



Remittance Community Task Force

Remittances in times of crisis:
facing the challenges of COVID-19

Remittances in Crisis: Response Resilience Recovery

BLUEPRINT FOR ACTION

INTERIM REPORT

16 JUNE, 2020 – *DRAFT*






Disclaimer

This report complies with the terms of reference of the Remittance Community Task Force (RCTF). All findings and recommended measures expressed herein are the product of a consultative process among the members of the RCTF. These do not necessarily reflect the views of any particular member institution, governing body or the governments which members represent. Data and information provided are derived from the surveys of international organizations, recent reports and regular updates from government, private sector and civil society channels. All data contained in this report are correct to the best of the RCTF's knowledge at the time of publication. As an interim document, this report has not undergone the review given to official RCTF members' publications.

Remittance Community Task Force Secretariat
International Fund for Agricultural Development
Financing Facility for Remittances



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Abbreviations

| | |
|----------|---|
| AU | African Union |
| AML | anti-money laundering |
| CDD | customer due diligence |
| CFT | combating the financing of terrorism |
| COVID-19 | novel coronavirus |
| CPMI | Committee on Payments and Market Infrastructures |
| EU | European Union |
| FATF | Financial Action Task Force |
| GCM | Global Compact for Safe, Orderly and Regular Migration |
| GFRID | Global Forum on Remittances, Investment and Development |
| GP | General Principle |
| GSMA | Groupe Speciale Mobile Association |
| HLPF | High-level Political Forum on Sustainable Development |
| IAMTN | International Association of Money Transfer Networks |
| ICC | International Chamber of Commerce |
| IFAD | International Fund for Agricultural Development |
| ILO | International Labour Organization |
| IOM | International Organization for Migration |
| KYC | know your customer |
| LMIC | low- and lower-middle-income country |
| MTO | money transfer operator |
| NGO | non-governmental organization |
| PSP | payment service provider |
| RCTF | Remittance Community Task Force |
| RSP | remittance service provider |
| SDGs | Sustainable Development Goals |
| UN | United Nations |
| UNCDF | United Nations Capital Development Fund |
| UNDP | United Nations Development Programme |



A global response

On 19 March 2020, the Secretary-General of the United Nations called for an urgent and coordinated response from the international community to address the COVID-19 pandemic. Five days later, the **Remittance Community Task Force (RCTF)** was launched by the Global Forum on Remittances, Investment and Development (GFRID) 2020 co-organizers: the International Fund for Agricultural Development (IFAD), the African Union (AU) and the World Bank Group. To date 38 organizations have joined the RCTF, including international organizations, inter-governmental bodies, industry and private sector groups, diaspora networks and international experts on remittances. The RCTF includes a reference group of government representatives and national development agencies (Annex 1)¹.

The *Blueprint for Action*, developed by the RCTF, is in line with the UN framework for the immediate socio-economic response to COVID-19², including Sustainable Development Goal (SDG) 17 that aims to *strengthen the means of implementation and revitalize the global partnership for sustainable development*. This Blueprint for Action provides immediate to short term measures (6-12 months) in support of Objective 20 of the Global Compact for Safe, Orderly and Regular Migration (GCM)³ to *promote faster, safer and cheaper transfer of remittances and foster financial inclusion of migrants*, and SDG Target 10.c to *reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent by 2030*.

The need for international coordination to sustain the flow of remittances during the COVID-19 crisis is underscored by other initiatives, such as:

- Financial Action Task Force (FATF) on 1 April 2020 called for the 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 2020 outlined a set of actions to support the remittance sector over the near and the medium terms, to accelerate efforts to reduce remittance costs and 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 22 May 2020 by Switzerland and the United Kingdom, with the support of the World Bank (KNOMAD), UNCDF, IOM, UNDP, IAMTN, and ICC. At the time of the launch Egypt, Ecuador, El Salvador, Jamaica, Mexico, Nigeria and Pakistan had already joined the initiative, and several other states and entities signed up since.
- A non-paper recently submitted by the European Commission to the G-20’s Global Partnership on Financial Inclusion (GPFI) proposing to include a coordinated response to the impact of COVID-10 on remittances in the work programme of this group.
- A High-Level Event on Financing for Development in the Era of COVID-19 and Beyond, convened on 28 May 2020, by the United Nations 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 initiative aimed to identify financing solutions to respond to the current pandemic. Proposals for concrete action will be presented at the ministerial meeting to be held during the High-level Political Forum on Sustainable Development (HLPF) on 14-16 July, Ministerial with continued actions leading up to the UN General Assembly sessions in September and December 2020.

1 <https://familyremittances.org/idfr-2020/the-remittance-community-task-force/>

2 UN Sustainable Development Group, 2020. A UN framework for immediate socio-economic response to covid-19

3 https://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/73/195



This **Blueprint for Action**, developed as a collaborative effort of RCTF members, showcases measures to help spur the recovery and the resilience of one billion people: 200 million migrants who send money home – half of them women – and their 800 million family members in low- and lower-middle-income countries (LMICs), who rely on remittances.

This report presents the reality of both remittance senders in host countries and their families in LMICs, and examines the impact of the crisis from the perspective of service providers. It also addresses the policy and regulatory challenges that must be tackled to improve the resilience of remittance markets in the face of external shocks, along with the actions to be taken by remittance service providers (RSPs) and other relevant stakeholders. The final section includes a preliminary set of immediate and short-term measures to be considered by public authorities, the private sector and the civil society as part of their collective efforts to facilitate fast, cheap and safe remittance flows during the COVID-19 crisis and its aftermath. The measures in this interim report are organized following the Committee on Payments and Market Infrastructures (CPMI)-World Bank General Principles for International Remittances⁴.

This interim report is an extract of the upcoming RCTF final report to be released in July 2020.

A Views from the ground: One billion people and their communities

In only a few months COVID-19 has changed the world. Governments everywhere have responded with a mix of policies to contain the pandemic, ranging from quarantines to the closure of borders and businesses. As economies have shut down, tens of millions of jobs have been lost, some perhaps permanently. According to the International Labour Organization (ILO), as of mid-May 2020, “estimates indicate that working hours will decline in the current quarter (Q2) by around 10.7 per cent relative to the last quarter of 2019, which is equivalent to 305 million full-time jobs”⁵.

Migrant workers are among the most directly affected by the economic fallout of this crisis. There are several reasons for this: (i) they deliver needed skills and provide essential services to important economic sectors, such as construction, hospitality, healthcare, tourism, food, agribusiness, transport and domestic and care work; (ii) the majority of migrant workers are from LMICs and must continue working to support themselves and their family members, by sending remittances home on a regular basis; (iii) the primary focus of most host-country governments has been to help their own citizens through stimulus packages, unemployment assistance and related payments, which have not necessarily reached migrant workers who often lack unemployment benefits; and (iv) many migrant workers remain stranded in host countries due to lockdowns, while their own country governments are unable to repatriate them since transport has not yet normalized in all countries.

These facts also have implications for the families of migrant workers who receive remittances. For instance, in 2019 the remittance industry reached US\$554 billion in transfers to LMICs. However, the impact of COVID-19 is expected to cause the sharpest decline in remittance flows in history, falling by 20 per cent in 2020 to US\$445 billion, as indicated by a recent World Bank forecast⁶.

4 CPSS and the World Bank (2007). General Principles for International Remittance Services. Bank for International Settlements: Basel, Switzerland.

5 ILO, 2020. ILO Monitor: COVID-19 and the world of work. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745963.pdf

6 World Bank, April 2020. - Covid-19 Crisis through a Migration Lens. World Bank: Washington, DC.



Past remittance flows have been relatively resilient to external shocks. But COVID-19 is different. It is global in nature and affects both sending and receiving countries simultaneously, depriving countless migrant workers of their main source of income and economic lifelines to many receiving households. Overall, the World Bank estimates that COVID-19 will propel 40 and 60 million people into extreme poverty⁷. Many of these may be migrant family members back home.

A sharp decrease in remittance flows to households threatens decades of progress made towards the achievement of the Sustainable Development Goals (SDGs)⁸, including poverty reduction, income equality, nutrition, health and education. At the national level, the macroeconomic impact on remittance-dependent countries in terms of foreign exchange reserves, exchange rate impacts and other economy-wide effects is likely to be substantial.

B Remittance service providers

The continuity of remittance services has been impacted by the crisis, contributing to a declining trend in total remittance flows. Since the beginning of country-wide lockdowns, many non-bank remittance service providers (RSPs)⁹ in sending and receiving countries have not been deemed to be “essential” by several governments¹⁰.

The World Bank¹¹ initiated a weekly pulse survey and data report on the international remittance markets in early April 2020. This included bi-weekly monitoring of remittance prices for 30 corridors. A key finding of the survey is a slight decrease in overall remittance transfer costs since the start of the lockdown. However, the average global cost of sending remittances (6.79 per cent in Q1 of 2020) continues to be above the 5 per cent commitments of SDG 10c and GCM's Objective 20.

In the wake of COVID-19, several RSPs reduced their fees. During this period foreign exchange margins also declined on average. Liquidity management and rebalancing issues are additional challenges for RSPs that continue to operate on reduced hours. This issue has been particularly serious for remote rural agents, especially in certain African countries, as compared with other touch points, such as banks and e-money distributors.

Nonetheless, RSPs are taking proactive steps to ensure service continuity. Both RSPs and public authorities play a vital role in ensuring service availability for senders and receivers¹². The temporary closure of many physical sending and receiving locations has further spurred the use of digital financial services, which already grew by 33 per cent through the course of 2019, as reported by GSMA on mobile-enabled remittances¹³. For instance, MoneyGram¹⁴ increased digital transactions by 57 per cent year-on-year and Western Union reports an increase of 21 per cent in digital transactions in Q1 of 2020¹⁵. Digital MTOs also report a surge in new customers using their services. For example, new customer registrations by Azimo increased by 105 percent in April 2020¹⁶.

7 World Bank, April 20, 2020. <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest>

8 IFAD, 2017. [Sending Money Home: Contributing to the SDGs one family at a time](#)

9 In this document, non-bank RSPs refer to money transfer operators (MTOs), mobile money service providers, FinTechs and certain postal operators.

10 World Bank, April 2020. [Migration and Development Brief 32- Covid-19 Crisis through a Migration Lens](#), Page 10. World Bank: Washington, DC.

11 World Bank (2020). RPW Special issue on COVID-19. <http://remittanceprices.worldbank.org>

12 The role of RSPs in implementing the General Principles (GPs) for International Remittances is an important one, in that they should offer remittance services that are competitive and meet the needs of their customers. In doing so, they have the responsibility to comply with applicable laws and regulations, including AML/CFT requirements, and apply appropriate governance and risk management procedures.

13 <https://www.gsma.com/sotir/wp-content/uploads/2020/03/GSMA-State-of-the-Industry-Report-on-Mobile-Money-2019-Full-Report.pdf>

14 <https://eng.ambcrypto.com/moneygram-notes-growing-digital-remittances-as-walk-in-gets-difficult/>

15 http://ir.westernunion.com/files/doc_financials/2020/q1/WU-Q1-2020-Earnings-Release-Final.pdf

16 According to Azimo's spokesperson to this RCTF



Many RSPs are changing their operating models as market conditions evolve. These include reducing or waiving fees, educating customers on digital services, using alternative methods for customer due diligence (CDD), developing new products, creating loyalty incentives and opening new digital corridors¹⁷. In addition to the push for digital solutions, RSPs are also focusing on the health and safety concerns of their employees and customers.

Digital adoption is not a quick solution and will require the strengthening of digital ecosystems in receiving countries. Moreover, without the right measures in place there is the risk of a digital divide that could exclude traditionally unbanked and poor segments, including women, the elderly and the rural population. Yet overall, expanding digital access should lower average costs, promote broader financial inclusion, savings, efficiency and greater investment of remittances.

c Enabling environment

COVID-19 has prompted quick action by public authorities and emphasized their critical role in crafting policies and regulations to mitigate the risks posed by this crisis. Measures are tailored to ensure the business continuity of service providers, particularly those that are cash-based.

The current crisis reveals long-standing policy and regulatory issues that must be addressed to improve the future resilience of remittance markets. This pandemic also exposes key constraints to the implementation of commitments outlined in objective 20 of the GCM, relating to enabling policies for competition and innovation in the remittance market.

In-person and cash-based remittance channels have been severely impacted by this crisis. RSPs that have not embraced digital service solutions, customers that lack transaction accounts and access to digital remittance services, and countries without interfaces between digital RSPs and domestic payment infrastructures have all been negatively impacted during the pandemic.

Consequently, interest is growing rapidly in remote and digital means of sending and receiving remittances. Various policy and regulatory issues related to the impact of COVID-19 will need further attention in order to improve the enabling environment in both sending and receiving countries. These should restore in-person and cash-based remittance channels, while also facilitating a shift to digital remittance channels. Several factors must first be addressed to achieve these ends.

First, easy-to-understand materials that provide information to customers on reliable, alternative channels when preferred options are needed. Second, measures should ensure that customers are protected against fraudulent activities and data breaches. Third, CDD requirements should be simplified for low risk accounts. These should be based on robust risk assessments to enable remittance senders and their families to open transaction accounts. Fourth, remittances markets should be opened to new business models, entrants and promote services from existing payment service providers (PSPs) that offer digital solutions. This will catalyze a rapid shift from cash-based to digital remittance channels. Finally, efforts should continue to monitor the “de-risking” phenomenon that is affecting the remittances market.

¹⁷ The latter two measures are linked to GP 1 and GP 4.



D Blueprint for Action

This Blueprint for Action addresses the challenges faced by migrants sending remittances as well as their family members receiving them in their communities. Crisis-response measures can be improved through better regulations, business practices and changes in customer behaviour. There are several measures that public authorities, service providers and civil society organizations should prioritize to build resilience in remittance families. These support the efforts of public authorities and other stakeholders to ensure service continuity and access to remittances for those who rely on them the most.

The proposed set of measures below are the outcome of a consultative process among participants of the RCTF and do not represent a formal endorsement by any participating organization. These measures for immediate to short-term actions are presented for the consideration of public authorities and for remittance stakeholders. The RCTF will continue to define recommended measures for action and reference observed practices in order to inform a roadmap for implementation.

| Measures | Responsibility |
|--|--|
| Immediate Relief Measures | |
| 1 Declare remittance services as essential services during lock-downs | Public sector authorities |
| 2 Consider extending financial relief measures to eligible RSPs to assist with crisis-induced credit and liquidity risks | Public sector authorities |
| 3 Consider temporary relaxation of transaction and balance limits if they hamper the usage of specific categories of transaction accounts that could be used to initiate and receive remittances | Public sector authorities |
| 4 Strengthen existing efforts to support the global commitment of reducing the costs of remittances | Public sector authorities, RSPs, diaspora groups and international organizations |
| 5 Collaborate in host and home countries to gather data on the needs of remittance families and disseminate information that would enable them to make informed choices about the use of remittances and remittances-linked services | Public sector authorities and diaspora groups |
| 6 Institute temporary reduction of waiver of taxes on remittance transactions | Public sector authorities |
| 7 Promote current or new public-private working groups at the national level to improve awareness and preparedness | Public sector authorities, RSPs, diaspora groups, international organizations and NGOs |
| 8 Develop business continuity plans while ensuring safety of staff and customers | RSPs |
| 9 Incentivize the use of existing digital remittance products through targeted, time-bound offers | RSPs |
| ... | |



| ... | Measures | Responsibility |
|--|---|--|
| General Principle 1: Transparency and Consumer Protection | | |
| 10 | Make information on cost of sending and receiving remittances easily accessible and in understandable forms | Public sector authorities and RSPs |
| 11 | Support immediate inclusion of remittance families in gender-sensitive financial and digital education programmes in sending and receiving countries | Public sector authorities, RSPs, other financial service providers |
| 12 | Promote the collection and dissemination of national data on the remittance market to improve resilience in times of crisis | Public sector authorities, RSPs, Diaspora groups, International organizations and NGOs |
| General Principle 2: Payment System Infrastructure | | |
| 13 | Encourage use of digital channels, for sending and receiving remittances and meeting their other payment needs | Public sector authorities |
| General Principle 3: Legal and Regulatory Environment | | |
| 14 | Review and eliminate unnecessary stringencies in customer due diligence (CDD) regime, and contemplate simplified CDD mechanisms for transactions and account opening, without lowering existing AML/CFT standards | Public sector authorities |
| 15 | Enable remote identification, verification, without lowering existing AML/CFT standards | Public sector authorities and RSPs |
| General Principle 4: Market Structure and Competition | | |
| 16 | Enable easier entry of new business models, new entrants, and existing PSPs to the remittances market | Public sector authorities |
| 17 | Ensure access criteria to domestic payment systems infrastructure for non-bank remittance service providers is fair, transparent and risk-based. | Public sector authorities |
| 18 | Develop and encourage emergency remittance-related savings, loans and insurance. | RSPs |
| General Principle 5: Governance and Risk Management | | |
| 19 | Provide additional guidance to banks on compliance requirements, including for RSPs as account holders, to assess exposure to AML/CFT risks in order to create greater availability of banking services to RSPs | Public sector authorities |



Annex 1: Remittance Community Task Force members

Diaspora organizations:

Africa-Europe Diaspora Development Platform – [ADEPT](#)
African Diaspora Network in Europe – [ADNE](#)

Inter-governmental organizations:

African Union (AU), African Institute for Remittances – [AIR](#)
Financial Action Task Force – [FATF](#)

International organizations:

Making Finance Work for Africa – [MFW4A](#)
International Fund for Agricultural Development – [IFAD](#), Financing Facility for Remittances [FFR](#)
International Organization for Migration – [IOM](#)
United Nations Capital Development Fund – [UNCDF](#)
United Nations Economic and Social Commission for Western Asia – [UN ESCWA](#)
United Nations Entity for Gender Equality and the Empowerment of Women – [UN Women](#)
Universal Postal Union – [UPU](#)
World Bank Group – [WBG](#)

Non-profit organizations:

Financial Sector Deepening Africa – [FSD Africa](#)

Private sector entities:

[Azimo](#)
[Cosmo Element](#)
Global System for Mobile Communications – [GSMA](#)
[Hello Paisa](#)
International Association of Money Transfer Network – [IAMTN](#)
International Money Transfer Conferences – [IMTC](#)
[Novi](#)
[TransferWise](#)
[WorldRemit](#)
World Savings and Retail Banking Institute – [WSBI](#)
Western Union – [WU](#)



Research organizations:

Centro de Estudios Monetarios Latinoamericanos – [CEMLA](#)

Centre for Studies in International Politics – [CeSPI](#)

Centre for Financial Regulation and Inclusion – [CENFRI](#)

DMA Global – [DMAG](#)

FinMark Trust – [FMT](#)

Red Mangrove Development Advisors – [RMDA](#)

Inter-American Dialogue – [The Dialogue](#)

*The **Reference group** members that have been following the process and providing guidance to technical teams are:*

Spanish Agency for International Development Cooperation – [AECID](#)

French Development Agency – [AFD](#)

Italian Agency for Cooperation and Development – [AICS](#)

UK's Department for International Development – [DFID](#)

European Commission

– Directorate General for International Cooperation and Development – [DEVCO](#)

– Directorate General for Economic and Financial Affairs – [ECFIN](#)

– Directorate-General for Financial Stability, Financial Services and Capital Markets Union – [FISMA](#)

Deutsche Gesellschaft für Internationale Zusammenarbeit – [GIZ](#)

Swiss Agency for Development and Cooperation – [SDC](#)

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