

# **NATIONAL REMITTANCE PLAN 2015 CANADA**

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### Background

The World Bank estimates that remittances from Canada amounted to US\$23.1 billion in 2014, making Canada one of the top 10 remitting countries in the world and the highest on a per capita basis amongst the OECD countries. Canada has a diverse population, and the growing number of recent immigrants provides robust and growing demand for remittance products. In the second quarter of 2015, the World Bank assesses that the average cost of sending remittances was 9.3%.

#### Remittance Flows to Countries that Benefit from Canada's International Assistance

Corridor	Volume from Canada (\$US millions)	Corridor	Volume from Canada (\$US millions)
Philippines	2,075	Ukraine	103
Vietnam	843	Guatemala	98
Pakistan	437	Kenya	98
Nigeria	410	Bangladesh	91
Sri Lanka	482	Colombia	86
Jamaica	286	South Africa	61
Egypt	264	Peru	50
El Salvador	133	Jordan	42
Haiti	119	Indonesia	32
Morocco	109	Honduras	30

Source: World Bank Bilateral Remittance Data, 2014 (most recent available data)

### 2014 Call to Action on Remittances

Canada commissioned a third party study to assess its remittance market and to explore the potential use of innovative results-based financing mechanisms in order to lower the cost of remittance flows to developing countries. The results of this study, including actionable mechanism proposals for selected corridors were shared with international partners in a transparent fashion. Canada also considered other potential measures to ensure that its citizens have access to safe, efficient, and transparent remittance services.

#### 2014 Update

The third party study on the Canadian remittance market was completed in the first half of 2015. Its main findings include:

- The regulatory and supervisory environment in Canada provides relatively low barriers to entry for remittance service providers;
- Approximately 70% of all remittance services available in Canada are cash-to-cash and account-to-account products, demonstrating a reliance on transfer methods that are more expensive than innovative tools, such as online or mobile services; and
- Canadian consumers seem to value trust and convenience, and tend to choose Remittance Service Providers (RSPs) based on those preferences.

The study provided two main recommendations:

1. Creation of a remittance price comparison website to increase transparency in the Canadian remittance market; and
2. A two-stage results-based mechanism (or prize) to encourage RSPs to adopt innovative non-cash sending methods (1<sup>st</sup> stage) and provide financial rewards to eligible RSPs in proportion to the volume of remittances they send during a pre-determined window of time (2<sup>nd</sup> stage).

Beyond these two main recommendations, the study also put forward a few other suggestions, such as collecting additional data on the Canadian remittance market in order to inform policy-making and better measure results.

The Government of Canada is taking concrete actions on these recommendations as part of its country plan for 2015.

## 2015 Country plan for reducing remittance transfer costs

### 1. Increase Remittance Market Competitiveness

- a. The Government of Canada continues to see merit in studying the use of results-based mechanisms, such as the two-stage prize recommended by the study, to help lower the cost of remittance flows to developing countries.
- b. The Government of Canada will work with financial institutions to evaluate possible collaboration opportunities to expand access to lower-cost remittance services.

### 2. Improve Transparency and Consumer Protection of Remittance Transfers

- a. In recognition that remittances represent an important source of income for families in the developing world and can help pay for essential needs such as nutrition, education and health care, the 2015 federal budget (published on April 21, 2015) announced that the Government of Canada will provide C\$6M over five years, starting in 2015-16, to introduce measures to help ensure Canadians have access to safe, reliable, and lower-cost remittance services when sending money to family and friends living in developing countries. This includes establishing a remittance price comparison website that will increase transparency by providing information on fees charged across service providers, allowing users to make informed decisions.
- b. The Government of Canada will take steps to gather data on remittance flows from Canada to better understand the needs of Canadian remitters.

In 2015, the Government of Canada is working to take these initiatives forward on a priority basis.