



GPI

Global Partnership
for Financial Inclusion

**G20 National Remittance
Plan 2019
Germany**

Background

Remittances volume: Germany is the fifth largest sending country worldwide, with outflows showing a slight upward trend since 2014 (USD 20.1 billion). Remittance outflows reached an all-time peak of USD 22.1 billion (= 0.6% of GDP) in 2017. For 2018 and 2019 there are no estimates available yet. In line with the composition of migrants in Germany the majority (56%) of remittances are sent to Europe (EU-neighbours such as Poland, France and Italy) and Central Asia. Remittances to the Middle East and North Africa account for 15% of total outflows and Sub-Saharan Africa account for 11%. Remittances flows into Germany amounted to around 17.4 billion USD in 2017, approximately 0.4 percent of Germany's GDP.

Data on remittances costs: The average price to send USD 200 from Germany is 7.7% which is significantly more expensive when compared with other European countries, the G8 (6.59%), the global average (6.84%) and SDG 10.c (below 3%) (all data: Q2 2019, The World Bank, Remittance Prices Worldwide). Pricing is more competitive when larger values are sent (average cost for sending USD 500 is 5.6%). According to the largest money transfer operators (MTOs) the average transaction value from Germany is approximately USD 500. Nevertheless, the average price for sending remittances from Germany has been falling from over 13% (for USD 200) 2012 and with a few fluctuations in recent years, e.g. a slight upward trend in 2016 and 2017.

Remittances environment: Harmonisation of regulation across the EU has reduced barriers to entry in the German remittance market and advancements in technology have helped to drive down costs. Some non-bank remittance service providers, however, face difficulties operating in the German market and lack access to accounts at commercial banks.

Despite an increasing variety of existing remittance service providers (RSP) and a large number of operators permitted to provide remittance services in Germany, some of the services remain expensive and/or not fully transparent. Industry experts estimate that the largest MTOs remain the key players with Western Union accounting for a share of 60% to 70% and MoneyGram and Ria of 15% and 10%, respectively, of the remittances market. The cash-to-cash model is still the most commonly used formal means for remitting money from Germany. Whilst the use of digital services is growing, its adoption is still a few years behind other peer countries.

In June 2016 the transposition of the European Payment Account Directive, the Payment Accounts Act (Zahlungskontengesetz) entered into force in Germany. It obliges banks to offer basic payment accounts to all consumers in Germany (including refugees and asylum seekers).

Call to Action on Remittances

Germany recognizes the value of remittances flows in helping to drive strong, sustainable and balanced growth and to lift people out of poverty, encourage their engagement in the regulated financial sector, and improve economic infrastructure, among other positive spill-over effects. In September 2014, together with all other G20 leaders, Germany renewed its commitment to facilitate remittance flows including: working to reduce the global average cost of transferring remittances; supporting country-led actions to address the cost, and improve the availability of remittance services, particularly for poor people; and using remittance flows to drive financial inclusion and development. German activities for the 2014 Call to Action on Remittances included activities on transparency, consumer protection and awareness, international research and knowledge exchange as well as regulatory advice in partner countries of German development cooperation.

In 2016, Germany further committed towards achieving the Sustainable Development Goals under the UN 2030 Agenda and the Addis Ababa Action Agenda, including to reduce the transaction costs of migrant remittances to less than 3% and eliminate remittance corridors with costs higher than 5%.

2019 Country plan for reducing remittance transfer costs

1. Increase remittance market competitiveness, including through improvements to the regulatory environment

Germany continues to support the G20 Global Partnership for Financial Inclusion (GPII), which is commissioned by the G20 to steer the work towards the G20 remittances target.

Germany is planning a national conference on remittances where, at the invitation of the Federal Ministry of Finance, the German financial supervisory authority, the German Central Bank, and banks and remittance service providers will come together to discuss opportunities and challenges related to the remittances issues.

Under the German G20 Presidency, the GPII set “Financial Inclusion of Forcibly Displaced Persons (FDPs)” as one of four priorities. Led by Germany, the GPII developed a G20 Roadmap on “Sustainable and Responsible Financial Inclusion of FDPs” in 2018, that has, yet, eventually not been endorsed as G20 document. Germany together with other partners plans to publish the Roadmap in 2019 independent of the G20 and support its implementation. The initiative aims at transforming results and findings into action and thus improving FDP’s access to appropriate financial services, inter alia to remittances services.

In the course of 2017, 2018 and 2019, Germany has gathered additional data on diaspora communities, their engagement and remittances sending in Germany. With a similar research design as in 2015 and 2016, further diaspora communities have been covered (such as the Senegalese and the Jordanian diaspora in Germany). These data and analysis enable an evidence-based conduct of remittances initiatives.

As part of the German DC project on digital remittances in Jordan, Germany has conducted a study on current developments in the digital remittances market and new business models of RSPs (including mobile network operators and FinTechs). In addition, within that project, a study has been conducted on the remittances practices of diaspora communities, focusing on the remittances corridor Germany-Jordan. The results are to inform the feasibility of and provide concrete recommendations for an international digital remittances product pilot.

Within the framework of its support to the African Union on migration and displacement, Germany also cooperates with the African Institute for Remittances (AIR). In particular, a public-private dialogue has been organized in Germany in October 2017. The successful event brought together relevant stakeholders from Germany and Ghana in order to improve knowledge, exchange experiences, formulate concrete recommendations for action, and identify potential areas of collaboration.

Germany has commissioned GIZ to implement a regional program in Africa that encourages investments by the diaspora in Cameroon and Ghana to contribute to new opportunities of employment on the digital “WIDU” platform. During the 9-months pilot phase 260 start-up and

micro-entrepreneurs will be given improved access to finance by leveraging of migrants' money transfers and capacity-building of entrepreneurial skills.

Until 2018, Germany supported the Global Knowledge Partnership on Migration and Development (KNOMAD) with its 'remittances working group' generating recommendations for policy through research and knowledge exchange.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

German Development Cooperation works with the Central Bank of Jordan (CBJ) to implement a project on "Improving Access to Remittances and other Financial Services through Digital Solutions" since October 2015. The project aims at increasing access to and usage of needs-based digital remittances services for refugees and Jordanians in hosting communities. The project activities include a cooperation with the private sector in order to develop and pilot a national mobile money transfer service. It runs information campaigns and training courses on the responsible use of digital financial services. On the policy level, the project works with the CBJ on expanding the current regulation to cover the secure transfer of cross-border remittances through digital channels and on designing regulatory and supervisory mechanisms that comply with international standards on consumer protection, anti-money laundering and anti-terrorist financing. The project period has been extended until October 2021. While the project's focus will remain on piloting a digital remittance service for one selected remittance corridor relevant for Syrian refugees, a new component will work on improving the digital remittance services for one specific migrant diaspora in Jordan (remittance outflows).

German development cooperation also consults regulators in Morocco, Mozambique, Jordan and Ghana on the regulation and supervision of mobile financial services and inclusive payment systems. By developing an enabling regulative framework for digital financial services that strikes the balance between innovative risk, consumer protection and stability, the private sector and other actors are able to work in a more secure and transparent environment and to facilitate remittances transfers at lower costs and better quality with regard to design and delivery of remittances products.

3. Improve transparency and consumer protection of remittance transfers.

Germany continues its activities on transparency and consumer protection in the framework of the price comparison portal www.GeldtransFAIR.de and its social media presence. The website has been revised in 2018/2019 and newly launched with large improvements in terms of user-friendliness. The service is certified by the World Bank to meet the mandatory requirements of a national price database for remittance services.