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POLICY BRIEF

Reducing remittance costs in the Pacific Islands

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KEY FINDINGS

- Despite years of international policy efforts to bring down the cost of sending money home, fees for overseas workers remitting to Pacific Island countries are among the most expensive in the world.

- If remittance costs to Fiji, Tonga, and Vanuatu were reduced to the United Nations' target of less than 3% per transaction, more than A$79 million annually would go directly to households in those countries.

- The Australian government should better support Pacific people working under its temporary labour scheme who remit significant earnings home by using existing financial architecture and building up digital capabilities in the Pacific region.

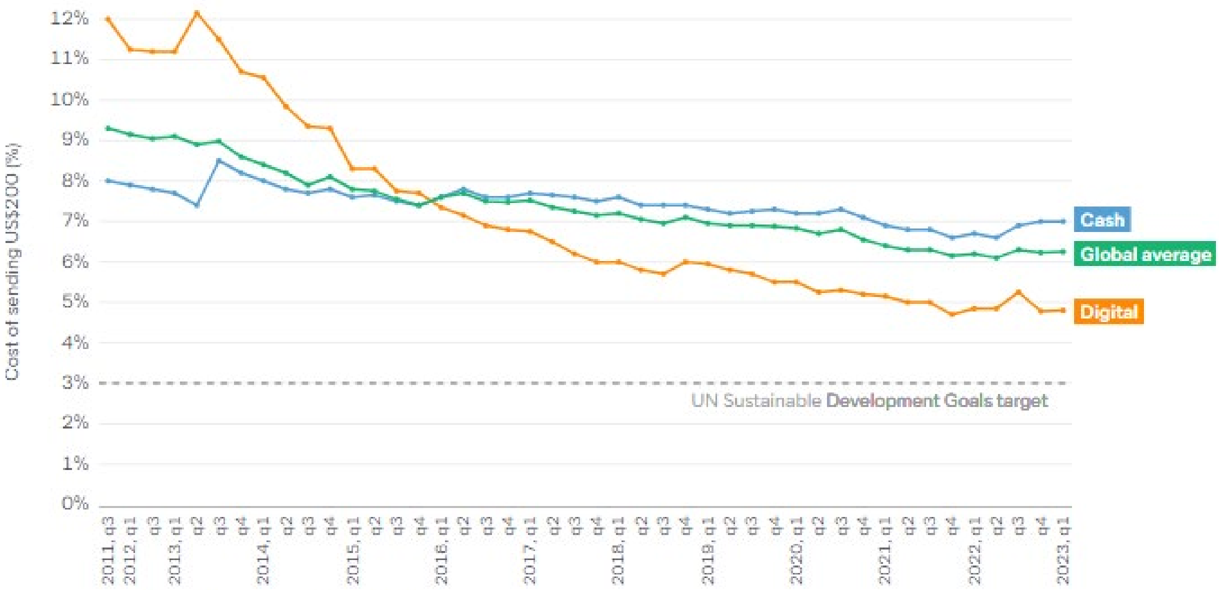
INTRODUCTION

For Pacific Island countries, remittances — money sent home by family and friends working overseas — are a key source of national income and act as social safety nets where social security programs can be underfunded. Remittances help pay for schooling, food, housing, and healthcare, and support families during emergencies.[1] They provide capital for business investment, especially for women.[2] During the Covid-19 pandemic, remittances outperformed foreign direct investment and official development assistance (ODA) as a source of income for low to middle-income countries. The inflows from remittances also maintained foreign exchange reserves and were a lifeline to communities when regular income was disrupted.[3]

After nearly a decade of global leadership on remittance policy by the Group of Twenty (G20),[4] remitting to the Pacific remains expensive, for reasons set out shortly. Digital remittances are the cheapest model worldwide.[5] At a current global average of 4.7% per transaction, the global average for digital transfers is already under the G20 target of 5% and shows promise of reaching the United Nations' target of less than 3% per transaction by 2030. However, cash-to-cash remittances dominate the Pacific market, partly because "cash remains king in the Pacific and trust in other methods for storing and sending money remains low".[6]

The development benefits of cutting remittance costs are considerable. Reducing the price of transaction costs to the UN target of 3%, or the G20 target of 5%, would save billions of dollars for households reliant on remittances around the world.[7]

Graph 1: Trends in the global cost of sending US$200 in remittances



Source: Author's calculations from World Bank Data

The Pacific Islands region, where remittances contribute significantly to GDP, pays some of the highest transaction fees in the world. In the Australia–Tonga corridor, for example, remittance costs averaged 9.3% per transaction in 2021. Upwards of 40% of Tonga's total GDP is generated from remittance receipts (A$310 million in 2021).[8] Between Australia and Tonga alone, close to A$11 million was paid in remittance transaction fees in 2021.[9] The average remittance transaction cost for Tonga was 10.6% between 2009 and 2022. For Fiji and Vanuatu — both recipients of large volumes of remittances — average remittance costs over the 14-year period stood at 10.2% and 14.0% respectively.[10]

Recognising the substantial development benefits for the region, the Australian government has attempted to reduce transaction costs for nearly a decade. Its National Remittance Plan pursues four policy areas: increasing market competitiveness; harnessing new and emerging technologies; enhancing transparency; and encouraging supportive regulatory environments.[11] The plan recognises that remittances disproportionately affect women, who tend to remit more of their earnings than men, use more expensive remitting methods, and rely on remittances more at home.[12] Yet despite the plan's objectives, remittance costs remain stubbornly above the global average.

THE AUSTRALIA–PACIFIC CORRIDOR

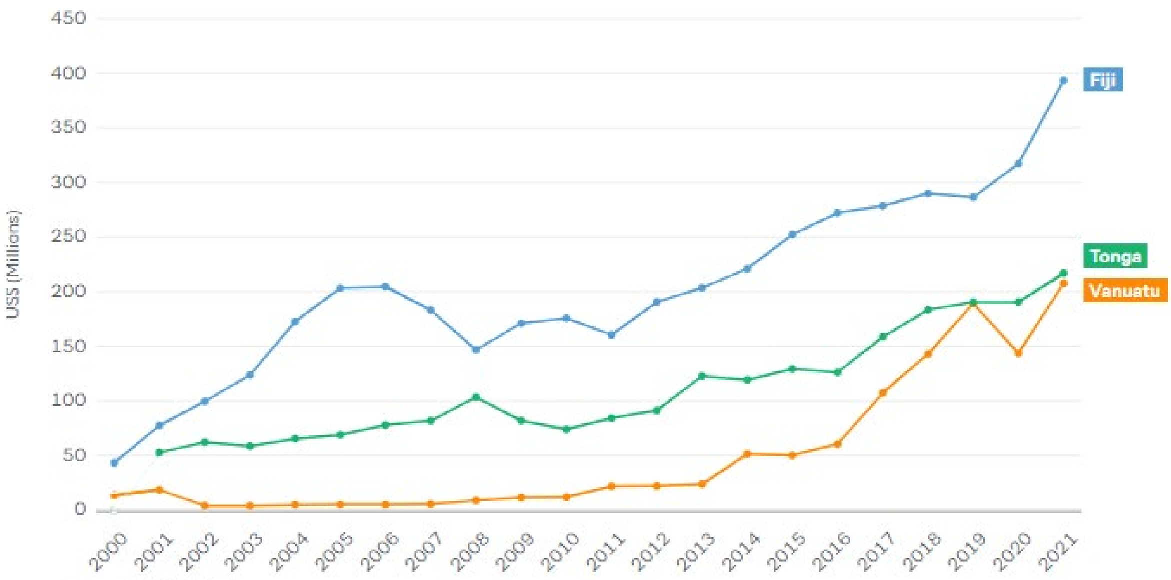
The Pacific Islands population resident in Australia is small, comprising 337,000 people of Pacific heritage,[13] but is growing at a rate faster than the general population.[14] In addition, more than 38,000 Pacific Islands people are working temporarily in Australia under the Pacific Australia Labour Mobility (PALM) scheme.[15] This number will grow in coming years due to a planned expansion of PALM and the introduction of a new Pacific Engagement Visa, allowing families to migrate permanently.[16]

The Australian Department of Foreign Affairs and Trade (DFAT) estimates that between July 2018 and December 2021, short-term PALM workers remitted on average A$1061 a month, while long-term workers remitted around A$1310, equating to almost 40% of their monthly income.[17]

Remittance inflow data are inconsistently available from Pacific nations, excluding the National Reserve Bank of Tonga, which until December 2021 produced detailed monthly and annual reports on remittance inflows.[18] Regardless, estimates for the region are captured by the World Bank and the significant contributions of the global diaspora and temporary workers to Pacific economies are illustrated by the examples of Fiji, Tonga, and Vanuatu. Using World Bank data,[19] Graph 2 shows the (current US) dollar value of personal remittances sent to the three countries between 2000 and 2021, from all sources (not just Australia).[20]

Graph 2: Personal remittances received from all sources

(US$, 2000–2021)



Source: The World Bank

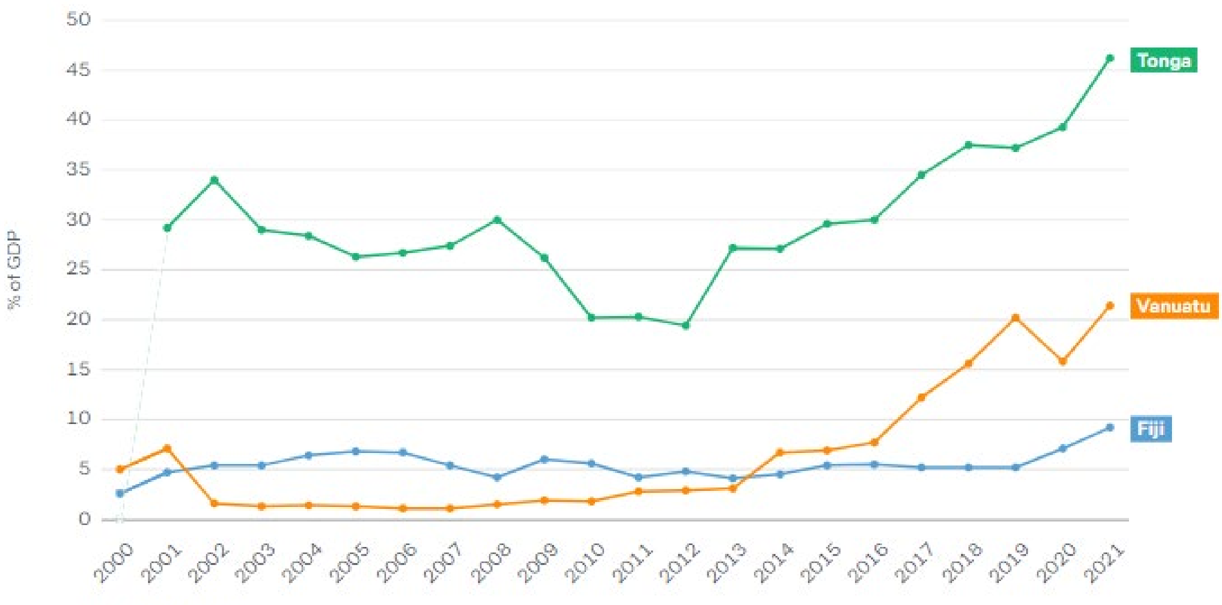
Fiji receives the most inbound remittances by dollar value, with Tonga and Vanuatu reaching close to parity. According to the World Bank, in 2021, Fiji's remittances totalled nearly US$394 million[21] or around 9.2% of GDP.[22] In Fiji's 2020–21 financial year, inbound remittances increased by 28%,[23] driven in part by an uptick in mobile phone money transfers during the Covid-19 pandemic.[24] It is difficult to obtain disaggregated data on how much came from Australia, but the Reserve Bank of Fiji shows that over the last decade, more than 60% of Fiji's remittances came from Australia, New Zealand, and the United States.[25]

In 2021, Tonga's remittances comprised 43.2% of the nation's GDP.[26] A more recent report suggests remittances now comprise half of Tonga's GDP, meaning on average half of Tongan residents' income is derived from remittances.[27] Four in five Tongan (and Samoan) households typically receive remittances from a range of countries.[28] For the year to December 2021, Tonga received around A$310 million in remittances receipts, of which more than a third (37.6%) came from Australia (A$116 million), representing the highest share of incoming foreign currency to Tonga.[29]

Vanuatu — the largest contributor of people to the PALM scheme — received almost US$208 million from global remittances in 2021.[30] Again, exact data on remittances to Vanuatu from Australia is difficult to obtain. Nonetheless, for these three example countries, there was a notable trend upwards between 2000 and 2021 in both dollar value (Graph 2) and remittances as a percentage of GDP (Graph 3).

Graph 3: Remittances as a percentage of GDP

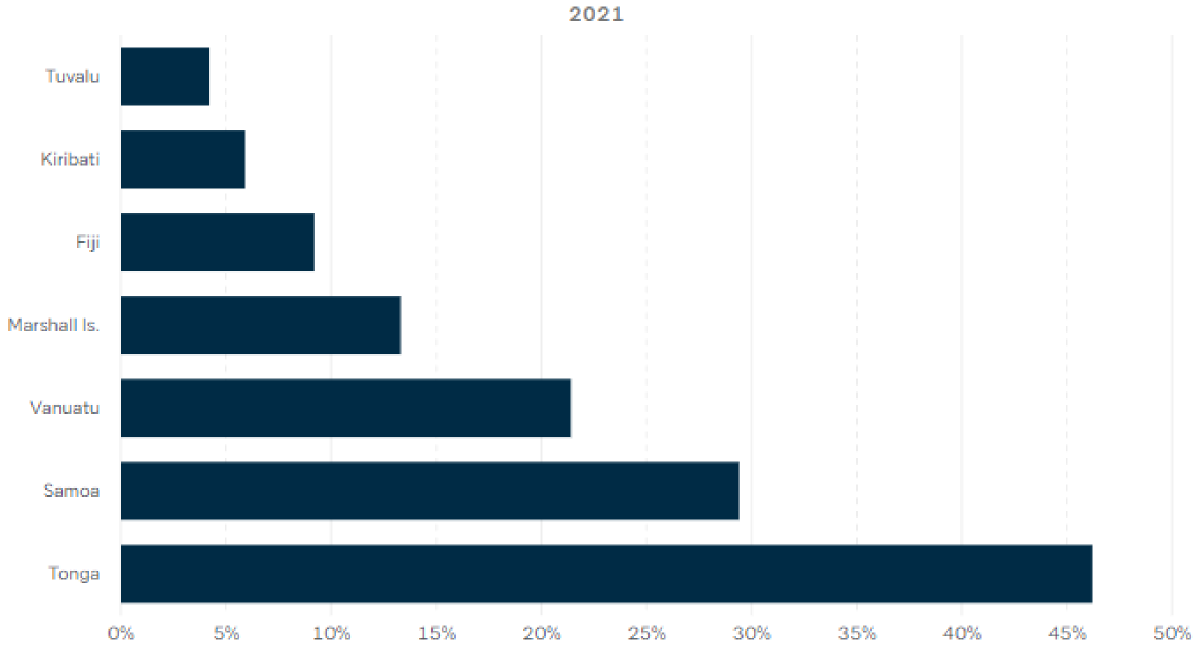
2000-2021



Source: The World Bank

The massive contribution of remittances to the national incomes of Fiji, Tonga, and Vanuatu – although likely undervalued – underscores the importance of these inflows. Other Pacific nations are also dependent, to varying degrees, on remittance income, including Samoa, Marshall Islands, Kiribati, and Tuvalu (Graph 4).

Graph 4: Inbound remittances as a percentage of national income

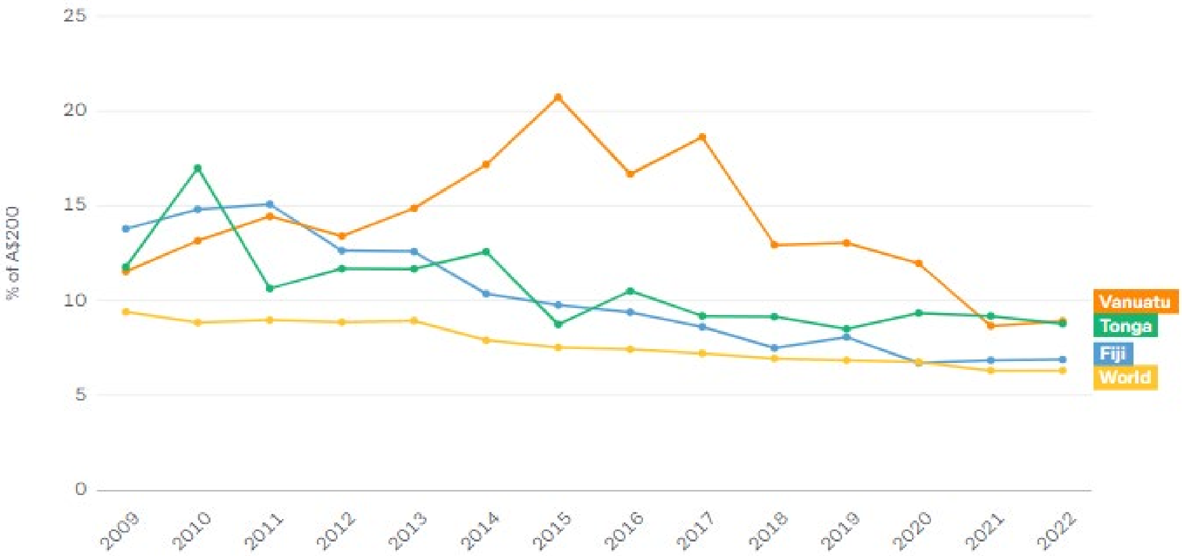


Source: The World Bank

While the total increase in income remitted from lower transaction fees might seem small in dollar terms, it is large relative to the size of Pacific Island economies. If fees were reduced to the UN target, the estimated savings for only Fijian households, for example, would be more than A$30 million per year.[31] For Tonga, reducing fees to 3% would save nearly A$20 million per year — roughly half of Australia's ODA to Tonga in 2020–21.[32] For Vanuatu, similar calculations put savings at nearly A$29 million.[33] Graph 5 shows how far there is to go before these three Pacific Islands reach the global average cost for remitting.

Graph 5: Average Cost of Remitting from Australia to Three Pacific Islands vs Global Average Cost

2009-2022



Source: The World Bank

Notes: Using Q3 data from The World Bank

Across these three examples, savings on remittance costs could inject A$79 million into Pacific Island family budgets in just one year — that is around twice as much as Australia's 2021 financial year ODA to Tonga during the pandemic and is based on likely underestimations of remittance receipts, due in part to remittances also flowing through informal channels. In terms of national income, these estimated savings amount to 2% of Vanuatu's GDP and 3% of Tonga's. There are nine Pacific Island countries (plus Timor-Leste) participating in the PALM scheme. For a region that potentially lost a decade of economic development because of Covid-19, reducing remittance costs could meaningfully contribute to its economic recovery. As it stands, an estimated US$3.5 billion (A$5 billion) multi-year support package is the minimum needed for the regional economy to fully recover.[34]

REMITTANCE POLICY: CHALLENGES AND OPPORTUNITIES

Pacific remittance costs are high for many reasons. Some are very difficult to combat. The region's remoteness, geographic spread, thin markets, and preference for cash are significant contributing factors.[35] But that is only part of the story. There are other factors more amenable to change if the right policy levers are used, even if a decade of effort to bring down fees has so far borne uneven results. These factors include poor competition between remittance service providers, limited banking infrastructure, and underdeveloped digital infrastructure and literacy.

Lack of competition

Acknowledging that Pacific countries are challenged by thin markets, efforts have been underway in Australia to encourage greater competition between Australian-based money transfer providers. A key problem is price transparency. Some money transfer operators (MTOs) only partially reveal the cost of remitting to consumers, leaving out fees or mark-ups on exchange rates. Remitters cannot compare "apples with apples" to make informed choices on the cheapest operator.[36] The Australian Competition and Consumer Commission (ACCC) calculates that shopping around could collectively save hundreds of millions of dollars annually in the Australian market alone.[37]

In 2019, the ACCC released best practice guidance to address the problem of hidden fees and mark-ups. It advised MTOs to provide a customisable online calculator that estimates the total amount sent to the recipient.[38] Conditions generally improved for consumers after the guidance was released.[39] However, the calculator is only applicable to online, not cash-to-cash operators, in a market where cash-to-cash remitting dominates.[40] The guidance is also not set out as a regulation but instead a voluntary code of conduct, leaving operators to choose whether they fully disclose total fees or not. Finally, the guidance does not solve the issue of hidden fees between the retail rate and the wholesale rate offered by an MTO. This issue is being examined by the Department of the Prime Minister and Cabinet's Behavioural Economics Team with a view to providing further illumination to customers.[41]

In Australia, the exclusive contracts of popular remitters at convenient outposts, such as Australia Post offices and 7-Eleven stores, further stifle competition. Many Pacific Islanders remit in cash as a group at Australia Post, which has a monopoly with Western Union. Western Union has for many decades been a trusted provider of remittance facilities to the Pacific, but the region's preference for cash-to-cash transfers means its services carry the highest overheads.[42]

Kiosks accepting cash in Australia must transfer electronically to the Pacific, where cash is needed for disbursement at the receiving kiosk. These service providers often operate on tiered fee structures, typically resulting in higher costs for the consumer because fees increase as the amount being remitted decreases, and Pacific Island remittances tend to be low value.[43]

Pacific banks

When it comes to remittances, banks provide one of the few alternatives to using MTOs in the Pacific. The main problem is that the region's banking infrastructure is perceived as weak, and global banks are increasingly hesitant to do business there. This issue is exacerbated by persistent but often misplaced concerns about efforts to combat money laundering and terrorism financing. The Australian government's financial intelligence agency AUSTRAC asserts that levels of money laundering and terrorism financing in the Pacific are low.[44] Nevertheless, with business models favouring low risk and high returns, banks are increasingly moving away from correspondent banking services in the Pacific, where options to offset low returns are lacking. The Pacific's thin market and costly customer verification processes have also led to increased compliance costs for corresponding banks, and as international banks seek to streamline processes, such geographically disbursed services come under pressure.[45] These problems are magnified by a preference for cash economies, leading to higher costs than a digital system.

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When global and regional banks are hesitant to do business with a Pacific bank or in a Pacific country, they sever corresponding relationships (known as "debanking"). This has the perverse effect of pushing Pacific banks further into the "risky" category, regardless of their standing. Being outside the global financial system also makes Pacific banks more vulnerable to exploitation. In response, AUSTRAC is helping Pacific nations maintain their low-risk status by improving efficiencies and partnering with Pacific financial intelligence units.[46]

A lack of relationships between Australian and Pacific banks has reduced competition and pushed up transaction prices. In many cases, banks have become anti-competitive, denying MTOs access to accounts to facilitate their own transfers, which are often cheaper than the bank's services.[47] A lack of reform on debanking regulation has therefore disproportionality impacted digital remittance providers.[48]

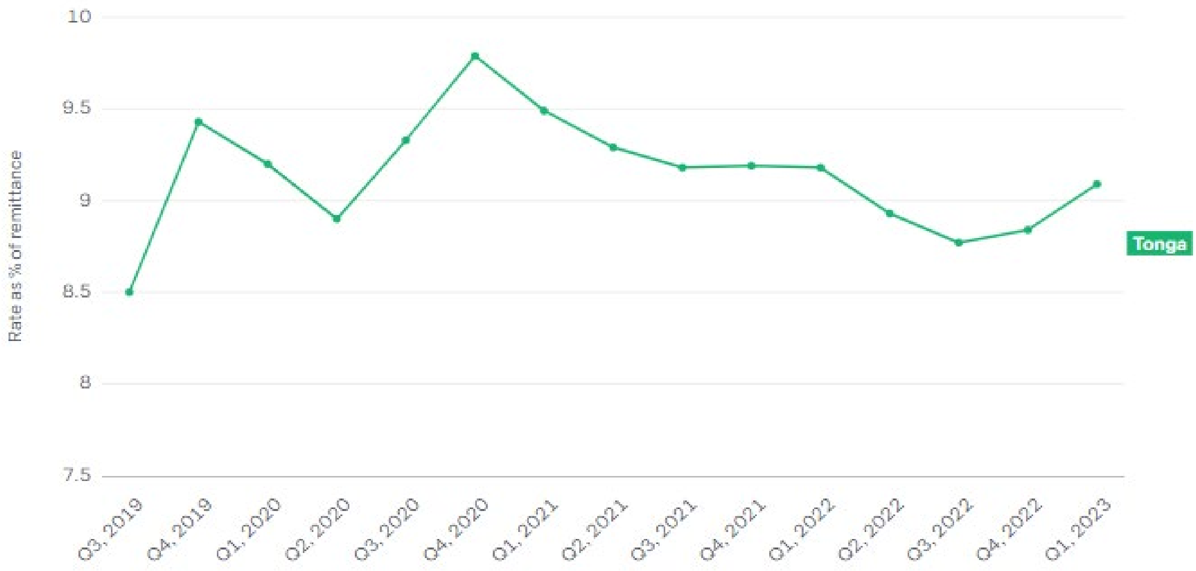
The Pacific is also “one of the least banked regions in the world” — two in five Pacific people hold bank accounts.[49] Remote living, challenges of access to bank branches and identity documents, and a preference for cash, make participation in the formal banking sector difficult.[50] Having a largely unbanked region means that when banks do provide competitive remittance services, such as waiving some remitting fees, they impact a much smaller portion of the Pacific remittance market than if those fees had been waived for more traditional forms of money transfer, such as trusted but expensive cash-to-cash services.[51]

Despite the limited reach of banking services in the Pacific, banks can still play an important role in reducing costs. The Tonga Development Bank (TDB) and the International Finance Corporation (IFC), with support from the Australian and New Zealand governments, provide *‘Ave Pa’anga Pau* (APP), a cashless remittance service for Tongan overseas workers. APP gives Tongans abroad low-cost remittance services (close to 4.5% and no hidden fees) via an electronic voucher system.[52] Pacific Islanders in Australia electronically deposit funds into an Australian TDB account, and upon receipt, TDB releases funds to the beneficiary in Tonga via a selected bank account.

Despite good design, the program requires people in Tonga to have a bank account. And, as Graph 6 shows,[53] the initiative has done little to bring down the average cost of remitting to Tonga, most likely because traditional forms of remitting continue to dominate, and access to banks continues to be a problem. Replicating this pilot in other countries would help to provide lower fees, but

Graph 6: Average cost of remitting, Australia to Tonga

(% OF A$200), Q3 2019 - Q1 2023



Source: The World Bank, Remittance Prices Worldwide: Sending money from Australia to Tonga, accessed March 30, 2023.

participating banks must commit to a “social mandate” of providing low-cost services to ensure success and policies must be implemented to complement the program, such as requesting PALM visa applicants to have an account at participating banks prior to departure.

Poor digital capabilities

Research shows that digital transfer options,[54] including mobile money and wallets “present opportunities for improvement in cost and convenience that [Pacific Islander] senders may not be aware of”.[55] Because digital transfers mitigate the need for physical service branches, lower overheads translate into lower costs. However, digital transfers still require relationships with financial services operators to facilitate the transmission of funds between countries. They also need digital infrastructure — such as communications cables, cellular towers, and mobile phones — which is lacking across the region and requires significant capital to address.[56] Projects are underway to improve cable connectivity between islands, and between continents and islands, with the most recent — the East Micronesia Cable — funded by Japan, Australia, and the United States.[57] The speed and quality of digital networks will, to a certain degree, determine the expansion of access, and much of the infrastructure will likely need to be subsidised.

Preference for cash across the region is partly explained by the lack of infrastructure supporting digital payments, such as mobile and POS (Point of Sale) devices in small or informal businesses. Digital financial service delivery is therefore restricted by the rate of expansion in mobile technology coverage, which is in turn reliant on electricity and communications infrastructure. Moreover, Pacific Island communities have generally low digital and financial literacy levels, making it hard for people to change between MTOs or move into the digital market.[58]

Nonetheless, the conditions of Covid-19 forced more Pacific Island people into digital transfer services, which increased by up to 400% in Fiji and Samoa in 2020. The amount of money sent to Fiji via one mobile money wallet app quadrupled in six months.[59] However, more mobile phones with “wallet” technology are needed across the region. Overall, while Fiji is an exception, the Pacific is trailing the world in rates of mobile phone subscription. In 2018, only two-fifths of Pacific Islanders had subscriptions, which was six percentage points below the average for least developed countries (44%). Mobile internet penetration per population improved from 18% in 2018 to around 27% in 2022 — but mobile subscription and smartphone adoption remain considerably lower than the global average.[60]

Mobile subscription and internet connectivity should improve along with mobile money services. In the Pacific, around nine mobile money services are operating in six countries.[61] Mobile money services are also expanding across the Pacific and many countries including Solomon Islands, Vanuatu and Fiji have national financial inclusion strategies and enabling regulatory environments for the expansion of fintech.[62] Yet despite high registration levels in some Pacific communities and the drawcard of cheaper services, the pathway to greater financial inclusion will be difficult. Infrastructure challenges, such as internet bandwidth and access to electronic banking services, will continue to dampen the uptake of them in the Pacific.

Governments can incentivise the transition to mobile payments by offering transfers via this medium, among other interventions,[63] such as those implemented in India to subsidise consumer discounts at the petrol pump.[64] Vanuatu is actively encouraging digital transformation.[65] Initiatives include foreign exchange (forex) calculators, preferential forex rates for Ni-Vanuatu PALM workers,[66] and mobile money services for digital remittances.[67]

Responding to the issue of digital and financial literacy, the Australian and New Zealand governments funded *SendMoneyPacific*, an MTO comparison website.[68] Information is translated into Samoan, Bislama, Cook Islands Māori, Fijian, Niuean, Tetum, Tongan, and the Kiribati language. The website is part of a larger program called Empowering Migrants through Pacific Remittances (EMPR), which includes initiatives on remittance literacy training and direct engagement with more than 60 Pacific Island community leaders. The website has its limitations, however, given a lack of regulation on MTOs providing open format data, and that consumers with low digital literary must use a government website before making remittance decisions.

As countries such as Australia make more sophisticated rules around anti-money laundering and terrorism financing (AML/CTF),[69] MTOs must ensure they “know their customer well”. With Pacific Islanders often struggling to obtain the identification papers needed for due diligence,[70] more support is needed for the development of Pacific Know Your Customer (KYC) systems that respond to this challenge. Currently, Pacific central banks are helping Pacific Island countries develop eKYC facilities — digital systems of identity verification.[71] Amendments in 2021 to Australia’s AML/CTF Act mean that KYC data can now be shared between entities, making the regulatory environment more efficient and the market more responsive to consumers.[72] Digitising this information and making it accessible to the whole region is a logical next step.

RECOMMENDATIONS

The Australian government has attempted to address the problem of high remittance costs to the Pacific for some years, but solutions have not been quick, easy, or comprehensive. Compounding the issue, it is likely that the Pacific market is too thin, risky, and expensive to ever facilitate the UN's target remittance transaction rate organically. Policies must therefore address market conditions for all Pacific Island workers in Australia through increased financial services competition, better functioning banks, and more accessible technology, but also through temporary market interventions for Australia's PALM workers, at minimal cost.

The most practical way forward will be to use a combination of methods leveraging existing infrastructure and practice in the short term while pursuing more effective solutions over the long term. Against that background, in addition to initiatives already activated, the following should be considered.

Short term: Use or adapt existing financial infrastructure and regulation

Recognising that remittances will continue to flow to Pacific Islands as the PALM scheme grows, measures to bring down costs in the near term should be prioritised by using or modifying existing financial architecture.

IMPROVING TRANSPARENCY

The government must legislate on price transparency for all forms of international money transfer.[73] MTOs would need to demonstrate the difference between the retail and the mid-market rate, and the Australian government would need to provide support on how to calculate mid-market rates in real time. Accurate and real-time comparisons motivate consumers to change remittance providers and therefore boost competition. Policing and enforcement alongside digital literacy training will be necessary for the measure to be effective.[74] Failing effective regulation on price transparency, a "good practice" stamp regulated by the Australian Prudential Regulation Authority (APRA) can incentivise MTOs to adopt best practice and encourage consumers to use them.

A review of exclusive contracts for remittance providers at Australia Post (a Commonwealth-owned enterprise) must be conducted to ensure best practice.

EXPANDING THE ‘AVE PA’ANGA PAU PROGRAM

‘Ave Pa’anga Pau should be expanded into other Pacific Island countries. Supported by development partners, this would be guided by the lessons from Tonga’s pilot initiative. The requirement that participating banks have a social mandate committing to low-cost service provision may have to be adjusted so that more banks can participate. Policies such as subsidising commercial banks to provide a similar initiative and supporting visa applicants to set up bank accounts at home prior to departure could complement the program.

USING EXISTING FINANCIAL ARCHITECTURE AS A TEMPORARY MEASURE

DFAT can subsidise business services to send regular remittances home through the regular wages system, as is already operating in New Zealand. There, the Seasonal Worker Superannuation Administration Service (SWSAS) is an opt-in initiative supported by New Zealand’s Ministry for Foreign Affairs and Trade.[75] Under this program, employers of seasonal workers send home retirement savings and remittances, with fees set at interbank rates.[76]

Public intervention could provide a temporary measure to bring down costs. Australia’s central bank, the Reserve Bank of Australia (RBA), already sends regular payments (such as pensions) to overseas recipients. The RBA, on behalf of the Commonwealth of Australia, provides transactional banking services to more than 100 Australian government agencies. In the 2022 financial year, the RBA distributed 1.1 million international payments totalling A$17.6 billion.[77] Under direction from the government, Australia’s central bank could administer regular remittances for PALM workers to nominated bank accounts in the Pacific until the market is ready.

The price could be determined by competitive systems. One option is a reverse auction, where MTOs bid for an exclusive contract to provide the remittance service instead of the RBA. If the MTO offers a lower cost service than the RBA, then that MTO provides the service for PALM workers. If the RBA’s service is cheaper than the lowest bid, it would provide the service instead, keeping the public option open. However, if the RBA cost is not low enough, another option is a subsidy, whereby private MTOs and the RBA bid to deliver remittance transactions at prices specified by the Australian government/DFAT and then compete via reverse auction over the subsidy they require, thereby minimising the subsidy. The Australian government could also contract out multiple fixed-rate services to Pacific market providers, for example in country-specific corridors. The bid for the lowest rates would win the contract, thereby creating competition *for* the market, rather than *in* the market. Under all public options, the exclusive contract would be up for periodic auction, to keep pace with changes in the market and technology. And to promote further competition, Pacific Islanders working in Australia would not be bound to using them, thereby encouraging competitors to lower costs or offer better services or other benefits.

Intervening in the remittance market given structural inefficiencies and national interest considerations is arguably within the remit of the RBA.[78] The structural lack of competition born from the small-sized Pacific market points to inefficiency. There is therefore a prima facie economic case for public intervention, of which public provision (i.e., by the RBA) is an option. Doing so is also in the interest of the welfare of the Australian people, given the benefits of lower cost remittances for both Pacific development and the sustainability of the labour mobility scheme. Regardless, this policy remains substantial in nature and would require significant political and institutional ambition to be implemented.

Longer term: Prepare for a digital future

While leveraging the existing financial infrastructure will help to temporarily cut costs, going digital is the future. Digital transfers can provide longer-term and cheaper options than cash transfers. They can also improve productivity by reducing travel and time burdens of remitting through cash-to-cash services and can broaden inclusive Pacific economies.[79] There is no underestimating the benefits of digitalising the Pacific, but costs and complications must also be considered, including needs for cybersecurity and supervision to protect Pacific citizens.

Moreover, corresponding banking relationships may still be needed by MTOs to provide this service, so ongoing regulatory support for MTOs' inclusion in the banking industry will be important. Ultimately, investing in digital connectivity as part of a development program goes further than improving people's bank accounts — it impacts health, education, economic development, and social connectivity.

ENABLING DIGITAL IDENTITY SYSTEMS

The Australian government can fund and develop an eKYC system (digital identity verification system) for PALM workers and families using their visa documents. As an opt-in system, PALM workers could nominate two people to participate in the eKYC system during the visa application process. The eKYC would help workers efficiently switch providers using portable KYC data on a central database, reduce operational costs, and encourage regional standards.[80] Data would be decentralised, encrypted, and stored on the user's mobile phone wallet rather than a digital cloud, giving full control to users and de-risking against cyberattacks.[81] Pacific governments could settle agreements with the Australian government to use the digital identities to build up domestic digital identification systems, which would be communicated to PALM workers at the time of opt-in.

Reflecting the challenges of access to identity papers in the Pacific, a Pacific eKYC system should require identity documents according to perceived risk. Global standards groups have called for a tiered risk-based KYC system like those in Nigeria, Russia, Eswatini, Peru, and Egypt that accommodate less due diligence for lower-value remittances.[82] AUSTRAC recognises the value in risk-based approaches — they improve effectiveness and efficiency of verification. Although tiered risk systems are not “a perfect solution, it beats the alternative: that the unbanked move towards informal remittance channels which are not regulated or monitored”.[83] Learning from these case studies by adopting a tiered system can help Pacific nations transition to a simplified digital future.

LEVERAGING TECHNOLOGY AND COMMUNICATIONS INFRASTRUCTURE

In July 2022, Telstra completed the purchase of Digicel Pacific, a telecommunications and network services provider in the Pacific. Digicel Pacific was acquired with the support of a US$1.33 billion financing package provided by Export Finance Australia. Communities in Papua New Guinea, Vanuatu, Fiji, Samoa, Tonga, and Nauru are now serviced by Telstra, which, as Australian Foreign Minister Penny Wong said,

> …reflects [the Australian government’s] commitment to help build a stronger Pacific family through investment in high-quality infrastructure. Telecommunications and digital access are critical to sustainable economic growth and development outcomes…[84]

This purchase presents an opportunity for the Australian government. DFAT should collaborate with Digicel Pacific and “recommerce” providers to offer free mobile wallet facilitation and cheap refurbished mobile phones to the market, including smart phones and feature phones — available for purchase from major Pacific retailers and not attached to contracts with telecom providers to mitigate the risk of profit maximising and bad contracts. Feature phones can access the internet but not perform the advanced functions of a smartphone, making them cheaper but still able to facilitate mobile wallet transfers. Private companies across the Pacific — supported by the Australian government — can refurbish end-of-life electronic devices including phones to re-sell cheaply or donate to unconnected communities.[85] Such partnerships would not only bring critical digital technologies and financial inclusion to Pacific communities, but address sustainability in the Pacific market.

However, the lack of digital infrastructure in the Pacific — including cellular towers, communications cables, and cybersecurity and resilience — is a structural challenge that will also need to be met, primarily by more investment from development partners including Australia, Japan, and the United States.[86]

Ongoing: Coordination by development partners

Traditional development partners in the Pacific want to collaborate. The newly created Partners in the Blue Pacific initiative is testament to growing interest in these efforts.[87] Three of the Blue Pacific partners — Australia, New Zealand, and the United States — provide significant sources of remittances to the Pacific. It stands to reason that collaboration between these three countries be part of any solution to the problem of high remittance costs.

Partnership efforts should focus on three objectives. The first is combining funding for more iterations of the successful Pacific Financial Inclusion Programme. Initiatives could include country-specific forex calculators, preferential forex rates for nations in the PALM scheme, and the roll-out of mobile wallets and digital infrastructure. Collaborative funding for the expansion of *'Ave Pa'anga Pau* would be another option.

Second, Australia, New Zealand, and the United States can collaborate on technical and data support for Pacific countries. Pacific nations expressed a need for technical capacity support for reporting and monitoring on remittances, and for the improvement of IT infrastructure. According to a recent report, Kiribati, Tonga, and Solomon Islands also welcome the opportunity to improve remittance data reporting in line with international standards, including having more accurate data on the actual value of remittances, remittance behaviours, costs, and current pricing data.[88] Alongside support for reporting, Australia, New Zealand, and the United States should establish a central interactive database for remittance flows into Pacific Island countries so governments and policymakers can precisely track remittance flows and average costs of remitting for different methods. As it stands, Pacific countries are likely underreporting remittance receipts due to data and capacity constraints, resulting in data mismatches such as that noted between the World Bank's global remittance database and National Reserve Bank of Tonga's reports.[89]

Third, partners could collaboratively reform regional banking standards to seek to rectify the problem of debanking — a problem largely driven by US banks. Donors could encourage more evidence-based risk assessments of corresponding banking relationships with Pacific banks that can then be advocated for among global banks. Simultaneously, partners can support compliance of Pacific banks with global standards.[90] Other measures outlined in the G20 Roadmap could be driven forward collaboratively to ensure a full response by Australia, New Zealand, and the United States.[91]

CONCLUSION

Australia–Pacific remittance costs will remain high unless there is a shift in policy and more radical thinking to encourage that shift. There is no silver bullet and progress will rely on a combination of short- and longer-term initiatives. Mobile money services and digital financial technology can, in the long term, address financial exclusion and the high cost of sending money to the Pacific. But digital financial ecosystems, competition, and the regulatory environment must be targeted in innovative ways to deliver more money into a region that has great need for it.

NOTES

Cover image: Ula tava tava (throwing club) depicted on Fijian ten-cent coin, 1987 (DeAgostini/Getty Images)

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