G20 GERMANY 2017
HAMBURG

European Union

G20 National Remittance Plan

GPFI Global Partnership for Financial Inclusion

COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS
EUROPEAN UNION

Background

In the EU, data on personal remittances and its components are collected on the basis of Regulation (EU) No. 1013/2016 of the European Parliament and of the Council of 8 June 2016 on **Community statistics concerning balance of payments, international trade in services and foreign direct investment**.

In 2015, net outflows in personal transfers amounted to EUR 20.4 billion in the EU (2008: EUR 20.8 billion). Residents of the EU transferred EUR 31.3 billion to non-EU countries in 2015. Inflows to the EU totalled EUR 11 billion.

Source of data: *EUROSTAT*

Call to Action on Remittances

2014 Call to Action on Remittances

The EU reviewed its Payment Services Directive (PSD) which sets out the legislative framework for electronic payments in Europe. The Directive (PSD2) proposed to enhance security of electronic payments in general including remittances transfers and improve their cost transparency. The PSD2 also proposed to extend the transparency provisions to payments where only one of the payment service providers is located in the EU and further extension of other provisions was explored. Payment service providers would then be obliged to provide more information on their terms and costs of payments. Enhanced cost transparency, innovation, security and competition can lead to lower transfer costs.

Through the promotion of innovative investment, transfer and financially inclusive mechanisms, EU-funded actions successfully contributed to fill the main gaps affecting the link between remittances and development. Along the same line, past experiences suggest that there is demand from migrant organisations, individuals, and local financial institutions for more structured synergies between third country governments and diaspora organisations aiming at identifying new forms and areas of collaboration.

While remittance-receiving countries are now starting to integrate remittances into their national development strategies, and while the remittance market is changing at rapid pace, there is a tremendous opportunity to leverage the results of existing activities, in particular in rural areas where the potential for development is not realised yet.

Updates/outcomes since the 2014 Call to Action

The **PSD2** was adopted at end-2015 and entered into force on 13 January 2016. It will become applicable from January 2018.

The **Joint Valletta Action Plan (JVAP)** was approved during the November 2015 Valletta Summit on Migration between the EU and African partner countries. It includes a number of commitments aiming to maximize the development impact of remittances. Those commitments are fully aligned with target 10.c of the Sustainable Development Goals, aiming to lower the global costs of sending remittances. The Action Plan also aims to further support the operationalization of the African Institute for Remittances (AIR).

2017 Country plan for reducing remittance transfer costs

INCREASE REMITTANCE MARKET COMPETITIVENESS

At international level, the EU will support a new technical assistance initiative, for an amount of EUR 15 million, to be adopted in 2017 in support to the implementation of the Joint Valletta Action Plan (JVAP). This Action, to be implemented in the framework of the multidonor Financing Facility for Remittances (FFR), will intervene in at least 7 targeted countries in Africa, with a specific focus on rural areas. **At macro level**, this Action will aim to support the emergence of a truly enabling environment for remittance transfer in targeted developing countries, in particular by contributing to strengthen regulatory frameworks on remittances in the targeted countries, as well as the intra-corridor coordination.

This Action will also intervene at **meso** level in order to set up and implement key initiatives promoting innovative business models, technologies and partnerships to transfer remittances in a cheaper, faster and more convenient way, with a view to spur competition in targeted markets and in the end give access to cheaper, faster and more convenient transfer of remittances to migrants and their families in countries of origin.

IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE AND PURSUE POLICIES CONDUCIVE TO HARNESSING EMERGING TECHNOLOGIES

The Digital Single Market for Europe (DSM) strategy adopted in May 2015 by the EU, and undergoing a mid-term review in 2017, recognises the significant impact that digitalisation has on growth and job creation within the European economy. There is great scope for further translating the key principles of the DSM to a wider EU development policy by promoting digital economies in the rest of the world and in particular in developing countries. In May 2017, The European Commission published the Commission Staff Working document 'Digital4Development: mainstreaming digital technologies and services into EU Development Policy', aiming to further mainstream digitalization in EU interventions for sustainable development and economic growth, in line with the new European Consensus on Development and the 2030 Agenda on Sustainable Development.

IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS

In March 2017, the Commission presented an Action Plan on Consumer Financial Services that set out steps towards a genuine technology-enabled Single Market for retail financial services where consumers can get the best deals while being well protected.

A Public consultation on transparency and fees in cross-border transactions in the EU has been launched by the European Commission, with a view to amend the regulation on cross-border payments to reduce charges for cross-border transactions in all EU Member States, and to review good and bad practices in dynamic currency conversion and, on that basis, consider the most appropriate means to allow consumers to choose the best rate.