



EU-India Common Agenda on Migration and Mobility



EU-India Cooperation and Dialogue on Migration and Mobility (EU-India CDMM) project

U-India CAMM: Webinar on EU-India Remittances corridor

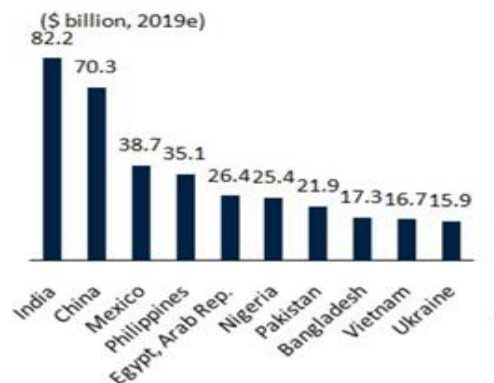
The EU-India Common Agenda on Migration and Mobility (CAMM) calls for actions focused on the “facilitation of cost-effective flow of remittances and their development effect” as well as “making relevant, practical and innovative policy recommendations” with a view towards maximising the developmental impact of migration.

As the European Union (EU) and India mitigate the adverse effects of the COVID-19 global pandemic and begin their planning for an economic recovery, remittances will offer an important buffer for life expenses and future growth for families across the EU and India. The recovery of remittance flows expects to be largely dependent on the success of the economic stimulus efforts of the EU and net-remittance-sending countries. Targeted efforts to support migrant communities in host countries are urgent.

Additional considerations on the EU-India remittances corridor will also need to be taken into account: enhancing migrant access to the banking sector within host communities, reducing transfer costs in line with the internationally agreed targets (and in the context of the EU-India corridor: ensuring parity between Member States), embracing digital alternatives, and to a lesser extent (if any) is de-risking having on Indian Money Transfer Operators (MTO).

Background: Brief Analysis of the Context

Having peaked in 2019, at USD\$ 706 billion globally, the top five remittance recipient countries were India, China, Mexico, the Philippines, and Egypt (see graph below).



Europe, conversely, constitutes almost 10 per cent of the world’s population, but is home to 20 per cent of all migrant workers (50 million) and is the source of 25 per cent of global remittance flows (IFAD 2015). Estimates suggest that about one-third of total remittances sent by migrants living in Europe, remains within 19 countries in Europe.

Some of the largest remittance-sending countries in Europe – Switzerland, Germany, France, and Italy—are locked down by the COVID-19 pandemic, and service-sector jobs have been hard hit from outset of the health crisis. Even in the best of times, sending and receiving remittances to and from is not without challenge (World Bank): high transfer costs, a lack of bank account ownership or transactional accounts, limited knowledge and unavailability of digital services, and volatility in foreign exchange markets have made remittance transfers unpredictable.





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Remittances to South Asia will decline by 22 percent to \$109 billion in 2020, following the growth of 6.1 percent in 2019. The deceleration in remittances to the South Asian region in 2020 is driven by the global economic slowdown due to the coronavirus outbreak as well as oil price declines. The economic slowdown is likely affect remittance outflows from the United States, the United Kingdom, and EU countries to South Asia.

Remittances offer a safety net and a significant risk, as migrant workers from both regions, remain in lock-down and begin to feel the effects of temporary unemployment, or in the worst case, have taken ill. Some have not been able to return to their countries/states of origin due to travel restrictions. Those who manage to continue working—in health care, for example—may struggle to send money amid shutdowns. Families dependent on these incomes will be at risk and governments in Europe and India will be under increased scrutiny to consider actions that reduce the cost of transactions and make it easier to send and receive money. This can immediately improve the lives of migrants and their families. Those who cannot use their traditional cash outlet are often wary of digital means, have difficulty opening bank accounts, and/or require a significant amount of information and trust building exercises to engage in digital transactions.

In spite of the adoption of the Payment Services Directive -PSD2 (the European regulation for electronic payment services which increases payment security, boosts innovation and helps banking services adapt new technologies) awareness and access to banking for non-EU nationals remains a challenge within the EU (IFAD, April 2020). Additionally, given the Single Euro Payment Area (SEPA) discrepancies remain between Member States: Indian diaspora sending money from the EU - back to India - face transfer costs ranging from 3%-9% depending on the country in question¹. Globally, the average cost to send remittances (World Bank, March 2020) sits at 6.79%.

¹ To send money to India from the EU: Indians in Germany face transfer costs of 8% whilst Indians in Italy pay 3.3%; in the UK the cost of remittances to India is closer to 3.6% whilst in France it is 7.4%. This is based on ICMPD's sample assessment of Remittance Prices listed by the World Bank from EU MS with large diaspora communities to India to send 140 Euros. Data used is available here: <https://remittanceprices.worldbank.org/en>

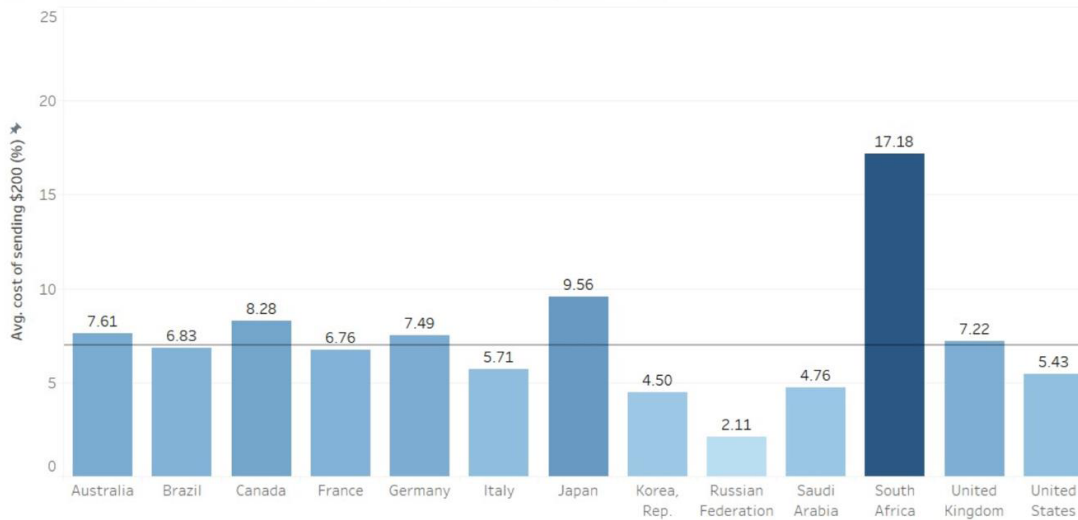


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Average cost of sending \$200 for G20 countries (Q4,2019)



Conversely, average transaction costs for remittances sent from India in 2019 were estimated to be at between 4-10% (depending on the medium). Remittance costs tend to include a premium, that is a cost mark-up, when national post offices have exclusive partnership arrangements with a dominant MTO. This premium averages 1.5 percent of the cost of transferring remittances worldwide and is as high as 4.4 percent in the case of India, the largest recipient of remittances (KNOMAD Migration and Development Brief no. 31, April 2019).

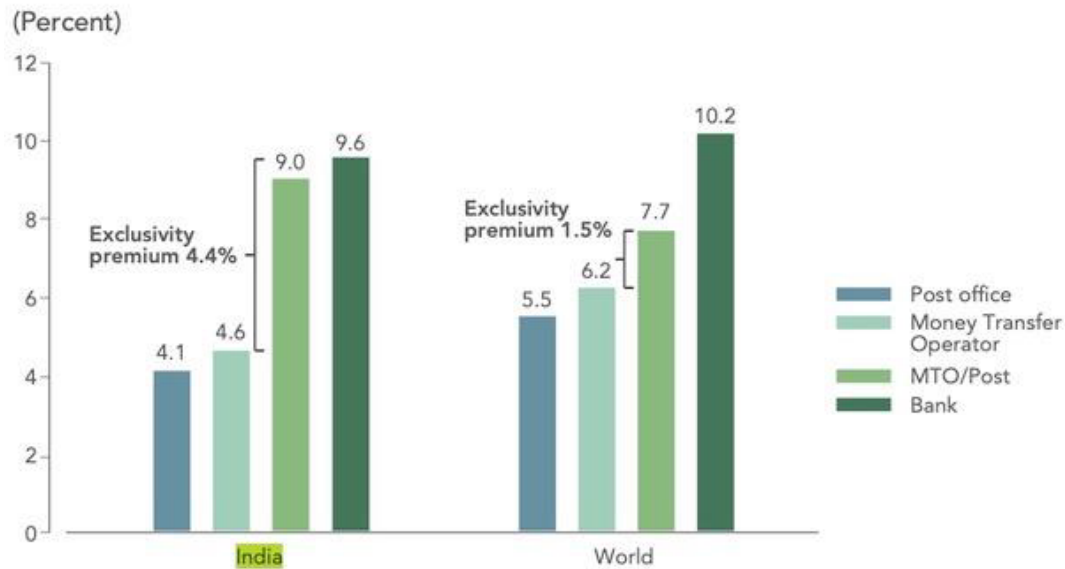
De-risking by international correspondent banks—that is, the closing of bank accounts of money transfer operators (MTOs) to avoid rather than manage the risk in their efforts to comply with anti-money laundering and countering financing of terrorism (AML/CFT) norms—has affected remittance services and may have prevented further reduction in costs.



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Access to bank accounts is essential if digitalisation and innovative e-money solutions in Europe are to be inclusive and part of the solution in times of crisis: domestically and regionally, remitters who use account-based transfers send on average 30% more than those using more informal channels (World Bank, 2019) and is worth exploring within the EU-India corridor. Digital and mobile payment services are on the rise with the financial-technology industry (fintech) raising USD\$2.74 billion last year.

Reviewing legal and regulatory frameworks to remove any barriers to the use of digital channels for remittances is necessary. Various requirements exist (identification, signature, forex controls) that prevent full digitalization of remittance services. This type of service may be new to migrants and many need reassurance that the service is legitimate and protected against cybercrime. There is, therefore, a strong case for a trusted source of reliable data to be made available to those who need reassurance.

More recently, to combat the COVID19 pandemic’s crippling impact, India’s Postal Service has used its vast network to ensure uninterrupted supplies, delivery of pension payments, and using handheld Points of Sale terminals to ensure the receipt of direct transfers. The Covid-19 crisis provides an opportunity to accelerate the transition to digital transfers. India – a major migrant receiving and sending country - has also seen an increase in the volume of outward remittance services with family wanting to ensure that their loved ones located abroad continue to be taken care of and are in a position to sustain themselves during the global lockdown². Examining the available platforms, identifying possible micro-finance and

² A glance at the monthly outward remittances for studying abroad indicates that March 2018 had remittances worth \$134.1 million, which has increased to \$496.87 million in February 2020, a 270.5 percent increase over the past 24 months. Remittances for education abroad as a percentage of total outward remittances have been on the rise also from 12 percent in March 2018 to 29 percent in February 2020. Source: RBI Bulletin figures as reported by <https://www.moneycontrol.com/news/trends/expert-columns-2/covid-19-and-costs-you-might-want-to-reconsider-your-childs-education-in-a-foreign-university-5286351.html>



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cooperatives as platforms for remittance transfers may further enhance their impact and resiliency (moving away from cash based MTOs).

Activity

The India-EU Cooperation and Dialogue on Migration and Mobility (EU-India CDMM) project aims at enhancing mutual learning and exchange of good practices for better management of mobility and harnessing the contributions of migration between the EU and India to maximise the movement's developmental impact.

To that end, following the postponement of the March 12th session on migration and development, within the EU-India Migration Governance Seminar, a webinar (2 hours) is proposed to gather key decision makers and stakeholders from the European Commission, World Bank, Reserve Bank of India, Central Banks from Key EU member States, relevant Government of India representatives, and industry leaders (Money Transfer Operators or Digital) to engage in a virtual conversation oriented around:

- Reviewing the current issues encountered by migrants wishing to send remittance;
- Exchanging and sharing of good practices, with a focus towards remittance transaction cost, continuous improvement to services, and de-risking;
- Responding to the challenges of widespread unemployment and the plight of migrant communities in host countries (exploring the variety of digital alternatives: micro-finance and cooperative/Bitcoin/Cryptocurrency Remittance platforms);
- Addressing regulatory and infrastructure barriers, exchanging on initiatives to facilitate universal financial access in receiving countries and amongst migrant workers in sending countries (access to banking);
- Promoting solutions adapted to the crisis times.

Interventions from identified researchers and representatives from the EU and India linked to the above topics will cover the first half of the webinar. This will be followed by an interactive session of approximately one hour (an appropriate moderator will be selected for the webinar and questions for the discussion session will be available) centred around policy officials from both sides.

Zoom or Webex will be used depending on the IT policies of the EU and Gol.

Output

A brief summary of the key discussion points will be drafted in the form of a short report highlighting possible joint actions.



Agenda – 18th June 2020

The Webinar is a virtual consultation - between the European Commission and Government of India – that attempts to generate new insights and be a source of inspiration for both parties. To foster open debate, Chatham House rules will apply.

11:30 – 12:00

- **11:30-11:50 - INTRODUCTORY REMARKS**
 - Ms. Sedef Dearing, ICMPD's Regional Coordinator for South Asia
 - Mr. Piyush Gupta, Director, OIA-1, Ministry of External Affairs
 - Mr. Francesco Luciani, Head of Unit, DG DEVCO, European Commission

- **11:50 – 12:40 - TECHNICAL VOICES**
 - **Presentation of the EU-India remittance markets transfers and scenario/policy options to reduce the costs (10 mins)**
 - Mr. Harish Natarajan – Lead Financial Sector Specialist, Finance, Competitiveness & Innovation, Representative on the Committee on Payment Market Infrastructures (CPMI)
 - **Channeling remittances and diaspora investment for development (10 mins)**
 - Mr. Pedro De Vasconcelos, Manager, Financing Facility of Remittances, IFAD
 - **Trends and Developments in MTO, Digital Services, and Fintech (10 mins)**
 - Mr. Michael Kent – Azimo (TBC)
 - Mr. Trivedi – ICICI Germany (TBC)
 - **Perspectives from select EU Member States (20 mins)**
 - Germany: GIZ (TBC)
 - France: AFD
 - Italy: AICS
 - Belgium: ENABEL

12:40 – 13:30

- **12:40 – 13:10 – REACTIONS & EXCHANGE BETWEEN POLICY MAKERS**
 - **Representatives of Government of India (15 mins)**
 - **Representatives of the European Commission (15 mins)**
 - DG International Cooperation and Development (Mr. Francesco Luciani)
 - DG Economic and Financial Affairs (Mr Heliodoro Temprano Arroyo)
 - DG Financial Stability, Financial Services and Capital Markets (Mr Ceu Pereira)

- **13:10 – 13:30 – Q&A FOLLOWED BY CONCLUDING REMARKS**
 - **Representatives of Government of India (10 mins)**
 - **Mr. Erwan Marteil, Head of Migration Section, DG DEVCO, European Commission (10 mins)**