



## **GSMA submission**

### **Global compact for safe, orderly and regular migration**

Fourth Informal Thematic Session: “Contributions of migrants and diaspora to all dimensions of sustainable development, including remittances and portability of earned benefits” (July 25, 2017, New York)

#### **Part 1 - General background on mobile money and international remittances**

Mobile technology is one of the most exciting forces shaping how people send and receive international remittances today. Around the world, people are shifting from traditional channels to their mobile phones. 2017 is a milestone year for the mobile money industry. While mobile money has been around since 2001, when the first service launched in the Philippines, 2007 was a watershed moment for the industry. The launch of M-Pesa in Kenya that year and the lightning pace of customer adoption demonstrated the power of mobile money to reach the underserved. Mobile money providers (MMPs) are at the forefront of domestic payment services in many emerging market economies. In 2016, the number of registered mobile money accounts surpassed half a billion (556 million).

Because of its reach and growing use among underserved people, mobile money is uniquely positioned to transform formal remittance markets and to advance financial inclusion. Mobile money has established itself as a critical tool for facilitating international remittances, while reducing remittance costs and maximising the impact of remittances on development. Today, mobile money can be used for international transfers in 51 of the 92 countries where the service is available. This is helping to reduce costs, bringing us closer to the achievement of the UN Sustainable Development Goals (SDGs) and putting more money in the hands of families. It is also creating new opportunities to deepen financial inclusion.

#### **Part 2- The benefits of mobile money for international remittances**

##### **Reducing remittance costs to achieve SDG 10.c**

Where recipients opt to retain their money in digital form, the cost of sending remittances from a mobile money account is, on average, 50% lower than doing so via traditional channels. Even when mobile money funds are cashed out immediately, the end-to-end transaction cost is, on average, 21% cheaper than the main formal alternatives<sup>1</sup>. Recent results from the World Bank’s Remittance Prices Worldwide initiative, the global reference, echo these findings and the fact that, in many corridors, mobile money international sending costs are already below the SDG target of 3%.

##### **Advancing financial inclusion of migrants and their families**

Mobile money is uniquely positioned to connect the receipt of international remittances with broader financial inclusion. People who receive a remittance on their mobile money account have the option to use these funds in a number of ways without cashing out all the money immediately and to store it safely. For example, they can make digital payments to buy good such as milk from a local merchant (e.g. Lipa Kwa M-Pesa in Tanzania) or to pay for school fees for their children (e.g. Orange Money in

<sup>1</sup> Farooq, S., Naghavi, N. and Scharwatt, C. (2016), “Driving a price revolution: Mobile money in international remittances”. GSMA. Available at: <https://www.gsmaintelligence.com/research/?file=8F31B31705C20A63A41DB9711BF84C25&download>



Côte d'Ivoire) or to pay for utility bills (e.g. Tigo Money in El Salvador). People receiving international remittances on their mobile money account can even use the money received to buy government bonds (e.g. M-Akiba in Kenya) - enabling the investment of remittances in the local economy. Innovative credit scoring models can also leverage the payments history of people who receive international remittances through mobile money to help them access more sophisticated financial services. These include credit and savings services (e.g. M-Shwari in Kenya) as well as insurance services (e.g. Tigo Kiray in Senegal).

### **Increasing convenience and empowering users**

Mobile money can also address time scarcity. With mobile money, people can send or receive international transactions whenever suits them. Freedom from the opening hours of a traditional remittance agent can make life easier for those based in remote areas or managing inflexible work schedules. The density and reach of mobile money distribution networks also means that, when one does need to interact with an agent, that agent is likely to be relatively close. In 2016, mobile money providers were served by over 4.3 million agents, reaching beyond urban enclaves. For example, the majority (60%) of Airtel Money customers in Burkina Faso who receive international transfers from Côte d'Ivoire are in rural areas<sup>2</sup>. Price and convenience are, however, not the only aspects that consumers value about mobile money. Account holders can conduct transactions independently; they can do so from the safety of their homes; and they retain a clear record on their mobile device of what has been sent. While less tangible than cost savings, attributes such as privacy, security and transparency can weigh heavily in the decision about whether to use a formal digital channel over informal alternatives.

### **Reaching women**

Using mobile money as a channel for international transfers can also help to bridge the gender gap in three ways. First, women are often more price sensitive than men<sup>3</sup>. Mobile money can ease affordability barriers by reducing remittance transaction costs by over 50 percent. Second, the reach of mobile money distribution networks can play a critical role in ensuring that women can access formal remittances. Recent UNCDF research<sup>4</sup> shows that that 60% of remittance recipients in Cambodia, Lao PDR and Myanmar are women and that 75% of these women live in rural areas. Third, by lowering safety concerns in managing, converting and transporting large amounts of cash, mobile money can make formal channels more attractive. Women migrant workers, 100 million in total, send remittances more regularly and consistently than men do<sup>5</sup>.

### **Accelerating the transformation of rural and agricultural remittance households**

The presence of agents in rural areas and hard to reach places has been critical to the success of mobile money in many markets<sup>6</sup>. Data from WorldRemit indicates that mobile money tends to be the preferred method to receive international remittances in rural areas. Mobile money providers are also well placed to offer value-added services that can help farmers and small producers to increase productivity by advising them about weather conditions, pest outbreaks and new farming techniques. In this way, mobile money international remittances can help to strengthen the resilience of rural

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<sup>2</sup> Scharwatt Claire and Chris Williamson, "Mobile money crosses borders: New remittance models in West Africa", GSMA, 2015. Available at: [http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/04/2015\\_MMU\\_Mobile-money-crosses-borders\\_New-remittance-models-in-West-Africa.pdf](http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/04/2015_MMU_Mobile-money-crosses-borders_New-remittance-models-in-West-Africa.pdf)

<sup>3</sup> GSMA, "Bridging the gender gap: Mobile access and usage in low- and middle-income countries" (2015). Available at: [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/02/GSM0001\\_03232015\\_GSMAReport\\_NEWGRAYS-Web.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2016/02/GSM0001_03232015_GSMAReport_NEWGRAYS-Web.pdf)

<sup>4</sup> UNCDF, "Remittances as a driver of women's financial inclusion" (2017). Available at: <http://www.uncdf.org/article/2173/remittances-as-a-driver-of-womens-financial-inclusion-in-the-mekong-region>

<sup>5</sup> IFAD, "Sending Money Home, Contributing to the SGDs, one family at a time" (2017). Available at: <https://www.ifad.org/documents/36783902/4a5640d9-e944-4a8c-8007-a1bc461416e6>

<sup>6</sup> In Mali and Chad for example, we observed strong customer uptake and agent performance in rural border towns, refugee settlements, rural marketplaces, and remote mining towns. GSMA, "Spotlight on rural supply: Critical factors to create successful mobile money agents". Available at: [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/10/2015\\_GSMA\\_Spotlight-on-Rural-Supply-Critical-factors-to-create-successful-mobile-money-agents.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/10/2015_GSMA_Spotlight-on-Rural-Supply-Critical-factors-to-create-successful-mobile-money-agents.pdf)



households. This is particularly important in the context of climate change, as adverse local weather conditions are increasingly causing and exacerbating financial shocks.

### **Formalising informal transfers**

Mobile money can help regulators to manage the risks of money laundering and the financing of terrorism. There are signs, for example, that mobile money is eroding the informal remittance market, rather than simply cannibalising existing formal transactions. Eighteen months after launch, the value of Orange Money cross-border remittances between Côte d'Ivoire, Mali and Senegal was equivalent to 24.7% of the total formal remittance value previously recorded by the World Bank as flowing between these markets.<sup>7</sup>

## **Part 3 – Recommendations for the Global Compact on Migrations**

### **Establishing an open and level playing field and encouraging competition**

The progress of mobile money international remittances is, in part, the result of a growing willingness by regulators to facilitate market entry by non-traditional providers. In Ghana, for example, electronic money issuers such as mobile money services have been allowed to channel inbound remittances. In countries such as Rwanda and Tanzania, regulators have gone a step further, allowing licensed electronic money providers to both receive and send international remittances. This process of establishing a more level regulatory playing field for companies interested in facilitating international remittances has increased competition in a number of markets, with positive results for consumers.

However, in many markets, regulation remains a challenge to the expansion of mobile-based remittances. Where mobile money providers can secure approval for facilitating international remittances, they often face uncertainty around the requirements and timeframe for a response from the regulator. Standardised and transparent licensing criteria, as well as fixed maximum response times, could go a long way toward facilitating business planning and encouraging investment.

Specific recommendations include:

- Ensuring that non-traditional providers such as mobile money providers can be licensed to offer international remittances;
- Publishing application requirements for mobile money providers seeking approval to facilitate international remittances;
- Establishing a clear timeframe for the review of license applications; and
- In jurisdictions where electronic money regulations are being developed or revised, including international remittances in the scope of the electronic money regulations.

### **Facilitating the opening of new corridors**

In around two-thirds of countries where mobile money can be used for international remittances, only inward remittances are in scope, while mobile money customers in the remaining countries have the option to both send and receive international remittances. This largely reflects the challenge of obtaining licenses to send, which has implications for the competitiveness of intra-regional remittance corridors.

Similarly, the process of securing approval to connect new corridors via a previously approved hub could be streamlined. The approach taken by Zambia is instructive: providers can receive a general approval for the use of a transaction hub, enabling them to add new remittance corridors by notifying

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<sup>7</sup> Scharwatt, C., and Williamson, C., "Mobile money crosses borders: New remittance models in West Africa", GSMA (2015). Available at: [http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/04/2015\\_MMU\\_Mobile-money-crosses-borders\\_New-remittance-models-in-West-Africa.pdf](http://www.gsma.com/mobilefordevelopment/wp-content/uploads/2015/04/2015_MMU_Mobile-money-crosses-borders_New-remittance-models-in-West-Africa.pdf)



the regulator of this intention. In many other markets, each new corridor requires a separate approval process that can take weeks or even months to conclude<sup>8</sup>.

Specific recommendations include:

- Where practical, allowing both inward and outward international remittance services, taking a graduated approach to outbound transaction limits, if necessary; and
- Allowing in-principle approval of partnerships undertaken via a vetted hub and clearly outlining the process for hub vetting.

### **Adopting a risk-based approach to mobile money international remittances**

While licensing is the biggest and most common obstacle faced by mobile money providers in this space, other issues need to be addressed, such as differences between international and domestic Know Your Customer (KYC) requirements within a country, differences in KYC requirements between sending and receiving countries, and differences in transaction and balance limits between countries<sup>9</sup>. Such approaches must be balanced against the legitimate needs of regulators to manage capital flows, to ensure consumer protection, to prevent crime, and to act within existing capacity constraints.

For example, the average value of remittances sent via mobile money is much lower than that of remittances sent via other channels: \$82 compared to \$500. Lower value further reduces the potential for money laundering. It is also important to note that mobile money providers offer high levels of AML (Anti Money Laundering) and CFT (Counter Terrorist Financing) monitoring capabilities. GSMA Industry Guidelines on International Remittances illustrate how the mobile money industry and its partners collaborate to ensure that international transfers conducted through mobile money are facilitated in a safe and secure manner, consistent with global standards and local monetary policy and regulations. They provide guidance on operational practices in the following areas: (i) reconciliation and settlement; (ii) data security and APIs; (iii) due diligence; (iv) customer identity management systems; and (v) consumer protection.

- Specific recommendations include: Adopting a risk-based approach to mobile money international remittances, based on a thorough assessment of the risks and on a clear understanding of the mobile money industry practices, as described in GSMA Industry Guidelines on International Remittances;
- Encouraging regulators to share best practices in the area of mobile money and international remittances; and
- Encouraging dialogue across countries to review opportunities to harmonise regulatory requirements with regards to international remittances.

### **Including mobile money as a key component of any policy initiative aiming at reducing the cost of remittances**

Research findings clearly demonstrate that mobile money is driving a price revolution in international remittances. Indeed, the average cost of sending \$200 using mobile money is 2.7 percent across the 45 corridors surveyed, and the cost of sending international remittances is already less than three percent in 34 corridors. Understanding how this trend evolves and affects the average cost of remittances across all channels is important. We encourage the international community to include mobile money as a key component of any policy initiative aiming at reducing the cost of remittances.

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<sup>8</sup> Farooq, S., "Licensing mobile money remittance providers: Early lessons" (2017). Available at: [https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2017/02/GSMA\\_Licensing-mobile-money-remittance-providers\\_Early-lessons-1.pdf](https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2017/02/GSMA_Licensing-mobile-money-remittance-providers_Early-lessons-1.pdf)

<sup>9</sup> AFI, "Mobile-enabled cross-border payments" (Guideline note 14, August 2014). Available at: [http://www.afi-global.org/sites/default/files/publications/mfswg\\_guideline\\_note\\_no\\_14\\_eng.pdf](http://www.afi-global.org/sites/default/files/publications/mfswg_guideline_note_no_14_eng.pdf)



Specific recommendations include:

- Supporting the development of initiatives promoting public-private dialogue around international remittances, such as the International Day of Family remittances (IDFR) and the Global Forum on Remittances, Investment and Development (GFRID); and
- Encouraging regional and global initiatives collecting data on remittance prices such as the World Bank through the Remittance Prices Worldwide project or the African Institute for Remittances and Send Money Asia, to proactively include corridors where mobile money is available and mobile money providers as part of their scope.

### **About the GSMA**

The GSMA represents the interests of mobile operators worldwide, uniting nearly 800 operators with almost 300 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organisations in adjacent industry sectors. The GSMA also produces industry-leading events such as Mobile World Congress, Mobile World Congress Shanghai, Mobile World Congress Americas and the Mobile 360 Series of conferences. 'Connecting everyone and everything to a better future' is the common purpose shared by every mobile operator across the planet. Our purpose is the driving force behind our industry's commitment to playing the leading role in connecting the world and achieving the SDGs, which aim to end poverty, halt climate change and fight injustice and inequality.

The GSMA Mobile Money Programme is working with mobile operators and industry stakeholders to create a robust mobile money ecosystem, which will increase the relevancy and utility of these services, and ensure their sustainability. By making mobile money more central to the financial lives of these users, greater financial inclusion, economic empowerment and economic growth can be achieved. The GSMA is proud to endorse the International Day of Family Remittances.

For more information, please visit the GSMA corporate website at [www.gsma.com](http://www.gsma.com). Follow GSMA Mobile Money on Twitter: @GSMAmmu.

