The Shift to Digitalisation in Cross-Border Remittances:

A TREND DRIVEN BY THE COVID-19 CRISIS
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ABOUT IAMTN

The International Association of Money Transfer Networks (IAMTN), a not-for-profit membership organisation, is the only global trade association that represents the cross-border payments industry. IAMTN’s members include, inter alia, banks, payment institutions, electronic money organisations and mobile operators.

Founded in 2005, IAMTN provides a platform for industry partners to come together to discuss common challenges and industry initiatives, and to create opportunities.

IAMTN works closely with governments, regulators, and all other important stakeholders - such as the FATF, FSB, World Bank, International Fund for Agricultural Development (IFAD), UNCDF, Swiss Agency for Development and Cooperation, UK Foreign, Commonwealth and Development Office, African Union - to champion the creation of the most effective, safe, reliable and efficient payment systems and mechanisms for migrants globally.

ABOUT CALETA

Caleta is an independent research and development company founded in 2017. We conduct research and promote concrete solutions for more inclusive and responsible finance at the global level. Our mission is to empower people by enabling access to financial services. We collaborate with all the stakeholders of the cross-border payments industry to reach this goal, as part of the global efforts towards reaching the Sustainable Development Goals.

The data collected and generated by Caleta makes unprecedented knowledge available to the industry, which provides new insights and new solutions to existing challenges.
This report is a product of IAMTN and Caleta, in particular Veronica Studsgaard, CEO, and Melissa Erisen, Researcher.

It was prepared to provide a comprehensive analysis of the trends observed in the cross-border remittance industry throughout 2020. The majority of the data has been collected by IAMTN from surveys directed to remittance service providers and other major stakeholders such as national regulators.

Thank you to IAMTN’s network for its contributions and cooperation. Thank you also to the regulators and development agencies who contributed to the report, and to the national associations working in cooperation with IAMTN.

This report was written to share research findings, to provide the industry with valuable information, and to invite feedback on the best practices related to the remittance market.
2020 has undoubtedly been a challenging year for the remittance industry. Remittances are extremely important as a source of income for millions of people around the world. By guaranteeing the wellbeing of their beneficiaries, they contribute to the effort towards reaching the Sustainable Development Goals set by the United Nations.

COVID-19 has strongly affected migrants worldwide, resulting in a decline in the demand for remittance services during the first months of the pandemic. In fact, some migrants have been struggling with health issues due to the coronavirus disease, and many lost their jobs because of the lockdown policies and the global economic slowdown. In other words, as less migrants were working and more and more were returning home, the number of people willing and able to send remittances declined during the spring of 2020. The ability of clients to reach the shops of remittance service providers was also limited owing to local restrictions aimed at slowing down the propagation of the pandemic.

However, both migrants and remittance service providers adapted their behaviours in the subsequent months. The intervention of national regulators has been necessary in many cases in order to allow more flexibility in the rules controlling the remittance market, at least temporarily. In many countries, fees on transactions were waived and transaction limits were increased. Electronic KYC (know-your-client) verification has been permitted in some jurisdictions, allowing RSPs (remittance services providers) to onboard new clients online. In addition, campaigns to incentivise digital remittance have been launched. Overall, the necessity to send remittances online has accelerated the ongoing shift from cash remittances to digital remittances (digitalisation), which is now faster than ever. A large majority of remittance services providers have scaled-up to digital during 2020. While many of these companies already offered digital services, some of them have increased their online presence by concluding digital partnerships, many of which allow companies to expand their operations in different regions.

The remittance market is a particularly dynamic one, which has been able to offer a quick and innovative response to the COVID-19 pandemic, but other challenges persist. Unexpected changes in regulations can sometimes require a very speedy reaction from RSPs, which has happened this year in the case of events such as Brexit or following the issuance of a circular regarding remittances in Nigeria during December.

To ensure the efficient functioning of the remittance market, the cooperation of all its stakeholders is necessary. IAMTN, RSPs, regulators, and the international public sector should continue their joint efforts to keep remittances flowing.
INTRODUCTION
Money sent by migrant workers to families and friends in their countries of origin is usually referred to as remittances. These payments are normally directed into the hands of households to increase household incomes and reduce the likelihood of householders falling into poverty. The remittances are also important at a macroeconomic level, as they are a vital source of funds globally, especially for developing countries. During 2019, it was estimated that there were around 272 million international migrants in the world, which equated to 3.5 percent of the global population.\(^1\)

According to the World Bank, during 2018 international remittances increased by 9 per cent to USD 689 billion, up from USD 633 billion in 2017.\(^2\) However, the two consecutive years prior to 2017 saw a decline estimated at 1.2 per cent from 2014 to 2015 (from USD 603 billion to USD 595 billion) and 1.1 per cent from 2015 to 2016 (from USD 595 billion to USD 589 billion).

The pandemic has reversed years of progress in reducing extreme poverty, and its impact on migrants has been particularly severe given that they were already marginalised and suffering hardships before COVID-19 struck. Many migrants have lost their jobs and, as a consequence, their ability to send any money back home. While the whole world is being affected by the pandemic, it is the poorest countries that will pay the highest price unless they receive more help. The World Bank had originally predicted a 20% fall in remittances in 2020.\(^3\)
In a new report published at the end of October, the World Bank revised this prediction to project that remittances to low- and middle-income countries would actually fall by only 7.2 per cent, to $508 billion.

The goal of this report is to analyse how COVID-19, the subsequent increase in digitalisation, and changes in regulations (together with other factors such as Brexit) have impacted on migrants and remittances during 2020. The large trends will be described using primarily World Bank data, while the in-depth analysis of the market will be performed through data collected directly by IAMTN from the remittance industry stakeholders. The ultimate goal is to understand how the private sector reacted and adapted to the changes which occurred during 2020, and how policy makers and regulators supported the private sector. The report will also underline the importance for remittances to overcome current challenges in order to develop in a sustainable way, in line with the 17 Sustainable Development Goals set by the United Nations.
REMITTANCES:
A MARKET IN MOVEMENT
A CHALLENGING YEAR FOR THE INDUSTRY


However, the two consecutive years prior to 2017 saw a decline estimated at 1.2 per cent from 2014 to 2015 (from USD 603 billion to USD 595 billion) and 1.1 per cent from 2015 to 2016 (from USD 595 billion to USD 589 billion). Consistent with this trend, remittances to low- and middle-income countries (which account for the majority of the global total) had declined for the two consecutive years from 2014 to 2016 – a trend that had not been seen for three decades, before returning to the positive long-term trend from 2016 to 2018. Since the mid-1990s, remittances have surpassed official development assistance levels, defined as government aid designed to promote the economic development and welfare of developing countries.

Source: The World Bank
The COVID-19 pandemic has profoundly disrupted the remittances market. The sharp decline in demand for remittance services, in particular during the first months of the crisis, has led to a market shrinkage. These evolutions will be detailed in the following section.

With more than 270 million economic migrants working in various countries worldwide, sending over USD 700 billion back home each year to support their families and communities, the remittance industry is what keeps these vital funds flowing.
The changes in migration driven by the COVID-19 crisis are one of the major explanatory factors of the drop in remittances which characterised the market in 2020. In fact, the crisis has strongly impacted global migration. About 80,316,555 cases of COVID-19 have been reported worldwide in 2020. As the report shows, migrants are particularly vulnerable to the COVID-19 crisis. Some migrants face increased risks of infection owing to the conditions in which they live, such as shared dormitories or refugee camps where the social distancing rules required to slow down the propagation of the disease cannot be respected.

For example, the Singapore Ministry of Health concluded that over 95% of COVID-19 cases were among migrants, with above 93% of them living in dormitories. In many places, this issue is often also paralleled by the limited access of these individuals to healthcare and treatment in case of contamination. Migrants are exposed to the crisis not only in terms of health, but also economically. In fact, many migrants have lost their jobs as a consequence of the COVID-19 pandemic.

As shown by the following graph, employment rates in OECD (Organisation for Economic Co-operation and Development) countries have decreased more sharply for foreign-born workers than for native-born workers between Q2 2019 and Q2 2020.
Another way in which migrants are impacted is their limited ability to work remotely in the less qualified jobs which a large portion of them perform. These barriers to the work of migrants during the COVID-19 crisis imply a reduction of their incomes and therefore of their available resources to send remittances to their families and communities.

In addition, the demand for sending remittances also fell owing to the slowdown in new migration, a consequence of the closures of borders and of global uncertainty.

Simultaneously, return migration increased. Oil-producing countries in the Gulf Cooperation Council (GCC) host many migrant workers from South Asia and East Africa, most of whom returned to their countries of origin during the first months of the pandemic. In May 2020, over 200,000 people had already applied for repatriation from the UAE. As of 30 October 2020, more than 136,000 Venezuelan migrants and refugees had returned to Venezuela from other countries in the region. The return of migrants was also facilitated by government programs organising the repatriation of their national citizens abroad, as exemplified by India.

As a result of all these dynamics, for the first time in recent history the stock of international migrants is likely to decrease. This drop in the number of migrants implies a decrease in the number of remittance senders. Furthermore, those who are still able to send remittances are expected to have less resources available to send back to their countries of origin.
THE IMPACT ON REMITTANCE FLOWS

Before the COVID-19 pandemic struck the entire world, the remittance industry was already undergoing a gradual shift away from customers using cash to the use of digital channels. However, when the pandemic hit with full force and lockdowns were imposed in many countries, the remittance industry was significantly affected.

The COVID-19 pandemic and the associated economic lockdown have had a profound effect on payments providers and consumers around the world, with migrants and remittance providers hit particularly hard.

In March 2020, in collaboration with the United Nations Capital Development Fund (UNCDF), IAMTN launched an industry survey in order to assess the impact of COVID-19 on its customers and their businesses. In this survey, we covered over 30 countries serving more than 20 million migrants. It was a difficult time for economic migrants, who have had to leave other jurisdictions, such as the GCC countries, as infrastructure projects were paused or cancelled.

Results show that, as the demand for remittances declined during the first months of the sanitary crisis, some logistical issues also prevented remittance providers from offering their services as usual. Many migrants lost their jobs, and as a result their ability to send any money back home, as they became sick.
Another contributory factor was the implementation of lockdowns by some governments in order to slow down the expansion of the COVID-19 epidemic. Amidst the disruption, many remittance services providers have also had to close locations because they are not classed as essential services, and those fortunate enough to remain open have had to restrict operations to ensure the safety of customers and staff.

A further issue that was reported by IAMTN members as negatively impacting remittance services providers during 2020 is bank de-risking, which is defined by the Financial Action Task Force (FATF) as “the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF’s risk-based approach”.

Banks have been withdrawing or failing to offer these facilities to customers in greater numbers than ever before. This issue, which has been present in the industry for decades, has been discussed less recently owing to the prevalence of COVID-19 in the public debate. However, the impact of de-risking has been more significant during the pandemic, as some companies have had to deal with the closure of their bank accounts whilst also trying to cope with the difficulties created by the COVID-19 crisis.

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**CHALLENGES FACED BY MIGRANTS**

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**COUNT OF REMITTANCE SERVICE PROVIDERS WHO REPORTED THE FOLLOWING ISSUES FOR MIGRANTS:**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited access due to lockdowns</td>
<td>57</td>
</tr>
<tr>
<td>Limited earnings</td>
<td>43</td>
</tr>
<tr>
<td>Limited adoption of digital channels</td>
<td>9</td>
</tr>
<tr>
<td>Health and safety risks</td>
<td>8</td>
</tr>
</tbody>
</table>

**REMITTANCE SERVICE PROVIDERS WERE FACING PROBLEMS SUCH AS:**

- Declining remittance volume
- Closed locations
- Limited working hours
- Staff isolation
- Liquidity issues
- Shrinking access to banking services because of de-risking

Source: IAMTN “Impact of Covid-19 on migrants and remittances”
De-risking is a pervasive issue for the remittance industry at the global level, and many actors have continued to be impacted by this issue during 2020. In fact, the loss of a bank account limits, and even sometimes impedes, the operations of remittance services providers in certain countries. Moreover, the inability for a company to bank its money in some countries can be a challenge to the digitalisation of its operations, while digitalisation was often required to perform remittance services during the COVID-19 crisis.

For remittance services providers, all these obstacles sometimes translated into a decline in the volume of operations, in particular during the beginning of the COVID-19 crisis. The most challenging point was between March and May, mainly impacting the second quarter (Q2) of the year for companies. These months of the pandemic took the whole world by surprise, and policymakers as well as businesses took time to adapt to the environment of uncertainty and identify the right decisions and solutions to continue operating.

In IAMTN’s March 2020 survey of remittance service providers, about 90% of respondents reported experiencing immediate changes in remittance volumes, with 69% saying that they were significantly impacted by a sudden decrease in volumes.

Additionally, a recent survey by the Financial Conduct Authority (FCA) showed that 57% of companies in the Payments and E-Money sector in the United Kingdom reported that the coronavirus pandemic has had a negative impact on their net income\(^1\).

The longer this situation persisted, the more difficult it became for remittance services providers to continue to operate their businesses. Of the providers surveyed by IAMTN, almost half mentioned that they would not be able to survive financially if the crisis extended beyond three to six months. Therefore, it was crucial to implement changes as disruption of their operations would have reduced the market competition, increased remittance costs and potentially moved remittances from formal to informal channels, reversing years of progress.

HAVE YOU EXPERIENCED ANY CHANGES IN THE REMITTANCE VOLUME - INBOUND OR OUTBOUND - DUE TO THE COVID-19 OUTBREAK?

<table>
<thead>
<tr>
<th>Yes</th>
<th>91%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: IAMTN “Impact of Covid-19 on migrants and remittances”.

DEGREE TO WHICH REMITTANCE SERVICE PROVIDERS FEEL THEY CAN SUSTAIN THE CURRENT COVID-19 CRISIS

- Can sustain for 3 months but may face "serious" trouble: 29%
- Can sustain even if the current situation lasts more than 6 months: 28%
- Have some bandwidth but will struggle if it lasts more than 6 months: 22%
- Have some bandwidth but will struggle if it lasts more than 6 months: 21%
- Have sufficient resources to sustain for a prolonged time: 9%

Source: IAMTN “Impact of Covid-19 on migrants and remittances”.

1. Additional source or note is needed for this statistic.
In December 2020, IAMTN and Caleta carried out another survey to gather additional data on the impact of the COVID-19 crisis on remittance services providers.

According to the latest results, while most companies had a steady volume of transactions during the first quarter of the year, before the global outbreak of the pandemic, 54% of the companies who responded to our survey experienced a sudden decline in the volume of transactions during the second quarter. In the third quarter, a majority of companies reported an abrupt increase in the number of transactions, owing to their ability to adapt to the challenging environment. The last quarter of the year appears to have been steady for most remittance services providers.

Even though some general patterns can be observed, the results differ significantly across companies.

In order to capture more qualitative information in addition to the data obtained from the surveys, we decided to have one-to-one meetings with various remittance services providers. It was apparent that the third quarter increase in volume was due to a shift to digital (and mobile) channels which was, not surprisingly, driven by:

- Lockdowns, already in place in many countries, prohibiting migrants from being able to access locations to send remittances.
- The closure of locations in a number of countries where remittances were not considered ‘essential services’ (e.g. Malaysia/UAE).
Another important aspect that was explored during these qualitative discussions and through our monthly webinars (but otherwise difficult to quantify) is the move from informal to formal channels.

It was clear that COVID-19 acted as a catalyst for digitalisation. Scaling to digital channels was a priority and those companies which did not already have a digital offering have accelerated their efforts. In fact, our report from March 2020 revealed that 63% of the remittance services providers surveyed considered that scaling up digital channels was the top priority for providers, fuelled by physical closures and staff isolation.

**INITIATIVES BY REMITTANCE SERVICE PROVIDERS**

It is therefore not surprising that, in October 2020, MoneyGram announced a ninth consecutive month of triple-digit growth in cross-border transaction volume for its MoneyGram Online digital payments business\(^1\). Western Union, meanwhile, highlighted that its May digital business set a ten-year record high\(^2\).

Newer entrants, such as WorldRemit, Remitly and TransferWise, have also reported significant growth in their digital businesses, driven by the widespread stay-at-home orders and the pandemic.
THE ADAPTATION OF 
THE MARKET
THE ADAPTATION OF THE MARKET

The pandemic has certainly had a profound impact, as is to be expected. For example, according to the World Bank, the UK, US, Italy and France provide 49% of remittance inflows to Sub-Saharan Africa. These four Western markets have had their economies significantly disrupted by COVID-19, and it is the migrant workforce that often loses out.

In Latin America, remittances to some nations with close migrant ties to the US declined sharply in the first half of 2020. A report from Pew Research Center looked at six countries – Colombia, the Dominican Republic, El Salvador, Guatemala, Honduras and Mexico – and found that remittances to the region were 17% (or USD 981.2 million) lower in April 2020 than in April 2019. Some countries were hit harder than others, with El Salvador experiencing a 40 percent drop in remittances.

That said, there are signs of a brighter outlook as the public and private sectors come together to collaborate and find solutions. In fact, reviewing data from the whole year shows that the entire industry adapted to the challenges created by the COVID-19 crisis much better than was first expected.

In IAMTN’s first survey, conducted to assess the impacts of the crisis on remittance services providers in April, more than 15% of respondents said they would not survive if the crisis continued for more than three months. However, responses by remittance services providers in IAMTN’s December survey contradicted these figures: more than 90% of respondents have been able to withstand the crisis financially so far.

TO WHAT EXTENT HAVE YOU BEEN ABLE TO FINANCIALLY SUSTAIN THE COVID-19 CRISIS SO FAR?

- **We have sufficient resources or access to finance to sustain this level of impact for a prolonged time**
  - 49%
- **We have some bandwidth to absorb this but will struggle if it continues**
  - 42%
- **We could not sustain this crisis**
  - 2%
- **Other**
  - 7%

Source: IAMTN
This can be explained by various factors linked to the adaptation of the industry to the difficult conditions, both on the supply and on the demand sides. On the demand side, migrants organised to send remittances even though their incomes were in some cases significantly reduced. An intuitive explanation is that many migrants who move out of their countries of origin do so to support their families financially. Therefore, a time of crisis does not justify lowering the support, but instead makes remittances even more important for beneficiaries. The uncertainty brought about by the COVID-19 crisis generated feelings of empathy on the part of remitters for their families and friends who stayed in origin countries, where the crisis was often worse\textsuperscript{17}. Moreover, many of those migrant workers had already experienced a similar situation in 2009, during the Great Recession, when global remittances declined by 5 percent as economies shrank\textsuperscript{18}. And in 2016 remittances fell by 1 percent, driven by weak growth in many countries and declining oil prices. Remittances can also increase during hard times in migrants’ home countries\textsuperscript{19}. For example, remittances to Yemen more than doubled between 2011 and 2019 during the civil war in that country\textsuperscript{20}. Some migrant workers were therefore able to face this new crisis with personal savings, from which they also extracted some funds to send to their families abroad. In fact, according to a May 2020 survey conducted by IFAD (International Fund for Agricultural Development) of African diasporas in Europe and North America, 15 percent of migrants used their savings to send remittances, and 15 percent even borrowed money for that purpose\textsuperscript{21}.

Some regions saw an increase in business and new customers registering and sending their first remittances. People were reluctant to visit physical sites at the time and there was a greater acceptance of technology owing to the likes of Amazon playing a bigger part in people’s lives. As such, customer behaviours started changing and they overcame the trust curve faster. Interestingly, there is a new demographic of older users who have come to the digital environment late, and a spike in customer support queries has been observed as these older users get to grips with a new way of doing things. It was also reported by some remittance services providers that new customers were switching from the informal market. This shift is likely to last beyond the pandemic as digital remittance services are typically cheaper, faster and safer than informal networks, which remain difficult for governments to regulate.

**COUNT OF NEW ENTRANCE**

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitalization of previous cash transactions from existing customers</td>
<td>40.2%</td>
</tr>
<tr>
<td>New customers</td>
<td>34.1%</td>
</tr>
<tr>
<td>Entry of senders from the informal market</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

Source: IAMTN
HOWEVER, THERE ARE A COUPLE OF VERY IMPORTANT POINTS TO MAKE WHEN IT COMES TO THE DIGITAL TRANSFORMATION OF REMITTANCES.

The first is that, while digital innovation is to be encouraged, the crucial role that cash still plays for many must not be forgotten. In Senegal, for example, whilst 70% of adults had a mobile phone in 2017, there is still a widespread dependence on cash to send and collect remittances.

The second point is that switching migrants and their families to e-wallets, apps and other digital solutions cannot be done by remittance and cross-border payment providers alone. There needs to be a closely coordinated effort between public sector organisations and remittance services providers to reach out and engage with migrants. People in emerging markets need a better awareness of the digital platforms available to them, with initiatives in place that quickly increase levels of trust in these platforms.

Governments in host countries should ensure that workers are appropriately documented in the first instance and then make it possible for their IDs to be linked digitally to e-KYC systems. Digital remittances from migrant workers could then be connected to savings or pension contributions. One good example is Bangladesh, which has provided guidance on e-KYC systems for banks and mobile money providers and is making efforts to ensure interoperability between mobile financial services.
The pandemic has reversed years of progress in reducing extreme poverty, but some countries have been more affected than others.

South Asia, East Asia and the Pacific region have been most affected by outbound remittance changes.

We must work together to help the different regions. The fate of South Asia’s millions of economic migrants in the Gulf and elsewhere has long been a humanitarian issue, but the pandemic has now pushed the world into a recession and their uncertain employment status amidst lockdown has become a major economic headache for countries such as Bangladesh and Nepal which depend on the earnings these workers send home.

The World Bank has estimated that remittances to Nepal will drop by 14% this year – a big problem when it is taken into account that remittances represent more than a quarter of the country’s economic output.

Figures released by Bangladesh Bank in June show that year-on-year remittances for the month fell by 25%. This drop in payments, which had tended to average between USD 300 and USD 600 per household per month, will be a significant loss to millions of households across the country. It has become imperative that Bangladesh mobilises its diplomatic corps to ensure greater migration cooperation during the COVID-19 recovery phase. Shahidul Haque, the country’s former Foreign Secretary, has called for strategies that emphasise “inclusiveness, courage and collaboration, without distinction or discrimination”. He added that a “holistic, nuanced approach that acknowledges migrants’ economic contributions is optimal”.

To help finance its efforts, Bangladesh has been looking to its development partners. An initial financing of USD 150 million from the Asian Development Bank has been supplemented by a subsequent USD 500 million loan. Bangladesh Bank is also introducing stimulus to ensure liquidity in the market while keeping the foreign exchange rate stable.

Senegal, like much of Sub-Saharan Africa, is another market that is struggling. The pandemic has caused remittances into the country to dry up following strict lockdowns in European countries such as France, Italy and Spain. The Sub-Saharan region as a whole is expected to experience a 23% fall in remittances in 2020.
INITIATIVES FROM THE INDUSTRY
STAKEHOLDERS
REMITTANCE SERVICE PROVIDERS

- Scaling digital and mobile channels
- Reducing or removing transaction costs, when possible
- Marketing and awareness campaigns
- Incentives for customers
- Improving agent networks
- Implementation of products and services that could cater to immediate migrant needs – remittance and financial services, access to telehealth and pharmacy
- Moving or expanding lending, insurance and payment services to other regions
- Investment in extensive financial education and digital literacy campaigns to bring as many migrants as possible onboard to digital channels and the largest possible number of employers onboard to credit migrant wages to the digital platforms
- Increasing partnerships between the main stakeholders and between the private and public sectors. This would be a huge step for inclusion

IAMTN

- Collaborated with UNCDF to produce a report, which was shared with many regulators and policy makers
- Cooperated with the Remittance Community Task Force (RCTF), chaired by IFAD
- Joined the Swiss and UK governments in the Call to Action: ‘Remittances in Crisis – How to Keep Them Flowing’\(^\text{23}\), which is also supported by the Global Knowledge Partnership on Migration and Development (KNOMAD), World Bank, UNCDF, International Organization for Migration (IOM), United Nations Development Programme (UNDP), and International Chamber of Commerce (ICC) – and some governments, such as Mexico, Pakistan, El Salvador, Ecuador, Egypt, Nigeria and Jamaica

PUBLIC SECTOR

- The public sector has mobilised at the international level in response to the challenges faced by the remittance industry
- The FATF has released guidance on e-KYC\(^\text{24}\)

INITIATIVES THAT COULD BE UNDERTAKEN TO SUPPORT THE COVID-19 RECOVERY

- Fee waivers
- Flexible KYC and on-boarding
- Promoting digital/electronic payments
- Support to agents
- Social and humanitarian transfers
- Others: Promote interoperability sandbox, trust account interest usage
- Mobile money essential service declarations
- Increasing transaction and balance limits

Source: IAMTN
Overall, the challenges faced by the industry due to COVID-19 have made the need for change and modernisation more urgent, which has caused the issue to become more salient to the eyes of many actors in the industry. According to data collected by IAMTN, a large majority of regulators consider remittances as a top priority, even though not the primary one. For example, Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, stated that remittances are among its top priorities given their significant contribution to the archipelago’s economy, and given the major role of remittance services providers in offering a stable and efficient system of money transfer as well as promoting financial inclusion in underserved areas of the country.

COVID-19 has further increased the importance of the remittance industry in the eyes of policymakers in many countries, thus creating a favourable policy environment. Where no policy has yet been implemented, it is important to acknowledge that regulators face some challenges as well. In fact, regulators in some countries have underlined that the decision-making process was slowed down because of the pandemic.

Overall, the challenges faced by the industry due to COVID-19 have made the need for change and modernisation more urgent, which has caused the issue to become more salient to the eyes of many actors in the industry. According to data collected by IAMTN, a large majority of regulators consider remittances as a top priority, even though not the primary one. For example, Bangko Sentral ng Pilipinas (BSP), the Central Bank of the Philippines, stated that remittances are among its top priorities given their significant contribution to the archipelago’s economy, and given the major role of remittance services providers in offering a stable and efficient system of money transfer as well as promoting financial inclusion in underserved areas of the country.

In comparison to other regions, regulators in Sub-Saharan Africa have more actively leveraged mobile money-specific policy instruments. The promotion of digital/electronic payments services has occurred in the APAC region, and increasing transaction and balance limits in Sub-Saharan Africa. In most cases, regulators need to ensure that these measures do not impair long-term sustainability, and for these reasons some regulators have specified validity periods in the policy instruments released.
Listed below are some of the initiatives put in place by governments/regulators to mitigate the effect of the economic crisis.

01 Digital remittances were incentivised in many countries in order to slow down the spread of COVID-19.

02 Many companies waived fees on mobile money, including MTN Uganda, Airtel Kenya, Orange Cameroon, and many others.

03 Tax waivers were implemented, such as in Pakistan, to incentivise branchless banking agents to service their customers in need.

04 Money transfer operators were allowed to train their agents and employees online, enabling them to keep their businesses working throughout the pandemic. (This was done by De Nederlandsche Bank, the regulators in the Netherlands).

05 While some remittance service providers’ premises were closed during the lockdowns in some countries, others, such as the UK and the Philippines, avoided this issue by classifying them as an essential service.

06 Most governments have provided financial and fiscal stimuli to support their citizens and their businesses during the pandemic. Cash transfers by governments helped to mitigate the impact of the economic crisis, and were a source of revenue for some migrants to send as remittances.
PHILIPPINES

The BSP acknowledged that digital transformation could facilitate wider access to digital remittance channels and other financial products. In this light, the BSP launched its three-year Digital Payments Transformation Roadmap, which aims to achieve a shift of at least 50 percent of retail payment transactions to digital and 70 percent of adult Filipinos having and using transaction accounts by 2023.

Ultimately, the objective under the Roadmap is to have an efficient, inclusive, safe and secure digital payments ecosystem that supports the diverse needs and capabilities of individuals and firms towards achievement of the BSP’s mandates. Part of the Roadmap is the recognition of digital banks as a new bank classification that is separate and distinct from the existing bank classifications, as well as the issuance of implementation guidelines in relation thereto. The introduction of digital banks as a new classification of banks is seen to support the expansion of the adoption and use of digital financial services in the country. A timely and flexible regulatory framework has proved to be important as part of the measures taken during the COVID-19 pandemic.

Actions undertaken by the BSP, such as the easing of KYC requirements, issuance of relief measures, and provision of support to facilitate mobility of remittance channel (RC) personnel, coupled with constant monitoring and coordination of the BSP supervising departments with their relevant financial institutions, provided the necessary support to the remittance industry during the pandemic. The BSP has also incentivised the use of digital solutions during the COVID-19 crisis.

The BSP is particularly proactive in designing and implementing policies in the field of remittances. Its actions support remittance services providers while complying with AML and FT standards. The BSP’s policy-making process adheres to ISO (International Organization for Standardization) standards on quality management systems. This adherence to quality standards aims not only to promote a standardised approach in the policy-making process, but also to ensure that all aspects are taken into consideration that would redound to relevant and responsive policies supportive of the BSP’s mandates and functions. Despite a consultative approach to policy development, the BSP has been able to deliver within committed timelines. The time spent in exposing drafts and consulting relevant stakeholders remains fruitful, given the valuable inputs being gathered to ensure that any policy is relevant and valuable to various participants and will be effective in achieving the desired outcome.
**LITHUANIA**

The country is developing a vibrant fintech ecosystem. In 2020, Lithuania’s Fintech hub saw 40 new companies set up operations, with the overall sector growing from 210 to 230 over the year.

The country is developing a vibrant fintech ecosystem. In 2020, Lithuania’s Fintech hub saw 40 new companies set up operations, with the overall sector growing from 210 to 230 over the year. With a continuous focus on improving its business and regulatory environment, Lithuania has strengthened its position as one of the top ecosystems globally for developing and rapidly scaling innovative Fintech solutions. Lithuania’s Fintech sector is dominated by payments, digital banking, regtech solutions. Companies establishing their business in Lithuania are benefiting both from a business-friendly regulatory environment with a straightforward licensing process for e-money or payment institutions licenses and a rich talent pool (software development, AML/Compliance). In October, 2020, the country’s government gave the green light to the establishment of the Centre of Excellence in Anti-Money Laundering, which is set up to mobilize public and private efforts in combating money laundering and terrorist financing (AML/CTF) as well as to strengthen the prevention framework. It will officially open its doors in 2021.

All these innovations contribute to simplifying the procedures for remittance services providers and payment institutions, thus making remittances cheaper, faster and more transparent.

**PAKISTAN**

As part of the Pakistan Remittance Initiative launched in 2009 in collaboration with the Ministry of Overseas Pakistanis and the Ministry of Finance, the State Bank of Pakistan has implemented many new policies throughout 2020 and is very supportive of the remittance industry. Defying predictions and general trends, remittances to Pakistan have increased in 2020.

In fact, since March, the State Bank of Pakistan has promoted the use of digital and electronic payment means by asking banks and payment services providers to run campaigns promoting awareness of their digital channels, and to increase the accessibility of their call centers, internet banking, mobile banking, etc. to be available on a 24/7 basis. Moreover, authorised financial institutions were not able to charge customers on fund transfers from their branchless banking wallets. The country has also made its rules for onboarding and e-KYC more flexible, allowing financial institutions to onboard new customers through their mobile applications after complying to National Database and Registration Authority (NADRA) security standards.

Digital agent and merchant onboarding has been allowed to some extent, with some date and amount limits. All these policies have made it possible for Pakistanis overseas to send money to their country and to keep remittances flowing.
**Rwanda**

The National Bank of Rwanda has also reacted by implementing rapid economic policy changes to support both individuals and businesses during the lockdown and to further the digitisation agenda. The policies include fee waivers on all transfers between bank accounts and mobile wallets, zero charges on mobile money transfers, zero merchant fees on payment for all contactless point-of-sale transactions, and an increase in the limit for individual transfers using mobile money wallets from RWF 500,000 to RWF 1,500,000.

**Peru**

Regulators in South America have also been implementing similar policies. Superintendencia de Banca (SBS) has extended the limits to be transmitted via electronic money accounts from S/1000 per transaction to S/3000.

**United States**

The Consumer Financial Protection Bureau, a Federal agency responsible for the Remittance Rule, issued some additional guidance in June. The Conference of State Banking Supervisors (CSBS), Money Transmitter Regulators (MTRA), and National Money Licenceing System (NMLS), are the three agencies that represent the states. They have noted new procedures for remote work, delayed certain state reporting requirements, and most importantly ensured that the money transmission business were defined as essential services and could remain open in the lockdowns noted in each state.

**United Kingdom**

The Consumer Financial Protection Bureau, a Federal agency responsible for the Remittance Rule, issued some additional guidance in June. The Financial Authority Conduct (FCA) has published a consultation paper for payments and e-money firms on 22 May 2020 about coronavirus and safeguarding customer funds. This paper was followed by a final guidance in September. The guidance is aimed at clarifying ways that firms can comply with the regulations, and help prevent potential harm to their customers in the event of insolvency during the Covid-19 pandemic.
On 30 November 2020, the Central Bank of Nigeria (CBN) changed the rules on remittances to Nigeria, requiring that all payments be received only in US dollars (USD), either paid out in cash from bank branches or paid into USD-denominated bank accounts (known as ‘domiciliary accounts’).

The CBN has issued a circular setting out the modalities for payout of diaspora remittances.

- Only licensed international money transfer operators (IMTOs) are permitted to carry on the business of facilitating diaspora remittances into Nigeria.

- IMTOs are not permitted, under any circumstances, to disburse diaspora remittances in Naira (either in cash or by electronic transfers), be it through Naira remittance settlement accounts (which had been earlier directed to be closed), third party accounts or via any other payment platforms within and/or around the Nigerian financial system.

Under the Withdrawal Agreement reached between the EU and the UK, EU legislation continued to apply in the UK during the transition period until 31 December 2020. After the end of the transition period, EU law stopped applying in the UK from 1 January 2021, and from that date the provision of financial services from UK authorised institutions to EU customers on a cross-border basis (passporting) is no longer possible.

With a trade deal having finally been agreed upon just in time for Christmas, some people expressed surprise that financial services were not included in the final agreement. As a consequence, the passporting rights currently enjoyed by UK firms ceased on 31 December 2020.

The United Kingdom left the European Union on 31 January 2020.

BREXIT

- The United Kingdom left the European Union on 31 January 2020.
THE ACCELERATION OF DIGITALISATION
The challenges created by the Covid-19 crisis undoubtedly stimulated the development of digital remittances. As yet, digital remittances have no formal definition, and the lack of consensus on what the term actually refers to introduces some discrepancies in the data. Some companies consider themselves as sending digital remittances when only either the receiving side or the sending side is digital, while others consider digital transactions as those being fully transacted online. Therefore, it is difficult to obtain a coherent quantitative picture of the current state of digitalisation in the remittance industry. The formalisation of a uniform definition from leading global organisations would be highly beneficial to heighten the understanding of the current digitalisation phenomena.

Despite these limitations, a pattern of digitalisation has clearly been observed throughout 2020. As explained above, the barriers to the circulation of physical remittances were particularly high during March and April. This forced the remittance services providing companies to think of other solutions to continue operating and offering the services which their customers needed. Peter de Caluwe, CEO of Thunes, said that there has been an increase in transactions via mobile wallets and banks in countries such as Mexico, Pakistan and the Philippines, which are traditionally dominated by cash transactions.

Digitalisation was already in progress for many companies at the beginning of last year, before the global outbreak of COVID-19. In fact, it has been an ongoing development that has deeply modified the remittance industry in the last decades, with the aim of transferring money in a faster, safer and cheaper way. In fact, one of the benefits of digitalization is that it generally helps to lower the price of remittances.
For Western Union, the largest money transfer company worldwide, digital money transfer revenues already represented 16% of total customer-to-customer (C2C) revenue in the first quarter of 2020.

In the following quarter, the company reported that digital money transfer revenues grew 48% year-over-year to a record high of USD 219 million, and by the end of the third quarter these revenues had increased to represent 21% of total C2C transactions. The mobile application developed by Western Union for its digital services was the one downloaded most frequently in the whole industry during 2020. Other companies show similar patterns: the following table published by MoneyGram shows that the transaction growth experienced by the company in the first quarter of 2020 was negatively affected by the COVID-19 crisis. The 'walk-in', physical channel was already in a negative trend during the quarter, but it decreased significantly, down to 29%, after the beginning of the sanitary crisis. Simultaneously, the digital channel’s growth accelerated from 56 per cent to 58 per cent.

During the second quarter, 27 percent of the company’s total number of transactions took place digitally.

The digital transformation experienced by MoneyGram can be explained by the massive increase in the use of its mobile app, which led to a 104% year-over-year growth in its direct-to-consumer channel. Cross-border online transactions grew an impressive 176% year-over-year for the third quarter. Similarly, Ria is reported to have experienced a triple-digit growth in digital transactions initiated on riamoneytransfer.com, the mobile app. Newer entrants, such as WorldRemit, Remitly and TransferWise, have also reported a significant growth in their digital businesses, driven by the widespread stay-at-home orders and the pandemic.
Overall, by analysing the major companies’ results, it is clear that digitalisation is the prominent trend of the year. It is deeply modifying the structure of operations for many companies, as well as being a catalyst for growth for a large number of them.

Digitalisation is without any doubts progressing in all regions of the world, but many complications still have to be overcome. In fact, a large number of challenges have been reported by the respondents to our survey. The lack of funds to invest in digital instruments and to adopt the technologies is of course a commonly faced problem, in particular during an economically challenging year like 2020. Another limitation could be the lack of digital infrastructures and connectivity in some regions.

However, the challenge most widely faced by remittance services providers while scaling up to digital is to change customer behaviour. In fact, customers are sometimes sceptical about the use of digital remittances. Habits play a large role in this scepticism, as some families have been sending cash remittances for generations. Another factor could be suspicions over security, but digital illiteracy is also a major issue. A number of customers, in particular the elderly, are not familiar with digital instruments and therefore cannot send remittances online. For this reason, customer adoption has been an issue for many companies, some of which have worked on building awareness and confidence in their digital product over recent months.

Many remittance services providers have also reported high regulatory barriers to the digitalisation of their operations. For example, the fact that KYC regulation does not allow online onboarding was a major limitation to the work of remittance services providers during the lockdowns implemented to limit the spread of COVID-19.

2020 has undoubtedly been a challenging year for the remittance industry, but it has also pushed the industry towards some changes which could be beneficial in the long term. The ability of companies to digitise has largely depended on their business strategy as well as on their financial and technical capabilities. The role of regulators is also essential to shape the policies in order to allow businesses to operate in a way that guarantees the welfare of all the actors involved in the remittance process.
The generalisation of partnerships between remittance services providers has also been a major trend in the market throughout the year. Financial institutions and companies need partners that can assist in providing real-time, secure payments to handle the demand. For instance, the Singaporean company, Thunes, has about 400 partnerships to this day, including Remitly, Western Union, Ria MoneyTransfer and WorldRemit. These partnerships allow companies to widen their networks and the geographical coverage of their operations.

Digital partnerships have accelerated the digitalisation of operations for many money transfer companies. For example, MoneyGram reported that digital partnerships, driven by key partners in the Middle East and Asia Pacific, delivered transaction growth of 97% in the second quarter of 2020 followed by an additional 79% in the third quarter.
MONEYGRAM, USA

The partnership provides a convenient, cost-effective and secure African transaction channel for MoneyGram’s global customer base. MoneyGram’s mobile-first and global mindset enables it to provide a seamless and simple customer experience for people looking to transfer money around the world. Customer demand for mobile wallets has increased significantly over the last few years and, with the onset of the global pandemic, this strategic partnership is important as part of a move towards digital.

COUNTRIES
Democratic Republic of the Congo, Zambia, Benin, Guinea, Liberia, Zambia, Senegal, Cameroon, Niger, Guinea Bissau, Mozambique, Congo Brazzaville

AIRTÉL DRC

Airtel DRC is a mobile carrier operating in the Democratic Republic of the Congo, which began operations in 2000 as a GSM mobile services provider. Airtel DRC is a wholly-owned subsidiary of Airtel Africa, a holding company for Indian telecommunications giant Bharti Airtel. Airtel Africa is a leading provider of telecommunications and mobile money services, with a presence in 14 African countries, primarily in East, Central and West Africa.

COUNTRIES
Democratic Republic of the Congo, Zambia, Benin, Guinea, Liberia, Zambia, Senegal, Cameroon, Niger, Guinea Bissau, Mozambique, Congo Brazzaville

XOOM, A PAYPAL SERVICE, USA

Xoom – and its parent company PayPal – are pioneers in digital-first payments. The collaboration enables Xoom to expand its presence in Africa by providing transfers to mobile money wallets through MFS Africa’s digital payments hub. The collaboration will create new possibilities for remittances in Sub-Saharan Africa, estimated to be worth USD 51 billion in 2020 according to the World Bank.

COUNTRIES
Malawi, Rwanda, Tanzania, Uganda, Zambia, Burundi, Cameroon, Cote d’Ivoire, Ghana, Madagascar, Mozambique
PAYSEND, UK

PaySend is a global fintech company on a mission to change how money is moved around the world. PaySend serves over three million customers in more than 90 countries globally, allowing users to make cross-border card-to-card transfers as well as payments to bank accounts and digital wallets.

COUNTRIES

Ghana, Democratic Republic of the Congo, Malawi, Uganda, Zambia, Kenya, Benin, Rwanda, Madagascar, Senegal

INWI MONEY, MOROCCO

This partnership marked MFS Africa’s first significant alliance in North Africa. Morocco plays a key role as a ‘connector’ in Africa, owing to its geographical positioning, its economic and cultural influence and its stated willingness to participate in the development of the continent. Inwi money has over 500,000 clients who are now able to use digital payments beyond their domestic markets, receiving money from abroad.

COUNTRY

Morocco

SMALL WORLD

Small World is a provider of payment services with a clear vision to be its customers’ favourite choice for their global payment needs. Its network has over 250,000 pick-up locations, serving more than 15 million people around the world.

COUNTRIES

United Kingdom, United States of America, Spain, Canada, Brazil, Ireland, Switzerland

MTN LIBERIA

Lonestar Cell MTN/MTN Liberia, Liberia’s leading telecommunications provider, was founded in 2001. A technology-based company, it is focused on winning in everything it does while demonstrating consistency in innovation to meet its unique customer needs. The company is a subsidiary of MTN, a leading international telecommunications group operating in 21 countries across Africa and the Middle East.

COUNTRY

Liberia
THUNES

Merchantrade Asia established a reciprocal relationship with Transferto Mobile Financial Services (Thunes) in October 2020. Thunes has been part of the money services business (MSB) industry for the past four years and has two head offices, in the UK and Singapore. Merchantrade will be facilitating payments for Thunes to Bangladesh, Malaysia, Myanmar and the Australia corridors.

COUNTRIES

- Australia, Bangladesh, Cambodia, China, India, Indonesia, Japan, Myanmar, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Thailand, United Kingdom, Vietnam, Europe, United States of America, United Arab Emirates

TEMPO FRANCE S.A.S

COUNTRIES

- Australia, Bangladesh, Cambodia, China, India, Indonesia, Japan, Myanmar, Nepal, Pakistan, Philippines, Singapore, South Korea, Sri Lanka, Thailand, United Kingdom, Vietnam, Europe, United States of America, United Arab Emirates

HDFC BANK

COUNTRY

- India

PAYSEND, UK

Providing account service.

COUNTRIES

- Egypt, Bahrain

WORLD WIDE CASH EXPRESS

Acting as payout partner

COUNTRIES

- United Arab Emirates, Oman, Kuwait & Jordan

GLOBAL ÖDEME HIZMETLERİ A.S.

Acting as payout partner

COUNTRY

- Turkey
dLocal is a leading cross-border payments platform for emerging markets, and through this partnership Azimo will allow migrants in Europe and Australia to transfer money to most banks in Colombia, including Davivienda, Banco de Bogota and Banco de Occidente. The new service provides a faster, easier user experience for Azimo customers, with fewer forms to fill in and a simpler transfer process. For example, transfers submitted by 1pm GMT will arrive in the recipient’s bank account on the same day.

Azimo partnered with Alipay, China’s leading payments platform, to offer customers instant money remittances to China. Azimo users will only need their recipient’s Alipay ID to make instant transfers in the Chinese yuan, with the money delivered directly to the Chinese bank account linked to the recipient’s Alipay ID.

Azimo plans to launch in Hong Kong in the near future.
WORLDREMIT

The Mukuru and WordRemit partnership ensures cash remittances customers are guaranteed cash at all times, with no cash-out charges to recipients on cash collections in South Africa, Zimbabwe, Zambia, Malawi, Botswana and Mozambique.

COUNTRIES
- United Kingdom, Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, United States of America, Australia, New Zealand, Canada, Zimbabwe, Zambia, South Africa, Mozambique, Malawi, Botswana, Benin, Burkina Faso, Cameroon, Ghana, Ivory Coast, Rwanda, Senegal, Somaliland, Tanzania, Uganda.

SHOPRITE

Shoprite is a large retail chain with which Mukuru has worked on various services over the years. Recently, Mukuru and Shoprite have partnered to enable Mukuru international money transfers at any Shoprite retail location in Botswana.

COUNTRY
- Botswana

AIRTEL AFRICA

The partnership between Mukuru (one of Africa’s largest remittance businesses) and Airtel Africa (a leading provider of telecommunications and mobile money services in 14 Sub-Saharan countries) enables customers instantly to send cross-border transfers directly to Airtel Money customer wallets in certain countries.

COUNTRIES
- Zambia, Uganda, Tanzania, Kenya, Democratic Republic of the Congo

TERRAPAY

Payment processing and instant settlements to bank accounts, mobile wallets in Africa. In addition, prepaid card issuance.

COUNTRIES
- Nigeria, Francophone countries in Africa

SMALLWORLD LLC

Payment processing and instant settlements to bank accounts, mobile wallets in Africa.

COUNTRY
- Nigeria

D-WAY REMIT

Payment processing and instant settlements to bank accounts, mobile wallets in Africa.

COUNTRIES
- United Kingdom, Senegal, Côte D’ivoire, Ghana
RIA MONEY TRANSFER

Ria Money Transfer, a global leader in the money transfer industry and a subsidiary of Euronet Worldwide Inc. (NASDAQ: EEFT), and global cross-border payment provider Thunes announced on 20 October 2020 a strategic partnership to enable customers across the globe to send funds directly to millions of mobile wallet users and bank account holders in key emerging markets.

COUNTRIES
- East Africa, Tanzania, Uganda, Malawi, Rwanda

AIRTEL AFRICA

MoneyGram International, Inc. (NASDAQ: MGI), a global leader in cross-border peer-to-peer (P2P) payments and money transfers, announced on 26 August 2020 a partnership with leading fintech payment network, Thunes. This will enable MoneyGram’s customers seamlessly to send money directly to mobile wallets and bank accounts globally through the MoneyGram platform.

COUNTRIES
- Kenya, Uganda, Tanzania

COMMERCIAL BANK OF DUBAI

Commercial Bank of Dubai, one of the leading national banks in the UAE, and global cross-border payment provider Thunes announced on 24 June a partnership that will facilitate real-time cross-border transaction flows between the UAE and the rest of the world.

COUNTRY
- Botswana
Many of these partnerships allow companies to expand their operations in different regions. An interesting point to note is that the penetration of mobile money is very advanced in Sub-Saharan Africa compared with other regions. There has been a notable emergence of fintech startups across Africa, many of which often partner with banks and financial institutions. MFS Africa is Africa’s largest digital payments hub, connecting around 200 million mobile wallets on the continent. Through a single application programming interface (API), MFS Africa connects mobile wallet systems, banks, money transfer operators and merchants to enable real-time, cross-border and cross-network transactions. An initiative by the African Union and the European Commission has recognised the benefits of digitalisation for enabling the continuity of remittance flows in the environment of COVID-19. They are working on the further development of digital solutions and fintech in the region.

COVID-19 has, in fact, been an unexpected catalyst for the acceleration of digital growth in Africa, with some governments releasing stimulus grants via mobile money platforms and central banks easing regulations, including limits on mobile transactions.

- Orange ORAN.PA launched an entirely digital bank - its first full banking venture in Africa.
- MTN and Telkom are preparing to offer micro-loans in South Africa.
- Orange has Mali, Burkina Faso and Senegal in its sights as expansion markets for Orange Bank Africa, with the timetable dependent upon local regulatory approval.
- Vodacom, the African unit of Britain’s Vodafone (IAMTN member), is now moving to expand lending, insurance and payment businesses currently available only in South Africa to other markets.
- Absa (South African lender) is set to launch partnerships with mobile operators in Tanzania and Uganda. It is also expanding its Kenyan digital offering to cover full-service banking, with roll-outs in Zambia, Botswana and Mauritius set for later this year and the rest of its markets in 2021.
CONCLUSION
The global pandemic has been a catalyst for digital growth across the cross-border remittance industry, but not universally. Where payment system interoperability is weak or non-existent, there has been little scaling of digital remittance channels. The pandemic also exposed key constraints relating to competition and innovative policies in the remittance market.

The pandemic has also shown us the fundamental role which public authorities should have when designing and implementing policies and regulatory frameworks in order to harmonise the remittance industry. This will also enable a rapid shift from cash-based to digital remittance channels and expand choices for consumers.

Overall, it is clear that financial inclusion should be a priority for all stakeholders in the cross border remittance industry. Whether this happens digitally or physically is unimportant, since we know that migrants use both. There is a growing need for digital and financial literacy projects and for IDs to be linked digitally to electronic KYC systems. For this, public and private collaboration is vital in terms of both facing short-term challenges and mitigating the long-term impact of Covid-19 on the remittance industry.

The lack of access to financial services for remittance services providers and migrant workers remains a concern. Bank de-risking represents a market failure where all stakeholders (banks, regulators, bank customers and clients) appear to be acting rationally and in their own best interest, but in doing so have created unintended consequences that are particularly important in less financially developed countries where remittances drive economic sustainability. The ambiguity of regulatory frameworks has also allowed the responsibility for addressing the problem to shift continually among stakeholders. Communication among relevant stakeholders is improving but still limited, and unfortunately has not yet led to further progress. It is important to have a common understanding of issues that remittance services providers are facing in their access to banking services, and also the expectations of banks concerning remittance services provider’s AML/CFT compliance. In the meantime, the consequences of bank de-risking are mostly felt by migrants.

Overall, throughout 2020 the remittance industry has been challenged, but also positively stimulated by the changes imposed by the pandemic. The ongoing acceleration of digitalisation is pushing towards better financial inclusion in many regions of the world. This report has mentioned the many challenges which remain to be addressed in the industry.

2020 has taught us that we live in a world of uncertainties. Even though the trends to be observed in 2021 remain uncertain, we can expect to witness a higher attainment of financial inclusion goals thanks to the work of remittance services providers, provided that all the stakeholders of the industry cooperate to guarantee the best possible functioning of the remittance market.
ANNEX

THE SUSTAINABLE DEVELOPMENT OF REMITTANCES

In 2015 the United Nations set 17 Sustainable Development Goals (SDGs) in order to achieve a better and more sustainable future for all, addressing the global challenges we face, such as poverty, inequality, climate change, peace and justice\(^4\).

With 2030 designated as the year for their attainment, these SDGs have been set very ambitiously, and should be reached with the support and the cooperation of all actors, ranging from low-income to high-income countries, international organisations, the private sector and individuals themselves. Substantial progress has been made to date, but it is clear that much remains to be achieved. In particular, the COVID-19 pandemic has had a negative impact on many of the goals, as it has endangered the health and the economic situation of many individuals around the world. Some even argue that years of development have been reversed. In fact, the World Bank estimates that 88 to 115 million people have been thrown back into poverty owing to the crisis.

Remittance flows contribute towards the achievement of the SDGs in many ways. Of the 17 goals, ten refer specifically to safe migration\(^3\). Migrant workers leave their homes in order to send remittances to their families who stay in their origin countries. As identified by IFAD, remittances have a large positive impact at a household level on the receiving side: they contribute to the SDGs by, for example, reducing poverty, improving health and nutrition, education, etc. (SDGs 1-5).

Analyses of 71 developing countries show significant poverty reduction effects of remittances: a 10 per cent increase in per capita remittances leads to a 3.5 per cent decline in the share of poor people in the population\(^1\). Remittances also contribute to reaching the SDGs at a community level, as they help promote financial inclusion, encourage market competition and regulatory reform, and mitigate any negative impact resulting from climate change (SDGs 6, 7, 8, 10, 12 and 13). At the international level, all sectors involved in remittances contribute to promoting collaboration to reach the SDGs. In light of this, the importance of remittances is apparent. The increasing awareness and importance of remittances in the political agenda helps to go towards cheaper, faster and more transparent remittances, and therefore to support development goals.
Remittance services providers are generally commercial, profit-driven companies. However, they deliver a service which has a direct impact on people’s welfare, and most of these companies care about the social impact generated by their activities. The majority of remittance services providers are socially responsible companies. They contribute to solving the challenge of financial inclusion by offering services to unbanked individuals, and many of them also provide additional services aimed at further supporting their customers. For instance, Merchandise has created a new health coverage policy to allow better access to healthcare for migrant workers. The company has also partnered with Axa in order to offer microinsurance policies. It insures the family of the customer in cases of hospitalisation, total permanent disability and accidental death. Safaricom has stated that it would unite its efforts with the government in the battle against COVID-19. The company offered to reduce the cost of moving money by dropping its charges for sending anything under Ksh1,000. It doubled, at no cost, the fiber-to-home capacity to support those working or studying from home or seeking alternative means of keeping themselves busy at home via the Internet.

Overall, the remittance industry is a major contributor to the effort towards attainment of the United Nations’ SDGs.
Thank you to IAMTN’s network for its contributions and cooperation.
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