

Goal 10

Target number: 10.c

Indicator Number and Name: 10.c.1 Remittance costs as a proportion of the total amount remitted

Average total cost of sending \$200 (or equivalent in local sending currency, adjusted for inflation) in each country corridor (expressed as % of amount sent)

Agency: World Bank

Has work for the development of this indicator begun?

Yes

Who are the entities, including national and international experts, directly involved and consulted in developing the methodology/and or data collection tools?

World Bank

What is the involvement of or how do you plan to involve National Statistical Systems in the development of the methodology?

The IMF and the World Bank work with the Central Banks to improve data collection on remittances following the Balance of Payments 6 where new definitions for remittances were established.

Please briefly describe the process of developing the methodology for the indicator

In any market, transparency and dissemination of information is important, because it enables individuals to make informed decisions about which services to use, and it also helps to make the market as a whole more efficient. In the remittances market, in particular, the total cost might not always be clear to customers as there are a number of variables that go into it: the transaction fee, the exchange rate applied and the margin eventually charged, and the speed of the service, among others. In principle, all these elements must be captured in the information to the consumer; in practice, this is not always the case. Therefore, combining all these elements to calculate which service is cheapest in a comparable way is difficult for most remittance consumers. In addition, it is difficult to measure improvements in remittance markets, as there is little data on cost and efficiency. For this reason, the World Bank has released this website, which reports comparable remittance price data and service terms.

Currently, the database covers 365 "country corridors" worldwide. The corridors studied flows from 48 remittance sending countries to 105 receiving countries. In most cases, data was captured from the main sending location/area for the corridor in question to the capital city or most populous city in the receiving market.

The methodology also consist on "mystery shopping" to collect the data to have an accurate information on prices. It is also important not to indicate the date that the data is collected and keep changing every time so companies are not biased to reduce their prices only for that day.

Please indicate new international standards that will need to be proposed and approved by an intergovernmental process (such as UNSC) for this methodology.

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There is no need for a new international standard. This methodology has already been proved and used for the last 8 years.

When do you expect the methodological work on this indicator to be completed?

The methodology is developed and the indicator work is completed. KNOMAD is undertaking an analysis with Consumer International to look at the issues on remittance prices from the perspective of the consumer to complement with the views of the consumer.

Are data and metadata already being collected from the National Statistical System for one or more components of this indicator?

Yes

If yes, please describe:

This indicator has been collected since 2008. And each time a new corridor is added

How do you plan to collect the data?

Other: survey, mystery shopping

If the indicator involves multiple components from different data sources, please describe how each individual component of the indicator will be collected here.

Data is collected by researchers posing as customers and contacting firms within each corridor. Researchers collected data within each corridor on the same day, in order to control for fluctuations in exchange rates and other changes in fee structures. It should be noted that data this database is intended to serve as a snapshot of a moment in time, and that pricing may vary over time.

Additional details on the methodology used for collecting data are as follows:

- **Firms Data** is collected for the major service providers in each corridor, including both the primary Money Transfer Operator (MTO) and Banks active in the market, as well as the Post Office when available. Surveyed firms are selected aiming to provide a representative sample of the market in each corridor. Companies surveyed within each corridor are selected to cover the maximum remittance market share possible, aiming at a minimum aggregated market share of 80 percent.
- **Amounts:** For the original database, two amounts were surveyed per corridor: the local currency equivalent of USD 200, and the local currency equivalent of USD 500. For the information collected in the first quarter of 2009, the original amounts in local currency were kept for comparability purposes; hence, some of the local currency amounts may differ from the USD 200 and 500 benchmarks due to currency fluctuations. In the third quarter of 2009, the local currency equivalent amounts of USD 200 and 500 were adjusted in order to reflect foreign exchange fluctuations. As a result, send amounts in local currency may differ from the ones surveyed in the previous iterations.
- **Transfer fee:** This is the most visible cost component, and can differ significantly among market players. This fee usually represents the charge the sender pays at the initiation point, and usually varies with the amount sent, within set bands. In some cases, there may be fees and taxes charged at the destination that have not been detected in this database.
- **Exchange Rate Margin:** An important portion of the remittance cost is the exchange rate spread, which is not quoted in the transfer fee. Even though remittances can be paid in US dollars in some countries, the majority of remittance transactions are paid in local currencies, and, thus, an exchange operation is required. In this database, where remittances are paid in dollars, or where exchange rate information was not provided, this

information may not be available. In these cases, the actual total costs might be higher than indicated in the database.

- **Product:** The database covers different forms of transactions. For each firm the type of product(s) offered was noted within the following categories: door to door, cash to cash, account to account (same bank), account to account (other bank), account to cash, cash to account, cash to account (same bank), credit/debit card service, pre-paid card service, online service, mobile service, USD service, LCU service, EUR service. As of Q2 2016, to better reflect market developments, this category was converted into **Payment Instrument** to capture the payment means used by the sender to initiate the transaction, categorized as follows: cash, bank account transfer, debit credit and/or prepaid card, mobile money. Similarly, as of Q2 2016, RPW captures the way the transaction is received by the sender under **Receiving method**, using as categories cash, bank account (either hold at any bank or within the same or a partner bank as the one used by the sender), mobile wallet. When transaction is disbursed in cash, the type of location where money can be picked up is also recorded (agent, bank branch, Post Office, home delivery).
- **Access point:** As of Q2 2016, RPW captures the type of access point where transaction can be initiated by the sender. This include: agent, bank branch, post office, Internet, mobile phone, call center.
- **Speed of transfer:** The speed of transfer is the time needed for the remittance to be available for the receiver. The transfer speed is noted for each product. Since the First Quarter 2009 the speed of transfer has been standardized in six broad categories: less than one hour, same-day, next day, 2 days, 3 to 5 days, and 6 days or more.
- **Network coverage:** Since the Q1 2009 the database also includes, for each company surveyed, a description of the network coverage in the receiving country. This additional variable complements the overall picture for price and convenience of the service offered by each RSP. The following categories were used to describe RSP coverage: nationwide, urban only, rural only, main city, major cities. Since the Q2 2016, network coverage is captured **both for the sending and receiving network** and ranked as high, medium, low.

With what frequency is data expected to be collected?

Every quarter

Is there a process of data validation by countries in place or planned for this indicator?

Yes

If yes, please briefly describe:

The data is posted in the web site. Everybody can take a look at it to verify the data
The pricing data provided in this database are intended to serve as a snapshot of the cost of remittances on specific dates and time. Actual costs may vary. The World Bank provides no warranty, expressed or implied, as to the accuracy or completeness of the data furnished. The data and information provided herein should not be used as a substitute for actual pricing information that consumers should obtain directly from service providers.

If you have any additional comments that you believe would be helpful to IAEG-SDG members in analysing the work plan and methodological development of the indicator, please provide them here:

Remittance Prices Worldwide (RPW)
monitors remittance prices across all
geographic regions of the world. Launched

in September 2008, RPW remains a key tool to monitor the cost incurred by remitters when sending money along major remittance corridors. RPW is used as a reference for measuring progress towards global cost reduction objectives, including

The G20 commitment.

As of Quarter 2 in 2016, RPW covers 48 sending remittance countries and 105 receiving countries, for a total of 365 corridors (up from 227 in Quarter 2 in 2015).

(As of 3 March 2017)