

Remittance Prices Worldwide

THE IMPACT OF COVID-19 ON THE MARKET FOR INTERNATIONAL REMITTANCES IN THE SHORT TO MEDIUM TERM

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List of Acronyms and Abbreviations

ACH	Automated Clearing House
AML	Anti Money Laundering
BIS	Bank for International Settlements
CDD	Customer Due Diligence
CFT	Combatting Financing of Terrorism
CPMI	Committee on Payments and Market Infrastructures (formerly, CPSS)
CPSS	Committee on Payment and Settlement Systems
FATF	Financial Action Task Force
FSB	Financial Stability Board
IAMTN	International Association of Money Transfer Networks
ICC	International Chamber of Commerce
IFAD	International Fund for Agricultural Development
IOM	International Organization for Migration
KYC	Know Your Customer
MTO	Money Transfer Operator
PSDG	Payment Systems Development Group
RCTF	Remittances Community Task Force
RPW	Remittances Prices Worldwide
RSP	Remittance Service Provider
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
WB	World Bank

Contents

Overview.....	Error! Bookmark not defined.
Acknowledgements	3
List of Acronyms and Abbreviations	3
1 Introduction	5
2 Methodology	6
2.1 Analysis and Findings.....	7
2.2 Findings from stakeholder engagement:	7
2.3 Actions taken by the international community:	8
2.4 Detailed Weekly Findings: March 23 – May 22	10
Remittance Prices: Overall Impact of the Pandemic	15
Service Availability	16
Discussion and Conclusion.....	16
Annex 1 – Tables and Figures.....	18
Annex 2 – Pulse Survey Questionnaires	24
Pulse Surveys with Remittance Service Providers.....	24
Pulse Surveys with Regulators	27
Annex 3 – List of Selected Global Actions for Remittances about COVID-19.....	29
Annex 4 –Blueprint for Action from the Remittances Community Task Force	30

1 Introduction

COVID-19 became a pandemic towards the end of Q1 2020 and arguably brought some of the most significant social and economic challenges to society and livelihoods seen to date.

In the early phases, the pandemic was expected to have a longstanding impact on the remittances sector. Remittances are an essential source of funding for many world economies, and this expectation was thus worrisome. At the outset, the impact of the pandemic was observed as a decline in the flow of remittances. However, after a few months this trend seemed to have reversed. At the time of the writing of this note, the net impact on flows is unclear and several major remittance receiving countries have started reporting overall increases in the remittance flows.

At the same time, the pandemic has also affected the way in which remittances are sent, the business models, the behavior of remittance senders and receivers, their trust in the regulated financial institutions as well as their financial and digital literacy. In the immediate aftermath following the spread of COVID-19, many countries across Europe and some others in Asia and the Middle East announced widespread and strict lockdowns. During the early stages of this period, remittance service providers (RSPs) other than banks were not widely deemed essential services. Many RSP agents, some of which are mainly small businesses, had to close their shops leading to a stop in remittance services provision in some countries/regions, while many others had to change the way in which they operate: making part of the staff work from home and investing in equipment, software and IT security; reducing operating hours; ensuring staff health and safety, and availability of personal protective equipment in locations that remained open; and abiding by social distancing rules. All these ended up in disruptions in the provision of remittance services which remained largely cash-to-cash in many corridors, created unplanned increases in operational costs and risks as well as health risks for the RSPs.

In parallel, in many host countries, most migrants were among the ones to lose their jobs and benefits the first. Some host countries sent migrants home *en masse*, unable to ensure employment and health care. The pandemic started to put the financial resilience for millions of migrants and their families at risk.

Given the unprecedented global situation, the World Bank commissioned weekly pulse surveys and pricing analysis to monitor the situation in the market for international remittances in April and May 2020, to identify challenges and to make recommendations to address the crisis, as the provision of up-to-date information and insights to inform policies are of utmost importance. This exercise included the top remittance corridors and not the entire international remittances market.

This note summarizes the findings of the analysis and the methodology, with a focus on pricing, volumes, and operational issues. In addition, the note discusses some actions taken by public and private sector stakeholders, and suggestions for medium to longer term to make the markets for international remittances more resilient should future crises arise.

2 Methodology

The main purpose of the data collection was to provide the international community, on a week by week basis for the first eight weeks of the pandemic, with information on how the pandemic was impacting the remittances market. For this purpose, five different data collection activities were undertaken:

1. The use of two pulse surveys: one with the remittance service providers (RSPs) and one with the central banks/regulators. A panel of 23 different RSPs was built to provide a weekly response to a set of questions covering thematic areas: the current operating environment; remittance volumes; remittance pricing; and, areas that the public sector could examine to make improvements to enable uninterrupted flow of remittances. At the same time, a total of 21 central banks and other relevant regulators participated in the pulse surveys.
2. Conference calls with RSPs: a series of conference calls were held with the private sector. The calls were held for RSPs in Asia, Africa, Europe, and MENA at the beginning and towards the end of the 8-week research period. The purpose of the calls was to hear first-hand what the experiences of the RSPs had been globally. The calls focused on the operational impact the virus had as well as remittance volumes, pricing and new measures they were bringing in to cope with the crisis. It was also important to discuss with the private sector what they felt the public sector/local authorities could do to help them, operationally and financially, as a result of the crisis.
3. Conference calls with central banks/regulators: a series of conference calls with the central banks and other relevant regulators were held throughout the period. The purpose of these calls was to discuss the developments and to bring together the regulators to share their experiences.
4. Data on remittance prices: Price data were collected for a representative set of corridors, via mystery shopping in line with the Remittance Prices Worldwide (RPW) methodology. The data were collected for two cohorts of 15 corridors in alternating weeks for a period of 8 weeks (i.e. each cohort was collected on a fortnightly basis). Price data were collected for two send amounts: \$100 equivalent in local currency and \$200 equivalent. The lower amount was considered more representative of the amounts being sent by the remitters during a crisis period, based on the discussions with market participants. The \$200 collection point enabled comparisons to be made with the previous full RPW data collection in Q1 2020.
5. Qualitative information from relevant news articles were also collected and added to the analysis when/where relevant.

Weekly bulletins were produced that highlighted the impact of COVID-19 on remittances in on a weekly basis. The bulletins consisted of weekly pricing of 15 corridors each week and a summary of the news articles that had circulated that week. The bulletins were circulated to the active participants in the panel and selected information was included in the RPW website.

2.1 Analysis and Findings

The analysis of the price data and the qualitative data collected weekly via pulse surveys in addition to conference calls and news articles produced some key findings. This section presents the key findings throughout the period. More detailed findings at weekly frequency are reported in the RPW Special Notes on the Remittance Prices Worldwide website.

Remittance prices during April-May 2020:

- For many corridors, the cost of sending remittances decreased. This would suggest that the active RSPs reduced their pricing as a result of the crisis, or the higher priced ones had to stop operating due to various reasons.
- While costs showed some volatility at the beginning of the collection period.
- The total cost of sending remittances fluctuated in the first month of the pandemic and then seemed to settle as time went on. This is logical because operators were able to adjust to the 'new normal' and match their pricing to the circumstances they were in.

Annex 1 includes tables and figures based on the price data collected during April-May 2020.

2.2 Findings from stakeholder engagement:

- The majority of RSPs continued to operate but had significantly reduced working hours. The lockdowns implemented in both send and receive markets impacted the operations of many remittance providers, both cash-based and digital.
- Cash-based services were impacted more than digital services in terms of both volumes and operations. This is not surprising as both the demand side and the supply side of cash-based services were adversely affected due to the lockdowns. In some instances, the only option to send and receive remittances were via digital channels. However, low levels of financial inclusion and lack of required documentation in some markets made these options unavailable to some users.
- There were several actions taken by the private sector to move from cash-based to digital channels, including fee incentives and educational initiatives.
- The public sector made extensive efforts to collect data and analyze the situation in the markets before introducing measures.
- In several countries, authorities actively promoted and encouraged the use of digital payment instruments for international remittances.

2.3 Actions taken by the international community:

Several initiatives were taken in coordination by the international community to sustain the flow of remittances in the immediate aftermath of the COVID-19 crisis:

- 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. (April 1, 2020).
- World Bank Call to Action, Remittances in times of the coronavirus – keep them flowing, on 3 April 2020 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 (For further details, see Box).

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

Over the near term, the World Bank recommends the following actions 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).

- Call to Action Remittances in Crisis: How to Keep them Flowing was issued on May 22, 2020 by Switzerland and the United Kingdom, with the support of IAMTN, ICC, IOM, UNCDF, UNDP, and the World Bank. Several other countries and entities have since signed up.
- 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 and has been working on producing a Blueprint for Action. The interim report of the RCTF was delivered in July 2020 with the final report finalized in November 2020.
- Unrelated to COVID-19, the Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI), at the request of the G20, had started working on developing a roadmap to enhance cross-border payments. This effort comprised a three-phase approach and the final roadmap was delivered on October 13, 2020.

2.4 Detailed Weekly Findings: March 23 – May 22

This section summarizes the findings of the research. For further details, please see the RPW Special Issues 1-8 on the *Remittance Prices Worldwide* website.

Week	Key Findings
<p>March 23-27</p> <p>(Week 0 – no price data were collected)</p>	<ul style="list-style-type: none"> • Closure of agent locations across Europe has impacted sending from Europe severely. • Lockdowns in Malaysia and India have stopped all cash-based remittance services in these countries. • Cash services are affected in general, however, in some corridors, a decline in digital services have also been observed, implying the possibility that migrants may have stopped sending money home, possibly temporarily. • Several regulators have announced preventive measures for a temporary period to encourage the use of digital payment instruments. These include lowering of fees and increasing limits. At the same time, in some countries RSPs announced similar measures. • In addition to the COVID-19 related problems, one of the largest exchange houses in MENA, UAE Exchange, is going out of business due to troubles of its parent company - Finabl. Finabl owns UAE Exchange as well as two other remittance service providers: Unimoni and XpressMoney. While UAE Exchange mostly services MENA countries and South Asia, Unimoni and XpressMoney provides international remittance services around the world. UAE Exchange stopped operations in March causing additional challenges for remittance beneficiaries sending from UAE to destination countries such as Egypt, Jordan, Bangladesh, India, and Pakistan.
<p>March 30 – April 3</p> <p>(Week 1)</p>	<ul style="list-style-type: none"> • About 55% of RSPs responding to the pulse surveys experienced a material drop in the volumes processed by them. About 44% expect further and larger drops in the coming months. A couple of RSPs indicated increased flows, and the rest did not opine. • Over 50% of the RSPs saw a higher proportion of remittances through their digital services compared to business as usual. • RSPs reported to be largely functional albeit with a limited set of services. In particular, cash-based services are negatively impacted while digital services are minimally impacted: • Around a third of the RSPs reported challenges in pricing their services due to volatility in the foreign exchange markets, though most have not passed on the higher costs to their users.

	<ul style="list-style-type: none"> • Overall, the services that remain available are priced lower, compared to the latest business-as-usual data collected in Q1 2020. This is likely due to the unavailability of cash-only services. It is likely that financially excluded senders and receivers who used to be able to send cash remittances are likely unable to remit/receive. • RSPs reported actively responding to mitigate the impact on their clients, including by using social media awareness campaigns, creating new services that use digital payment instruments, use of simplified documentation requirements for customer onboarding where feasible, and reducing fees.
<p>April 6 – 10 (Week 2)</p>	<ul style="list-style-type: none"> • RSPs are largely functional but with a limited set of services. • Overall, the average cost of sending \$200 via the available services is lower now than it was as of Q1 2020. • Many jurisdictions have started recognizing RSPs and their agents as essential businesses. Operational challenges remain as a barrier in several countries. • Authorities in a few receiving countries participated in pulse surveys this week noted observing an increase in remittance inflows and expect further increases. This appears to be based on a shift from unregulated channels and remittances delivered in-person to regulated channels due to the restrictions on physical movements within and across countries. At the same time, in some regions where sending via certain unregulated methods which are unfeasible under the current circumstances (e.g. via a bus driver carrying the funds or cash carried across in pockets) has been common, these unregulated flows have been severely cut. Similarly, cash carried across the borders physically by courier companies has also got negatively impacted. • In sending countries that are dominated by banks, migrants were reported to have difficulties in sending as they did not have bank accounts through which to send remittances. • Cash-based services are negatively impacted while digital services are minimally impacted. • In countries where agents are deemed essential and continue to provide services, the nature of the service provided has changed: agents take precautions, wearing masks and gloves. Social distancing measures have been observed in agent locations, which may result in long queues outside the location. In some jurisdictions this is also coupled with reduced business hours as required by authorities, which may lead to part of the senders/receivers being unserved at the end of each day after waiting for long hours in line. Some agents have fallen sick themselves. • RSPs that mainly provide services using digital payment instruments noted a similar challenge for call centers. Call center hours have been restricted in some jurisdictions, leading to unserved customers.

	<ul style="list-style-type: none"> • Several RSPs removed their fees. The only charge would thus be the foreign exchange margin. Some RSPs noted that they still have fees but are planning to use part of them for charity purposes in the context of COVID-19. • In countries where the lockdown measures are quite restrictive, volumes have fallen as agent locations had to shut down, being declared as non-essential businesses. • Some RSPs that traditionally work in offices and rely on agent networks for cash-in and cash-out have been shifting operations to work from home. For them, this means additional spending in equipment and secure internet connectivity. • RSPs also noted the volatility in foreign exchange markets and less cash in circulation as additional challenges.
<p>April 13 – 17 (Week 3)</p>	<ul style="list-style-type: none"> • RSPs are still largely functional. Many jurisdictions have declared RSPs as essential services, however, closures continue in some jurisdictions. Operational challenges remain as a barrier to serving remittance beneficiaries in several countries. • Compared to the week of March 30 – April 3, where data for the same set of corridors as in the week of April 13 – 17 were collected, France and Kenya stand out as locations where lockdowns/social distancing initiatives are more severe now, making obtaining price information more difficult. • On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data. However, some corridors are more expensive, especially those originating from Saudi Arabia. • Several RSPs have taken concrete steps in different countries to encourage usage of digital payment instruments, including introducing step-by-step guidance on social media that describes how to use digital payment instruments, a small bonus for receiving remittances into mobile wallets and waiving fees. • More than half the responding regulators in receiving jurisdictions observed declines in remittance flows. Half of these noted severe declines of more than 25% of the regular inflows. • In 40% of the responding jurisdictions (both sending and receiving), authorities have observed a material shift towards digital payment instruments away from cash. • In only a very small number of jurisdictions including both sending and receiving sides, authorities have introduced new measures to encourage the use of digital payment instruments (in general, not specifically for remittances). These include: (i) ease of opening basic accounts; (ii) ease of opening basic accounts for sending remittances; (iii) capping/removal of fees for sending; (iv) capping/removal of fees for receiving; and (v) measures to ensure liquidity of ATMs and agents.

<p>April 20 – 24 (Week 4)</p>	<ul style="list-style-type: none"> • RSPs are still largely functional as many jurisdictions have declared RSPs as essential services, however, closures continue in some jurisdictions. As before, operational challenges remain as a barrier to serving remittance beneficiaries in several countries.¹ • Relatedly, it was not possible to collect data in the Jordan to Palestine corridor due to strict lockdowns and the unavailability of services. Anecdotal evidence indicates that people are only able to leave their houses on foot (no cars or public transport) and travel a maximum of 1km distance. The World Bank team has been working on confirming this with the authorities. • Different from the week of April 6-10 when it was surveyed the last, the Italy-to-Ukraine corridor had no cash or in-person services available during the week of April 20-24. • On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data. However, compared to the week of April 6-10 when the same set of corridors were surveyed the last, prices have increased modestly, on average.
<p>April 27 – May 1 (Week 5)</p>	<ul style="list-style-type: none"> • Some closures continue in some jurisdictions and operational challenges remain as a barrier to serving remittance beneficiaries in several countries. • In the US to Somalia and US to Guatemala corridors, after an initial decline, prices have gradually increased to the pre-COVID levels. • In the UAE to Nepal corridor where prices have initially increased, during the week of May 1 the cost of sending \$200 went down to the level in Q1 2020. • The Saudi Arabia to Ethiopia corridor has seen a steady increase in prices since Q1 2020. • The Canada to Haiti and New Zealand to Samoa corridors have recorded large declines on average compared to Q1 2020.
<p>May 4 – 8 (Week 6)</p>	<ul style="list-style-type: none"> • While limited closures continue in some jurisdictions, other countries have started relaxing their lockdown restrictions and a few more services become available again. Operational challenges remain as a barrier to serving remittance beneficiaries in several countries. • This week of data collection has allowed for the analysis of corridors added later in the process. For example, in week 4 the data for the Jordan to West Bank and Gaza was unavailable due to the lockdown, whereas in week 6, the data was available showing

¹ A remittance service provider may offer more than one type of service in each corridor. Services are characterized by differences in the instrument used to fund the transaction, access points on the sending side, time it takes to complete the transaction, the instrument used to disburse, and access points on the receiving side.

	<p>an average total cost of 6.27% for sending \$200, down from 6.96% in Q1 2020. This is an encouraging sign that some corridors are reopening.</p> <ul style="list-style-type: none"> • The average total cost of the surveyed corridors for sending \$200 in remittances is 5.02%, the lowest it has been throughout the pandemic (in these corridors). For the same corridors in Q1 2020, the average total cost was 5.98%. • The composition of costs shows that fees are lower in week 6 than they were in week 4 and Q1 2020. Overall, remote services are cheaper than in-person transactions. • The largest decline in the average cost of sending \$200 from week 4 to 6 is the USA to Mexico corridor, previously 4.45% to 2.73% in week 6. This is a significant drop and supports other data that appeared in the week. Similarly, the average cost of sending \$500 for the USA to Mexico corridor in week 4 fell from 3.46% in week 4 to 1.94% in week 6. • A few other corridors, however, have seen an increase in costs, but these were smaller in magnitude, for example, the average cost of sending \$200 from Qatar to Bangladesh increased from 3.10% to 3.37% between week 4 to week 6.
<p>May 11 – 15 (Week 7)</p>	<ul style="list-style-type: none"> • RSPs are largely functional and are declared as essential services. While limited closures continue in some jurisdictions, many other countries are relaxing their lockdown restrictions. As before, operational challenges remain as a barrier to serving remittance beneficiaries in a few countries. • On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data. • The average total cost of sending \$200 in the surveyed corridors is 5.56%, showing a slight increase of 0.03% across the same corridors from week 5. • This week, 7 out of 15 corridors had unavailable services. This is a decrease from the experience in the last 6 weeks. Several markets have relaxed operational restrictions for COVID-19, enabling more physical agent to open. The unavailable services are mostly cash-based services in countries where restrictions on money transfer businesses have not yet been lifted. • As seen throughout the pandemic, the cost of remote services is cheaper than sending remittances in-person. For week 7, sending \$200 remotely averaged 4.83%. The most expensive method, on average, this week was for sending \$100 in-person which cost 8.46% of the transaction. The cost of sending \$200 in-person decreased slightly from 6.26% in Week 5 to 6.22% in Week 7.
<p>May 18 – 22 (Week 8)</p>	<ul style="list-style-type: none"> • RSPs are largely functional and are declared as essential services. Most countries have relaxed their lockdown restrictions. As before, operational challenges due to social distancing measures remain as a barrier to serving remittance beneficiaries in a few countries.

- On average, prices continue to be lower in the sample corridors compared to the Q1 2020 data.
- With the services gradually returning to normal, the average cost of sending remittances started to increase in week 8. This is expected because as noted in earlier updates, those services that were the most affected by the lockdowns were the ones that use cash as the instrument and provide services in-person, which have been more expensive compared to digital, remote access alternatives.
- The average total cost of sending \$200 in the surveyed corridors is 5.20%, showing a slight increase of 18 percentage points across the same set of corridors from week 6. Over 60% of the corridors in the sample saw an increase in costs this week.

2.5 Remittance Prices: Overall Impact of the Pandemic

Annex 1 includes tables and figures for the data collected on the cost of remittances on the two sets of corridors throughout the period March 30 – May 22. As mentioned above, data are collected for two sets of corridors, with the data on each set collected on every other week. Cohort 1 included Australia to Vietnam, Canada to Haiti, France to Comoros, France to Morocco, Kenya to Uganda, New Zealand to Samoa, Russian Federation to Kyrgyz Republic, Saudi Arabia to Bangladesh, Saudi Arabia to Ethiopia, Saudi Arabia to Philippines, United Arab Emirates (UAE) to Nepal, United Kingdom (UK) to Nigeria, UK to South Sudan, United States (US) to Guatemala, and US to Somalia. The data on Cohort 1 were collected on Weeks 1, 3, 5, and 7 (March 30-April 3, April 13-17, April 27-May 1, and May 11-15). Table A1 provides information on the average cost of sending \$100 and \$200 in 15 corridors along with the average cost of sending \$200 from the latest RPW data collection cycle, Q1 2020.

Cohort 2 included Canada to Jamaica, Italy to Ukraine, Jordan to West Bank and Gaza, Malaysia to Nepal, New Zealand to Tonga, Qatar to Bangladesh, Russian Federation to Tajikistan, Spain to Honduras, South Africa to Lesotho, South Africa to Zimbabwe, UAE to Egypt, UK to Pakistan, UK to Somalia, US to Mexico, and US to Philippines. The data for Cohort 2 were collected on Weeks 2, 4, 6, and 8. Table A2 provides information on the average cost of sending \$100 and \$200 in these 15 corridors along with the average cost of sending \$200 from the latest RPW data collection cycle, Q1 2020.

Both Tables A1 and A2 also include the average total cost of sending \$200 under the business as usual case from Q1 2020 and the same for a smaller number of services in Q1 2020 which remain available as of April in these corridors.

Figures A1 and A2 display the same information as in Tables A1 and A2 graphically.

In a majority of the corridors surveyed, a downward trend in the price of sending remittances was observed throughout the period. As detailed above, this is likely due to the unavailability of more expensive and cash-based, in-person products and services, and/or special reduction in fees by RSPs that remained operational in the corridors surveyed.

Despite the pandemic, or perhaps because of it, the average cost of sending \$200 has continued the steady decrease on a year-on-year basis. In addition, Figure A3 breaks down the trend in the global

average cost on a quarterly basis to allow for potential seasonal effects. This quarterly trend shows that remittance prices have maintained their downward trend, on average, throughout 2020.

2.6 Service Availability

Evidence from the pulse surveys suggests disruptions for cash-based and in-person services. A closer look at the four cohorts of data from the Remittance Prices Worldwide database in 2020 (Figure A4) shows that indeed the availability of services that use cash as the payment instrument on the sending side declined significantly in Q2, Q3 and Q4 on a year-on-year basis: a 7 percent decline in Q2 followed by a 13 percent decline in Q3, which is followed by a 17 percent decline in Q4. This was also coupled with an increase in the average price of these services over the course of 2020. At the same time, services that use bank accounts to initiate the transfer on the sending side were also impacted adversely, potentially due to unavailability of physical interactions at branches, or bank systems being down. However, the prices of these services declined overall. On the other hand, services that use payment cards and mobile money as the payment instrument showed increases in availability with large declines in average price.

A similar analysis was also done on the receiving side, based on the payment instrument used for disbursement (Figure A5). In general, the drop in service availability came with a lag of one quarter, as the pandemic hit net-sending countries first. As a result, in Q2, only transfers into bank accounts were adversely affected, and cash pick-ups were to a lesser extent. At the same time, mobile money services saw a sharp increase, along with a sharp decline in the average price.

3 Discussion and Conclusion

Remittance costs continued to decline in throughout 2020. According to the World Bank's Remittance Prices Worldwide database, the average cost of sending \$200 continued to decline in the first 3 months of the pandemic, from 6.79 percent in Q1 to 6.51 percent in Q4. The prices continued to decline across all regions, except for MENA where increases were observed in Q2 and Q3 on average, but Q4 showed a decline. However, at the corridor level, remittance costs across many African corridors, especially intra-regional, and small islands in the Pacific remained above 10 percent.

The evidence on volumes have been mixed. At the start of the pandemic, with imposition of the lockdowns and loss of jobs, the flow of remittances had started down. However, throughout the year, several remittance receiving countries have started reporting larger than usual remittance inflows. For example, a Washington Post article noted an improvement in remittances to Mexico, El Salvador, Nicaragua, Honduras and Guatemala. Other news articles included rising remittance inflows to Bangladesh and Pakistan compared to the same periods of previous years. In addition, international money transfer operators like Western Union and MoneyGram, after reporting declines in earnings at the end of Q1 2020, reported an increase in earnings and a comeback for the international remittances markets at the end of Q2, and reconfirming this in Q3 and Q4. More specifically, both MoneyGram and Western Union highlighted significant increases in the growth of digital remittances volumes. The declines observed initially following COVID-19 lockdowns, therefore, could be potentially due to the operational difficulties

associated with the lockdowns and the temporary income loss for the migrants and not as long-lasting as was originally feared. In any event, it seems further data on trends would be necessary before it is possible to conclude whether remittance flows would stay low once the situation normalizes.

Ensuring the steady flow of remittances requires concerted efforts from governments, providers and other stakeholders. It is important for RSPs and authorities to work together to mitigate the effects of the crisis and encourage the adoption of digital payments, greater use of regulated channels, and wider availability of cost-efficient services. Some RSPs have temporarily waived fees for sending money home, but such waivers are not sustainable. To encourage RSPs to facilitate remittance inflows post-COVID, some governments (notably that of Pakistan) have announced tax incentives equivalent to the remittance fees waived. Some pre-COVID measures in this respect included subsidizing remittance inflows via regulated channels (e.g. in Bangladesh). At a global level, international stakeholders should collaborate to consistently monitor, advocate and propose greater efficiency in the remittances market in line with the CPMI-World Bank (2006) General Principles for Remittance Services, the post-COVID call-to-action by the World Bank, the Global Call to Action launched in June 2020, and the Blueprint for Action by the Remittances Community Task Force. These are detailed in Annexes 3 and 4.

As the situation with COVID-19 progresses, there will undoubtedly be further changes in the remittances market. Some of the changes experienced in the market may be short term and others may result in long-term alterations. During times of rapid change, the provision of up-to-date information and insights is of the utmost importance.

Annex 1 – Tables and Figures

Table A1 – Remittance Prices for Cohort 1 Corridors

Corridor	COVID-19 Week 1 (March 30-April 3)		COVID-19 Week 3 (April 13-17)		COVID-19 Week 5 (April 27-May 1)		COVID-19 Week 7 (May 11-15)		RPW Q1 2020 (Same Services as April)	RPW Q1 2020
	Avg. Total Cost		Avg. Total Cost		Avg. Total Cost		Avg. Total Cost		Avg. Total Cost	
	\$ 100	\$ 200	\$ 100	\$ 200	\$ 100	\$ 200	\$ 100	\$ 200	\$ 200	\$ 200
Australia to Vietnam	6.30%	4.35%	6.04%	4.25%	5.65%	3.91%	5.23%	3.24%	4.14%	6.83%
Canada to Haiti	10.62%	7.21%	9.97%	6.47%	9.85%	6.60%	10.95%	7.63%	10.74%	10.06%
France to Comoros			5.88%	4.77%	5.16%	4.04%	5.83%	4.29%	4.66%	4.66%
France to Morocco	8.33%	6.47%	8.25%	6.46%	7.66%	5.85%	7.68%	5.90%	5.06%	5.57%
Kenya to Uganda			13.70%	8.24%	11.57%	6.64%	11.81%	6.79%	9.82%	10.30%
New Zealand to Samoa	8.82%	6.44%	10.63%	8.08%	10.47%	7.96%	10.14%	7.79%	10.29%	11.89%
Russia to Kyrgyz Republic			1.26%	1.20%	1.50%	1.40%	1.50%	1.40%	1.39%	1.33%
Saudi Arabia to Bangladesh	6.53%	4.15%	5.52%	3.14%	5.54%	3.28%	5.33%	3.06%	3.48%	3.37%
Saudi Arabia to Ethiopia	9.67%	5.71%	10.08%	6.23%	11.20%	7.35%	11.45%	7.60%	5.13%	5.13%
Saudi Arabia to Philippines			7.00%	4.03%	6.28%	3.48%	6.27%	3.47%	4.13%	4.22%
UAE to Nepal	8.36%	5.11%	8.47%	5.20%	7.13%	3.92%	7.23%	4.03%	4.48%	3.95%
UK to Nigeria	9.13%	7.67%	8.16%	6.97%	8.92%	7.78%	8.21%	7.14%	8.65%	8.65%
UK to South Sudan			11.75%	9.56%	12.19%	10.28%	12.57%	10.94%	10.79%	10.79%
USA to Guatemala			7.64%	4.44%	7.61%	4.53%	7.13%	4.23%	4.62%	4.52%
USA to Somalia			6.14%	5.21%	6.42%	5.88%	5.64%	5.89%	5.88%	5.88%

Table A2 – Remittance Prices for Cohort 2 Corridors

Corridor	COVID-19 Week 2 (April 6-10)		COVID-19 Week 4 (April 20-24)		COVID-19 Week 6 (May 4-8)		COVID-19 Week 8 (May 18-22)		RPW Q1 2020 (Same Services as April)	RPW Q1 2020
	Avg. Total Cost		Avg. Total Cost		Avg. Total Cost		Avg. Total Cost		Avg. Total Cost	
	\$ 100	\$ 200)	\$ 100	\$ 200	\$ 100	\$ 200	\$ 100	\$ 200	\$ 200	\$ 200
UAE to Egypt	5.43%	3.18%	5.52%	3.28%	5.69%	3.45%	5.63%	3.40%	3.94%	3.68%
Canada to Jamaica	10.64 %	7.52%	8.37%	5.42%	6.59%	3.83%	8.93%	6.27%	8.32%	8.24%
Spain to Honduras	6.39%	4.29%	6.58%	4.48%	5.96%	3.85%	6.43%	4.33%	4.38%	4.26%
UK to Pakistan	7.30%	4.90%	6.37%	4.11%	5.37%	3.14%	5.52%	3.27%	5.22%	5.12%
UK to Somalia	10.24 %	8.49%	9.88%	9.11%	10.00%	9.29%	9.66%	8.95%	8.88%	8.88%
Italy to Ukraine	7.82%	5.85%	5.42%	4.03%	5.58%	4.19%	5.58%	4.19%	5.07%	4.72%
Jordan to West Bank and Gaza	n.a.	n.a.	n.a.	n.a.	11.92%	6.27%	11.52%	6.02%	6.26%	6.96%
Malaysia to Nepal	5.65%	4.03%	5.03%	3.41%	5.13%	3.53%	4.66%	3.05%	3.03%	3.03%
New Zealand to Tonga	11.39 %	8.47%	12.20%	9.28%	11.30%	8.38%	10.10%	7.18%	11.37%	11.65%
Qatar to Bangladesh	5.59%	3.16%	5.53%	3.10%	5.82%	3.37%	6.08%	3.63%	3.97%	3.75%
Russia to Tajikistan	1.50%	1.38%	1.67%	1.50%	1.67%	1.50%	1.67%	1.50%	1.67%	1.67%
USA to Mexico	5.21%	3.15%	n.a.	4.45%	n.a.	2.73%	n.a.	2.96%	3.69%	1.73%
USA to Philippines	5.00%	3.33%	4.96%	3.26%	5.19%	3.49%	5.30%	3.50%	4.49%	4.04%
South Africa to Lesotho	n.a.	n.a.	10.88%	6.59%	10.88%	6.59%	12.20%	7.02%	7.27%	4.50%
South Africa to Zimbabwe	16.40 %	11.52%	18.99%	12.89%	17.69%	11.67%	18.70%	12.69%	11.39%	14.70%

Figure A1 – Remittance Prices for Cohort 1 Corridors

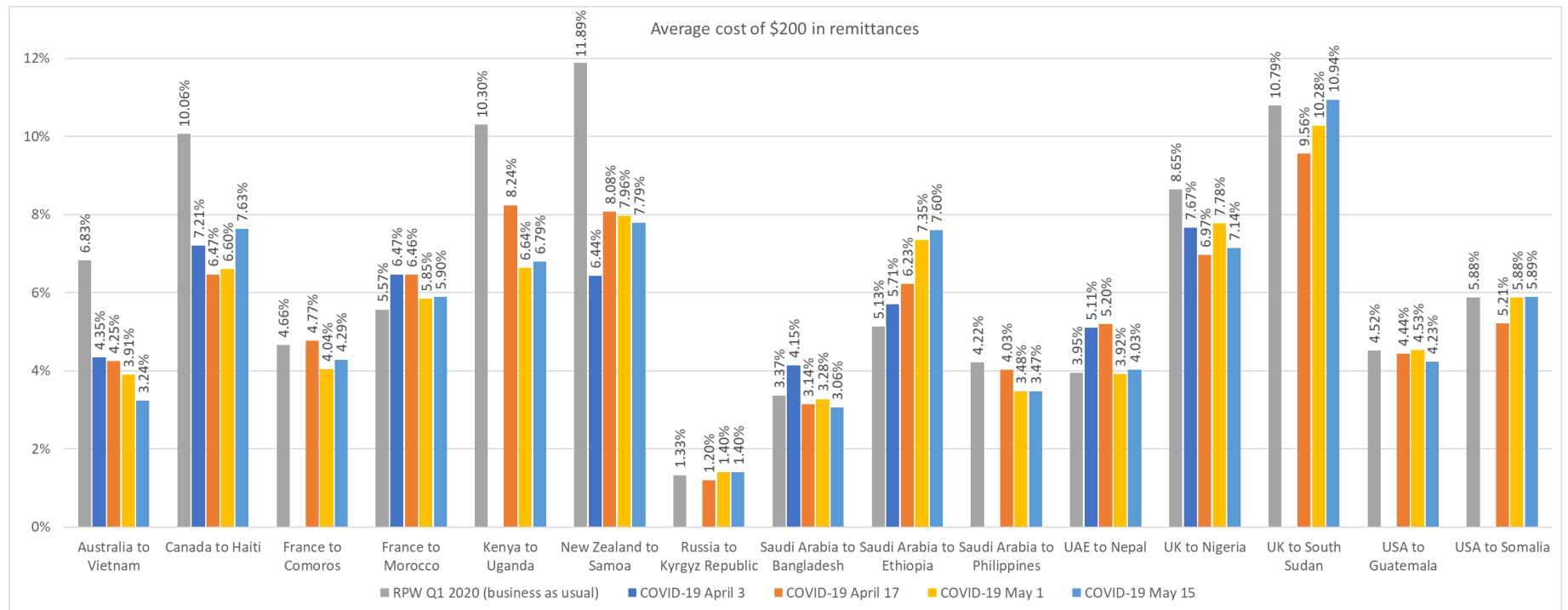


Figure A2 – Remittance Prices for Cohort 2 Corridors

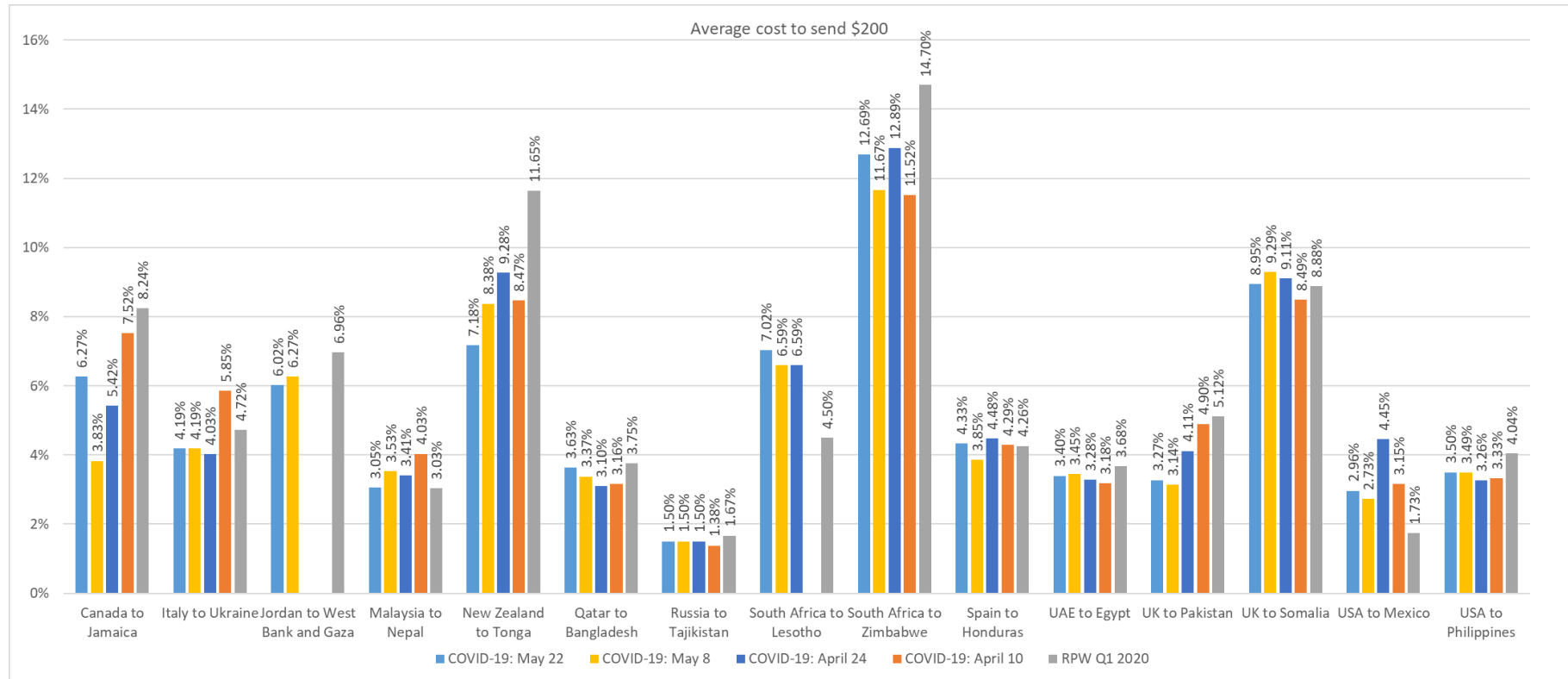


Figure A3 – Global average cost of sending \$200: quarterly trends

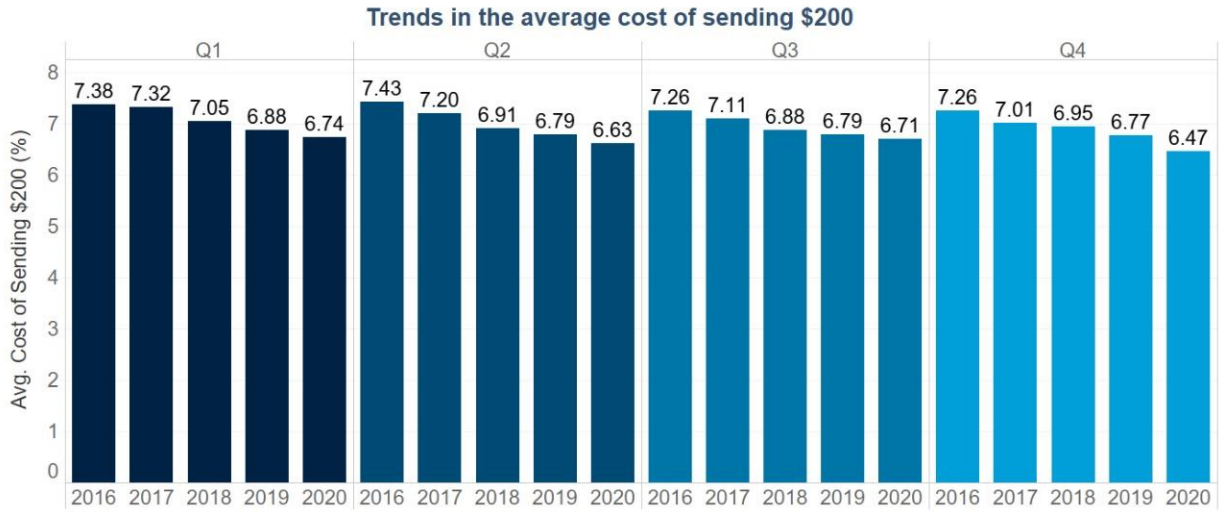


Figure A4 – Impact of COVID-19 on the sending side by type of payment instrument

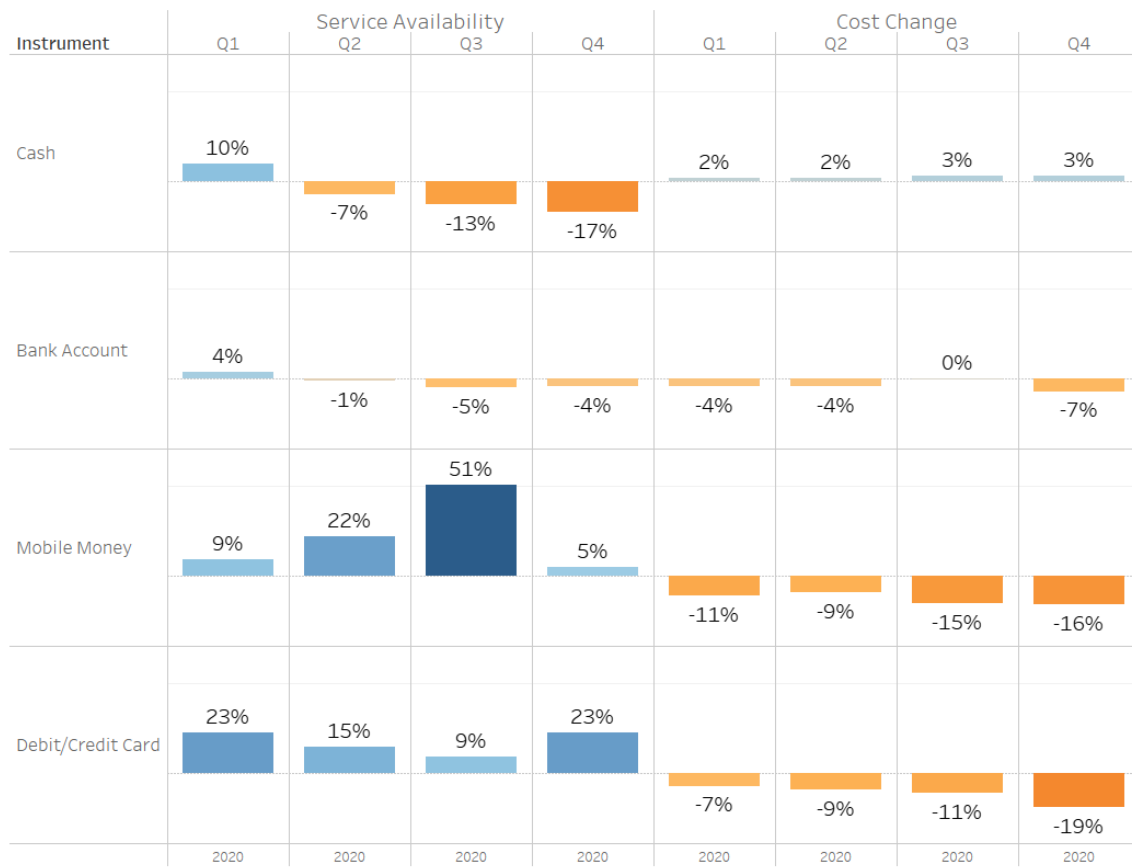
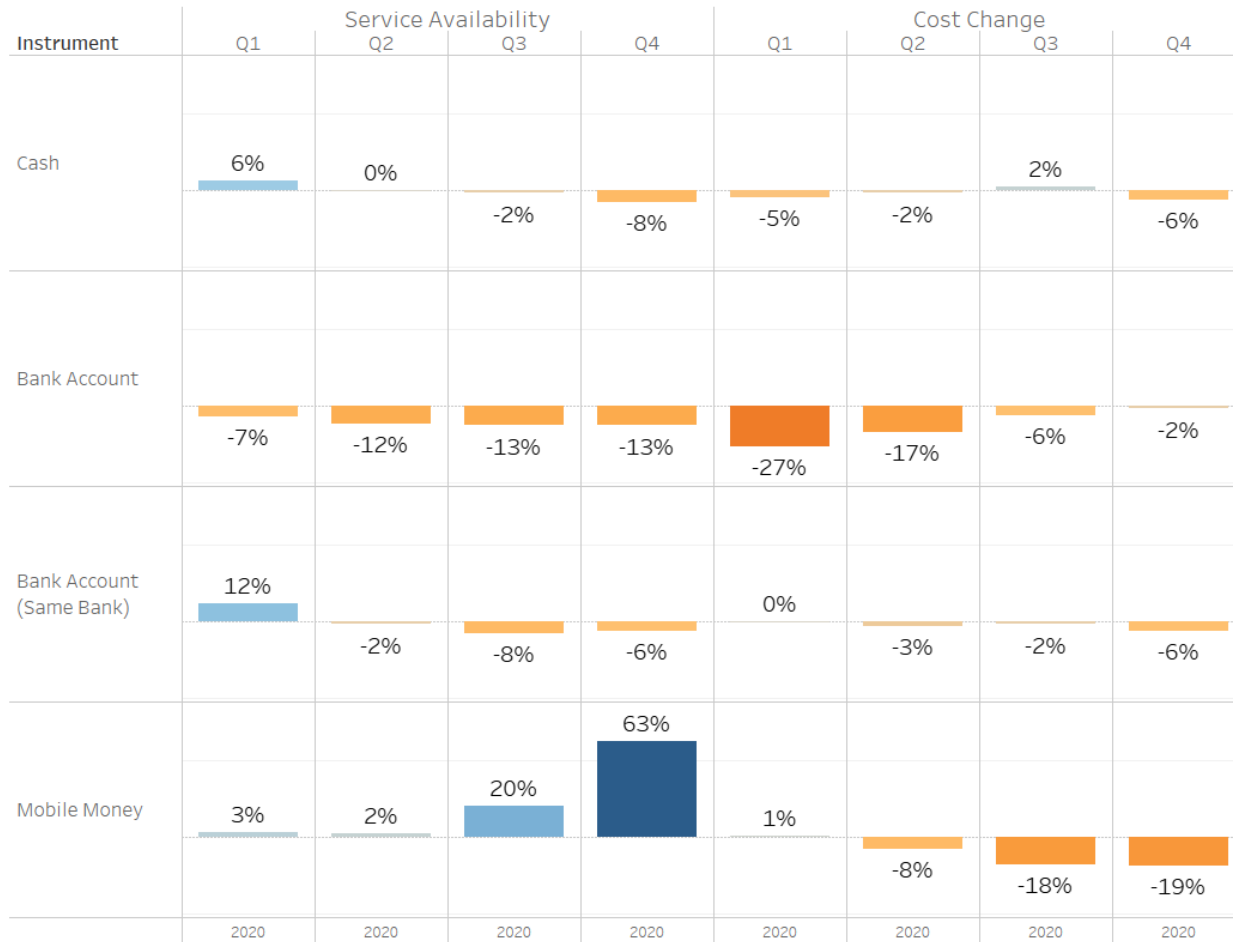


Figure A5 – Impact of COVID-19 on the receiving side by type of payment instrument



Annex 2 – Pulse Survey Questionnaires

Pulse Surveys with Remittance Service Providers

Question 1: How is COVID-19 affecting the day-to-day operations of your business?

1a)	Is HQ/operations still open for business?	i. Yes, business as usual ii. Yes, open but significant remote working iii. No, closed		
1b)	If (i) or (ii) what are you doing to maintain the safety of customers and agents/staff?			
		Total number of agents/ offices	Affected Agents/Offices Due to COVID-19	
			Interrupted Operations (%)	Shorter Hours (%)
1c)	In primarily sending countries			
1d)	In primarily recipient countries			
1e)	Comments			

Question 2: Pricing of sending remittances: Have you changed the price you charge remitters to use your service since mid-March 2020?

2a) [Yes, No]	
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If yes:

2b)	All channels	Online channels only
Fees		
FX Margins		
<i>Please indicate the direction of the change as “increase” or “decrease”</i>		
2c) Comments		

Question 3: Change in remittance volumes: Are you seeing/expecting a change in the volumes of remittances being sent/received compared to this time last year?

	Increase	Decrease				
		0-5%	5-10%	10-15%	15-20%	>25%
3a) Currently seeing						
3b) Which countries/corridors are particularly impacted?	Send					
	Receive					
3c) Expecting for next month						
3d) Which countries/corridors are expected to be particularly impacted?	Send					
	Receive					

Question 4: Customers switching to Digital

4a)	Are you seeing an increase in customers using digital channels?	i. Yes – increase in digital transactions - If yes, what is the magnitude of the switch (percentage of transactions) ii. No	
4b)	Comments		
4c)	What steps are you taking to incentivize adoption of digital channels?	Send countries	
		Receive countries	

Question 5: Operations

5a)	Is your ability to determine the exchange rate being impacted?	[Yes, no]	If yes, how are you coping with that? [free format]
5b)	Is your ability to ensure liquidity at cash-out points being impacted?	[Yes, no]	If yes, how are you coping with that? [free format]

5c)	(if applicable) What steps are you taking to keep the cash-based remittances channels open?	[free format]
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Question 6: Role of public authorities

6)	What could the public authorities (national or global) do to make a positive impact on the remittance market and/or your business at this time?	[free format]
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Pulse Surveys with Regulators

Question 1: Change in remittance volumes: Are you seeing/expecting a change in the volumes of remittances being sent/received compared to this time last year?

	Increase	Decrease				
		0-5%	5-10%	10-15%	15-20%	>25%
1a) Currently seeing (overall)	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]
<i>1b) If possible to identify, which corridors are particularly impacted?</i>						
1c) Expecting for next month (overall)	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]	[Yes, No]
<i>1d) If possible to identify, which corridors are expected to be particularly impacted?</i>						
1e) Comments, if any						

Question 2: How is COVID-19 affecting the day-to-day operations of remittance service providers (RSPs)?

2a)	Are RSPs HQs/operations still open for business?	i. Yes, business as usual ii. Yes, open but reduced operations iii. No, closed
2b)	If 2a) is (i) or (ii) have there been any disruptions required by the government or local authorities on the ability of the RSPs to keep offices open at all or limited working hours for:	i. Agents – [Yes, no] ii. Banks – [Yes, no] iii. Post office – [Yes, no]
2c)	Comments, if any	

Question 3: Customers switching to Digital

3a)	Are you seeing an increase in the use of digital instruments since the COVID-19 related crisis began?	i. Yes – increase in digital transactions - If yes, what is the magnitude of the switch (percentage of transactions) ii. No
3b)	Comments, if any	
3c)	What steps are the RSPs taking to incentivize the use of digital instruments?	
3d)	What steps have you taken to incentivize/ease the use of digital instruments?	i. Ease of opening basic accounts for the purposes of receiving remittances [Yes, No] ii. Ease of opening basic accounts for the purposes of sending remittances [Yes, No] iii. Recommending or mandating the capping or removal of fees for sending [Yes, No] iv. Recommending or mandating the capping or removal of fees for receiving [Yes, No] v. Ensuring agent locations are open – at least for restricted hours [Yes, No] vi. Ensuring ATMs and agents have enough liquidity [Yes, No] vii. The health risks are so large to keep cash out points open [Yes, No] viii. Ease of onboarding agents to ensure cash distribution [Yes, No] ix. Any steps to support appropriate pricing of foreign exchange by RSPs [Yes, No] x. Other – please add as necessary

Annex 3 – List of Selected Global Actions for Remittances about COVID-19²

- [The Financial Action Task Force \(FATF\)](#) on 1 April that called for “continued implementation of the FATF Standards to facilitate integrity and security of the global payments system during and after the pandemic through legitimate and transparent channels with appropriate levels of risk-based due diligence.”
- [World Bank Call to Action](#) on 3 April released a set of actions to support the remittances sector over the near term, as well as over medium term, to accelerate the efforts to reduce remittance prices to respond to the challenges of widespread unemployment and the plight of migrant communities in host countries.
- [Call to Action: "Remittances in Crisis: How to Keep them Flowing"](#), issued on May 22 by Switzerland and the United Kingdom jointly with World Bank, UNCDF, IOM, UNDP, IAMTM, ICC, including the governments of Ecuador, Egypt, El Salvador, Jamaica, Mexico, Nigeria, Pakistan, Sierra Leone and Zimbabwe, and later on with the participation of other governments.
- A proposal was submitted by the European Commission to the G-20's Global Partnership on Financial Inclusion.
- [A High-Level Event on Financing for Development in the Era of COVID-19 and Beyond](#), convened on May 28, by the UN Secretary-General, the Prime Minister of Canada, and the Prime Minister of Jamaica, identified key areas of action to reposition the UN Financing for Development Framework in the context of pandemic-related crisis. The purpose of the initiative was to identify concrete financing solutions to respond to the current pandemic, including on fostering remittances in times of crisis. Proposals for concrete action will be presented at a Ministerial event at the July 2020 High-Level Political Forum on Sustainable Development (HLPF) with continued actions leading up to the General Assembly session in September and December 2020.

² https://familyremittances.org/wp-content/uploads/2020/06/RCTF_Blueprint-for-action_Interim-Report_16june2020.pdf

Annex 4 –Blueprint for Action from the Remittances Community Task Force³

Measures		Responsibility
<i>Immediate Relief Measures</i>		
1	Declare remittance services to be essential during lockdowns	Public authorities
2	Extend financial relief measures to eligible RSPs to assist with crisis-induced credit and liquidity risks	Public authorities
3	Consider temporary revision of transaction and balance limits	Regulators/supervisors International standard-setting bodies
4	Reinforce global commitments to reduce the costs of remittances	Public authorities, RSPs, diaspora organizations and international organizations
5	Improve the collection and dissemination of remittance data in host and home countries	Public authorities, diaspora organizations, private sector
6	Consider waiving taxes on remittance transactions	Public authorities
7	Promote regional and national public-private working groups to improve awareness and preparedness	Public authorities, RSPs, diaspora groups, international organizations and NGOs
8	Develop business continuity plans	RSPs, public authorities
9	Promote targeted incentives that encourage the use of digital remittance products while protecting the payment sector and its customers	RSPs, public authorities
10	Develop and encourage emergency remittance-related savings, loans and insurance products	RSPs
<i>Remittance Family Measures</i>		
11	Provide financial support to remittance-receiving families	Public authorities, NGOs, financial service providers
12	Leverage RSPs' payment networks and expertise for urgent services, including humanitarian assistance	Public authorities, RSPs
<i>General Principle 1: Transparency and Consumer Protection</i>		
13	Increase access to clear information on the total costs of sending and receiving remittances	Public authorities and RSPs
14	Support immediate inclusion of remittance families in gender-responsive financial and digital education programs	RSPs, development community
<i>General Principle 2: Payment System Infrastructure</i>		
15	Encourage digital channels for sending and receiving remittances	Public authorities, RSPs
<i>General Principle 3: Legal and Regulatory Environment</i>		
16	Facilitate customer due diligence (CDD) process and measures	Public authorities, RSPs, fintech, regtech and supotech providers
17	Facilitate the entry of new players and business models into the remittances market	Public authorities
<i>General Principle 4: Market Structure and Competition</i>		
18	Ensure fair, transparent and risk-based access criteria to payment system infrastructure for non-bank RSPs	Public authorities
<i>General Principle 5: Governance and Risk Management</i>		
19	Improve availability of banking services for RSPs with guidance to financial institutions on AML/CFT compliance requirements	Public authorities

³ <https://gfrid.org/covid-19/blueprint-for-action/>



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