

# THE REMITTANCES AND PAYMENTS PROGRAM IN THE WESTERN BALKANS



**Céu PEREIRA**

Financial Inclusion, Infrastructure & Access

Payment Systems Development Group

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Infrastructures – let's get digital**

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# THE REMITTANCES AND PAYMENTS PROGRAM

- The **Remittances and Payments Program (RPP)** is supported by the Government of Switzerland (SECO), and is being implemented in Eastern Europe and Central Asia (ECA).
- At the moment, the program is active in the following countries of the Western Balkans: **Bosnia-Herzegovina, Serbia, Albania, and Kosovo.**
- The RPP aims at **increasing the safety and efficiency of retail payments** in selected countries, with a **specific focus on international remittances.**



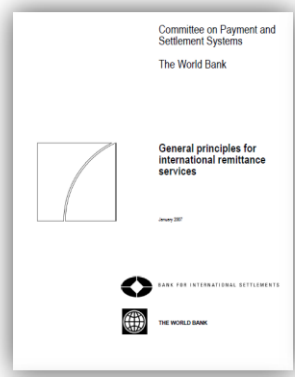
Schweizerische Eidgenossenschaft  
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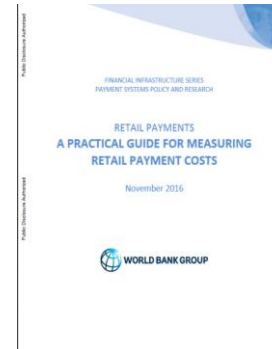
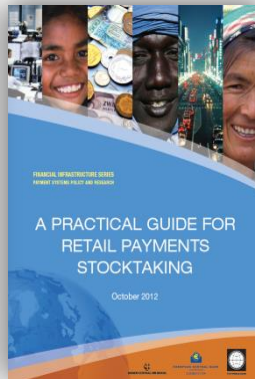
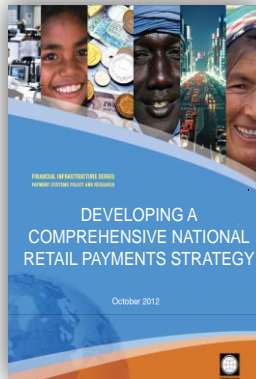
Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

# RPP is a technical assistance program based on international standards and best practices

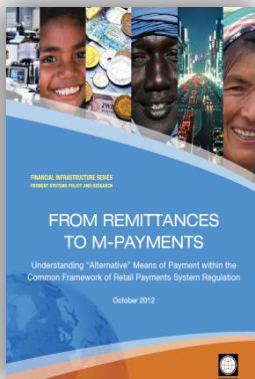
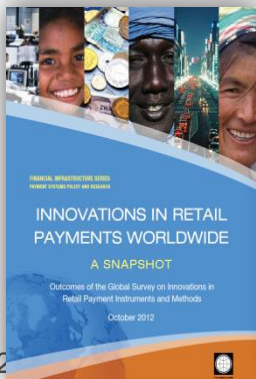
***“General Principles for International Remittance Services”*** designed to assist countries in improving the market for remittance services.



***“Payment Aspects of Financial Inclusion”*** examines demand and supply side factors affecting financial inclusion in the context of payment systems and services.



***“A Practical Guide for Measuring Retail Payment Costs”*** presents a comparative, standardized and comprehensive methodology for measuring retail payment costs and savings.



***“The World Bank Retail Payments Package ”***

# Why do retail payments and remittances matter?

- ❑ **Economic Growth:** The usage of electronic retail payment instruments can help to reduce the underground economy and tax evasion, while it also helps to boost consumption.
- ❑ **Financial Inclusion:** Retail payments are low value high frequency payments and as such, building an easily accessible retail payments system helps to reach the low income population segments, among others.
- ❑ **Remittances:** they are a specific type of retail payments and they have are of significance to the recipients as well as to the entire economy.
- ❑ **Government Payments:** Most government payments are retail payments and as such they link government entities with consumers and businesses (P2G, G2P, B2G, G2B). Digitalizing government payments can support financial inclusion and reduce costs for governments.
- ❑ **Costs/Savings:** Using cost efficient electronic retail payment instruments and transmission methods/access channels results in savings for all relevant stakeholders.

Approximately 1% of the annual GDP could be saved at the economy level in Albania if 75% of current paper-based payments were digitized.

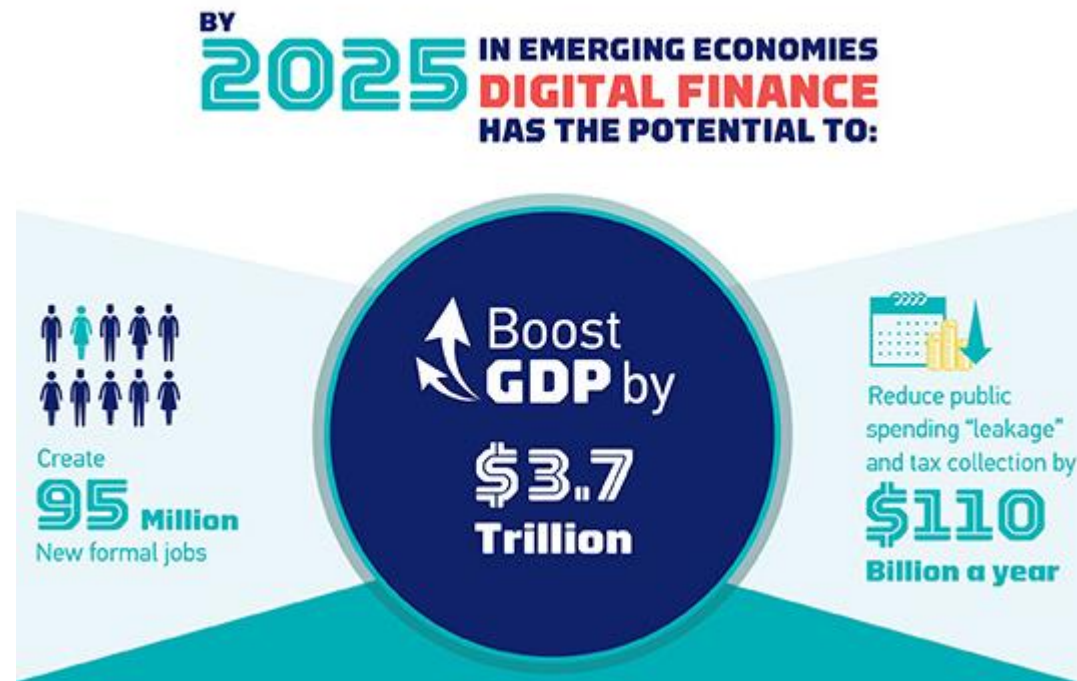
World Bank, 2017

In India, solving for the payment inefficiencies through e-payments can result in large direct monetary benefits to government equal to **USD 15.8 billion annually**.

McKinsey Global Institute, 2010

A more intensive use of electronic payment instruments would result in annual social cost savings amounting to approximately 0.4% of GDP.

Central Bank of Hungary, 2011



McKinsey Global Institute, 2016

ECA  
Economic Data



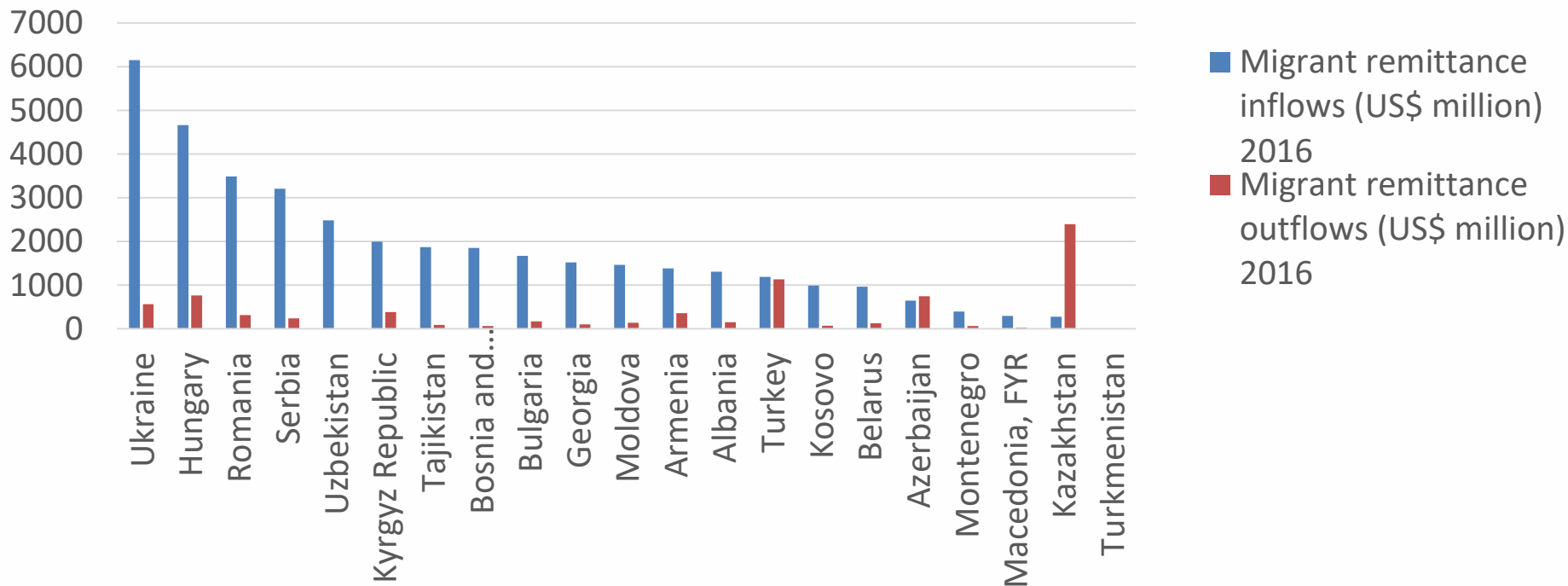
INFLOWS/OUTFLOWS

ECA REGION INFLOWS

**\$37.77 billion**

ECA REGION OUTFLOWS

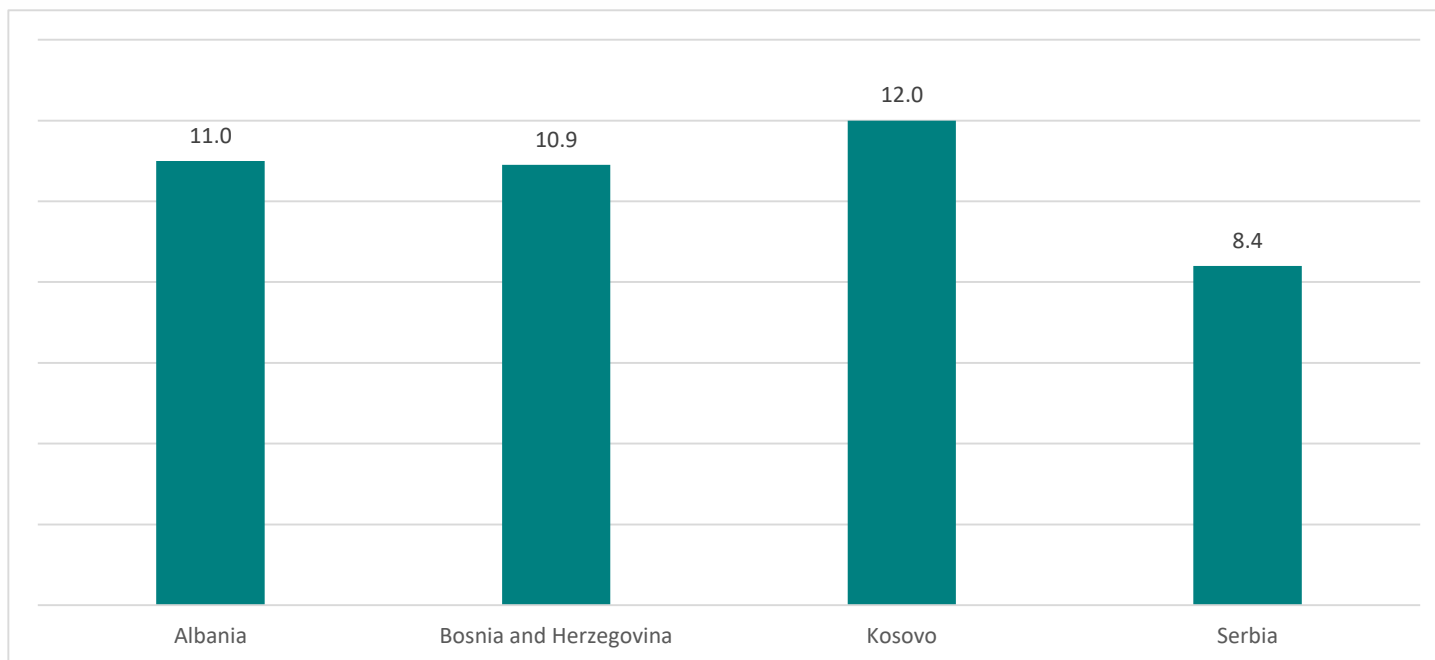
**\$7.85 billion**



## WESTERN BALKANS



## INFLOW OF REMITTANCES AS PERCENTAGE OF GDP (2016)





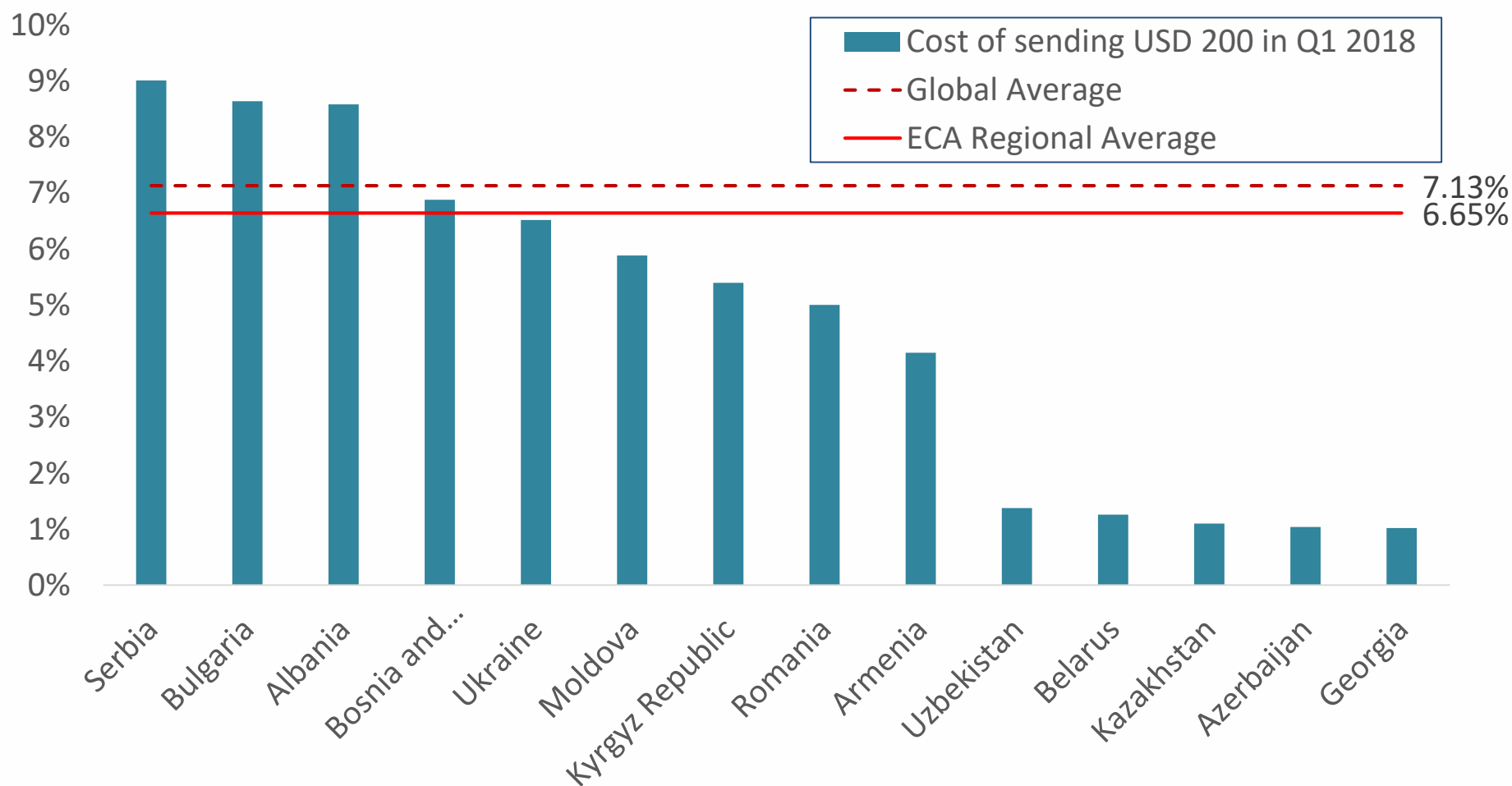
RPP

Remittances and Payments Program

ECA  
Economic Data



AVERAGE COST  
Per country





# Some additional important facts about remittances in RPP countries...

- ❑ On average, remittances account for approximately 30% of total annual household income, according to a survey on remittance recipients carried out in 2017.
- ❑ Countries of origin for remittances to the Balkans are mainly in Europe.
- ❑ Most frequently used channels to send remittances are money transfer operators or non regulated intermediaries (bus drivers, etc.)
- ❑ Market is very concentrated, with Western Union dominating most markets
- ❑ Most remittance flows are still cash to cash

# RPP activities at a glance – Albania, Bosnia-Herzegovina, Kosovo and Serbia

- ❑ Initial **diagnostics** in all 4 countries, highlighting main gaps and recommendations
- ❑ TA to **support adoption of enabling legal frameworks**, promoting access to and usage of payment accounts and more competition and innovation in the payments market (Albania: PSD2, Serbia, MIF Regulation and PAD; Kosovo, review of whole legal framework applicable to payments, BiH: raising awareness on the EU legal framework for retail payments). Organization of EC/WB joint regional TAIEX seminars on EU legal framework for retail payments.
- ❑ Support to countries to **improve their oversight function**: BiH (oversight framework for CBBH and support to set-up their oversight function); capacity building on the Principles for Financial Market Infrastructures in all countries.
- ❑ Support for **improving consultation and cooperation in the payments market** through National Payments Council (all countries)
- ❑ Support for the adoption of **retail payment strategies** (Serbia, Albania, Kosovo) and studies on the cost of retail payments (Albania, Kosovo)
- ❑ **Financial education programs** for remittance senders/recipients (all countries)
- ❑ TA to support the implementation of **modern payment system infrastructures** (i.e. instant payments, card switches) – Kosovo, Albania, Serbia

# Common Opportunities Across the Balkans

- ❑ The potential for introducing innovative payment instruments and channels is great in the region.
- ❑ Good progress on adapting legal frameworks to facilitate entry of new types of payment service providers. Openness to adopt the EU best practices.
- ❑ Incentives can be used as a tool to re-allocate costs and steer the adoption of electronic payment instruments.
- ❑ Low-cost access channels can be further leveraged in order to achieve increased coverage.
- ❑ Financial education on electronic payments and remittances can be improved and further leveraged.

# Thank You!

Céu Pereira  
World Bank

Financial Inclusion, Infrastructure & Access  
Payment Systems Development Group

[ceupereira@worldbank.org](mailto:ceupereira@worldbank.org)