey demand-side information for better-informed policy making.

Considering the specific characteristics of remittance beneficiaries, such as potential lack of official identification for both senders and receivers, low and irregular incomes, and limited digital and financial literacy, it is crucial to design products that meet their needs and improve their financial and digital literacy. These factors play a key role in the digitalization of remittances.

As such, project Greenback complements the World Bank's efforts in financial inclusion and infrastructure development, aiming to bridge information gaps and promote coordination among stakeholders at the country level. The impact of the project can extend beyond the World Bank's involvement as effective initiatives are scaled up by relevant stakeholder.

**This box is contributed by the World Bank**

## BOX 23: World Bank's Remittances and Payments Program (RPP)

Remittances are a lifeline of financial support for migrant workers and their families, contributing to economic development and financial inclusion. However, the efficiency and cost of remittance services pose challenges to realizing their full potential.

To address this, the World Bank implemented a technical assistance program: the Remittances and Payments Program (RPP) funded by the State Secretariat for Economic Affairs (SECO) of Switzerland engaged legislative reforms, remittance sector assessments, policy frameworks, and payment infrastructure enhancements in Albania, Bosnia & Herzegovina, Kosovo, Serbia and Ukraine.

The project fostered significant impact in driving modernization, competition, and innovation in retail payments. Countries like Albania and Ukraine have integrated EU legislation, attracting new players and reducing costs. RPP countries show significant cost reduction in remittance costs and digital payments. Furthermore, the RPP helped shape long-term visions through national payment strategies and enhanced payment infrastructure especially instant payment systems. Finally, the RPP strengthened oversight policies of central banks, ensuring the safety and resilience of financial market infrastructures.

As such, the RPP contributed to increasing transaction account ownership and digital payments usage, reduction of the cost of remittances, and increased availability of digital remittance services in all program countries. The impact of the RPP has been significant, with legislative reforms driving modernization, competition, and innovation in retail payments. Countries like Albania and Ukraine have successfully integrated the latest European Union legislation into their local legal frameworks, making the payments ecosystem more conducive and dynamic. As a result, new players are entering the market, such as fintech and e-money institutions, increasing competition, expanding service offerings and reducing costs of financial services. Over the course of the project, cashless transactions per capita have experienced a steep increase in Albania (145%), Kosovo (92%), Bosnia and Herzegovina and Ukraine (82%).

Data from Remittance Prices Worldwide indicates significant cost reduction in remittance costs for the RPP countries, in response to the market assessment and ongoing reforms carried out in line with international guidance. While the average cost of remittances remains slightly higher than the global average, positive trends have been observed, particularly in Serbia and Kosovo, where costs have decreased by 20-30 percent through the length of the project.

In 2023 a second phase of the program with a widened geographical scope, including Montenegro, North Macedonia and Morocco in addition to the countries of phase 1, kicked off in order to provide further support to countries in improving the enabling environment and the uptake and usage of digital financial services, with a focus on remittances.

**This box is contributed by the World Bank**

## BOX 24: Reducing remittance costs for Ukraine

During the Ukraine war outbreak, the European Commission, ecosystem stakeholders and a number of RSPs operating in Ukraine came up with a joint Statement committing to:

- Sustain their efforts to facilitate remittance flows and to ensure that remittance fees continue to decrease and converge towards the established target set at 3 per cent in the Sustainable Development Goals and G20 Roadmap on cross-border payments.
- Voluntarily and bilaterally lower total fees, sustaining their efforts at least during the war.
- Disclose total fees, including transfer fees and foreign exchange margin applied over the euro or hryvnias exchange rates fixed respectively by the ECB and the National Bank of Ukraine ("mark-up rule").
- Seek to maintain the accessibility of remittance services through a network of agents and the further development of digital services.

The cost of remittances to Ukraine dropped from 5.56 per cent prior to the war to 3.56 per cent in Q2 2022. However, the costs increased once again to 4.65 per cent in Q2, 2022.

*Source:* https://finance.ec.europa.eu/system/files/2022-09/220927-joint-statement-remittance-ukraine_en.pdf

**This box is contributed by the World Bank**

## BOX 25: Egypt: A Pilot for Digitalization of Remittances for Women and Improving Electronic Payment Acceptance

During 2022-2023, the World Bank provided technical assistance to the Central Bank of Egypt (CBE) to develop a pilot to digitalize remittances with a focus on financial inclusion of women. The pilot focused specifically on women remittance receivers in rural Egypt, in two governorates. Three banks participated in the pilot.

The participating banks worked on product design, financial literacy and incentives for women remittance receivers. In order to adopt a customer-centric approach, the participating banks implemented a survey on consumer behavior. Based on the outcomes of the survey, each bank designed its own remittance product bundle which included the account in which remittances are to be received along with a payment instrument, financial literacy interventions, and incentives to receive remittances digitally and to make payments digitally. The remittance product bundle was provided by the participating banks to all walking remittance customers at the branches in the two governorates.

Within one year of the pilot, approximately 250,000 new accounts were opened, and the number of remittance transactions terminating in accounts increased by 50 per cent. In addition, during the implementation, banks worked on improving the landscape for electronic payment acceptance by small merchants in the pilot governorates to enable users to spend digitally when making purchases at everyday stores. This included acquiring more and smaller merchants in the pilot locations, as well as providing incentives for digital payments at the point-of-sale. As a result, digital transactions at the point-of-sale done using the payment instrument associated with the remittance product eld to an increase in the overall digital point-of-sale transactions in the two pilot governorates of 13 per cent within one year.

CBE will work on scaling up the pilot by including more providers, more locations, and testing different aspects of the product bundle.

**This box is contributed by the World Bank**

International Fund for Agricultural Development
Financing Facility for Remittances
Via Paolo di Dono, 44 - 00142 Rome, Italy
Tel: +39 06 54591 - Fax: +39 06 5043463
Email: ifad@ifad.org
www.ifad.org
facebook.com/ifad
instagram.com/ifadnews
linkedin.com/company/ifad
twitter.com/ifad
youtube.com/user/ifadTV

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